

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

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

(In Canadian dollars)

(Unaudited)

	<i>3 months ended</i>		<i>9 months ended</i>	
	2018-07-31	2017-07-31	2018-07-31	2017-07-31
	\$	\$	\$	\$
Revenue	1 340 318	1 909 019	3 640 794	4 239 068
Cost of sales	691 920	683 798	2 046 640	1 947 366
Gross profit	648 399	1 225 221	1 594 154	2 291 702
Selling expenses:	325 264	409 858	928 493	1 114 870
Administrative expenses:	649 662	449 923	1 188 688	1 781 568
Financial expenses:	413 782	176 419	1 133 599	454 566
Research and development costs, net of \$103,717 in tax credits for the three-month period ended July 31, 2018 \$288,477 for the nine-month period ended July 31, 2018 (\$190,013 for the three-month period ended July 31, 2017 \$508,402 for the nine-month period ended July 31, 2017	209 223	181 990	762 665	690 559
	1 597 930	1 218 190	4 013 444	4 041 563
Loss before other gain	(949 531)	7 031	(2 419 291)	(1 749 861)
Other elements:				
Change in fair value of derivative liability (Note 8)	(18 417)		57 479	
Extraordinary gain (Note 14)			271 610	
	(18 417)		329 089	
Loss before income taxes	(967 948)	7 031	(2 090 201)	(1 749 861)
Net loss and total comprehensive income	(967 948)	7 031	(2 090 201)	(1 749 861)
Loss per share (Note 13)				
Basic and diluted loss per share	(0,01)	0,00	(0,02)	(0,02)
Weighted average number of outstanding common shares	124 920 269	109 778 871	112 969 379	105 934 367

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 July 31, 2018 and July 31, 2017

(In Canadian dollars)

(Unaudited)

	Share capital		Warrants and contributed surplus	Deficit	2018-07-31	
	Number	\$			Total deficiency	
					\$	
Balance as at November 1, 2017	106 778 871	19 439 376	708 989	(19 955 442)	192 923	
Issue of share capital (Note 10)	31 915 168	3 829 820			3 829 820	
Share issue cost		(580 937)			(580 937)	
Net loss and total comprehensive income for the period				(2 090 201)	(2 090 201)	
Warrants issued (Notes 10 and 11)		(384 456)	384 456			
Warrants expired (Notes 10 and 11)		166 286	(166 286)			
Employee shared-based compensation (Note 12)			7 701		7 701	
Balance as at July 31, 2018	138 694 039	22 470 089	934 860	(22 045 643)	1 359 306	
					2017-07-31	
	Share capital		Warrants and contributed surplus	Deficit	Total deficiency	
	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)	9 644 451	691 627			691 627	
Share Issue cost		(54 966)			(54 966)	
Net loss and total comprehensive income for the period				(1 749 861)	(1 749 861)	
Warrants issued (Notes 10 and 11)			832 486		832 486	
Employee shared-based compensation (Note 12)						
Stock Options issued (Note 12)			33 000		33 000	
Balance as at July 31, 2017	106 778 871	18 720 200	1 433 953	(19 701 578)	452 575	

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 July 31, 2018 and July 31, 2017

(In Canadian dollars)

(Unaudited)

	2018-07-31	2017-07-31
	(9 months)	(9 months)
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2 090 201)	(1 749 861)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	97 498	89 470
Depreciation of intangible assets	17 098	77 219
Non-employee share-based transaction		865 486
Employee share-based transaction	7 701	
Accretion of convertible debentures	573 297	
Change in fair value of derivative liability	(57 479)	
Net change in working capital items		
Trade and other receivables	(152 624)	(1 099 738)
Scientific research and experimental development tax credits receivable	(560 087)	(508 402)
Work in progress	(264 776)	211 742
Inventories	(20 511)	(919 221)
Prepaid expenses	(60 324)	(41 424)
Security deposits and deposits on purchase of goods	(23 405)	125 711
Trade and other payables	(526 575)	587 916
Deferred revenue	27 398	(327 282)
Net cash from operating activities	(3 032 989)	(2 688 384)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(24 131)	(204 454)
Purchase of intangible assets	(129 225)	(1 833 264)
Net cash acquired from reverse acquisition		
Net cash used in investing activities	(153 355)	(2 037 718)
FINANCING ACTIVITIES		
Net change in loan payable	(37 386)	486 487
Long-term debt	1 030 000	4 443 340
Repayment of long-term debt	(598 593)	(897 187)
Issue of class "A" shares	3 829 820	691 627
Share issue cost	(580 937)	(54 966)
Net cash used in financing activities	3 642 904	4 669 301
Net decrease in cash	456 560	(56 801)
Cash, beginning of period	154 752	111 097
Cash, end of period	611 312	54 296
Supplementary information		
Interest paid included in operating activities	483 619	486 270

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 July 31, 2018 and October 31, 2017

(In Canadian dollars)

(Unaudited)

	<u>2018-07-31</u>	<u>2017-10-31</u>
	\$	\$
ASSETS		
Current		
Cash	611 311	154 752
Trade and other receivable:	1 238 716	1 086 092
Scientific research and experimental developer tax credits receivable	1 001 555	441 468
Work in progress	264 776	
Inventories (Note 4)	1 825 743	1 805 232
Prepaid expenses:	84 116	23 792
Security deposits and deposits on purchase of good	54 484	31 079
Current assets	<u>5 080 702</u>	<u>3 542 415</u>
Non-current		
Property, plant and equipment (Note 5)	529 857	603 226
Intangible assets (Note 6)	3 487 347	3 375 221
Non-current assets	<u>4 017 203</u>	<u>3 978 447</u>
Total assets	<u><u>9 097 905</u></u>	<u><u>7 520 862</u></u>
LIABILITIES		
Current		
Trade and other payable:	2 177 564	2 704 137
Deferred revenue	200 902	173 504
Loans payable (Note 7)	277 044	314 430
Convertible debentures and derivative liability (Note 8)	4 231 660	3 715 842
Current portion of long-term debt	117 576	126 387
Current liabilities	<u>7 004 747</u>	<u>7 034 300</u>
Non-current		
Long-term debt (Note 9)	733 852	293 639
Total liabilities	<u><u>7 738 598</u></u>	<u><u>7 327 939</u></u>
DEFICIENCY		
Share capital (Note 10)	22 470 089	19 439 376
Contributed Surplus	934 860	708 989
Deficit	<u>(22 045 643)</u>	<u>(19 955 442)</u>
Total deficiency	<u>1 359 306</u>	<u>192 923</u>
Total deficiency and liabilities	<u><u>9 097 905</u></u>	<u><u>7 520 862</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 July 31, 2018 and July 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 nine-month period ended July 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 September 28, 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>2018-07-31</u>	<u>2017-10-31</u>
	\$	\$
Raw materials	946 488	991 678
Finished goods	879 255	813 554
	<u>1 825 743</u>	<u>1 805 232</u>

For the nine-month period ended July 31, 2018, \$87,787 and \$26,743 for the three-month period ended July 31, 2018 (\$85,428 for the nine-month period ended July 31, 2017, \$46,349 for the three-month period ended July 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:

	2018-07-31			
	<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		21 016	3 113	24 129
Balance as at July 31, 2018	<u>11 414</u>	<u>778 011</u>	<u>347 718</u>	<u>1 137 143</u>
Depreciation				
Balance as at November 1, 2017	9 990	282 121	217 677	509 788
Depreciation	551	72 423	24 524	97 498
Balance as at July 31, 2018	<u>10 541</u>	<u>354 544</u>	<u>242 201</u>	<u>607 286</u>
Carrying amount as at July 31, 2018	<u>873</u>	<u>423 468</u>	<u>105 517</u>	<u>529 857</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:

	2018-07-31		
	<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>121 342</u>	<u>7 882</u>	<u>129 224</u>
Balance as at July 31, 2018	<u>3 693 478</u>	<u>69 678</u>	<u>3 763 156</u>
Depreciation			
Balance as at November 1, 2017	258 711		258 711
Depreciation	<u>17 098</u>		<u>17 098</u>
Balance as at July 31, 2018	<u>275 809</u>		<u>275 809</u>
Carrying amount as at July 31, 2018	<u><u>3 417 669</u></u>	<u><u>69 678</u></u>	<u><u>3 487 347</u></u>

7 - LOANS PAYABLE

	<u>2018-07-31</u>	<u>2017-10-31</u>
	\$	\$
Loan from companies under common control (a)	87,044	314,430
Loan from a share holder	<u>190, 000</u>	
	<u>277,044</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.

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Notes to Condensed Interim Consolidated Financial Statements

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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 July 31, 2018, the Company has \$110,060 (\$570,727 as at October 31, 2017) 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 \$23,016 (\$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 July 31, 2018, these terms are respected.

8 - CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

As at July 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	573 297		573 297
Change in fair value of the derivative liability		(57 479)	(57 479)
Closing balance, as at July 31, 2018	4 196 243	35 417	4 231 660

The fair value of the derivative liability as of July 31, 2018 was estimated at \$35,417, 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 0.08 year and an exercise price of \$0.12. 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 \$709 433 (\$239,891 as at October 31, 2017).

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Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

10 - SHARE CAPITAL

	<u>2018-07-31</u>	<u>2017-10-31</u>
	<u>\$</u>	<u>\$</u>
Class "A" shares (a)	<u>22,470,089</u>	<u>19,439,376</u>
	<u>22,470,089</u>	<u>19,439,376</u>

- a) The number of issued common shares totals 138,694,039 as at July 31, 2018 (106,778,871 as at October 31, 2017)

4,947,998 warrants at an exercise price of \$0.45 per common share were expired during the nine-month period ended July 31, 2018.

802,666 warrants at an exercise price of \$0.15 per common share were expired during the nine-month period ended July 31, 2018.

On June 4, 2018, the Company closed its previously announced non-brokered private placement of units of the Company ("Units") at a price of \$0.12 per Unit, each Unit consisting of one common share (a "Share") and one share purchase warrant (a "Warrant") for aggregate gross proceeds of \$2,519,600 (the "Offering"). In connection with the Offering the Company also settled \$809,700 of debt owed to various insiders, employees and consultants of the Company in consideration of an aggregate of 6,747,500 Units (the "Debt Settlement").

The Company issued an aggregate of 27,744,168 pursuant to the Offering and Debt Settlement. Each Warrant issued entitles the holder to acquire one additional Share at a price of \$0.20 per Share for a period of 24 months from closing. In connection with the Offering the Company paid finder's fees consisting of cash fees totalling \$144,382 and issued an aggregate of 1,203,182 finder's warrants exercisable at a price of \$0.12 per Share for a period of 24 months from closing. All securities issued are subject to a hold period expiring four months and one day from closing in accordance with applicable securities laws.

On July 10, 2018, the Company closed its second and last tranche previously announced non-brokered private placement of units of the Company ("Units") at a price of \$0.12 per Unit, each Unit consisting of one common share (a "Share") and one share purchase warrant (a "Warrant") for aggregate gross proceeds of \$520,520 (the "Offering").

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(Unaudited)

The Company issued an aggregate of 4,171,000 shares pursuant to the Offering. Also each Warrant issued entitles the holder to acquire one additional Share at a price of \$0.20 per Share for a period of 24 months from closing. In connection with the Offering the Company paid finder's fees consisting of cash fees totalling \$13,448.40 and issued an aggregate of 112,070 finder's warrants exercisable at a price of \$0.12 per Share for a period of 24 months from closing. All securities issued are subject to a hold period expiring four months and one day from closing in accordance with applicable securities laws.

11 – WARRANTS

The following is a summary of the activity of warrants:

	Nine months ended July 31, 2018	
	Number of warrants	Weighted average exercise price
Opening balance, as at November 1, 2017	24,078,652	\$ 0.37
Expired during the period	(4,947,998)	\$ 0.45
Expired during the period	(802,667)	\$ 0.15
Granted during the period (a)	31,915,168	\$ 0.20
Granted during the period (a)	1,315,252	\$ 0.12
Closing balance, as at July 31, 2018	51,558,407	\$ 0.25

a) On June 4, 2018, the Company closed its previously announced non-brokered private placement of units of the Company ("Units") at a price of \$0.12 per Unit, each Unit consisting of one common share (a "Share") and one share purchase warrant (a "Warrant") for aggregate gross proceeds of \$2,519,600 (the "Offering"). In connection with the Offering the Company also settled \$809,700 of debt owed to various insiders, employees and consultants of the Company in consideration of an aggregate of 6,747,500 Units (the "Debt Settlement").

The Company issued an aggregate of 27,744,168 pursuant to the Offering and Debt Settlement. Each Warrant issued entitles the holder to acquire one additional Share at a price of \$0.20 per Share for a period of 24 months from closing. In connection with the Offering the Company paid finder's fees consisting

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Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

of cash fees totalling \$144,382 and issued an aggregate of 1,203,182 finder's warrants exercisable at a price of \$0.12 per Share for a period of 24 months from closing. All securities issued are subject to a hold period expiring four months and one day from closing in accordance with applicable securities laws.

On July 10, 2018, the Company closed its second and last tranche previously announced non-brokered private placement of units of the Company ("Units") at a price of \$0.12 per Unit, each Unit consisting of one common share (a "Share") and one share purchase warrant (a "Warrant") for aggregate gross proceeds of \$520,520 (the "Offering").

The Company issued an aggregate of 4,171,000 shares pursuant to the Offering. Also each Warrant issued entitles the holder to acquire one additional Share at a price of \$0.20 per Share for a period of 24 months from closing. In connection with the Offering the Company paid finder's fees consisting of cash fees totalling \$13,448.40 and issued an aggregate of 112,070 finder's warrants exercisable at a price of \$0.12 per Share for a period of 24 months from closing. All securities issued are subject to a hold period expiring four months and one day from closing in accordance with applicable securities laws.

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

Exercise Price	Quantity	Weighted average contractual life (years)
\$0.12	1,315,252	0.95
\$0.15	587,187	0.53
\$0.20	31,915,168	1.90
\$0.25	740,800	0.58
\$0.30	8,500,000	0.58
\$0.45	<u>8,500,000</u>	1.58
	<u>51,558,407</u>	

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(In Canadian dollars)

(Unaudited)

12-OPTIONS

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

	<u>Nine months ended July 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>

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

	<u>Options outstanding</u>		<u>Options exercisable</u>	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
July 31, 2018				
Exercise price				
\$0.20	4,510,000	2.91	4,510,000	2.91
\$0.30	800,000	1.75	800,000	1.25
	<u>5,310,000</u>		<u>5,310,000</u>	

For the nine-month period ended July 31, 2018, \$7,701 and \$1,101 for the three-month period ended July 31, 2018 (\$0 for the six-month and the three-month period ended July 31,

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(In Canadian dollars)

(Unaudited)

2017) 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 – EXTRAORDINARY GAIN

Extraordinary gain comes from the 2017 research and development credit adjustment following the qualification for Technological visa R&D

15 - 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:

	2018-07-31 (3 months)	2017-07-31 (3 months)	2018-07-31 (9 months)	2017-07-31 (9 months)
	\$	\$	\$	\$
Companies under common control				
Administrative expenses	30,247	57,932	90,741	217,418
Financial expenses	8,103	53,383	64,391	180,239

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15 – POST-REPORTING DATE EVENTS

On August 23, 2018, the Company announce it has amended the terms of its previously issued 12% Senior Secured Convertible Debentures (the “Debentures”) to extend the maturity date of the Debentures from August 23, 2018 to August 23, 2019 (the “Debenture Amendment”). In consideration of the extension of the maturity date the Company agreed to extend the expiry date of the Series A Warrants issued in the original debenture offering from February 23, 2019 to February 23, 2020 and the expiry date of the Series B Warrants from February 23, 2020 to February 23, 2021. Except as outlined above all other terms of the Debenture and Series A and Series B Warrants are unaltered and continue to be in force and effect.

In connection with the Debenture Amendment certain debentureholders holding an aggregate of \$300,000 of Debentures agreed to assign their Debentures to new debentureholders pursuant to an assignment agreement. As consideration for the assignment and extension of the Debentures, and subject to the approval of the Canadian Securities Exchange (“CSE”), the Company intends to issue to the new debentureholders an aggregate of 600,000 Series A special warrants and 600,000 Series B special warrants. Each of the Series A and Series B special warrants will be subject to the same terms and conditions of the amended Series A and Series B Warrants.