

Nuran Wireless Inc.
Condensed Interim Consolidated
Financial Statements
January 31, 2017 and
January 31, 2016

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The condensed interim consolidated financial statements of Nuran Wireless inc. for the first quarter ended January 31, 2017 as well as the corresponding comparative data were not subject to a review by the Company's auditor.

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Comprehensive Income**

Periods ended January 31, 2017 and January 31, 2016

(In Canadian dollars)

(Unaudited)

	<i>3 months ended</i>	
	<u>2017-01-31</u>	<u>2016-01-31</u>
	\$	\$
Revenue	1 104 756	1 580 519
Cost of sales	<u>546 707</u>	<u>716 429</u>
Gross profit	<u>558 049</u>	<u>864 090</u>
Selling expenses	336 864	250 589
Administrative expenses	653 422	267 132
Financial expenses	127 118	245 500
Research and development costs, net of \$149,718 in tax credits for the three-month period ended January 31, 2017, (\$161,663 for the three-month period ended January 31, 2016)	<u>261 274</u>	<u>330 054</u>
	<u>1 378 679</u>	<u>1 093 275</u>
Loss before other gain (loss)	<u>(820 630)</u>	<u>(229 185)</u>
Other gain (loss)	0	30 386
Net loss and total comprehensive income	<u>(820 630)</u>	<u>(198 799)</u>
Loss per share (Note 13)		
Basic and diluted loss per share	<u>(0,01)</u>	<u>(0,00)</u>
Weighted average number of outstanding common shares	<u>104 326 016</u>	<u>40 471 869</u>

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Cash Flows**

Periods ended January 31, 2017 and January 31, 2016

(In Canadian dollars)

(Unaudited)

	<u>2017-01-31</u> <u>(3 months)</u>	<u>2016-01-31</u> <u>(3 months)</u>
	\$	\$
OPERATING ACTIVITIES		
Net loss	(820 630)	(198 799)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	28 718	34 082
Depreciation of intangible assets	21 816	12 515
Exchange difference on long-term debt		41 895
Issue of class "A" shares for a non-cash consideration		
Non-employee share-based transaction	27 483	124 950
Net change in working capital items		
Trade and other receivables	(211 462)	(811 655)
Subscription receivable		
Scientific research and experimental development tax credits receivable	(149 718)	(161 663)
Work in progress	211 742	
Inventories	(218 032)	149 118
Prepaid expenses	(71 740)	(28 265)
Security deposits and deposits on purchase of goods	75 018	(74 930)
Trade and other payables	988 878	(200 764)
Deferred revenue	(327 282)	(244 383)
Net cash from operating activities	<u>(445 208)</u>	<u>(1 357 898)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(38 194)	(30 292)
Purchase of intangible assets	(1 520 190)	(954)
Net cash acquired from reverse acquisition		
Net cash used in investing activities	<u>(1 558 384)</u>	<u>(31 246)</u>
FINANCING ACTIVITIES		
Net change in loan payable	415 947	1 310 960
Long-term debt	336 196	
Repayment of long-term debt	(205 552)	(17 897)
Issue of class "A" shares	1 456 080	
Share cost Issue	(54 966)	
Net cash used in financing activities	<u>1 947 705</u>	<u>1 293 063</u>
Net decrease in cash	(55 887)	(96 081)
Cash, beginning of period	<u>111 097</u>	<u>147 448</u>
Cash, end of period	<u>55 210</u>	<u>51 367</u>
Supplementary information		
Interest paid included in operating activities	11 893	18 142

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Financial Position**

As at January 31, 2017 and October 31, 2016

(In Canadian dollars)

(Unaudited)

	<u>2017-01-31</u>	<u>2016-10-31</u>
	\$	\$
ASSETS		
Current		
Cash	55 210	111 097
Trade and other receivables	779 728	568 266
Scientific research and experimental development tax credits receivable	652 580	502 862
Work in progress		211 742
Inventories (Note 5)	1 525 068	1 307 036
Prepaid expenses	103 616	31 876
Security deposits and deposits on purchase of goods	79 765	154 783
Current assets	<u>3 195 967</u>	<u>2 887 662</u>
Non-current		
Property, plant and equipment (Note 6)	483 107	473 632
Intangible assets (Note 7)	2 714 103	1 215 730
Non-current assets	<u>3 197 210</u>	<u>1 689 362</u>
Total assets	<u><u>6 393 177</u></u>	<u><u>4 577 024</u></u>
LIABILITIES		
Current		
Trade and other payables	2 823 836	1 834 958
Deferred revenue		327 282
Loans payable (Note 8)	821 267	405 320
Current portion of long-term debt	99 857	59 587
Current liabilities	<u>3 744 960</u>	<u>2 627 147</u>
Non-current		
Long-term debt (Note 9)	1 339 960	1 249 588
Total liabilities	<u><u>5 084 921</u></u>	<u><u>3 876 735</u></u>
DEFICIENCY		
Share capital (Note 10)	19 484 653	18 083 539
Contributed surplus (Notes 11 and 12)	595 950	568 467
Deficit	<u>(18 772 347)</u>	<u>(17 951 717)</u>
Total deficiency	<u><u>1 308 256</u></u>	<u><u>700 289</u></u>
Total deficiency and liabilities	<u><u>6 393 177</u></u>	<u><u>4 577 024</u></u>

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

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Notes to Condensed Interim Consolidated Financial Statements

As at January 31, 2017 and January 31, 2016

(In Canadian dollars)

(Unaudited)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company is incorporated under the Business Corporations Act (B.C.) and operates in the research, development, manufacturing and marketing of digital electronic circuits and wireless telecommunication products.

2 - GENERAL INFORMATION, STATEMENT OF COMPLIANCE WITH IFRSs AND GOING CONCERN ASSUMPTION

The Company's registered office is at 2150 Cyrille-Duquet Street, Québec, Quebec G1N 2G3.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Accordingly, they do not include all the disclosures required under IFRS for annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the 2014 audited annual financial statements of Nutaq Innovation Inc included in the Listing Form 2A dated September 16, 2015 as completed and published on the CSE. They are based on the assumption that the Company is a going concern, meaning it will be able to realize its assets and discharge its liabilities in the normal course of its operations.

In light of operating losses incurred during the three-month period ended January 31, 2017 and the past years there is significant doubt about the Company's ability to continue as a going concern. The Company's ability to realize its assets and discharge its liabilities depends on the continued financial support of its shareholders, the growth and profitability of the future sales of its products that are now marketed and the obtaining of additional financing. However, the Company has completed the development of its main products, which are distributed in many countries. In addition, the Company has concluded a private financing agreement on a voluntary basis and has a cash flow managing plan to deal with the situation. Adding to the above, the Company has presently a financing agreement in place for financing the invoices and purchase orders to a maximum of \$2,500,000 (Note 7). If necessary, the Company may review the prioritization and, if needed, defer some of its research and development projects.

The carrying amounts of assets, liabilities, revenues and expenses presented in the condensed interim consolidated financial statements and the condensed interim consolidated statements of financial position's classification have not been adjusted as would be required if the going concern assumption were not appropriate.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on March 31, 2017.

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Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

3 - THE ARRANGEMENT AND AMALGAMATION AGREEMENT

Nuran Wireless Inc. (the "Company") was incorporated under the *Business Corporations Act* (B.C.) on September 23, 2014 under the name "1014372 B.C. Ltd." The Company was formed in connection with the plan of arrangement (the "Arrangement") between 1014379 B.C. Ltd and Bravura Ventures Corp. ("Bravura") dated October 14, 2014. The purpose of the Arrangement was to restructure Bravura by creating two companies, which would become reporting issuers in the provinces of British Columbia and Alberta and pursue different lines of business than Bravura.

The final court order approving the Arrangement was received on December 10, 2014 and the Arrangement was closed effective March 11, 2015. Following completion of the Arrangement, the Company became a reporting issuer in Alberta and British Columbia and existing Bravura shareholders received 2,121,875 common shares of the Company pursuant to the terms of the Arrangement and a further 5,350,000 common shares were issued to subscribers of a private placement of the Company completed in connection with the Arrangement for gross proceeds of \$107,000.

The Company entered into an amalgamation agreement dated as of March 11, 2015 with Nutaq Innovation Inc. ("Nutaq"), and 9215174 Canada Inc. ("Newco"), a wholly owned subsidiary of the Company formed for the purpose of the amalgamation, (the "Amalgamation Agreement") pursuant to which the Company acquired all of the issued and outstanding shares of Nutaq in consideration of an aggregate 32,999,994 common shares of the Company based on a ratio of 2.749 common shares of the Company for each share of Nutaq issued and outstanding at the closing date. Following the closing of the transaction, the Company had 40,471,869 common shares issued and outstanding and former shareholders of Nutaq acquired 81.5% of the issued and outstanding common shares of the Company. Following closing of the Amalgamation Agreement the Company operates the prior business of Nutaq through its sole operating subsidiary, Nutaq.

Amalgamation transaction:

For accounting purposes, Nutaq is the acquirer and the transaction will be accounted for as a reverse takeover. Considering that the Company does not meet the definition of a business, the transaction will be considered a capital transaction in substance. Accordingly, the transaction is equivalent to the issuance of shares by Nutaq for the net assets of the Company.

The fair value of the consideration is as follows:

	\$
7,471,875 shares issued and outstanding	107,000
One share issued and outstanding	1
	<u>107,001</u>

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Notes to Condensed Interim Consolidated Financial Statements

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The allocation of consideration is as follows:

	\$
Cash	171
Trade and other payables	(34,132)
Listing fees expensed	140,962
	<u>107,001</u>

For the nine months period ended July 31, 2015, the Company incurred legal and accounting fees directly related to the transaction in the amount of \$1,099,714, which are included in the administrative expenses in the consolidated statements of comprehensive income

4 - SUMMARY OF ACCOUNTING POLICIES

Overall considerations

The accounting policies are in accordance with those used in the preparation of the 2016 annual financial statements.

Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the condensed interim financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended October 31, 2016.

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5 - INVENTORIES

	<u>2017-01-31</u>	<u>2016-01-31</u>
	\$	\$
Raw materials	770 327	624 940
Finished goods	754 741	654 897
	<u>1 525 068</u>	<u>1 279 837</u>

For the three-month period ended January 31, 2017, \$17,176 (\$9,070 for the three-month period ended January 31, 2016) of inventories was included in profit or loss as an expense resulting from the write-down of inventories.

6 - PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment and their carrying amounts are detailed as follows:

	<u>2017-01-31</u>			
	<u>Leasehold improvements</u>	<u>Equipment and furniture, tele-communication system, furniture and fixtures</u>	<u>Computer equipment</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Gross carrying amount				
Balance as at November 1, 2016	9 945	524 439	315 094	849 478
Additions		24 599	13 594	38 193
Balance as at January 31, 2017	9 945	549 038	328 688	887 671
Depreciation				
Balance as at November 1, 2016	6 835	192 472	176 539	375 846
Depreciation	2 932	17 031	8 755	28 718
Balance as at January 31, 2017	9 767	209 503	185 294	404 564
Carrying amount as at January 31, 2016	<u>178</u>	<u>339 535</u>	<u>143 394</u>	<u>483 107</u>

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7 – INTANGIBLE ASSETS

The Company's intangible assets and their carrying amounts are detailed as follows:

	2017-01-31		
	<u>Acquisition software</u>	<u>Trademarks</u>	<u>Total</u>
	\$	\$	\$
Gross carrying amount			
Balance as at November 1, 2016	1,395,654	53,375	1,449,029
Additions	1,520,189		1,520,189
Balance as at January 31, 2017	<u>2,915,843</u>	<u>53,375</u>	<u>2,969,218</u>
Depreciation			
Balance as at November 1, 2016	233,299		233,299
Depreciation	33,973		33,973
Balance as at January 31, 2017	<u>267,272</u>		<u>267,272</u>
Carrying amount as at January 31, 2016	<u>2,648,571</u>	<u>53,375</u>	<u>2,701,946</u>

8 - LOANS PAYABLE

	<u>2017-01-31</u>	2016-10-31
	\$	\$
Loan from companies under common control (a)	394,000	597,316
Unsecured debentures		735,000
Valuation of warrants issued with debentures		(124,950)
Cost of issuing debentures		(39,150)
	<u>394,000</u>	<u>544,157</u>

Given their short-term maturity, the carrying amount of loans receivable is considered a reasonable approximation of their fair value.

- a) The loan from companies under common control is secured by a chattel mortgage on the universality of the Company's assets.

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The loan from companies under common control relates to a factoring agreement for a maximum of \$2,500,000. As at January 31, 2017, the Company has \$394,000 (\$597,316 as at October 31, 2016) in accounts receivable and scientific research and experimental development tax credits receivable that have been transferred in factoring to Finexcorp Inc. and 9134-8169 Québec inc., companies under common control, for which an amount of \$427,268 (\$442,821 as at October 31, 2016) has been retained as a factoring reserve.

These factoring agreements stipulate that the Company shall pay on time the government remittances and shall repay the loans received related to invoices that are past due over 105 days and 120 days, respectively. As at January 31, 2016, these terms are not respected.

9 - LONG-TERM DEBT

Using discount rates of 7% and 10%, based on the Company's estimated incremental borrowing rates for secured and unsecured loans at the reporting date, respectively, and therefore reflecting the Company's credit position, the fair value of the long-term debt is estimated by discounting the estimated future cash outflows and totals \$1,099,254.

10 - SHARE CAPITAL

	<u>2017-01-31</u>	<u>2016-10-31</u>
	<u>\$</u>	<u>\$</u>
Class "A" shares (a)	<u>19,484,653</u>	<u>9,519,073</u>
	<u>9,519,073</u>	<u>9,519,073</u>

(a) The number of issued class "A" shares totals 106,591,870 at January 31, 2016 (40,471,869 as at October 31, 2016).

(b) On November 17, 2016, the Company closed an additional tranche of its previously announced brokered private placement of 7,058,000 at a price of \$0.15 for aggregate gross proceeds of \$1,058,700.15 (the "Offering") with lead agent First Republic Capital Corporation (the "Agent") in accordance with the terms of the agency agreement dated effective as of July 12, 2016 with the Agent. In connection with the closing of the Offering the Agent and certain sub-agents received aggregate cash commission of \$54,966.01 and an aggregate of 366,440 warrants, with each warrant entitling the holder to acquire an additional common share at an exercise price of

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(Unaudited)

- \$0.15 per common share for a period of twenty-four (24) months following the closing date.
- (c) The warrants were assigned a value of \$213,051 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.48% to 0.67%; expected volatility 75%; expected dividend yield of 0%; expected life of two years and an exercise price of \$0.39. Expected volatility was based on the historical volatility of other comparable listed companies. As of January 31, 2016, the broker warrants have a value of \$0.
- (d) On December 2, 2016, the Company has completed a debt settlement (the “Debt Settlement”) with a company jointly controlled by Martin Bedard and Patrice Rainville (each directors and officers of the Corporation) pursuant to which the Corporation settled \$262,500 of outstanding shareholder loans in consideration of the issuance of 1,750,000 common shares of the Corporation at a deemed price of \$0.15 per share. All securities issued pursuant to the Debt Settlement are subject to a statutory hold period expiring four months and one day after closing.

11 – WARRANTS

The following is a summary of the activity of warrants:

	Three months ended January 31, 2017	
	Number of warrants	Weighted average exercise price
Balance, beginning of period	6,033,412	0.40
Granted during the period	366,440	\$ 0.15
Balance, end of period	6,399,852	\$ 0.39

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(In Canadian dollars)

(Unaudited)

The following is a summary of warrants outstanding at January 31, 2015:

	Number outstanding	Value
Issued December 22, 2015 Exercise price of \$0.45 expiring December 22, 2017	2,497,999	\$ 49,755
Issued April 19, 2016 Exercise price of \$0.45 expiring April 19, 2018	2,449,999	\$ 51,890
Issued July 12, 2016 Exercise price of \$0.15 expiring July 12, 2018	864,667	\$ 64,592
Issued September 20, 2016 Exercise price of \$0.15 expiring September 20, 2018	220,747	\$ 19,331
Issued November 17, 2016 Exercise price of \$0.15 expiring November 17, 2018	366,440	\$ 27,483
	6,399,852	\$ 213,051

12-Options

The following is a summary of the activity of stock options:

	Nine months ended January 31, 2014	
	Number of options	Weighted average exercise price
Balance, beginning of period	4,510,000	\$ 0.20
Granted during the period	-	-
Balance, end of period	4,510,000	\$ 0.20

The following is a summary of stock options outstanding at January 31, 2017:

	Number outstanding	Value
Issued July 12, 2016 Exercise price of \$0.20 expiring July 12, 2021	4,510,000	\$ 382,899
	4,510,000	\$ 382,899

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(In Canadian dollars)

(Unaudited)

13 - LOSS PER SHARE

Basic and diluted losses per share have been calculated based on the net loss available for common shareholders by the weighted average number of common shares outstanding during the period. There were no adjustments to the numerator and denominator of basic earnings used in calculating diluted earnings.

13 - RELATED PARTY TRANSACTIONS

The Company's related parties include companies under common control as well as key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Other related party transactions

During the period, the Company entered into the following transactions with related parties:

	<u>2016-01-31</u> <u>(3 months)</u>	<u>2016-01-31</u> <u>(3 months)</u>
	\$	\$
Companies under common control		
Administrative expenses	71,662	52,743
Financial expenses	63,062	129,987

14 – POST-REPORTING DATE EVENTS

On February 7, 2017, the Company entered into an engagement agreement with First Republic Capital Corporation (“FRC” or the “Agent”) whereby FRC has been appointed as the lead agent in connection with a private placement offering of senior secured convertible debentures (each a “Debenture”) for gross proceeds of up to \$3,500,000 (the “Offering”). Each Debenture matures 18 months following closing, bears interest an annual rate of 12% and is convertible, at the option of the Debentureholder, in whole or in part, into common shares in the capital of NuRAN at any time before the maturity date at a price of \$0.25 per common share (the “Conversion Price”) subject to adjustment in the event that the Corporation issues common

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(Unaudited)

shares at a price below \$0.25 per share while the Debenture is outstanding. For each \$0.25 of Debenture purchased, subscribers will receive (i) one-half of one transferable share purchase warrant (an "A Warrant"), with each whole A Warrant entitling the holder thereof to acquire one common share at a price of \$0.30 per warrant share until the date that is 24 months from the closing date; and (ii) one-half of one transferable share purchase warrant (a "B Warrant"), with each whole B Warrant entitling the holder thereof to acquire one warrant share at a price of \$0.45 per share until the date that is 36 months from the closing date. In the event that the closing price of NuRAN's common shares on the Canadian Securities Exchange is \$0.60 or greater per common share during any twenty (20) consecutive trading day period at any time after 4 months from the Closing Date and within 24 months after the closing date, the B Warrant will expire, at the sole discretion of NuRAN, at 4:00 p.m. (Toronto time) on the 30th day after the date on which NuRAN provides notice of acceleration to the B Warrant holders. The Corporation shall be entitled to prepay the full amount of the Debentures without penalty at any time after 6 months from their issuance date.