

Nuran Wireless Inc.
Condensed Interim Consolidated
Financial Statements
January 31, 2018 and
January 31, 2017

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The condensed interim consolidated financial statements of Nuran Wireless inc. for the first quarter ended January 31, 2018 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, 2018 and January 31, 2017

(In Canadian dollars)

(Unaudited)

	<i>Three months ended</i>	
	<u>2018-01-31</u>	<u>2017-01-31</u>
	\$	\$
Revenue	1 275 174	1 104 756
Cost of sales	682 466	546 707
Gross profit	592 708	558 049
Selling expenses	336 747	336 864
Administrative expenses	229 327	653 422
Financial expenses	312 856	127 118
Research and development costs, net of \$56,102 in tax credits for the three-month period ended January 31, 2018, (\$149,718 for the three-month period ended January 31, 2017)	334 132	261 274
	1 213 062	1 378 679
Loss before other losses and income taxes	(620 355)	(820 630)
Other elements:	0	0
Change in fair value of derivative liability (Note 8)	77 104	
	77 104	
Loss before income taxes	(697 459)	(820 630)
Net loss and total comprehensive income	(697 459)	(820 630)
Loss per share (Note 13)		
Basic and diluted loss per share	(0,01)	(0,01)
Weighted average number of outstanding common shares	106 778 871	104 326 016

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

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Changes in Deficiency**

Periods ended January 31, 2018 and January 31, 2017

(In Canadian dollars)

(Unaudited)

	Share capital		Contributed Surplus	Deficit	2018-01-31
	Number	\$			Total deficiency
					\$
Balance as at November 1, 2017	106 778 871	19 439 376	708 989	(19 955 442)	192 923
Net loss and total comprehensive income				(697 459)	(697 459)
Employee shared-based compensation (Note 12)	43 265		3 300		3 300
Balance as at January 31, 2018	106 822 136	19 439 376	712 289	(20 652 901)	(501 236)
					2017-01-31
	Share capital		Contributed Surplus	Deficit	Total Equity
	Number	\$	\$	\$	\$
Balance as at November 1, 2016	97 134 420	18 083 539	568 467	(17 951 717)	700 289
Issue of share capital (Note 10)	9 457 450	1 456 080			1 456 080
Share issue cost		(54 966)			(54 966)
Net loss and total comprehensive income for the period				(820 630)	(820 630)
Warrants issued (Notes 11)			27 483		27 483
Employee shared-based compensation (Note 12)					
Balance as at January 31, 2017	106 591 870	19 484 653	595 950	(18 772 347)	1 308 256

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, 2018 and January 31, 2017

(In Canadian dollars)

(Unaudited)

	2018-01-31	2017-01-31
	(3 months)	(3 months)
	\$	\$
OPERATING ACTIVITIES		
Net loss	(697 459)	(820 630)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	32 275	28 718
Depreciation of intangible assets	5 587	21 816
Non-employee share-based transaction		27 483
Employee share-based compensation	3 300	
Accretion of convertible debentures	180 342	
Change in fair value of derivative liability	77 104	
Net change in working capital items		
Trade and other receivables	(272 997)	(211 462)
Scientific research and experimental development tax credits receivable	(56 101)	(149 718)
Work in progress		211 742
Inventories	83 934	(218 032)
Prepaid expenses	14 074	(71 740)
Security deposits and deposits on purchase of goods	15 705	75 018
Trade and other payables	(242 241)	988 878
Deferred revenue	(53 572)	(327 282)
Net cash from operating activities	(910 049)	(445 209)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8 346)	(38 194)
Purchase of intangible assets	(101 063)	(1 520 190)
Net cash acquired from reverse acquisition		
Net cash used in investing activities	(109 409)	(1 558 384)
FINANCING ACTIVITIES		
Net change in loan payable	618 875	415 947
Long-term debt	282 960	336 196
Repayment of long-term debt	(17 615)	(205 552)
Issue of class "A" shares		1 456 080
Share cost Issue		(54 966)
Net cash used in financing activities	884 220	1 947 705
Net decrease in cash	(135 237)	(55 888)
Cash, beginning of period	154 752	111 097
Cash, end of period	19 515	55 210
Supplementary information		
Interest paid included in operating activities	419 389	11 893

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, 2018 and October 31, 2017

(In Canadian dollars)

(Unaudited)

	<u>2018-01-31</u>	<u>2017-10-31</u>
	\$	\$
ASSETS		
Current		
Cash	19 515	154 752
Trade and other receivables	1 359 089	1 086 092
Scientific research and experimental development tax credits receivable	497 569	441 468
Inventories (Note 4)	1 721 298	1 805 232
Prepaid expenses	9 718	23 792
Security deposits and deposits on purchase of goods	15 374	31 079
Current assets	<u>3 622 563</u>	<u>3 542 415</u>
Non-current		
Property, plant and equipment (Note 5)	579 295	603 226
Intangible assets (Note 6)	3 470 697	3 375 221
Non-current assets	<u>4 049 991</u>	<u>3 978 447</u>
Total assets	<u>7 672 554</u>	<u>7 520 862</u>
LIABILITIES		
Current		
Trade and other payables	2 461 900	2 704 137
Deferred revenue	119 932	173 504
Loans payable (Note 7)	933 299	314 430
Convertible debentures and derivative liability (Note 8)	3 973 288	3 715 842
Current portion of long-term debt	125 628	126 387
Current liabilities	<u>7 614 048</u>	<u>7 034 300</u>
Non-current		
Long-term debt (Note 9)	559 743	293 639
Total liabilities	<u>8 173 791</u>	<u>7 327 939</u>
EQUITY (DEFICIENCY)		
Share capital (Note 10)	19 439 376	19 439 376
Contributed surplus (Notes 11 and 12)	712 289	708 989
Deficit	<u>(20 652 901)</u>	<u>(19 955 442)</u>
Total equity (deficiency)	<u>(501 236)</u>	<u>192 923</u>
Total deficiency and liabilities	<u>7 672 554</u>	<u>7 520 862</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, 2018 and January 31, 2017

(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 2017 audited annual financial statements. 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, 2018 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. Adding to the above, the Company currently has 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 30, 2018.

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Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

3 - SUMMARY OF ACCOUNTING POLICIES

Overall considerations

The accounting policies are in accordance with those used in the preparation of the 2017 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, 2017.

4 - INVENTORIES

	<u>2018-01-31</u>	<u>2017-10-31</u>
	\$	\$
Raw materials	575 322	991 678
Finished goods	3 470 697	813 554
	<u>4 046 019</u>	<u>1 805 232</u>

For the three-month period ended January 31, 2018, \$31,140 (\$17,176 for the three-month period ended January 31, 2017) of inventories was included in profit or loss as an expense resulting from the write-down of inventories.

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(In Canadian dollars)

(Unaudited)

5 - PROPERTY, PLANT AND EQUIPMENT

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

	2018-01-31			
	<u>Leasehold improvements</u>	<u>Equipment and furniture, tele- communication system, furniture and fixtures</u>	<u>Computer equipment</u>	<u>Total</u>
	\$	\$	\$	\$
Gross carrying amount				
Balance as at November 1, 2017	11 414	756 995	344 605	1 113 014
Additions		8 345		8 345
Balance as at January 31, 2018	<u>11 414</u>	<u>765 340</u>	<u>344 605</u>	<u>1 121 359</u>
Depreciation				
Balance as at November 1, 2017	9 990	282 121	217 677	509 788
Depreciation	184	23 953	8 139	32 275
Balance as at January 31, 2018	<u>10 174</u>	<u>306 074</u>	<u>225 816</u>	<u>542 064</u>
Carrying amount as at January 31, 2018	<u><u>1 240</u></u>	<u><u>459 266</u></u>	<u><u>118 789</u></u>	<u><u>579 295</u></u>

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(In Canadian dollars)

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6 – INTANGIBLE ASSETS

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

	2018-01-31		
	<u>Acquisition software</u>	<u>Trademarks</u>	<u>Total</u>
	\$	\$	\$
Gross carrying amount			
Balance as at November 1, 2017	3 572 136	61 796	3 633 932
Additions	<u>95 683</u>	<u>5 380</u>	<u>101 063</u>
Balance as at January 31, 2018	<u>3 667 819</u>	<u>67 176</u>	<u>3 734 995</u>
Depreciation			
Balance as at November 1, 2017	258 711		258 711
Depreciation	<u>5 587</u>		<u>5 587</u>
Balance as at January 31, 2018	<u>264 298</u>		<u>264 298</u>
Carrying amount as at January 31, 2018	<u><u>3 403 521</u></u>	<u><u>67 176</u></u>	<u><u>3 470 697</u></u>

7 - LOANS PAYABLE

	<u>2018-01-31</u>	<u>2017-10-31</u>
	\$	\$
Loan from companies under common control (a)	743,299	314,430
Loan from a share holder	190, 000	
	<u>933,299</u>	<u>314,430</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.

The loan from companies under common control relates to a factoring agreement for a maximum of \$2,500,000. As at January 31, 2018, the Company has \$482,942 (\$570,727 as at October 31, 2017) in accounts receivable and scientific research and

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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 (\$260,357) (\$256,297 as at October 31, 2017) 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, 2017, these terms are not respected.

8 - CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

As at January 31, 2018, the convertible debentures and derivative liability consists of:

	Convertible debentures	Derivative liability	Total
	\$	\$	\$
Balance as at October 31, 2017	3 622 946	92 896	3 715 842
Accretion	180 342		180 342
Change in fair value of the derivative liability		77 104	77 104
Closing balance, as at January 31, 2018	3 803 288	170 000	3 973 288

The fair value of the derivative liability as of January 31, 2018 was estimated at \$170 000, which was derived using a Black-Scholes option pricing model with the following assumptions: risk free interest rate 1,30%; expected volatility 75%; dilution factor of 23.70%; expected dividend yield of 0%; expected life of 0.58 year and an exercise price of \$0.19. Expected volatility was based on the historical volatility of other comparable listed companies.

9 - LONG-TERM DEBT

Using discount rates of 9% and 12%, 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 \$505,153 (\$239,891 as at October 31, 2017).

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(In Canadian dollars)

(Unaudited)

10 - SHARE CAPITAL

	<u>2018-01-31</u>	<u>2017-10-31</u>
	\$	\$
Class "A" shares (a)	<u>19,439,376</u>	<u>19,439,376</u>
	<u>19,439,376</u>	<u>19,439,376</u>

- a) The number of issued common shares totals 106,778,871 as at January 31, 2018 (106,778,871 as at October 31, 2017)

11 – WARRANTS

The following is a summary of the activity of warrants:

	<u>Three months ended January 31, 2018</u>	
	Number of warrants	Weighted average exercise price
Opening balance, as at November 1, 2017	24,078,652	\$ 0.37
Exercices during the period		
Closing balance, as at January 31, 2018	24,078,652	\$ 0.37

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(In Canadian dollars)

(Unaudited)

The following is a summary of warrants outstanding, all of which are exercisable, as at January 31, 2018

Exercise Price	Quantity	Weighted average contractual life (years)
\$0.15	1,389,854	0.58
\$0.25	740,800	0.58
\$0.30	8,500,000	1.08
\$0.45	<u>13,447,998</u>	1.33
	<u>24,078,652</u>	

12-OPTIONS

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

	<u>Three months ended January 31, 2018</u>	
	Number of options	Weighted average exercise price
Opening balance, as at November 1, 2017	5,310,000	\$ 0.22
Granted during the period		
Forfeited		
<u>Closing balance, as at January 31, 2018</u>	<u>5,310,000</u>	<u>\$ 0.22</u>

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Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

The following is a summary of stock options outstanding and exercisable as at:

	Options outstanding		Options exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
January 31, 2018				
Exercise price				
\$0.20	4,510,000	3.42	4,510,000	3.42
\$0.30	800,000	2.25	600,000	1.75
	<u>5,310,000</u>		<u>5,110,000</u>	

In total, a \$3,300 (\$0 as at January 31, 2017) amount of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to contributed surplus.

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.

Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11 and 12.

14 - RELATED PARTY TRANSACTIONS

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

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Notes to Condensed Interim Consolidated Financial Statements

As at January 31, 2018 and January 31, 2017

(In Canadian dollars)

(Unaudited)

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:

	2018-01-31	2017-01-31
	(3 months)	(3 months)
	<u>\$</u>	<u>\$</u>
Companies under common control		
Administrative expenses	25,247	71,662
Financial expenses	35,336	63,062

15 – POST-REPORTING DATE EVENTS

In the first quarter of 2018, NuRAN Wireless was selected for many rural connectivity projects in Africa, Asia and South America. Recently, at the second TIP Summit in Santa Clara, NuRAN, in collaboration with Facebook and TIP member, introduced the OC-2G and OC-LTE; a new Telecom Infra Project Product.

On January 2018, NuRAN launched its complete turnkey cellular Site solutions and also the selection by GSMA, alongside with Google, Nokia and Ericsson, to present at Mobile World Congress.