

**Nuran Wireless Inc.**  
**Condensed Interim Consolidated**  
**Financial Statements**  
**January 31, 2020 and**  
**January 31, 2019**

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The condensed interim consolidated financial statements of Nuran Wireless inc. for the first quarter ended January 31, 2020 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, 2020 and January 31, 2019

(In Canadian dollars)

(Unaudited)

	<i>Three months ended</i>	
	<u>2020-01-31</u>	<u>2019-01-31</u>
	\$	\$
<b>Revenue</b>	<b>2 045 212</b>	1 241 757
Cost of sales	<b>1 283 635</b>	741 031
<b>Gross profit</b>	<b>761 577</b>	500 726
Selling expenses	<b>292 910</b>	269 762
Administrative expenses	<b>300 552</b>	442 996
Financial expenses	<b>157 911</b>	212 146
Research and development costs, net of \$49,653 in tax credits for the three-month period ended January 31, 2020, (\$45,383 for the three-month period ended January 31, 2019)	<b>203 566</b>	257 380
	<b>954 939</b>	1 182 284
Loss before other elements	<b>(193 361)</b>	(681 559)
Other elements:		
Change in fair value of derivative liability (Note 9)		110 874
Debenture modification cost (Note 9)		128 114
		238 988
Loss before income taxes	<b>(193 361)</b>	(920 547)
<b>Net loss and total comprehensive income</b>	<b>(193 361)</b>	(920 547)
<b>Loss per share (Note 14)</b>		
Basic and diluted loss per share	<b>(0,00)</b>	0,01
Weighted average number of outstanding common shares	<b>172 977 913</b>	111 638 802

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, 2020 and January 31, 2019

(In Canadian dollars)

(Unaudited)

	Share capital		Contributed Surplus	Fair Value of the conversion option	Deficit	2020-01-31 Total deficiency
	Number	\$	\$		\$	\$
<b>Balance as at November 1, 2019</b>	<b>172 977 913</b>	<b>25 064 583</b>	<b>1 505 585</b>	<b>1 218</b>	<b>(27 001 435)</b>	<b>(430 049)</b>
Net loss and total comprehensive income					(193 361)	(193 361)
Employee shared-based compensation (Note 13)			7 000			7 000
Non-employee shared-based compensation (Note 13)			7 000			7 000
<b>Balance as at January 31, 2020</b>	<b>172 977 913</b>	<b>25 064 583</b>	<b>1 519 585</b>	<b>1 218</b>	<b>(27 194 796)</b>	<b>(609 410)</b>
						2019-01-31
	Share capital		Contributed Surplus	Fair Value of the conversion option	Contributed Surplus	Total Equity
	Number	\$	\$		\$	\$
<b>Balance as at November 1, 2018</b>	<b>138 694 039</b>	<b>22 287 237</b>	<b>1 267 837</b>		<b>(23 452 442)</b>	<b>102 632</b>
Issue of shares (Note 11)	3 878 571	433 203				433 203
Share issue cost		(6 628)				(6 628)
Net loss and total comprehensive income					(920 547)	(920 547)
Employee shared-based compensation (Note 13)			28 318			28 318
<b>Balance as at January 31, 2019</b>	<b>142 572 610</b>	<b>22 713 812</b>	<b>1 296 155</b>		<b>(24 372 989)</b>	<b>(363 022)</b>

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, 2020 and January 31, 2019

(In Canadian dollars)

(Unaudited)

	<b>2020-01-31</b>	2019-01-31
	<b>(3 months)</b>	(3 months)
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(193 362)</b>	(920 547)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	<b>22 140</b>	26 683
Amortization of intangible assets	<b>18 934</b>	30 443
Depreciation of Right-of-use assets	<b>35 778</b>	
Debenture modification cost		128 114
Employee share-based compensation	<b>7 000</b>	28 318
Non-Employee share-based compensation	<b>7 000</b>	
Accretion of convertible debentures	<b>25 800</b>	26 366
Change in fair value of derivative liability		110 874
Net change in working capital items		
Trade and other receivables	<b>(1 290 640)</b>	298 571
Scientific research and experimental development tax credits receivable	<b>396 843</b>	(45 382)
Work in progress		(308 841)
Inventories	<b>734 177</b>	191 932
Prepaid expenses	<b>27 566</b>	(31 036)
Security deposits and deposits on purchase of goods	<b>76 947</b>	(22 554)
Trade and other payables	<b>24 457</b>	17 441
Deferred revenue	<b>441 974</b>	35 738
Net cash from operating activities	<b>334 614</b>	(433 881)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(24 680)</b>	(2 720)
Purchase of intangible assets	<b>(282 030)</b>	(53 713)
Purchase of Right-of-use assets	<b>(429 341)</b>	
Net cash used in investing activities	<b>(736 051)</b>	(56 433)
<b>FINANCING ACTIVITIES</b>		
Net change in loan payable to companies under common control		69 274
Long-term debt	<b>348 183</b>	368 515
Repayment of long-term debt	<b>(333 212)</b>	(24 547)
Lease liabilities	<b>429 341</b>	
Repayment of lease liabilities	<b>(44 127)</b>	
Interest paid on lease liabilities	<b>10 615</b>	
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	<b>410 800</b>	406 614
<b>Net decrease in cash</b>	<b>9 363</b>	(83 700)
Cash, beginning of period	<b>510 832</b>	222 421
Cash, end of period	<b>520 195</b>	138 721
<b>Supplementary information</b>		
Interest paid included in operating activities	<b>35 135</b>	101 469

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, 2020 and January 31, 2019

(In Canadian dollars)

(Unaudited)

	<u>2020-01-31</u>	<u>2019-10-31</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash	520 195	510 832
Trade and other receivables	1 533 087	242 446
Scientific research and experimental development tax credits receivable	333 989	730 832
Inventories (Note 4)	1 640 674	2 374 851
Prepaid expenses	97 870	125 436
Security deposits and deposits on purchase of goods	406 741	483 688
Current assets	<u>4 532 556</u>	<u>4 468 085</u>
Non-current		
Property, plant and equipment (Note 5)	415 842	413 302
Intangible assets (Note 6)	4 210 597	3 946 881
Right-of-use assets (Note 7)	393 562	
Non-current assets	<u>5 020 001</u>	<u>4 360 183</u>
Total assets	<u><u>9 552 557</u></u>	<u><u>8 828 268</u></u>
<b>LIABILITIES</b>		
Current		
Trade and other payables	2 187 974	2 162 896
Deferred revenue	3 239 840	2 797 866
Loans payable (Note 8)	190 000	190 000
Convertible debentures and derivative liability (Note 9)	3 078 792	3 052 992
Current portion of long-term debt	108 439	421 652
Current portion of lease liabilities	179 757	
Current liabilities	<u>8 984 802</u>	<u>8 625 406</u>
Non-current		
Long-term debt (Note 10)	961 094	632 911
Lease liabilities (Note 7)	216 072	
Total liabilities	<u><u>10 161 968</u></u>	<u><u>9 258 317</u></u>
<b>EQUITY (DEFICIENCY)</b>		
Share capital (Note 11)	25 064 583	25 064 583
Contributed surplus (Notes 12 and 13)	1 519 585	1 505 585
Fair value of conversion option	1 218	1 218
Deficit	<u>(27 194 797)</u>	<u>(27 001 435)</u>
Total equity (deficiency)	<u><u>(609 411)</u></u>	<u><u>(430 049)</u></u>
Total deficiency and liabilities	<u><u>9 552 557</u></u>	<u><u>8 828 268</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, 2020 and January 31, 2019

(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 2019 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, 2020 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. 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 February 27, 2020.

# Nuran Wireless Inc.

## Notes to Condensed Interim Consolidated Financial Statements

As at January 31, 2020 and January 31, 2019

(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 2019 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, 2019.

### 4 - INVENTORIES

	<u>2020-01-31</u>	<u>2019-10-31</u>
	\$	\$
Raw materials	1 080 526	1 249 982
Finished goods	<u>560 148</u>	<u>1 124 869</u>
	<u>1 640 674</u>	<u>2 374 851</u>

For the three-month period ended January 31, 2020, \$11,207 (\$44,502 for the three-month period ended January 31, 2019) 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)

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**5 - PROPERTY, PLANT AND EQUIPMENT**

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

	<b>2020-01-31</b>			
	<b>Leasehold improvements</b>	<b>Equipment and furniture, tele- communication system, furniture and fixtures</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Gross carrying amount</b>				
Balance as at November 1, 2019	11,414	801,825	350,438	1,163,677
Additions		24,679		24,679
Balance as at January 31, 2020	<u>11,414</u>	<u>826,504</u>	<u>350,438</u>	<u>1,188,356</u>
<b>Depreciation</b>				
Balance as at November 1, 2019	11,093	463,732	275,550	750,375
Depreciation	92	17,410	4,637	22,139
Balance as at January 31, 2020	<u>11,185</u>	<u>481,142</u>	<u>280,187</u>	<u>772,514</u>
<b>Carrying amount as at January 31, 2020</b>	<u>229</u>	<u>345,362</u>	<u>70,251</u>	<u>415,842</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:

	<b>2020-01-31</b>		
	<u>Acquisition software</u>	<u>Trademarks</u>	<u>Total</u>
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance as at November 1, 2019	4,363,651	76,766	4,440,417
Additions	<u>282,650</u>		<u>282,650</u>
Balance as at January 31, 2020	<u>4,646,301</u>	<u>76,766</u>	<u>4,723,067</u>
<b>Amortization</b>			
Balance as at November 1, 2019	493,536		493,536
Amortization	<u>18,934</u>		<u>18,934</u>
Balance as at January 31, 2020	<u>512,470</u>		<u>512,470</u>
<b>Carrying amount as at January 31, 2020</b>	<u><u>4,133,831</u></u>	<u><u>76,766</u></u>	<u><u>4,210,597</u></u>

# Nuran Wireless Inc.

## Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

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### 7 – RIGHT-OF-USE ASSETS

The Company's right-of-use assets and lease liabilities and their carrying amounts are detailed as follows:

#### Right-of-use assets

	<u>2020-01-31</u>
	<u>Total</u>
	\$
<b>Gross carrying amount</b>	
Balance as at November 1, 2019	
Additions	<u>429,341</u>
Balance as at January 31, 2020	<u>429,341</u>
<b>Depreciation</b>	
Balance as at November 1, 2019	
Depreciation	<u>35,779</u>
Balance as at January 31, 2020	<u>35,779</u>
<b>Carrying amount as at January 31, 2020</b>	<u><u>393,562</u></u>

#### Lease liabilities

	<u>2020-01-31</u>
	<u>Total</u>
	\$
<b>Gross carrying amount</b>	
Balance as at November 1, 2019	
Additions	<u>439,956</u>
Lease payments	<u>44,127</u>
Balance as at January 31, 2020	<u>395,829</u>
Current portion	<u>179,757</u>
Non-current portion	<u>216,072</u>

## Nuran Wireless Inc.

### Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

#### 8 - LOANS PAYABLE

	<u>2020-01-31</u>	<u>2019-10-31</u>
	\$	\$
Shareholders	<u>190,000</u>	<u>190,000</u>

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

#### 9 - CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

As at January 31, 2020, the convertible debentures and derivative liability consists of:

	<u>Convertible debentures</u>	<u>Derivative liability</u>	<u>Total</u>
	\$	\$	\$
Opening Balance as at November 1, 2019	3,052,992		3,,052,992
Accretion of convertible debenture	25,800		25,800
Change in fair value of the derivative liability			
<b>Closing balance, as at January 31, 2020</b>	<b><u>3,078,792</u></b>		<b><u>3,078,792</u></b>

The fair value of the derivative liability as of January 31, 2020 was estimated at \$0, which was derived using a Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.75%; expected volatility 65%; dilution factor of 18%; expected dividend yield of 0%; expected life of 0.06 year and an exercise price of \$0.10. Expected volatility was based on the historical volatility of other comparable listed companies.

#### 10 - 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 \$1,611,239 (\$1,182,633 as at October 31, 2019).

# Nuran Wireless Inc.

## Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

### 11 - SHARE CAPITAL

	<u>2020-01-31</u>	<u>2019-10-31</u>
	\$	\$
Class "A" shares (a)	<b>25,064,583</b>	22,713,812

- a) The number of issued common shares totals 172,977,913 as at January 31, 2020 (172,977,913 as at October 31, 2019)

### 12 – WARRANTS

The following is a summary of the activity of warrants:

	<u>Three months ended January 31, 2020</u>	
	Number of warrants	Weighted average exercise price
Opening balance, as at November 1, 2019	70,648,152	\$ 0.21
Expired during the period		
Closing balance, as at January 31, 2020	70,648,152	\$ 0.21

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The following is a summary of warrants outstanding, all of which are exercisable, as at January 31, 2020

Exercise Price	Quantity	Weighted average contractual life (years)
\$0.06	300,000	1.55
\$0.07	10,636,732	2.55
\$0.10	3,246,000	1.54
\$0.12	1,415,252	0.36
\$0.15	5,535,000	1.12
\$0.20	31,915,168	0.36
\$0.30	8,500,000	0.06
\$0.45	<u>9,100,000</u>	1.00
	<u>70,648,152</u>	

**13 - OPTIONS**

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

	Three months ended January 31, 2020	
	Number of options	Weighted average exercise price
Opening balance, as at November 1, 2019	7,680,000	\$ 0.16
Granted during the period	2,500,000	\$ 0.06
Forfeited	(2,025,000)	\$ 0.20
Closing balance, as at January 31, 2020	<u>8,155,000</u>	<u>\$ 0.13</u>

## Nuran Wireless Inc.

### Notes to Condensed Interim Consolidated Financial Statements

As at January 31, 2020 and January 31, 2019

(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, 2020				
Exercise price				
\$0.06	2,500,000	3.88		
\$0.10	3,050,000	2.28	2,650,000	2.17
\$0.20	2,430,000	1.45	2,430,000	1.45
\$0.30	175,000	2.20	175,000	2.20
	<u>8,155,000</u>		<u>5,255,000</u>	

On December 19, 2019, Nuran Wireless inc. granted stock options pursuant to its incentive stock option plan to certain directors and officers of the Company to purchase up to an aggregate of 2,500,000 common shares in the capital stock of the Company, at an exercise price of \$0.06 per share. All options will vest 3 months after the date of the grant and expire 48 months from the date of grant.

The stock option were assigned a value of \$17,500 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate 1.71%; expected volatility 65%; expected dividend yield of 0%; expected life of four years and an exercise price of \$0.06. Expected volatility was based on the historical volatility of other comparable listed companies.

In total, a \$7000 (\$2868 as at January 31, 2019) 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

As at January 31, 2020 and January 31, 2019

(In Canadian dollars)

(Unaudited)

### 14 - 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 12 and 13.

### 15 - RELATED PARTY TRANSACTIONS

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

The Company's key management consists of direction and executives. On December 19, 2019, Nuran Wireless inc. granted stock options pursuant to its incentive stock option plan to certain directors and officers of the Company to purchase up to an aggregate of 2,500,000 common shares in the capital stock of the Company, at an exercise price of \$0.06 per share. All options will vest 3 months after the date of the grant and expire 48 months from the date of grant.

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:

	<b>2020-01-31</b> <b>(3 months)</b>	2019-01-31 (3 months)
	<u>\$</u>	<u>\$</u>
Shareholders		
Interest expenses	<b>3,352</b>	13,049

# **Nuran Wireless Inc.**

## **Notes to Condensed Interim Consolidated Financial Statements**

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(In Canadian dollars)

(Unaudited)

### **16 – POST-REPORTING DATE EVENTS**

On February 26, 2020, the Company entered into a forbearance agreement in connection with its previously issued 12% senior secured convertible debentures (the “Debentures”) pursuant to which the majority lenders agreed to waive any default in payment of principal and interest payments due and payable as of this date, and continue to forbear from declaring or acting upon, or exercising related rights or remedies under such creditor’s financing agreement until August 23, 2020. In consideration of the confirmation from the Majority of Holders on the execution of the forbearance agreement, the Company offered to grant holders a decrease of the Debenture conversion price from \$0.10 to \$0.05, as well as a share purchase warrant entitling the holder to purchase one common share of the Company at an exercise price of \$0.05 for a term of three years for each \$0.50 of principal amount owing to the holder under the Debenture for an aggregate total of 6,180,000 warrants. In addition to the above, the Company will pay cash compensation equal to 3% of debenture principal owed, to be paid along with principal and accrued interests.