

Nuran Wireless Inc.

Consolidated Financial Statements
As at December 31, 2021 and October 31, 2020

Together with Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Nuran Wireless Inc.,

Qualified Opinion

We have audited the consolidated financial statements of **NURAN WIRELESS INC.** (Company), which comprise the consolidated statement of financial position as at December 31, 2021 and October 31, 2020, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the fourteen-month period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and October 31, 2020, and its consolidated financial performance and its consolidated cash flows for the fourteen-month period then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

In regards to the inventories included in subsidiary Nuran Wireless Cameroon Ltd., we did not observe the counting of physical inventories as at December 31, 2021. Also, we did not obtain sufficient and appropriate audit evidence concerning the cutoff procedures between years and the classification between inventories and accrued revenues. We were unable to satisfy ourselves by alternative means concerning the inventory quantity and value held as at December 31, 2021, which are stated in the balance sheet in the amounts of \$2,172 558 and \$817,259 respectively. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of these items as at December 31, 2021, cost of sales, net loss and cash flows from operating activities for the year 2021.

In regards to the inventories included in subsidiary Nuran Wireless DRC S.A.R.L.U., we did not obtain sufficient and appropriate audit evidence concerning the cutoff procedures between years. We were unable to satisfy ourselves by alternative means concerning the inventory value held as at December 31, 2021, which are stated in the balance sheet in the amount of \$2,311,781. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of inventories as at December 31, 2021, cost of sales, net loss and cash flows from operating activities for the year 2021.

We conducted the audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

Management is responsible for the other information. The other information is comprised of the information provided in the Management's discussion and analysis report, excluding the consolidated financial statements and our auditor's report on these statements.

Our qualified opinion on the consolidated financial statements does not extend to the other information and we do not express any form of assurance on this information.

Regarding our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to assess whether there is a significant inconsistency between this information and the consolidated financial statements, or the understanding we have acquired during the audit, or whether the other information appears to include any material misstatement, in any other way.

If, in the light of the work we have done, we conclude that there is a material misstatement in the other information, we have the obligation to report it. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

INDEPENDENT AUDITOR'S REPORT (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the related safeguards.

The partner responsible for the audit engagement, at the end of which the current auditor's report is issued, is David Bélanger.

*Mallette L.L.P.*¹

Mallette L.L.P.
Partnership of chartered professional accountants

Québec, Canada
May 2, 2022

¹ CPA auditor, CA, public accountancy permit N° A130437

Nuran Wireless Inc.

CONSOLIDATED STATEMENT OF NET LOSS AND COMPREHENSIVE LOSS

For the year ended

	December 31, 2021 (14 months)	October 31, 2020 (12 months) Restated
REVENUE (Note 28)	\$ 2,137,616	\$ 3,930,078
COST OF SALES (Note 9)	<u>1,734,099</u>	<u>2,847,781</u>
GROSS PROFIT	<u>403,517</u>	<u>1,082,297</u>
OTHER OPERATING EXPENSES (Notes 10, 11 and 24)		
Selling expenses	1,413,458	869,894
Administrative expenses	5,881,731	1,301,134
Employee share-based compensation (Notes 19 and 20)	5,842,184	-
Financial expenses (Note 23)	498,629	458,545
Research and development costs, net of \$109,105 in tax credit (2020 - \$28,036)	<u>378,447</u>	<u>911,876</u>
	<u>14,014,449</u>	<u>3,541,449</u>
LOSS FROM OPERATIONS	<u>(13,610,932)</u>	<u>(2,459,152)</u>
OTHER ITEMS		
Canada Emergency Wage Subsidy	-	472,624
Gain on extinguishment of liabilities	-	1,543,436
Loss on debt settlements	(337,265)	-
Loss on impairment of inventories, property, plant and equipment	(137,926)	(367,256)
Loss on disposal of property, plant and equipment	(18,758)	(7,654)
Other revenues	-	119,958
	<u>(493,949)</u>	<u>1,761,108</u>
LOSS BEFORE INCOME TAXES	<u>(14,104,881)</u>	<u>(698,044)</u>
INCOME TAXES		
Deferred	<u>(1,409,817)</u>	<u>1,409,817</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>\$ (12,695,064)</u>	<u>\$ (2,107,861)</u>
Loss per share (Note 21)		
Basic and diluted	<u>\$ (0.57)</u>	<u>\$ (0.30)</u>
Weighted average number of outstanding common shares	<u>22,115,234</u>	<u>6,978,297</u>

The accompanying notes are an integral part of these consolidated financial statements.

Nuran Wireless Inc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	December 31, 2021					
	Number of shares	Share capital	Contributed surplus	Fair value of the conversion options	Deficit (restated)	Total equity (restated)
BALANCE , as at November 1, 2020	7,123,117	\$ 25,362,587	\$ 1,568,472	\$ -	\$ (28,895,688)	\$ (1,964,629)
Prior year restatement (Note 7)	-	-	-	-	(213,608)	(213,608)
Restated balance, as at November 1, 2020	-	-	-	-	(29,109,296)	(2,178,237)
Net loss and total comprehensive loss	-	-	-	-	(12,695,064)	(12,695,064)
Issue of share capital (Note 18)	8,251,309	9,533,793	1,962,252	-	-	11,496,045
Share issue cost for the period	-	(162,442)	-	-	-	(162,442)
Amendment to the conversion option of the convertible debentures (Note 17)	-	(232,485)	-	532,636	-	300,151
Debenture conversion in share capital (Notes 17 and 18)	11,589,830	5,358,331	-	(532,636)	-	4,825,695
Interest conversion in share capital (Notes 17 and 18)	3,189,521	1,204,595	-	-	-	1,204,595
Exercise of warrants (Notes 18 and 19)	2,206,780	3,975,333	(3,568,068)	-	-	407,265
Exercise of stock options (Notes 18 and 20)	59,800	100,165	(10,465)	-	-	89,700
Employee share-based compensation - warrants (Note 19)	-	-	4,975,746	-	-	4,975,746
Employee share-based compensation - stock options (Note 20)	-	-	866,438	-	-	866,438
Non-employee share-based compensation - stock options (Note 20)	-	-	940,093	-	-	940,093
BALANCE , as at December 31, 2021	32,420,357	\$ 45,139,877	\$ 6,734,468	\$ -	\$ (41,804,360)	\$ 10,069,985

	October 31, 2020					
	Number of shares	Share capital	Contributed surplus	Fair value of the conversion options	Deficit (restated)	Total equity (restated)
BALANCE , as at November 1, 2019	6,919,117	\$ 25,064,583	\$ 1,505,585	\$ 1,218	\$ (27,001,435)	\$ (430,049)
Restated net loss and comprehensive loss (Note 7)	-	-	-	-	(2,107,861)	(2,107,861)
Amendment to the conversion option of the convertible debentures (Note 17)	-	-	-	519,895	-	519,895
Forbearance to the convertible debentures default (Note 17)	-	-	(520,988)	-	-	(520,988)
Debenture conversion in share capital (Notes 17 and 18)	204,000	298,004	-	(43,004)	-	255,000
Warrants (Note 19)	-	-	80,766	-	-	80,766
Employee share-based compensation (Note 20)	-	-	15,000	-	-	15,000
Non-employee share-based compensation (Note 20)	-	-	10,000	-	-	10,000
Debenture maturity (Note 17)	-	-	478,109	(478,109)	-	-
BALANCE , as at October 31, 2020	7,123,117	\$ 25,362,587	\$ 1,568,472	\$ -	\$ (29,109,296)	\$ (2,178,237)

The accompanying notes are an integral part of these consolidated financial statements.

Nuran Wireless Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	December 31, 2021	October 31, 2020 Restated
ASSETS		
CURRENT ASSETS		
Cash	\$ 731,191	\$ 64,254
Trade and other receivables (Note 8)	948,226	306,177
Accrued revenues	817,259	-
Scientific research and experimental development tax credits receivable	274,110	-
Inventories (Note 9)	5,377,639	1,330,605
Prepaid expenses	19,438	2,586
Deposits on purchase of goods	83,681	181,568
	8,251,544	1,885,190
PROPERTY, PLANT AND EQUIPMENT (Note 10)	267,169	314,414
INTANGIBLE ASSETS (Note 11)	5,864,068	5,445,448
RIGHT-OF-USE ASSETS (Note 12)	675,885	-
	6,807,122	5,759,862
	\$ 15,058,666	\$ 7,645,052

The accompanying notes are an integral part of these consolidated financial statements.

Nuran Wireless Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at	December 31, 2021	October 31, 2020 Restated
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (Note 13)	\$ 2,561,762	\$ 2,112,507
Deferred revenue	1,731,780	2,178,544
Convertible debentures and derivative liabilities (Note 17)	-	2,835,000
Deferred tax liabilities (Note 22)	-	280,072
Current portion of long-term debt (Note 15)	-	183,444
Current portion of lease liabilities (Note 14)	136,027	-
	4,429,569	7,589,567
DEFERRED TAX LIABILITIES (Note 22)	-	1,129,745
LONG-TERM DEBT (Note 15)	-	1,103,977
LEASE LIABILITIES (Note 14)	559,112	-
	559,112	2,233,722
	4,988,681	9,823,289
SHAREHOLDER'S EQUITY (DEFICIENCY)		
Share capital (Note 18)	45,139,877	25,362,587
Contributed surplus (Notes 17, 19 and 20)	6,734,468	1,568,472
Deficit	(41,804,360)	(29,109,296)
	10,069,985	(2,178,237)
	\$ 15,058,666	\$ 7,645,052

On behalf of the Board,

_____, Director

_____, Director

The accompanying notes are an integral part of these consolidated financial statements.

Nuran Wireless Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended

	December 31, 2021 (14 months)	October 31, 2020 (12 months) Restated
OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (12,695,064)	\$ (2,107,861)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	63,651	90,097
Depreciation of intangible assets	130,848	52,868
Depreciation of right-of-use assets	103,982	143,114
Interest on lease liabilities	39,636	37,111
Gain on debt settlement	337,265	-
Gain on extinguishment of liabilities	-	(1,563,251)
Loss on impairment of assets	-	367,256
Loss on disposal of assets	18,758	7,654
Deferred income tax expense	(1,409,817)	1,409,817
Non-employee share-based compensation	940,093	10,000
Employee shared-based compensation	5,842,184	15,000
Interest expense converted into shares	93,508	-
Accretion of convertible debentures (Note 17)	300,151	116,681
	(6,234,805)	(1,716,392)
Net change in working capital items		
Trade and other receivables	(642,049)	(349,701)
Scientific research and experimental development tax credits receivable	(274,110)	730,832
Work in progress	(817,259)	-
Inventories	(4,047,034)	1,029,565
Prepaid expenses	(16,852)	75,826
Deposits on purchase of goods	97,887	265,252
Trade and other payables	1,810,392	546,857
Deferred revenue	(446,764)	(86,733)
	(10,570,594)	495,506
INVESTING ACTIVITIES		
Proceeds from the disposal of property, plant and equipment	45,389	-
Proceeds from the disposal of intangible assets	18,381	-
Purchase of property, plant and equipment	(80,553)	(32,277)
Purchase of intangible assets	(451,890)	(1,174,340)
Net cash from investing activities	(468,673)	(1,206,617)

The accompanying notes are an integral part of these consolidated financial statements.

Nuran Wireless Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended	December 31, 2021 (14 months)	October 31, 2020 (12 months)
FINANCING ACTIVITIES		
Long-term debt	-	1,108,333
Repayment of long-term debt	-	(665,510)
Repayment of lease liabilities	(124,364)	(178,290)
Exercise of warrants	407,265	-
Exercise of stock options	89,700	-
Issue of common shares	11,496,045	-
Share issue cost	(162,442)	-
	11,706,204	264,533
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 666,937	\$ (446,578)
CASH, beginning of year	64,254	510,832
CASH, end of year	\$ 731,191	\$ 64,254
Additional information		
Interest paid included in operating activities	\$ 62,407	\$ 201,928
NON-MONETARY TRANSACTIONS		
Accounting of a right-of-use asset in return of a lease liability	\$ 779,867	\$ -
Long-term debt conversion into convertible debenture	\$ 1,287,421	\$ -
Debenture conversion into share capital	\$ 4,825,695	\$ -
Debenture interest conversion into share capital	\$ 1,204,595	\$ -
Warrants exercised at \$0	\$ 3,531,755	\$ -
Amounts due on acquisition of intangible assets included in accounts payable	\$ 115,959	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

1. STATUTES OF INCORPORATION, NATURE OF ACTIVITIES AND CHANGE OF YEAR-END

Nuran Wireless Inc. is incorporated under the Business Corporations Act (British Columbia). Nuran Wireless Inc. and its subsidiaries (together, the "Company") operate in the research, development, manufacturing, marketing and operation of digital electronic circuits and wireless telecommunication products and offer services in the mobile telephony industry.

Along with its subsidiaries, Nuran Wireless Cameroon Ltd and Nuran Wireless DRC S.A.R.L.U., the Company provides products and services that help mobile network operators profitably serve off-grid markets that are currently not served. The strategy is to build and operate rural cellular infrastructure and monetize the assets through a Network as a service ("NaaS") business model that has been developed by the Company and is seeing growing interest in a number of markets globally.

During the fourteen-month period, Nuran Wireless Inc. initiated a process to unwind the bankruptcy of its wholly owned subsidiary, Innovation Nutaq Inc. ("Nutaq").

In addition, Nuran Wireless Inc. modified its bylaws to change its financial year-end from October 31 to December 31. The current year is a transition year for the Company covering the 14 months ended December 31, 2021.

2. GENERAL INFORMATION, STATEMENT OF COMPLIANCE WITH IFRS AND GOING CONCERN ASSUMPTION

The Company's registered office is at 1190B, de Courchevel, suite 400, Lévis, Québec G6W 0M6.

The Company's consolidated financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS"). 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.

The consolidated financial statements have primarily been prepared under the historical cost convention. Other measurements bases used are described in the applicable notes.

During the fourteen-month period ended December 31, 2021, the Company incurred a net loss of \$12,695,064 which includes \$4,975,746 of non-cash costs which was determined to be the value of the performance warrants issued to key management personnel as part of their employment agreements entered into during the fourteen-month period (Note 19) and has a deficit of \$41,804,360 as at December 31, 2021. This reflects the significant and upfront nature of capital expenditures required of the NaaS model. In parallel to deploying this model, the Company has taken significant steps forward in improving its balance sheet and restructuring and repositioning operations. However there is uncertainty that may cast doubts as to whether the Company will have the ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its capacity to continue to reposition its operations in line with the NaaS model and to obtain additional financing and execute the NaaS contracts signed in September 2020 and February 2021.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

2. GENERAL INFORMATION, STATEMENT OF COMPLIANCE WITH IFRS AND GOING CONCERN ASSUMPTION (continued)

As at the date of these financial statements, 100% of the principal amount of the convertible debentures and 100% of other secured debt outstanding at the end of December 2021 have been converted into common shares. During the year, the Company raised capital through a non-brokered private placement providing the Company with resources to achieve its objectives and will be used to further leverage other funding sources. In addition, the Company announced the successful conclusion of commercial bank financing as well as the signing of mandate letters for credit facilities.

There are however operational risks resulting in uncertainties that this plan will be implemented successfully. If the Company is unable to continue to successfully implement the above, there is a possibility that the Company may be unable to continue to realize its assets and discharge its liabilities in the normal course of operations.

The consolidated financial statements for the fourteen-month period ended December 31, 2021 (including comparatives) were approved and authorized for issue by the Board of Directors on May 2, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

Basis of consolidation

The Company's financial statements consolidate those of the parent company and its wholly owned subsidiaries, Nuran Wireless Cameroon Ltd, Nuran Wireless DRC S.A.R.L.U. and Innovation Nutaq Inc., as at December 2021.

All transactions and balances between group companies are eliminated on consolidation, including unrealized gains and losses on transactions between group companies.

Profit or loss and other comprehensive income of subsidiaries acquired during the fourteen-month period are recognized from the effective date of acquisition, as applicable.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the Company's functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at the exchange rates in effect at the end of the fourteen-month period are recognized in profit or loss.

Non-monetary items are not retranslated at the end of the fourteen-month period and are measured at historical cost (translated using the exchange rates at the transaction date).

Revenue

To determine whether to recognize revenue, the Company follows a five-step process:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations;
- Recognizing revenue when/as performance obligations are satisfied. Revenue arises from the sale of goods and the rendering of services and is measured at the consideration to which the Company expects to be entitled in exchange for transferring promised goods and services to customer, excluding sales taxes.

The Company recognizes revenue from multiple revenue sources: sale of goods and rendering of services (Network as a service).

Sale of goods

Performance obligations for the Company's revenue that is derived from the sale of goods is recognised at a point in time, when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the moment control is transferred: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, and will usually have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. There is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Network as a service

The Company's NaaS contracts normally contain two performance obligations: the construction and sale of the network site and the operation of the network site. Revenue for the construction and sale of the network site is recognised at a point in time, when the network has been constructed and accepted by the customer. Legal title is not passed to the customer until the defined transfer date. Revenue for the network operation is recognised typically on an over time basis, over the life of the contract. This is because the customer simultaneously receives and consumes the benefits of the network operation services throughout the term of the contract and the contract requires payment to be received for the time and effort spent by the Company on progressing the contract.

The Company's NaaS contracts contain a fixed guaranteed minimum amount plus a variable portion equal to a percentage of the gross margin (defined as gross revenue generated by the site minus allowable direct costs deducted by the Mobile Network Operator) earned by the network over the life of the contract. Variable consideration relating to the percentage of gross margin earned by the network site has been considered in estimating contract revenue because the Company does not currently have sufficient historical experience to reliably estimate the value of the payment that will be received and is dependent on mobile voice and data traffic, which is unknown.

On the sale of the network site, the Company accepts monthly payments up to the contractual transfer date, in advance of the transfer of the legal title (sale). The Company measures the amount of revenue to recognise on delivery of the goods by calculating a financing component at the interest rate that would have applied had the Company borrowed the funds from its customer. Consequently, an asset for work in progress is recognised.

The transaction price is then allocated between all performance obligations on a relative stand-alone selling price basis. The stand-alone selling price per performance obligation is estimated based on an expected cost plus margin of the sale of the network site, with the residual going to the network operation services.

The costs of fulfilling contracts do not result in the recognition of a separate asset because for service contracts, revenue is recognised over time by reference to the stage of completion, meaning that control of the asset (the design service) is transferred to the customer on a continuous basis as work is carried out. Consequently, no asset for work in progress is recognised.

Property, plant and equipment

Property, plant and equipment are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be operated in the manner intended by the Company's management. They are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Depreciation is recognized according to the following methods to write down the cost less estimated residual value, if any. The following period or rates are applied:

	Methods	Period or rates
Leasehold improvements	straight-line	5 years
Equipment and furniture, telecommunication system, furniture and fixtures	decreasing	20%
Computer equipment	decreasing	30%

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss when incurred.

Intangible assets

Recognition of intangible assets

The acquired computer software is capitalized on the basis of costs incurred to acquire and install the specific software. Trademarks acquired are recognized as intangible assets at their cost.

Expenditure on the research phase of projects is recognized as an expense as incurred. Costs that are attributable to a project's development phase are recognized as intangible assets, provided that they meet the following recognition requirements:

- The development costs can be measured reliably;
- The project is technically and commercially feasible;
- The Company intends and has sufficient resources to complete the project;
- The Company has the ability to use or sell the asset;
- The asset will generate probable future economic benefits.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on development along with an appropriate portion of relevant overheads.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalized costs (except for trademarks) are depreciated over their estimated useful lives. The following depreciation method and rate are applied:

	Method	Rate
Software	straight-line	20%

As no finite useful life for trademarks can be determined, related carrying amounts are not depreciated.

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

Gains or losses arising from the disposal of intangible assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss when incurred.

Impairment of property, plant and equipment and intangible assets

For impairment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. The case being, any impairment losses for cash-generating units are charged pro rata with the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Classification and initial measurement of financial assets

Except for those trade accounts receivable that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- Amortized cost;
- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI).

For the periods considered, all financial assets of the Company are classified into the amortized cost category.

The classification is determined by both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets are recognized in profit or loss.

Subsequent measurement of financial assets

After initial recognition, these are measured at amortized cost using the effective interest method, minus, if any, an allowance for impairment loss. Discounting is omitted where the effect of discounting is immaterial. Cash and trades and other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses. Instruments within the scope of the requirements included accounts receivable. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Impairment of financial assets

“Twelve-month expected credit losses” are recognized for the first category while “lifetime expected credit losses” are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Company assesses the impairment of trade accounts receivable on an individual basis since they originate from specific contracts.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables, long-term debt, convertible debentures and derivative liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit and loss are included within financial expenses.

Convertible debentures

The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option and is recognized in the "Fair value of conversion option" within shareholders' equity, net of income tax effects.

The Company accounts for amendments to convertible debt as a substantial modification if one of the following tests are met:

- The present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument; or
- A significant change in the terms and conditions such that immediate derecognition is required with no additional quantitative analysis.

A substantial modification shall be accounted for like an extinguishment. If any of the tests above are not met, the debt is accounted for as a debt modification.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. Right-of-use assets are initially measured at the amount of the lease liability.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease.

Income taxes

The tax expense recognized in profit or loss comprises the sum of deferred taxes and current taxes not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current taxes are payable on taxable profit, which differs from profit or loss in the consolidated financial statements. The calculation of current taxes is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred taxes are not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided that those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has the right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are directly in equity, in which case the related deferred taxes are also recognized in equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment tax credits and government assistance

Investment tax credits and government assistance related to current expenses are accounted for as a reduction of research and development costs and as other revenue, respectively, while those related to the acquisition of property, plant and equipment or intangible assets are accounted for as a reduction of the cost of the related asset. Investment tax credits and government assistance are accrued in the fourteen-month period in which the related expenses or capital expenditures are incurred, provided that the Company is reasonably certain that the credits will be received. Investment tax credits must be examined and approved by tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

Inventories

Raw materials and tower parts are valued at the lower of cost and net realizable value, the cost being determined using the first in, first out formula.

Equity, reserves and dividend payments

Share capital represents the paid-up capital of shares that have been issued, net of share issue cost.

Retained earnings (deficit) include all current and prior period retained profits and losses.

Contributed surplus includes costs recognized in accordance with the share-based compensation, warrants and expired convertible debenture equity components.

Unit placements

The proceeds from the issued units are allocated between the shares and the warrants using the fair value method. Proceeds are allocated between shares and warrants based on the relative weight of the fair value of each component. The fair value of the shares is determined by the market price and the warrants by using Black-Scholes option pricing model.

Share-based compensation

The Company operates an equity-settled share-based remuneration plan for its employees, which is not cash-settled. Moreover, the Company may grant warrants to its suppliers as payment of goods and services. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted.

Where suppliers are rewarded using share-based payments, the Company estimates the fair value of the goods or services received, unless such fair value cannot be estimated reliably. In such a case, the fair value of the goods or services is determined indirectly by reference to the fair value of the equity instruments granted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The fair value of the equity instruments granted is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to equity in "Contributed surplus". If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognized in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of warrants or share options, the proceeds received and the compensation costs previously recorded as contributed surplus, net of any directly attributable transaction costs, are allocated to share capital.

Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant management judgments in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses. The actual results may differ from the judgments, estimates and assumptions made by management. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue and expenses is discussed below. The effects of COVID-19 have resulted in certain judgments and estimates being significant in the current and previous period when they had not been in the past. This is due to the uncertainty introduced by the effects of the pandemic, such as collection risk for customers, cash flows included in estimates of recoverable amounts and regarding operational completion of projects.

Significant management judgments and estimation uncertainty

- Going concern:

The assessment of the Company's ability to continue as a going concern, to raise sufficient funds to pay for its ongoing operating expenditures and to discharge its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances (Note 2).

- Capitalization of internally developed software:

Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired (Note 11).

- Debt modification:

The Company needed to exercise judgment to determine the impact of changes to the terms of the convertible debentures and then applied the guidance set out in IFRS 9 - Financial Instruments to determine whether the change was considered a debt extinguishment or a debt modification (Note 17).

- Inventories:

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology, or other market-driven changes or their routing and use overseas that may reduce future selling prices.

- Recognition of investment tax credits:

Determining the amount of investment tax credits requires estimates and significant judgment as management needs to assess if research and development projects for which investment tax credits are claimed are eligible, as well as assessing if the expenses incurred are eligible.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant management judgments in applying accounting policies and estimation uncertainty

Significant management judgments and estimation uncertainty

- Expected credit loss of trade accounts receivable:

Significant estimates and judgments are required in the application of IFRS 9 when measuring the expected credit losses and the assessment of expected credit loss provisions required for trade accounts receivable, including the forward-looking information to adjust historic loss rates (Note 8).

- Share-based compensation:

Significant estimates and judgments are required in determining the fair value of the equity instruments granted as share-based compensation or the fair value of goods or services received. The estimated value of share-based compensation requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (Notes 19 and 20).

- The determination of the recoverable amount of non-financial assets:

In assessing impairment, management estimates the recoverable amount of each asset of the cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainties relate to assumptions about future operating results and the determination of a suitable discount rate.

- The determination of incremental borrowing rate used and expected lease lengths in the application of IFRS 16 - Leases:

Determining the incremental borrowing rate is more complex than simply determining the weighted rate that an entity pays on its current borrowings. The Company determines the incremental borrowing rate by taking into consideration the base rate, financing factors, and asset factors. The Company determines the expected lease lengths by assessing the periods for which the lease contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty (Note 14).

- Effective interest rate of convertible financial instruments:

For accounting of convertible financial instruments, the Company needs to determine the effective interest rate required to evaluate the fair value of the liability component. The effective interest rate should be the market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Determining such a market rate requires assumptions such as comparable loans on the market and qualitative and quantitative analysis of the financial position of the Company (Note 17).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant management judgments in applying accounting policies and estimation uncertainty

Estimation uncertainty

- Allocation of the transaction price to the performance obligations

Allocation of the transaction price to the performance obligations under IFRS 15 requires estimates and judgement regarding the stand-alone selling price of either of the performance obligations in a given site. The Company uses an expected cost plus margin approach to identify the stand alone price of the site construction and deployment performance obligation and allocates the residual of the transaction price to the site operation maintenance performance obligation.

4. NEW OR REVISED STANDARDS OR INTERPRETATIONS

New standards adopted as at November 31, 2020

Conceptual Framework for Financial Reporting

On March 29, 2018, the International Accounting Standards Board (IASB) published a comprehensive revision of the Conceptual Framework for Financial Reporting. The IASB decided to revise the Conceptual Framework for Financial Reporting because significant issues were not addressed and some guidance was outdated or unclear. The revised version includes, for example, a new section on evaluation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance to support those definitions. The conceptual framework assists entities in developing their accounting policies when no IFRS applies to a particular situation. The requirements apply prospectively to financial statements beginning on or after January 1, 2020. This revision did not have any significant impact on the Company's financial statements.

IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

On October 31, 2018, the IASB published an amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The amendment, entitled 'Definitions of Material', clarifies the definition of material in IAS 1 and the explanations accompanying that definition, and aligns the definitions used in the various IFRS standards. The provisions of this amendment apply prospectively to financial statements beginning on or after January 1, 2020. The application of this amendment did not have any significant impact on the Company's financial statements.

Future accounting changes

The IASB and the International Financial Reporting Interpretation Committee (IFRIC) have published new pronouncements whose application will be mandatory for financial years beginning after January 1, 2022. Several of these new standards will not apply to the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

4. NEW OR REVISED STANDARDS OR INTERPRETATIONS (continued)

Future accounting changes

IFRS 9 - Financial Instruments

In May 2020, the IASB published amendments to IFRS 9 - Financial Instruments, which aim at clarifying the fees and costs that a company may include in the 10% quantitative criterion when a financial liability is exchanged or modified. This criterion enables to determine, when trying to establish whether the initial financial liability should be derecognized or not, whether the new contractual terms between the borrower and the lender differ significantly from those initially concluded. These amendments will apply to financial statements beginning on or after January 1, 2022, in accordance with the specific requirements for the application of IFRS 9.

The Company has not yet assessed the impact of these amendments on its financial statements.

IAS 1 - Presentation of Financial Statements

On January 23, 2020, the IASB published an amendment to IAS 1 - Presentation of Financial Statements. This amendment relates to the classification of liabilities as current or non-current and affects only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of an asset, liability, income or expense or the information that entities disclose about them. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022.

On July 15, 2020, the IASB issued an amendment to IAS 1 - Presentation of Financial Statements that defers the application date to fiscal years beginning on or after January 1, 2023. Early adoption is permitted.

The Company has not yet assessed the impact of this amendment on its financial statements.

IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgements

In February 2021, the IASB published amendments to IAS 1 - Presentation of Financial Statements and to IFRS Practice Statement 2 - Making Materiality Judgements, which require entities to provide information on their materially significant accounting policies instead of principal accounting policies. These amendments will apply retrospectively to financial statements beginning on or after January 1, 2023.

The Company has not yet assessed the impact of these amendments on its financial statements.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB published amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, which aim at introducing a definition of accounting estimates and providing clarification to assist entities in distinguishing accounting policies from accounting estimates. These amendments will apply to financial statements beginning on or after January 1, 2023.

The Company has not yet assessed the impact of these amendments on its financial statements.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

4. NEW OR REVISED STANDARDS OR INTERPRETATIONS (continued)

Future accounting changes

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, which are intended to clarify the costs to be included when the entity establishes the cost of performing the contract to determine whether it is a loss-making contract. The amendments will apply to financial statements beginning on or after January 1, 2022, in accordance with the specific requirements for the application of IAS 37. Early application is permitted.

The Company has not yet assessed the impact of this amendment on its financial statements.

5. BANKRUPTCY OF ITS SUBSIDIARY

On November 16, 2021, Nuran filed a proposal with its creditors for the unwinding of the bankruptcy of its wholly owned subsidiary, Innovation Nutaq Inc. ("Nutaq"). This proposal provides for the payment by Nutaq, within sixty days of its approval by the Court, of an amount of \$150,000 for distribution to unsecured creditors, after payment of the trustee's fees and disbursements of approximately \$10,000. The creditors were notified of the proposal by the trustee on November 18, 2021 and the court approved the composition proposal of Nutaq on January 12, 2022. The payment was made on March 15, 2022.

6. OPERATING SEGMENTS

During the fourteen-month period ended December 31, 2021, the Company operated as a manufacturer of digital electronic circuits and wireless telecommunication products and added a business model in its subsidiaries to act also as a NaaS entity in various geographical areas which are considered as two reportable segments under the requirements of IFRS 8.

The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

7. PRIOR YEAR RESTATEMENT

The Company revealed that the loss on impairment of assets for the year ended October 31, 2020, was incorrect following Nutaq's bankruptcy. As a result of this restatement, the items described below in the financial statements as at December 31, 2021, were lowered by the following amounts:

Income for the year ended October 31, 2020		
Loss on impairment of assets	\$	(294,878)
Income taxes - Deferred		81,270
Net income	\$	(213,608)
Retained earnings as at November 1, 2020		
Opening balance	\$	(213,608)
Balance sheet as at October 31, 2020		
Inventories	\$	(294,878)
Deferred tax liabilities	\$	81,270

8. TRADE AND OTHER RECEIVABLES

	December 31, 2021	October 31, 2020
Trade accounts receivable, gross	\$ 532,252	\$ 136,811
Allowance for credit losses	15,185	-
	517,067	136,811
Other	-	165,005
Indirect taxes receivable	431,159	4,361
	\$ 948,226	\$ 306,177

All amounts are short-term amounts. Accordingly, the carrying amount of trade and other receivables is considered a reasonable approximation of their fair value. The Company does not hold any collateral as security.

The expected loss rates are based on the Company's historical credit losses experienced over the three-year period prior to the period end.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

8. TRADE AND OTHER RECEIVABLES (continued)

The variation of the allowance for credit losses is presented below:

	December 31, 2021	October 31, 2020
Opening balance	\$ -	\$ 1,993,020
Write-off	-	(1,993,020)
Exchange difference on allowance for credit losses	(1,382)	-
Impairment loss	16,567	-
Closing balance	\$ 15,185	\$ -

The lifetime expected loss provision for trade receivables is as follows:

	December 31, 2021				
	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	-%	-%	-%	13%	3%
Gross carrying amount	\$ 117,961	\$ 38,201	\$ 259,646	\$ 116,444	\$ 532,252
Loss provision	\$ -	\$ -	\$ -	\$ 15,185	\$ 15,185

	October 31, 2020				
	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	-%	-%	-%	-%	-%
Gross carrying amount	\$ 136,811	\$ -	\$ -	\$ -	\$ 136,811
Loss provision	\$ -	\$ -	\$ -	\$ -	\$ -

9. INVENTORIES

	December 31, 2021	October 31, 2020 Restated
Raw materials	\$ 1,076,192	\$ 692,063
Tower parts	4,301,447	638,542
	\$ 5,377,639	\$ 1,330,605

For the fourteen-month period ended December 31, 2021, a total of \$914,412 (\$2,167,515 in 2020) of inventories was included in cost of sales as an expense and \$137,926 (\$309,559 in 2020) as a loss on impairment. No amount (\$97,716 in 2020) was included in profit or loss as a write-down.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

10. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2021			
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
Gross carrying amount				
Balance, as at November 1, 2020	\$ -	\$ 787,808	\$ 355,664	\$ 1,143,472
Additions	7,727	22,623	50,203	80,553
Disposal	-	(199,747)	(3,495)	(203,242)
Write-off	-	-	(78,772)	(78,772)
Balance, as at December 31, 2021	7,727	610,684	323,600	942,011
Depreciation and impairment				
Balance, as at November 1, 2020	-	533,818	295,240	829,058
Disposal	-	(152,866)	(2,198)	(155,064)
Depreciation	683	42,699	20,269	63,651
Write-off	-	-	(62,803)	(62,803)
Balance, as at December 31, 2021	683	423,651	250,508	674,842
Carrying amount as at December 31, 2021	\$ 7,044	\$ 187,033	\$ 73,092	\$ 267,169

	October 31, 2020			
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
Gross carrying amount				
Balance, as at November 1, 2019	\$ 11,414	\$ 801,825	\$ 350,438	\$ 1,163,677
Additions	-	24,680	7,597	32,277
Impairment	(11,414)	(38,697)	(2,371)	(52,482)
Balance, as at October 31, 2020	-	787,808	355,664	1,143,472
Depreciation and impairment				
Balance, as at November 1, 2019	11,093	463,732	275,550	750,375
Depreciation	321	70,086	19,690	90,097
Impairment	(11,414)	-	-	(11,414)
Balance, as at October 31, 2020	-	533,818	295,240	829,058
Carrying amount as at October 31, 2020	\$ -	\$ 253,990	\$ 60,424	\$ 314,414

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charges for each of the reporting periods are included in profit or loss and detailed as follows:

	December 31, 2021 (14 months)	October 31, 2020 (12 months)
Selling expenses	\$ -	\$ 11,804
Administrative expenses	30,458	24,385
Research and development costs	33,193	53,908
	\$ 63,651	\$ 90,097

11. INTANGIBLE ASSETS

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

	December 31, 2021		
	Software	Trademarks	Total
Gross carrying amount			
Balance, as at November 1, 2020	\$ 5,925,085	\$ 60,452	\$ 5,985,537
Additions			
Under development	560,047	452	560,499
Acquired	7,350	-	7,350
Disposal	-	(18,381)	(18,381)
Balance, as at December 31, 2021	6,492,482	42,523	6,535,005
Depreciation and impairment			
Balance, as at November 1, 2020	540,089	-	540,089
Depreciation	130,848	-	130,848
Balance, as at December 31, 2021	670,937	-	670,937
Carrying amount as at December 31, 2021	\$ 5,821,545	\$ 42,523	\$ 5,864,068

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

11. INTANGIBLE ASSETS (continued)

			October 31, 2020
	Software	Trademarks	Total
Gross carrying amount			
Balance, as at November 1, 2019	\$ 4,363,651	\$ 76,766	\$ 4,440,417
Additions			
Under development	1,574,118	-	1,574,118
Acquired	1,284	315	1,599
Impairment	-	(16,629)	(16,629)
Write-off	(13,968)	-	(13,968)
Balance, as at October 31, 2020	5,925,085	60,452	5,985,537
Depreciation and impairment			
Balance, as at November 1, 2019	493,536	-	493,536
Depreciation	52,868	-	52,868
Write-off	(6,315)	-	(6,315)
Balance, as at October 31, 2020	540,089	-	540,089
Carrying amount as at October 31, 2020	\$ 5,384,996	\$ 60,452	\$ 5,445,448

Depreciation charges for each of the reporting periods are included in profit or loss and detailed as follows:

	December 31, 2021	October 31, 2020
Cost of sales	\$ 110,455	\$ 33,164
Administrative expenses	11,609	10,016
Research and development costs	8,784	9,688
	\$ 130,848	\$ 52,868

As at December 31, 2021, software includes software under development at a cost of \$2,786,707 (\$2,232,340 as at October 31, 2020).

Nuran Wireless Inc.

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As at December 31, 2021

12. RIGHT-OF-USE ASSETS

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

	December 31, 2021	October 31, 2020
Gross carrying amount		
Balance, beginning of year	\$ -	\$ -
Additions	779,867	429,341
Write-off	-	(429,341)
Balance, end of year	779,867	-
Depreciation and impairment		
Balance, beginning of year	-	-
Depreciation	103,982	143,114
Write-off	-	(143,114)
Balance, end of year	103,982	-
Carrying amount, end of year	\$ 675,885	\$ -

13. TRADE AND OTHER PAYABLES

	December 31, 2021	October 31, 2020
Accounts payable and accrued liabilities		
Shareholders	\$ 39,400	\$ 182,912
Others	2,104,472	1,889,139
Salaries and payroll deductions payable	417,890	40,456
	\$ 2,561,762	\$ 2,112,507

As at December 31, 2021, accounts payable include a total of \$367,771 (\$513,237 as at October 31, 2020) relating to intangible asset purchases (including \$115,959 added during the year ended December 31, 2021) and \$39,400 (\$825,821 as at October 31, 2020) relating to unpaid interest on convertible debentures (Note 17).

Nuran Wireless Inc.

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As at December 31, 2021

13. TRADE AND OTHER PAYABLES (continued)

The carrying amount of trade and other payables is considered a reasonable approximation of their fair value, given that all amounts are short-term amounts.

During the fourteen-month period ended December 31, 2021, the Company has written off \$238,696 (2020 - \$787,365) of accounts payable and accrued payables (Note 5). The write-off is related to Nutaq's process to unwind the bankruptcy.

14. LEASE LIABILITIES

	<u>December 31, 2021</u>	<u>October 31, 2020</u>
Gross carrying amount		
Balance, as at November 1, 2020	\$ -	\$ -
Additions	779,867	429,341
Lease payments	(124,364)	(178,290)
Lease interest	39,636	37,111
Write-off	-	(288,162)
	<u>695,139</u>	<u>-</u>
Balance, as at December 31, 2021	\$ 695,139	\$ -

Maturities

Lease liabilities maturities are as follows:

Less than one year	\$ 136,027
Between one year and five years	<u>559,112</u>
	<u>\$ 695,139</u>

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15. LONG-TERM DEBT

	December 31, 2021 (14 months)	October 31, 2020 (12 months)
Term loan from Shimcity (a)	\$ -	\$ 1,287,421
Current portion	-	183,444
	\$ -	\$ 1,103,977

(a) During the year, the Company has converted this loan (note 17). The term loan from Shimcity bore interest at prime rate plus 0.25% (2,70%), was payable in monthly installment of \$15,207 beginning in November 2020 and would have matured in October 2027.

16. EMPLOYEE FUTURE BENEFITS

The Company implemented a tailored Simplified Pension Plan ("SIPP") that will improve the retirement preparedness of Nuran Wireless Inc. employees in Canada.

All employees in Canada are eligible after three months of continuous service. Participation in the plan is on a voluntary basis and employees who wish to participate will benefit from the employer's matching contribution up to a maximum of 3% of their gross annual salary. In order to benefit from the employer's contribution, participants must contribute between 1% and 3% of their gross annual salary.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

17. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES

As at December 31, 2021, the convertible debentures and derivative liabilities consist of the following:

	Convertible debentures	Derivative liability	Total
Balance, as at October 31, 2019	\$ 3,052,992	\$ -	\$ 3,052,992
Forbearance of the debenture default	(79,673)	-	(79,673)
Conversion of convertible debentures	(255,000)	-	(255,000)
Accretion of convertible debentures	116,681	-	116,681
Balance, as at October 31, 2020	<u>2,835,000</u>	-	<u>2,835,000</u>
Issuance of convertible debenture	1,990,695	-	1,990,695
Forbearance of the debenture default	(300,151)	-	(300,151)
Conversion of convertible debentures	(4,825,695)	-	(4,825,695)
Accretion of convertible debentures	300,151	-	300,151
Balance, as at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

On February 23, 2017, the Company issued senior secured convertible debentures for cash proceeds of \$3,500,000. On the same date, the Company also issued senior secured convertible debentures with a fair value of \$750,000 to settle long-term debts, accounts payable and loans payable. Each debenture matures on August 23, 2018 and was bearing interest at 12% per annum.

The principal amount is convertible, at the option of the debenture holder, into common shares of the Company at any time before the maturity date at a price of \$6.25 per common share. The conversion price is subject to adjustment in the event the Company issues common shares at a price below \$6.25 per share while the debentures are outstanding (the "down round adjustment provision"). The Company is entitled to prepay the full amount of the debentures without penalty.

The debenture holders also received 340,000 share purchase warrants "A" ("A warrants") and 340,000 share purchase warrants "B" ("B warrants"). Each A warrant entitles the holder to acquire one common share at a price of \$7.50 per share until February 23, 2019 and each B warrant entitles the holder to acquire one common share at a price of \$11.25 per share until February 23, 2020. For the B warrants, in the event the closing price of a common share of the Company on the Canadian Securities Exchange is \$15.00 or greater during any 20 consecutive trading days period at any time until February 23, 2019, the B warrants will expire at the sole discretion of the Company.

In July 2018, following a non-brokered private placement of units at a price of \$3.00 per unit, the conversion price of the debentures was reduced from \$6.25 to \$3.00 in accordance with the terms of the convertible debentures. This change was recorded as change in fair value of derivative liability in net loss.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

17. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES (continued)

On August 23, 2018, the Company 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 A warrants issued with the original debenture offering from February 23, 2019 to February 23, 2020 and the expiry date of the B warrants from February 23, 2020 to February 23, 2021. Except as outlined above, all other terms of the debentures and A and B warrants are unaltered and continue to be in force and effect.

In connection with the debenture amendment, certain debenture holders holding an aggregate of \$300,000 of debentures agreed to assign their debentures to new debenture holders pursuant to an assignment agreement. As consideration for the assignment and extension of the debentures, the Company issued to the new debenture holders an aggregate of 24,000 A special warrants and 24,000 B special warrants. Each of the A and B special warrants is subject to the same terms and conditions as those of the amended A and B warrants.

The debenture amendment was accounted for as a debt extinguishment of the initial debentures and the recognition of the amended debentures components at their respective fair value resulting in a \$59,168 loss was recorded in net loss for the year ended October 31, 2018.

On October 12, 2018, the Company issued senior secured convertible debentures for cash proceeds of \$50,000. Each debenture matures on August 23, 2019 and bears interest at 3% per annum. The principal amount is convertible, at the option of the debenture holder, into common shares of the Company at any time before the maturity date at a price of \$3.00 per common share.

On January 10, 2019, the Company made an offer to holders of its convertible debentures to fix the conversion price at \$2.50 per common share (from \$3.00 per common share) and remove any adjustment provisions relating to future financings completed at a price lower than the conversion price.

In consideration of this amendment, the Company agreed to issue to debenture holders that accepted the debenture amendment offer (other than insiders) such number of common shares of the Company as is equal to 5% of the principal amount owing to the respective debenture holder under the debenture at a deemed price of \$1.75 per common share (Note 18).

Pursuant to the Agency and Interlender Agreement dated February 23, 2017, once a majority of debenture holders accepted the modification, all the debentures were modified on January 18, 2019 and the Company issued 55,086 common shares at a price of \$2.375 (\$129,542 total) per share to holders who accepted the modification as consideration for their acceptance.

In accordance with IFRS, the debenture amendment was accounted for as a debt extinguishment of the initial debentures and the recognition of the amended debentures components at their respective fair value. Moreover, following the modification of the debentures the conversion option now meets the definition of an equity instrument which must be recognized separately from the debentures in the equity.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

17. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES (continued)

The fair value of the conversion option on January 18, 2019 prior to the amendment was estimated at \$479,674, which was derived using the Monte-Carlo pricing model with the following assumptions:

Share price	\$2.375
Exercise price	\$3.00
Time to maturity	0.6 year
Risk-free rate	1.81%
Expected volatility	60%
Probability of share issuance	90%

The fair value of the conversion option on January 18, 2019 following the amendment was estimated at \$108,967, which was derived using the Black-Scholes option pricing model with the following assumptions:

Share price	\$2.375
Exercise price	\$2.50
Time to maturity	0.6 year
Risk-free rate	1.75%
Expected volatility	65%
Dividend yield	Nil
Dilution factor	39.8%

The extinguishment and recognition of the debentures, accounted for the common shares issued as consideration, resulted in a \$243,192 gain recorded in net loss for the year ended October 31, 2019.

On May 28, 2019, the Company obtained authorization from the majority of the holders to postpone the payment of interest due for the period of February 23 to May 23, 2019 to August 23, 2019. In accordance with the Agency and Interlender Agreement dated February 23, 2017, once a majority of debenture holders accepted the postponement, interest payments on all debentures were postponed.

In accordance with IFRS, the postponement of the interest resulted in an adjustment of the book value of the convertible debentures with a \$3,805 gain recorded in net loss for the year ended October 31, 2019.

On August 23, 2019, the Company entered into a forbearance agreement with a majority of the debenture holders pursuant to which the majority holders agreed to waive any default in the payment of principal and interest due on August 23, 2019. The majority lenders also agreed to continue to forbear from declaring or acting upon, or exercising related rights or remedies under such creditor's financing agreement until February 23, 2020. In accordance with the Agency and Interlender Agreement dated February 23, 2017, once a majority of debenture holders agreed to forbear any default, all debenture holders also waived the default.

In return for accepting this forbearance, the debenture holders received one warrant per \$25 par value of convertible debentures (123,600 warrants in total), granting them the right to acquire a share in the Company for \$2.50. The warrants are valid for a period of two years. The fair value of \$6,899 assigned to the warrants issued was established using a Black-Scholes pricing model.

In accordance with IFRS, the debenture postponement was accounted for as an extinguishment of the initial debentures and the recognition of new convertible debentures with components at their respective fair value.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

17. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES (continued)

Following the January 18, 2019 modification, the conversion option met the definition of an equity instrument, to be recognized separately from the debentures in the equity. On August 23, 2019, prior to the agreement, the book value of the conversion option stood at \$80,507, and that amount was reclassified as contributed surplus as at October 31, 2019.

The fair value of the conversion option on August 23, 2019, following the forbearance of the default was estimated at \$1,218, which was derived using a Black-Scholes option pricing model.

The Black-Scholes pricing model used for the warrants and the conversion options used the following assumptions:

Share price	\$0.75
Exercise price	\$2.50
Time to maturity	0 year
Risk-free rate	1.62%
Expected volatility	65%
Dividend yield	Nil
Dilution factor	39.63%

The extinguishment and recognition of the debentures, including the fair value of the warrants issued as consideration and the fair value of the conversion option resulted in a \$43,565 gain recorded in net loss for the year ended October 31, 2019.

The fair value of the conversion option is a level 3 fair value measurement. The key level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the dilution factor.

Given its short-term maturity, the carrying amount of the convertible debentures is considered a reasonable approximation of its fair value.

In 2019, the debenture holders requested the conversion of debentures totalling a par value of \$1,110,000 in common shares of the Company. The book value of the converted debentures was \$1,098,557.

On February 26, 2020, the Company entered into a forbearance agreement in connection with its previously issued 12% senior secured convertible 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, the Company offered to grant holders a decrease of the debenture conversion price from \$2.50 to \$1.25, as well as a share purchase warrant entitling the holder to purchase one common share of the Company at an exercise price of \$1.25 for a term of three years for each \$12.50 of principal amount owned to the holder under the debenture for an aggregate total of 247,200 warrants. In addition to the above, the Company offered to pay cash compensation equal to 3% of debenture principal owed, to be paid along with principal and accrued interests.

Nuran Wireless Inc.

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As at December 31, 2021

17. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES (continued)

The amendment was accounted for as a debt extinguishment in accordance with IFRS 9. The fair value of the conversion option on February 26, 2020, following the forbearance of the default was estimated at \$521,113, which was derived using a Black-Scholes option pricing model.

The Black-Scholes pricing model used for the warrants and the conversion options used the following assumptions:

Share price	\$1.125
Exercise price	\$1.25
Time to maturity	0.5 year
Risk-free rate	1.37%
Expected volatility	81%
Divident yield	Nil

The extinguishment and recognition of the debentures, including the fair value of the warrants issued as consideration and the fair value of the conversion option, resulted in an equity adjustment of \$520,988 that has been recognized in the consolidated statement of changes in equity. This transaction had no impact on the consolidated statement of comprehensive income.

In July 2020, the debenture holders requested the conversion of debentures totalling a par value of \$255,000 in common shares of the Company. The book value of the converted debentures was \$255,000.

The fair value of the conversion option is a level 3 fair value measurement. The key level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares.

As at November 16, 2020, a debt holder of the Company agreed to convert \$100,000 of debt into a secured convertible debenture (the "Debenture") of the Company. The principal amount of the Debenture is \$115,000 (the "Purchase Price"), representing the original \$100,000 of debt (the "Debt"), inclusive of an original issue discount equal to 15% of the Purchase Price. The Debt was in default, and the issuance of the Debenture was to result in an extension of the maturity of the Debt until May 31, 2021. The Debenture was to bear interest at a rate of 10% per annum and was converted into common shares of the Company at a conversion price of \$0.71 on the same date.

As at November 20, 2020, a debt holder of the Company agreed to convert an additional \$250,000 of debt into a secured convertible debenture of the Company. The principal amount of the Debenture is \$287,500 for the original \$250,000 of debt (representing an original issue discount equal to 15% of the purchase price). The Debenture was to bear interest at a rate of 10% per annum and was converted into common shares of the Company at a conversion price of \$0.60 on the same date.

Nuran Wireless Inc.

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As at December 31, 2021

17. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES (continued)

As at November 30, 2020, a debt holder of the Company agreed to convert an additional \$300,000 of debt into a secured convertible debenture of the Company. The principal amount of the Debenture is \$352,900 for the original \$300,000 of debt (representing an original issue discount equal to 15% of the purchase price). The Debenture was to bear interest at a rate of 10% per annum and was converted into common shares of the Company at a conversion price of \$0.49 on the same date.

As at December 3, 2020, a majority of the holders of the senior secured convertible debentures of the Company issued on February 23, 2017, executed a Forbearance Agreement effective December 3, 2020, to forbear from enforcing their rights under the security agreements relating to the Debentures until December 31, 2021. Prior to the forbearance, the Company was in material default under the terms of the Debentures. In consideration of the foregoing forbearance, the Company has agreed to adjust the conversion price of the Debentures to \$0.33 per common share.

As at December 29, 2020, a debt holder of the Company agreed to convert an additional \$200,000 of debt into a secured convertible debenture of the Company. The principal amount of the Debenture is \$235,294 (representing an original issue discount equal to 15% of the purchase price of the original \$200,000 owed to the debt holder). The convertible debenture bears interest at a rate of 10% per annum and was converted into common shares of the Company at a conversion price of \$0.37.

As at January 12, 2021, all of the holders of the 12% senior secured convertible debentures of the Company issued on February 23, 2017, executed the Forbearance Agreement dated as at November 30, 2020, to forbear from enforcing their rights under the security agreements relating to the Debentures until December 31, 2021. Following the execution of the Forbearance Agreement by all Secured Creditors on January 12, 2021, effective as at such date the Debentures have been amended as follows:

- (i) The maturity date of the Debentures was amended to December 31, 2021;
- (ii) Subject to compliance with applicable securities laws, all accrued but unpaid interest and penalties on the Debentures in common shares of the Company up to and as at January 12, 2021, were to be settled at a deemed price per common share equal to \$0.28 (being the last closing market price of the common shares on the Canadian Securities Exchange (CSE)), discounted by the maximum discount permitted by Section 2.1 of Policy 6 of the CSE. As at January 12, 2021, the total amount of interest and penalties owed under the Debentures totaled approximately \$875,000;
- (iii) Interest on the Debentures following January 12, 2021, were to be payable on June 30, 2021, and December 31, 2021, payable at the option of the Company in cash or common shares, at a deemed price per common share equal to the volume weighted average trading price of the common shares on the CSE for the ten-day period prior to the interest payment date; and
- (iv) In the event that the Company elects to pay accrued interest in common shares, the effective interest rate was increased to 15% (from 12%).

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

17. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITIES (continued)

The fair value of the conversion option as at January 12, 2021, following the forbearance of the default was estimated at \$532,636, which was derived using the Black-Scholes option pricing model.

The Black-Scholes pricing model used for the warrants and the conversion options used the following assumptions:

Share price	\$0.37
Exercise price	\$0.33
Time to maturity	0.97 year
Risk-free rate	0.17%
Expected volatility	115.29%
Divident yield	Nil
Dilution factor	44.48%

As at March 23, 2021, debt holders of the Company agreed to convert an additional \$437,421 of debt and \$562,579 of other payables into a secured convertible debenture of the Company. The principal amount of the Debenture is \$1,000,000 and was converted into common shares of the Company at a conversion price of \$1.00.

During the year ended October 31, 2021, the debenture holders requested the conversion of debentures totalling a par value of \$4,825,695 in common shares of the Company. Taking into account the book value of the debentures converted, as well as the value of the conversion option, the carrying value recorded for these shares was \$5,358,331.

18. SHARE CAPITAL

The Company's share capital consists only of fully paid shares of each of the following categories, each of an unlimited amount and without nominal value:

Common shares, voting and participating

Preferred shares

	December 31, 2021	October 31, 2020
Common shares (a)	\$ 45,139,877	\$ 25,362,587

(a) The number of issued common shares totals 32,420,357 as at December 31, 2021 (7,123,117 as at October 31, 2020).

As at December 15, 2020, the Company completed a non-brokered private placement of units of the Company at a price of \$0.40 per unit for total gross proceeds of \$400,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one common share at a price of \$0.50 per common share for a period of 18 months from the date of issuance. The Company issued an aggregate of 1,000,000 units pursuant to the offering.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

18. SHARE CAPITAL (continued)

As at July 12, 2021, the Company completed a non-brokered private placement of common shares and warrants of the Company for gross proceeds of \$11,096,045. In connection with the offering, the Company issued 4,636,930 units (each comprised of one common share and one warrant) for gross proceeds of \$7,096,045, and received a lead order to subscribe for 2,614,379 common shares and 182,000 warrants for gross proceeds of approximately \$4,000,000 from an international satellite communication provider. Following closing of the offering, the shareholder held a 9.3% equity stake in the Company on an undiluted basis.

During the fourteen-month period ended December 31, 2021, the Company converted unpaid interest on the debenture totalling a par value of \$919,825 in common shares of the Company. Taking into account the book value of the debt converted, the carrying value recorded for these shares was \$1,204,595.

During the fourteen-month period ended December 31, 2021, 2,206,780 shares were issued following the exercise of warrants (Note 19) and 59,800 shares were issued following the exercise of stock options (Note 20).

As stated in Note 17, the debenture holders requested the conversion of debentures totalling a par value of \$4,825,695 in common shares of the Company. Taking into account the book value of the debentures converted, as well as the value of the conversion option, the carrying value recorded for these shares was \$5,358,331.

19. WARRANTS

The following is a summary of the activity of warrants:

	December 31, 2021	
	Number of warrants	Weighted average exercise price
Opening balance	1,341,109	\$ 4.22
Granted during the period	10,698,015	1.14
Exercised during the period	(2,206,780)	0.18
Expired during the period	(626,040)	7.18
Closing balance, as at December 31, 2021	9,206,304	1.41
Closing balance of exercisable warrants, as at December 31, 2021	6,306,304	\$ 2.06

Nuran Wireless Inc.

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As at December 31, 2021

19. WARRANTS (continued)

	October 31, 2020	
	Number of warrants	Weighted average exercise price
Opening balance	2,825,926	\$ 5.25
Granted during the year	247,200	1.25
Expired during the year	(1,732,017)	5.75
Closing balance, as at October 31, 2020	1,341,109	\$ 4.22

The following is a summary of warrants outstanding and exercisable, as at December 31, 2021:

Exercise price	Options outstanding		Options exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
\$0.00	1,300,000	2.25	-	
\$0.00	1,600,000	2.68	-	
\$0.50	900,000	0.45	900,000	0.45
\$1.25	168,400	1.16	168,400	1.16
\$1.53	28,550	1.56	28,550	1.56
\$1.75	339,889	0.64	339,889	0.64
\$2.40	4,869,465	1.56	4,869,465	1.56
	9,206,304		6,306,304	

As stated in Note 18, on December 15, 2020, the Company completed a non-brokered private placement of units of the Company at a price of \$0.40 per unit for total gross proceeds of \$400,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one common share at a price of \$0.50 per common share for a period of 18 months from the date of issuance. The Company issued an aggregate of 1,000,000 units pursuant to the offering.

The warrants were assigned a value of \$68,246 using the proportionate method. A value of \$72,000 was initially obtained using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 0.25%; expected volatility of 112.43%; dilution factor of 35.55%, expected dividend yield of 0%; expected life of one year and a half and exercise price of \$0.50. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$0.350.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

19. WARRANTS (continued)

As at April 1, 2021, the Company approved a new employment agreement with its Chief Executive Officer (CEO) for a term commencing March 30, 2021 (the "Employment Agreement"). Details of the CEO employment agreement include but are not limited to: an increase in base compensation to \$350,000 per year subject to the Company either completing its project financing under any of its Network as a service agreement or completing an equity financing in the minimum amount of \$1,000,000 (whichever is earlier); continued entitlement to receive options of the Company under the Company's stock option plan at the discretion of the Board and the issuance of a performance warrant to acquire a total of up to 3,200,000 common shares of the Company based on the Company reaching certain successful milestones in strategic planning, growth, increases in revenue and achievement of operations targets and subject to Mr. Letourneau completing a minimum of four months of continued employment from the date of the Employment Agreement.

The warrants were assigned a value of \$5,948,219 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 0.54%; expected volatility of 102.31%; dilution factor of 29.32%; expected dividend yield of 0%; expected life of three years and exercise price of \$0.00. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.63. As at December 31, 2021, taking into account the amortization of the milestones, the carrying value recorded for those warrants was \$4,824,576.

As stated in Note 18, on July 12, 2021, the Company completed a non-brokered private placement of common shares and warrants of the Company for gross proceeds of \$11,096,045. In connection with the offering, the Company issued 4,636,930 units (each comprised of one common share and one warrant) for gross proceeds of \$7,096,045 and received a lead order to subscribe for 2,614,379 common shares and 182,000 warrants for gross proceeds of approximately \$4,000,000 from a shareholder.

The warrants were assigned a value of \$1,835,039 using the proportionate method. The warrants were initially assigned a value of \$3,268,752 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 0.47%; expected volatility of 98.59%, dilution factor of 28.97%; expected dividend yield of 0%; expected life of two years and exercise price of \$2.40. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.28.

In connection with the offering, the Company paid an aggregate cash commission of \$119,562 to registered dealers that introduced subscribers to the Company (each a "Finder") and issued 79,085 non-transferable common share purchase warrants to each Finder (with terms identical to the warrants issued under the offering, with the exception of no Acceleration Provision and certain finders' warrants exercisable at a price of \$1.53):

- 50,535 warrants were assigned a value of \$34,443 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 0.47%; expected volatility of 98.59%, dilution factor of 28.97%; expected dividend yield of 0%; expected life of two years and exercise price of \$2.40. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.28;
- 28,550 warrants were assigned a value of \$24,524 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 0.47%; expected volatility of 98.59%; dilution factor of 28.97%; expected dividend yield of 0%; expected life of two years and exercise price of \$1.53. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.28.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

19. WARRANTS (continued)

As at September 3, 2021, the Company approved an employment agreement with a company controlled by the Chief Financial Officer of the Company. Pursuant to the terms of the Employment Agreement, the Company will pay a fixed fee of \$20,833.33 per month in consideration of certain management consulting services, including managing the financing and banking functions of the Company and overseeing the procedures for internal controls and management of continuous disclosure filings of the Company. Under the terms of the Employment Agreement, it will be entitled to receive options of the Company under the Company's equity compensation plan at the discretion of the Board and was issued a performance warrant to acquire a total of up to 1,600,000 common shares of the Company based on the Company reaching certain successful milestones in strategic planning, growth, increased revenue and achievement of operation targets and subject to the completion of a minimum of four months of continued employment from the date of the Employment Agreement.

The warrants were assigned a value of \$2,049,026 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 0.39%; expected volatility of 106.28%; dilution factor of 31.88%; expected dividend yield of 0%; expected life of three years and exercise price of \$0.00. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$1.88. Taking into account the amortization of the milestones, the carrying value recorded for those warrants was \$691,170.

20. STOCK OPTIONS

The Company has a stock option plan for its employees, officers, directors and consultants for up to 10% of the issued and outstanding shares at the grant date.

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

	December 31, 2021	
	Number of options	Weighted average exercise price
Opening balance	320,200	\$ 2.96
Granted during the period	1,940,000	2.09
Exercised during the period	(59,800)	1.50
Forfeited during the period	(235,400)	3.41
Closing balance, as at December 31, 2021	1,965,000	\$ 2.09
Closing balance of exercisable options, as at December 31, 2021	1,475,000	\$ 2.17

Nuran Wireless Inc.

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As at December 31, 2021

20. STOCK OPTIONS (continued)

	October 31, 2020	
	Number of options	Weighted average exercise price
Opening balance	307,200	\$ 4.00
Granted during the year	100,000	1.50
Forfeited during the year	(87,000)	5.25
Closing balance, as at October 31, 2020	320,200	\$ 2.96
Closing balance of exercisable options, as at October 31, 2020	320,200	\$ 2.96

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

	Options outstanding		Option exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
December 31, 2021				
Exercise price				
\$1.50	20,000	1.97	20,000	1.97
\$1.60	365,000	2.86	200,000	2.86
\$1.67	100,000	4.82	100,000	4.82
\$1.70	250,000	4.81	62,500	4.81
\$2.35	1,225,000	3.99	1,087,500	3.99
\$2.50	4,000	1.07	4,000	1.07
\$7.50	1,000	0.28	1,000	0.28
	1,965,000		1,475,000	
October 31, 2020				
Exercise price				
\$1.50	100,000	3.13	100,000	3.13
\$2.50	122,000	1.53	122,000	1.53
\$5.00	97,200	0.70	97,200	0.70
\$7.50	1,000	1.45	1,000	1.45
	320,200		320,200	

Nuran Wireless Inc.

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As at December 31, 2021

20. STOCK OPTIONS (continued)

On February 8, 2021, the Company granted stock options pursuant to its incentive stock option plan to employees, consultants, directors and officers of the Company, to purchase an aggregate of 1,225,000 common shares of the Company at an exercise price of \$2.35 per share. Pursuant to the terms of the grant, 950,000 options will vest immediately, 137,500 options will vest over a period of 6 months from the date of grant and the remaining 137,500 options will vest over a period of 12 months from the date of grant. 1,150,000 of the options expire five years from the date of grant and the remaining 75,000 options will expire three years from the date of grant.

The options with a three-year lifespan were assigned a value of \$64,650 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.18%; expected volatility of 89.39%; dilution factor of 35.55%; expected dividend yield of 0%; expected life of three years and exercise price of \$2.35. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.70.

The options with a five-year lifespan were assigned a value of \$1,396,100 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.18%; expected volatility of 100.16%; dilution factor of 35.55%; expected dividend yield of 0%; expected life of five years and exercise price of \$2.35. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.70.

On October 20, 2021, the Company granted stock options as compensation for Consulting Services to be provided by the consultant, to purchase an aggregate of 250,000 common shares of the Company at an exercise price of \$1.70 per share. Pursuant to the terms of the grant, 62,500 options will vest immediately, 62,500 options will vest over a period of 3 months from the date of grant, 62,500 options will vest over a period of 6 months from the date of grant and the remaining 62,500 options will vest over a period of 9 months from the date of grant. All of the options expire five years from the date of grant.

The options were assigned a value of \$235,500 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.79%; expected volatility of 118.89%; dilution factor of 26.57%; expected dividend yield of 0%; expected life of five years and exercise price of \$1.70. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$1.64.

On October 26, 2021, the Company granted stock options pursuant to its incentive stock option plan to certain directors of the Company, to purchase an aggregate of 100,000 common shares of the Company at an exercise price of \$1.67 per share. Pursuant to the terms of the grant, 100,000 options will vest immediately, and all of the options expire five years from the date of grant.

The options were assigned a value of \$97,000 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.86%; expected volatility of 119.37%; dilution factor of 26.74%; expected dividend yield of 0%; expected life of five years and exercise price of \$1.67. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$1.67.

On November 10, 2021, the Company granted stock options pursuant to its incentive stock option plan to certain consultants of the Company, to purchase an aggregate of 200,000 common shares of the Company at an exercise price of \$1.60 per share. Pursuant to the terms of the grant, all options will vest immediately, and expire three years from the date of grant.

Nuran Wireless Inc.

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As at December 31, 2021

20. STOCK OPTIONS (continued)

The options were assigned a value of \$108,000 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1%; expected volatility of 108.29%; dilution factor of 27.25%; expected dividend yield of 0%; expected life of three years and exercise price of \$1.60. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$1.32.

On November 10, 2021, the Company granted stock options pursuant to its incentive stock option plan to employees of the Company, to purchase an aggregate of 165,000 common shares of the Company at an exercise price of \$1.60 per share. Pursuant to the terms of the grant, 82,500 options will vest over a period of six months from the date of grant and the remaining 82,500 options will vest over a period of 12 months from the date of grant, and expire three years from the date of grant.

The options were assigned a value of \$89,430 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1%; expected volatility of 108.29%; dilution factor of 27.25%; expected dividend yield of 0%; expected life of three years and exercise price of \$1.60. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$1.32.

In total, a \$1,806,531 (\$25,000 in 2020) amount of employee remuneration expense and consultation fees (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to contributed surplus.

21. LOSS PER SHARE

Basic and diluted loss 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.

Nuran Wireless Inc.

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As at December 31, 2021

22. INCOME TAXES

Current tax expense

The reconciliation of income taxes computed at the Canadian statutory rates with the income tax expense recorded is as follows:

	December 31, 2021	October 31, 2020
Income tax recovery calculated on the basis of the statutory rate in Canada of 26.50% (26.50% as at October 31, 2020)	\$ (3,737,793)	\$ (184,982)
Increase (decrease) of the following items:		
Non-deductible expenses and non-taxable income	59,901	(460,470)
Change in unrecognized deferred tax assets	2,299,016	1,970,619
Other	(30,941)	84,650
Income tax expense in the consolidated statement of net loss and comprehensive loss	\$ (1,409,817)	\$ 1,409,817

The major component of tax reconciliation of the expected tax expense based on the domestic tax rate for the Company (26.50% in 2021; 26.50% in 2020) and the reported tax expense in profit or loss is the increase of unused tax losses and deductible temporary differences for which no deferred tax assets are recognized and prior year adjustment.

Deferred income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred income tax assets (liabilities) are as follows:

	Balance, as at October 31, 2020	Recognized in profit or loss	Balance, as at December 31, 2021
Property, plant and equipment and intangible assets	\$ (1,507,118)	\$ 40,607	\$ (1,466,511)
Undeducted accounting reserves	155,045	(101,867)	53,178
Accounts receivable	(9,716)	-	(9,716)
Inventory	(377,559)	-	(377,559)
Financing fees	99,584	(14,577)	85,007
Tax losses	287,340	1,471,987	1,759,327
Other	(57,393)	13,667	(43,726)
	\$ (1,409,817)	\$ 1,409,817	\$ -

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

22. INCOME TAXES (continued)

Deferred income taxes

	Balance, as at October 31, 2019	Recognized in profit or loss	Balance, as at October 31, 2020
Property, plant and equipment and intangible assets	\$ (601,408)	\$ (905,710)	\$ (1,507,118)
Convertible debentures and derivative liabilities	(9,807)	9,807	-
Undeducted accounting reserves	-	155,045	155,045
Accounts receivable	-	(9,716)	(9,716)
Inventory	-	(377,559)	(377,559)
Financing fees	-	99,584	99,584
Tax losses	611,215	(323,875)	287,340
Other	-	(57,393)	(57,393)
	\$ -	\$ (1,409,817)	\$ (1,409,817)

Unrecognized deductible temporary differences and unused tax losses belonged to a subsidiary and consisted of the following as at December 31, 2021:

	2021
Research and development expenses (a)	\$ 13,142,633
Unused tax losses	33,628,846
Financing expenses	256,299
Unrecognized deductible temporary differences and unused tax losses	\$ 47,027,778

(a) Temporary differences from unused research and development expenses shown in this table are those at the federal level. For the provincial level, the differences totalled \$13,268,425 as at October 31, 2021.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

22. INCOME TAXES (continued)

Deferred income taxes

The Company has unused tax losses from its operations totalling \$15,308,223 for the federal and for the provincial levels that may be carried forward and for which an asset amounting to \$1,759,327 was recognized. Furthermore, they can be applied against taxable income over the following years:

	Federal	Provincial
2033 -	\$ 14,945	\$ 14,945
2035 -	2,646	2,646
2036 -	1,445	1,445
2037 -	115,100	115,100
2038 -	151,054	151,054
2039 -	799,112	799,112
2040-	12,997,257	12,997,257
2041-	1,226,664	1,226,664
	<u>\$ 15,308,223</u>	<u>\$ 15,308,223</u>

23. FINANCIAL EXPENSES

Financial expenses consist of the following:

	December 31, 2021 (14 months)	October 31, 2020 (12 months)
Foreign exchange loss	\$ (26,244)	\$ (214,437)
Bank charges	28,328	5,538
Penalties	1,079	1,736
Accretion expense on convertible debentures	300,151	116,681
Interest expenses for financial liabilities at amortized cost		
Current liabilities	3,343	-
Non-current liabilities and convertible debentures	152,136	511,916
	<u>458,793</u>	<u>421,434</u>
Interest expense on financial lease agreements	39,836	37,111
	<u>\$ 498,629</u>	<u>\$ 458,545</u>

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

24. EMPLOYEE REMUNERATION

Expenses recognized for employee benefits such as wages, salaries and social security costs total \$8,114,927 for the year ended December 31, 2021 (\$1,621,155 in 2020).

25. RELATED PARTY TRANSACTIONS

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

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

Transactions with key management personnel

The Company's key management consists of the directors and executives. The key management personnel remuneration totals \$598,118 (\$449,414 in 2020) and a share-based compensation totals \$4,975,746 (\$0 in 2020) for the fourteen-month period ended December 31, 2021.

The number of shares held personally or through a company by key management personnel is 1,992,842 as at December 31, 2021 (136,860 as at October 31, 2020).

Other related party transactions

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

	December 31, 2021 (14 months)	October 31, 2020 (12 months)
Shareholders		
Interest expenses	\$ -	\$ 58,336

Convertible debentures (including derivative liability) owed to a company under common control and to shareholders total \$0 respectively as at December 31, 2021 (\$0 and \$375,000 respectively as at October 31, 2020).

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

26. FINANCIAL INSTRUMENTS RISK

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by its executives and focuses on actively securing the Company's short to medium-term cash flows.

The Company does not actively engage in the trading of financial assets for speculative purposes.

The carrying amounts of the Company's financial assets and liabilities by category are as follows:

	December 31, 2021 (14 months)	October 31, 2020 (12 months)
Financial assets classified at amortized cost		
Cash	\$ 731,191	\$ 64,254
Trade accounts receivable	517,067	136,801
	\$ 1,248,258	\$ 201,055

	December 31, 2021 (14 months)	October 31, 2020 (12 months)
Financial liabilities classified at amortized cost		
Trade and other payables	\$ 2,561,762	\$ 2,112,507
Convertible debentures	-	2,835,000
Long-term debt	-	1,287,421
	\$ 2,561,762	\$ 6,234,928

The most significant financial risks to which the Company is exposed are described below.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

26. FINANCIAL INSTRUMENTS RISK (continued)

Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk which result from its operating and financing activities.

- Foreign currency risk and foreign currency sensitivity:

The exposure to currency exchange rate fluctuations arises from the Company's sales and expenses outside Canada, which are primarily denominated in US dollars.

To mitigate the Company's exposure to foreign currency risk, non-Canadian cash flows are monitored, but no forward exchange contracts or other derivative financial instruments are entered into.

Foreign currency-denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are translated into Canadian dollars at the closing rate:

	December 31, 2021 (14 months)	October 31, 2020 (12 months)
Cash	\$ 213,518	\$ 32,392
Trade accounts receivable	\$ 807,247	\$ 130,906
Trade and other payables	\$ 1,589,698	\$ 776,507

A change in exchange rates of 5% is considered to be reasonably possible based on the observation of current market conditions and the market risk volatility in exchange rates in the previous fourteen months. All other things being equal, such a change in exchange rates would have increased or decreased the net loss and deficit by \$28,287 for the fourteen-month period ended December 31, 2021 (\$30,660 in 2020) based on the Company's foreign currency financial instruments held at each reporting date.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

26. FINANCIAL INSTRUMENTS RISK (continued)

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk mainly due to trade accounts receivable from its customers. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at its reporting date.

The Company continuously monitors defaults of customers, and incorporates this information into its credit risk controls.

To assess the expected credit losses, trade accounts receivable have been assessed on an individual basis since they originate from specific contracts. There are few contracts, therefore, this gives a more precise assessment than using a calculation matrix and grouping all trade accounts receivable according to certain criteria.

The Company takes into account economic perspectives of regions served by its clients as well as economic decisions affecting the telecommunication industry in Canada and worldwide. Therefore the Company adjusted the hypothesis of assessment according to expected changes in these factors.

Trade accounts receivable are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangement for instance are considered indicators of no reasonable expectation of recovery.

The Company's management considers that all of its financial assets that are not impaired or past due are of good credit quality. The amounts analyzed by the length of time past due are the following:

	December 31, 2021 (14 months)	October 31, 2020 (12 months)
No more than three months	\$ 415,808	\$ 301,816
More than three months but no more than six months	32,647	-
More than six months but no more than one year	22,213	-
More than one year	61,584	-
	\$ 532,252	\$ 301,816

The Company is exposed to a credit risk concentration because 72% of its trade accounts receivable are due from three customers (93% from three customers as at October 31, 2020).

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

26. FINANCIAL INSTRUMENTS RISK (continued)

Liquidity risk analysis

Liquidity risk is the risk that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring forecasts of cash inflows and outflows due in day-to-day business. Net cash requirements on day-to-day, week-to-week and 30-day projections are compared to available borrowing facilities in order to determine headroom or any shortfalls.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade accounts receivable. The Company's existing cash resources and its trade accounts receivable are insufficient to cover the current cash outflow requirement and, therefore, the Company is actively exploring possible sources of financing on the market. Cash flows from trade and other receivables are all contractually due within six months.

The Company's financial liabilities have contractual maturities (including interest payments, where applicable) which are summarized below:

					December 31, 2021 (14 months)
	Current		Non-current		
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years	Total
Trade and other payables	\$ 2,561,762	\$ -	\$ -	\$ -	\$ 2,561,762
Lease liabilities	66,658	69,369	559,112	-	695,139
	\$ 2,628,420	\$ 69,369	\$ 559,112	\$ -	\$ 3,256,901

					October 31, 2020 (12 months)
	Current		Non-current		
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years	Total
Trade and other payables	\$ 2,112,507	\$ -	\$ -	\$ -	\$ 2,112,507
Long-term debt	91,722	91,722	1,103,977	-	1,287,421
Convertible debentures	2,835,000	-	-	-	2,835,000
	\$ 5,039,229	\$ 91,722	\$ 1,103,977	\$ -	\$ 6,234,928

These amounts reflect the contractual undiscounted cash flows, and therefore may differ from the carrying amounts of the liabilities at the reporting date.

Nuran Wireless Inc.

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As at December 31, 2021

27. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern (Note 2) and to provide an adequate return to its shareholders by pricing its services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity and management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. In order to adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

28. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

Disaggregation of Revenue

The Company has examined its activities and has determined that, based on information reviewed on a regular basis by the main decision makers, it has two reportable segments (NaaS and Direct sales). The Company has disaggregated revenue into various categories in the following table which is intended to:

- Depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- Enable users to understand the relationship with revenue segment information provided below.

The following information provides the required entity-wide disclosures:

Segment	Region	Sales of goods	Services	Others	Total
NaaS	Africa	\$ 788,390	\$ 20,380	\$ -	\$ 808,770
Direct	Africa	250,332	-	-	250,332
Direct	Canada	522,157	15,489	20	537,666
Direct	USA	265,326	-	17,563	282,889
Direct	Other areas	257,959	-	-	257,959
December 31, 2021		\$ 2,084,164	\$ 35,869	\$ 17,583	\$ 2,137,616

Segment	Region	Sales of goods	Services	Others	Total
Direct	Canada	\$ 243,460	\$ 89,357	\$ -	\$ 332,817
Direct	USA	704,300	312,212	-	1,016,512
Direct	Europe	2,143,110	28,428	-	2,171,538
Direct	Other areas	407,817	1,394	-	409,211
October 31, 2020		\$ 3,498,687	\$ 431,391	\$ -	\$ 3,930,078

The Company is exposed to a credit risk concentration because 40% of its revenues are from one customer for the fourteen-month period ended December 31, 2021 (48% from one customer in 2020).

All of the Company's non-current assets are located in Canada (\$6,768,199) and Africa (\$38,982).

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Lease liabilities	Convertible debentures and derivative liability	Long-term debt	Total
November 1, 2020	\$ -	\$ 2,835,000	\$ 1,287,421	\$ 4,122,421
Cash flows				
Repayment	(124 364)	-	-	(124 364)
Proceeds	779 867	-	-	779 868
Write-off	39 636	-	-	39 636
Non-cash				
Conversion into convertible debentures	-	-	(1 287 421)	(1 287 421)
Issuance of convertible debenture	-	1 990 695	-	1 990 695
Accretion of convertible debentures	-	300 151	-	300 151
Forbearance to the convertible debentures default	-	(300 151)	-	(300 151)
Conversion of convertible debentures	-	(4,825,695)	-	(4,825,695)
December 31, 2021	\$ 695 139	\$ -	\$ -	\$ 695,139

	Loan payable	Convertible debentures and derivative liability	Long-term debt	Total
November 1, 2019	\$ 190,000	\$ 3,052,992	\$ 1,054,563	\$ 4,297,555
Cash flows				
Repayment	-	-	(665,510)	(665,510)
Proceeds	-	-	1,108,333	1,108,333
Write-off	(190,000)	-	(209,965)	(399,965)
Non-cash				
Accretion of convertible debentures	-	116,681	-	116,681
Forbearance to the convertible debentures default	-	(79,673)	-	(79,673)
Conversion of convertible debentures	-	(255,000)	-	(255,000)
October 31, 2020	\$ -	\$ 2,835,000	\$ 1,287,421	\$ 4,122,421

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2021

30. UNCERTAINTIES RELATED TO COVID-19

On March 11, 2020, the World Health Organisation announced the pandemic status of COVID-19. The outbreak of COVID-19 resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. Though many of these effects have now eased or been mitigated, some effects of COVID-19 have affected and may continue to adversely affect the global economy and the economy of affected nations. Given the Company is focusing on markets in a number of countries globally and operates in the telecommunication environment, the effect of COVID-19 and the knock-on effect that it will have on medium to long-term customers and business behavior cannot yet be quantified. At this time, the Company has been impacted by the pandemic in the following ways:

Travel bans

Due to travel bans, business with existing customers and new potential customers had to be conducted remotely and this had an effect of delayed timetables. Additionally, negotiations with some banks were halted or delayed, as the banks required in person meetings.

Supply chain disruptions

Certain suppliers were unable to fulfill their orders due to the direct impact of COVID-19.

Given the inherent uncertainties, it is not practicable at this time to determine the overall impact of COVID-19 on the Company or to provide a quantitative estimate of this impact. However, management believes, having undertaken programs of cost management and stress-testing of their forecasting of revenues and cash flows including the worst likely case, that it is still appropriate to prepare the financial statements on a going concern basis.

31. POST-REPORTING DATE EVENTS

As at January 6, 2022, the Company signed an agreement in principle with a development finance institution (DFI) for a senior secured credit facility of up to US\$15,000,000 ("Facility One") to finance a portion of Nuran's network infrastructure installations being rolled-out in Cameroon and in the Democratic Republic of the Congo (the "Project"). Facility One is conditional on, amongst other customary conditions in a financing of this nature, Nuran raising the remainder of the US\$15,000,000 in funding for the Project, the lender's due diligence and customary conditions, events of default and covenants. Facility One is for a term of seven years including two-year grace period on repayment of principal, and disbursements may be requested for up to 36 months from closing. Interest is to be paid at either a fixed or floating rate as specified by the Borrower for each tranche.

As at January 14, 2022, the Company signed a second mandate letter for another senior secured credit facility ("Facility Two") with another DFI that provides up to EUR 8,000,000 in total funding to further finance the Project. Facility Two is conditional on, amongst other customary conditions in a financing of this nature, Nuran raising the remainder of the funds required for the Project, the lender's due diligence and customary conditions, events of default and covenants. Facility Two is for a term of seven years including a two-year grace period on repayment of principal, and disbursements may be requested up to 36 months from closing. Interest is to be paid at a rate that is calculated based on a margin over six months EURIBOR.

Nuran Wireless Inc.

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31. POST-REPORTING DATE EVENTS (continued)

As at January 27, 2022, the Company has granted stock options pursuant to the Company's incentive stock option plan to a consultant to purchase an aggregate of 300,000 common shares of the Company at exercise price of \$1.45 per share.

As at January 27, 2022, the Company has granted stock options pursuant to the Company's incentive stock option plan to a consultant and a director to purchase an aggregate of 250,000 common shares of the Company at exercise price of \$1.34 per share.

As at March 17, 2022, the Company closed a secured convertible debenture in the principal amount of \$2,235,465. The Debenture had an original issuance discount of 10% and is convertible into common shares of the Company (each, a "Share") at a price of \$1.35 per Share. The Debenture will mature on March 17, 2023 and is secured by way of general security agreement. The Debenture may be prepaid by the Company at any time prior to the Expiry Date, upon ten business days' notice to the holder of the Debenture, subject to the Company paying a price equal to 103% of the principal amount of the Debenture then outstanding plus accrued and unpaid interest thereon.

As at March 18, 2022, the Company signed the final agreement with Afriland First Bank in Cameroon for the \$2,875,000 loan facility with proceeds to be used for infrastructure investment in Cameroon. The loan is for a five-year term with an initial six month capital grace period and an annual interest rate of 9%.

As at April 28, 2022, the Company incorporated a subsidiary, Nuran Wireless (Africa) Holding, for the purpose of holding African operations.