

Nuran Wireless Inc.
Condensed Interim Consolidated
Financial Statements
January 31, 2019 and
January 31, 2018

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The condensed interim consolidated financial statements of Nuran Wireless inc. for the first quarter ended January 31, 2019 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, 2019 and January 31, 2018

(In Canadian dollars)

(Unaudited)

	<i>Three months ended</i>	
	<u>2019-01-31</u>	<u>2018-01-31</u>
	\$	\$
Revenue	1 241 757	1 275 174
Cost of sales	<u>741 031</u>	<u>682 466</u>
Gross profit	<u>500 726</u>	<u>592 708</u>
Selling expenses	269 762	336 747
Administrative expenses	442 996	229 327
Financial expenses	212 146	312 856
Research and development costs, net of \$45,383 in tax credits for the three-month period ended January 31, 2019, (\$56,102 for the three-month period ended January 31, 2018)	257 380	334 132
	<u>1 182 284</u>	<u>1 213 062</u>
Loss before other losses and income taxes	<u>(681 559)</u>	<u>(620 355)</u>
Other elements:		
Change in fair value of derivative liability (Note 8)	110 874	77 104
Debenture modification cost (Note 8)	128 114	
	<u>238 988</u>	<u>77 104</u>
Loss before income taxes	<u>(920 547)</u>	<u>(697 459)</u>
Net loss and total comprehensive income	<u>(920 547)</u>	<u>(697 459)</u>
Loss per share (Note 13)		
Basic and diluted loss per share	<u>(0,01)</u>	<u>(0,01)</u>
Weighted average number of outstanding common shares	<u>111 638 802</u>	<u>106 778 871</u>

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, 2019 and January 31, 2018

(In Canadian dollars)

(Unaudited)

	Share capital		Contributed Surplus	Deficit	2019-01-31 Total deficiency
	Number	\$	\$	\$	\$
Balance as at November 1, 2018	138 694 039	22 287 237	1 267 837	(23 452 442)	102 632
Issue of shares (Note 10)	3 878 571	433 203			433 203
Share issue cost		(6 628)			(6 628)
Net loss and total comprehensive income				(920 547)	(920 547)
Warrants (Note 11)					
Employee shared-based compensation (Note 12)			28 318		28 318
Balance as at January 31, 2019	142 572 610	22 713 812	1 296 155	(24 372 989)	(363 022)
					2018-01-31
					Total Equity
	Number	\$	\$	\$	\$
Balance as at November 1, 2017	106 778 871	19 439 376	708 989	(19 955 442)	192 923
Issue of shares (Note 13)	31 915 168	3 959 522			3 959 522
Share issue cost		(1 111 661)			(1 111 661)
Net loss and total comprehensive income				(3 497 000)	(3 497 000)
Warrants (Note 14)			550 046		550 046
Employee shared-based compensation (Note 15)			8 802		8 802
Balance as at January 31, 2018	138 694 039	22 287 237	1 267 837	(23 452 442)	102 632

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, 2019 and January 31, 2018

(In Canadian dollars)

(Unaudited)

	2019-01-31	2018-01-31
	(3 months)	(3 months)
	\$	\$
OPERATING ACTIVITIES		
Net loss	(920 547)	(697 459)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	26 683	32 275
Depreciation of intangible assets	30 443	5 587
Debenture modification cost	128 114	
Employee share-based compensation	28 318	3 300
Accretion of convertible debentures	26 366	180 342
Change in fair value of derivative liability	110 874	77 104
Net change in working capital items		
Trade and other receivables	298 571	(272 997)
Scientific research and experimental development tax credits receivable	(45 382)	(56 101)
Work in progress	(308 841)	
Inventories	191 932	83 934
Prepaid expenses	(31 036)	14 074
Security deposits and deposits on purchase of goods	(22 554)	15 705
Trade and other payables	17 441	(242 241)
Deferred revenue	35 738	(53 572)
Net cash from operating activities	(433 881)	(910 049)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2 720)	(8 346)
Purchase of intangible assets	(53 713)	(101 063)
Net cash used in investing activities	(56 433)	(109 409)
FINANCING ACTIVITIES		
Net change in loan payable to companies under common control	69 274	618 875
Long-term debt	368 515	282 960
Repayment of long-term debt	(24 547)	(17 615)
Convertible debenture modification cost	(180 203)	
Convertible debenture conversion	(253 000)	
Issue of class "A" shares	433 203	
Share cost Issue	(6 628)	
Net cash used in financing activities	406 614	884 220
Net decrease in cash	(83 700)	(135 237)
Cash, beginning of period	222 421	154 752
Cash, end of period	138 721	19 515
Supplementary information		
Interest paid included in operating activities	101 469	419 389

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

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

Periods ended January 31, 2019 and January 31, 2018

(In Canadian dollars)

(Unaudited)

	<u>2019-01-31</u>	<u>2018-10-31</u>
	\$	\$
ASSETS		
Current		
Cash	138 721	222 421
Trade and other receivables	718 755	1 017 326
Scientific research and experimental development tax credits receivable	488 578	443 196
Work in progress	308 841	
Inventories (Note 4)	1 524 813	1 716 745
Prepaid expenses	150 179	119 143
Security deposits and deposits on purchase of goods	41 576	19 022
Current assets	<u>3 371 464</u>	<u>3 537 853</u>
Non-current		
Property, plant and equipment (Note 5)	481 356	505 320
Intangible assets (Note 6)	3 529 825	3 506 556
Non-current assets	<u>4 011 181</u>	<u>4 011 875</u>
Total assets	<u><u>7 382 645</u></u>	<u><u>7 549 728</u></u>
LIABILITIES		
Current		
Trade and other payables	2 286 045	2 268 604
Deferred revenue	435 070	399 332
Loans payable (Note 7)	319 817	250 542
Convertible debentures and derivative liability (Note 8)	4 040 463	4 208 312
Current portion of long-term debt	109 108	113 649
Current liabilities	<u>7 190 502</u>	<u>7 240 439</u>
Non-current		
Long-term debt (Note 9)	555 166	206 657
Total liabilities	<u>7 745 668</u>	<u>7 447 096</u>
EQUITY (DEFICIENCY)		
Share capital (Note 10)	22 713 812	22 287 237
Contributed surplus (Notes 11 and 12)	1 296 155	1 267 837
Deficit	<u>(24 372 989)</u>	<u>(23 452 442)</u>
Total equity (deficiency)	<u>(363 022)</u>	<u>102 632</u>
Total deficiency and liabilities	<u><u>7 382 646</u></u>	<u><u>7 549 728</u></u>

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

Nuran Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

As at January 31, 2019 and January 31, 2018

(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 2018 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, 2019 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 25, 2019.

Nuran Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

As at January 31, 2019 and January 31, 2018

(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 2018 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, 2018.

4 - INVENTORIES

	<u>2019-01-31</u>	<u>2018-10-31</u>
	\$	\$
Raw materials	900 427	967 866
Finished goods	624 386	753 432
	<u>1 524 813</u>	<u>1 721 298</u>

For the three-month period ended January 31, 2019, \$44,502 (\$31,141 for the three-month period ended January 31, 2018) of inventories was included in profit or loss as an expense resulting from the write-down of inventories.

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Notes to Condensed Interim Consolidated Financial
Statements

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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:

	2019-01-31			
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at November 1, 2018	11,414	788,453	347,718	1,147,585
Additions			2,720	2,720
Balance as at January 31, 2019	<u>11,414</u>	<u>788,453</u>	<u>350,438</u>	<u>1,150,305</u>
Depreciation				
Balance as at November 1, 2018	10,724	380,880	250,661	642,265
Depreciation	185	20,379	6,120	26,684
Balance as at January 31, 2019	<u>10,909</u>	<u>401,259</u>	<u>256,781</u>	<u>668,949</u>
Carrying amount as at January 31, 2019	<u><u>505</u></u>	<u><u>387,194</u></u>	<u><u>93,657</u></u>	<u><u>481,356</u></u>

Nuran Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

6 – INTANGIBLE ASSETS

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

	2019-01-31		
	<u>Acquisition software</u>	<u>Trademarks</u>	<u>Total</u>
	\$	\$	\$
Gross carrying amount			
Balance as at November 1, 2018	3,812,133	74,293	3,886,426
Additions	<u>53,444</u>	<u>269</u>	<u>53,713</u>
Balance as at January 31, 2019	<u>3,865,577</u>	<u>74,562</u>	<u>3,940,139</u>
Depreciation			
Balance as at November 1, 2018	379,871		379,871
Depreciation	<u>30,443</u>		<u>30,443</u>
Balance as at January 31, 2019	<u>410,314</u>		<u>410,314</u>
Carrying amount as at January 31, 2019	<u><u>3,455,263</u></u>	<u><u>74,562</u></u>	<u><u>3,529,825</u></u>

7 - LOANS PAYABLE

	<u>2019-01-31</u>	2018-10-31
	\$	\$
Loan from companies under common control (a)	129,817	743,299
Shareholders	<u>190,000</u>	<u>190,000</u>
	<u>319,817</u>	<u>933,299</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 January 31, 2019, the Company has \$163,312 (\$98,565 as at October 31, 2018) 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 \$40,067 (\$38,023 as at October 31, 2018) 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, 2018, these terms are not respected.

8 - CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

As at January 31, 2019, the convertible debentures and derivative liability consists of:

	Convertible debentures	Derivative liability	Total
	\$	\$	\$
Opening Balance as at November 1, 2018	4,161,742	46,570	4,208,312
Convertible debenture conversion	(253,000)		(253,000)
Accretion of convertible debenture	26,366		26,366
Change in fair value of the derivative liability		58,785	58,785
Closing balance, as at January 31, 2019	3,935,108	105,355	4,040,463

The initial fair value of the derivative liability was estimated at \$95,299, which was derived using a Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.93%; expected volatility 65%; dilution factor of 29.3%; expected dividend yield of 0%; expected life of 0.58 year and an exercise price of \$0.12. Expected volatility was based on the historical volatility of other comparable listed companies.

As at January 4, 2019, the Company announced a proposed amendment of its previously issued 12% Senior Secured Convertible Debentures (Note 12) to fix the conversion price of the debentures at \$0.10 per common share and remove any adjustment provisions relating to future financing completed at a price lower than the conversion price.

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(Unaudited)

In consideration of the proposed amendment, the Company agreed to issue, to those who accepted the amendment offer (other than insiders), a number of common shares of the Company equal to 5% of the amount owing to the respective debenture holder at a deemed price of \$0.07 per common share.

Following this transaction, the carrying amount of the conversion option, for holders who accepted the amendment, will be reclassified to equity. Any adjustments will be reported in the net earnings.

Debenture holders totalling a notional value of \$2,323,000 accepted this amendment. According to the proposed amendment, the Company issued an aggregate of 1,348,571 new common shares at a deemed price of \$0.07 to the debenture holders who accepted the amendment.

In connection with this amendment, \$480,000 of the secured convertible debenture was converted into 4,800,000 common shares of the Company.

The fair value of the derivative liability as of January 31, 2019 was estimated at \$105,355, which was derived using a Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.76%; expected volatility 65%; dilution factor of 31%; expected dividend yield of 0%; expected life of 0.58 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 \$537,032 (\$394,259 as at October 31, 2018).

10 - SHARE CAPITAL

	<u>2019-01-31</u>	<u>2018-10-31</u>
	\$	\$
Class "A" shares (a)	<u>22,713,812</u>	<u>22,287,237</u>
	<u>22,713,812</u>	<u>22,287,237</u>

Nuran Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

- a) The number of issued common shares totals 142,572,610 as at January 31, 2019 (138,694,039 as at October 31, 2018)

As at January 4, 2019, the Company announced a proposed amendment of its previously issued 12% Senior Secured Convertible Debentures (Note 12) to fix the conversion price of the debentures at \$0.10 per common share and remove any adjustment provisions relating to future financing completed at a price lower than the conversion price.

In consideration of the proposed amendment, the Company agreed to issue, to those who accepted the amendment offer (other than insiders), a number of common shares of the Company equal to 5% of the amount owing to the respective debenture holder at a deemed price of \$0.07 per common share.

Following this transaction, the carrying amount of the conversion option, for holders who accepted the amendment, will be reclassified to equity. Any adjustments will be reported in the net earnings.

Debenture holders totalling a notional value of \$2,323,000 accepted this amendment. According to the proposed amendment, the Company issued an aggregate of 1,348,571 new common shares at a deemed price of \$0.07 to the debenture holders who accepted the amendment.

In connection with this amendment, \$480,000 of the secured convertible debenture was converted into 4,800,000 common shares of the Company.

11 – WARRANTS

The following is a summary of the activity of warrants:

	<u>Three months ended January 31, 2019</u>	
	Number of warrants	Weighted average exercise price
Opening balance, as at November 1, 2018	52,537,660	\$ 0.26
Expired during the period	(366,440)	\$ 0.15
Closing balance, as at January 31, 2019	52,171,220	\$ 0.36

Nuran Wireless Inc.
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As at January 31, 2019 and January 31, 2018

(In Canadian dollars)

(Unaudited)

The following is a summary of warrants outstanding, all of which are exercisable, as at January 31, 2019

Exercise Price	Quantity	Weighted average contractual life (years)
\$0.12	1,315,252	1.35
\$0.20	31,915,168	1.36
\$0.25	740,800	0.08
\$0.30	9,100,000	1.07
\$0.45	<u>9,100,000</u>	2.07
	<u>52,171,220</u>	

12-OPTIONS

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

	Three months ended January 31, 2019	
	Number of options	Weighted average exercise price
Opening balance, as at November 1, 2018	5,310,000	\$ 0.21
Granted during the period	2,550,000	\$ 0.20
Forfeited	(80,000)	
Closing balance, as at January 31, 2019	<u>7,780,000</u>	<u>\$ 0.17</u>

Nuran Wireless Inc.

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:

January 31, 2019	Options outstanding		Options exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
Exercise price				
\$0.10	2,550,000	3.50		
\$0.20	4,430,000	2.45	4,430,000	2.45
\$0.30	800,000	1.33	700,000	1.06
	<u>7,780,000</u>		<u>5,130,000</u>	

As at January 25, 2019, Nuran Wireless inc. has granted stock options pursuant to its incentive stock option plan to certain directors, officers and employees of the Company to purchase up to an aggregate of 2,550,000 common shares in the capital stock of the Company, at an exercise price of \$0.10 per share. Of these, 1,900,000 options will vest 3 months after the date of the grant, 250,000 options will vest 6 months after the date of the grant and 400,000 options will vest 18 months after the date of the grant. 1,750,000 options expire 36 months from the date of grant and 800,000 options expire 48 months from the date of grant.

The stock option were assigned a value of \$25,350 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 1.86%; expected volatility 65%; expected dividend yield of 0%; expected life of three years to four years and an exercise price of \$0.10. Expected volatility was based on the historical volatility of other comparable listed companies.

In total, a \$2968 (\$3300 as at January 31, 2018) 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.

Nuran Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

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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.

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.

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:

	2019-01-31	2018-01-31
	(3 months)	(3 months)
	<u>\$</u>	<u>\$</u>
Shareholders		
Interest expenses	13,049	19,634
Companies under common control		
Revenues		
Rent	1,800	
Expenses		
Administrative expenses	30,247	25,247
Financial expenses	4,159	15,702

Nuran Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

15 – POST-REPORTING DATE EVENTS

On February 46th, the Company to announce a non-brokered private placement for gross proceeds of up to CAD \$1,500,000 (the “Offering”) through the sale of up to 15,000,000 units (each a “Unit”) of the Company at a price of CAD \$0.10 per Unit. Each Unit will consist of one common share (a “Share”) and one-half of one share purchase warrant (each whole warrant, a “Warrant”). Each Warrant will entitle the holder to acquire one share at a price of CAD \$0.15 per share for a period of 24 months.

The Company will pay finder's fees consisting of an 8% cash fee and warrants to purchase up to 8% of the number of Units placed exercisable at a price of \$0.10 per Share for a period of 24 months. All securities issued will be subject to a hold period expiring four months and one day following closing.

With the latest announced purchased orders and the upcoming pipeline of opportunities, the net proceeds of the Offering will be used to further advance the previously announced evolutive multi-standard 2G, 3G, 4G (LTE) and 5G radio access network solution, increase inventories and for general working capital purposes. Management and directors will participate in the private placement.