

Nuran Wireless Inc.
Consolidated Financial Statements
December 31, 2023 and December
31,2022

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Independent Audit Report

To the Shareholders of:
Nuran Wireless Inc.

Opinion

We have audited the consolidated financial statements of Nuran Wireless Inc., which comprise the consolidated statement of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nuran Wireless Inc. as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our 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 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.

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 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 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 a 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 judgement 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.

- Evaluate the overall presentation, structure and content of the financial statement, 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 Jeremy Levi.

*Jeremy Levi*¹

Montreal, Quebec
April 26, 2024

¹ CPA auditor, permit No. A137352

Nuran Wireless Inc.
Consolidated Statements of Comprehensive Income
Years ended December 31, 2023 and December 31, 2022

	2023	2022
	\$	\$
Revenue (Note 29)	3,199,125	4,871,890
Cost of sales	2,655,305	2,835,283
Gross profit	543,820	2,036,607
Selling expenses	910,662	1,364,192
Administrative expenses	7,380,941	7,588,704
Employee shared-based compensation	6,264	1,177,464
Financial expenses (Note 22)	3,599,987	1,036,083
Research and development costs, net of \$126,738 in tax credit (\$168,602 as at December 31, 2022)	478,889	302,390
	12,376,744	11,468,833
Loss before other elements	(11,832,924)	(9,432,226)
Other elements		
Gain on waive off of acc payables	-	25,496
Gain / (Loss) debt settlement	(366,340)	(829,919)
Gain / (loss) on disposal of assets	(757)	-
Gain / (loss) on loan	(106,461)	-
Gain / (Loss) Unwind bankruptcy	-	345,023
	(473,558)	(459,400)
Loss before income taxes	(12,306,482)	(9,891,626)
Income tax expense		
Income Tax (Note 21)	15,763	488
Net loss for the year	(12,322,245)	(9,892,114)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Foreign exchange difference on translation of foreign operations	191,355	(168,788)
Total comprehensive income for the year	(12,130,890)	(10,060,902)
Loss per share (Note 20)		
Basic and diluted loss per share	(0.32)	(0.30)
Weighted average number of outstanding common shares	38,648,463	33,427,811

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

Nuran Wireless Inc.**Consolidated Statements of Changes in Surplus (Deficiency)**

Years ended December 31, 2023 and December 31, 2022

	Share capital		Contributed Surplus	Fair value of the conversion option	Translation reserve	Deficit	Total Surplus (Deficiency)
	Number	\$	\$			\$	\$
Balance as at January 1, 2023	35,008,197	46,948,232	9,106,691	20,564	(168,788)	(51,719,508)	4,187,191
Issue of share capital (Note 17)	3,659,215	970,970	-	-	-	-	970,970
Net loss and total comprehensive income for the period	-	-	-	-	-	(12,322,245)	(12,322,245)
Foreign exchange in translation of foreign operations	-	-	-	-	191,355	-	191,355
Convertible Debenture (Note 16)	-	613,466	-	1,426	-	-	614,892
Debenture conversion in share capital (Notes 16 and 17)	3,056,167	1,053,888	-	-	-	-	1,053,888
Issue of Warrants (Note 18)	-	(60,873)	60,873	-	-	-	-
Exercise of Warrants (Notes 18 and 19)	1,250,000	1,888,000	(1,888,000)	-	-	-	-
Employee shared-based compensation (Notes 17, 18 and 19)	70,000	-	136,264	-	-	-	136,264
Balance as at December 31, 2023	43,043,579	51,413,683	7,415,829	21,990	22,567	(64,041,753)	(5,167,684)

	Number	Share capital	Contributed surplus	Fair value of conversion option	Translation reserve	Deficit	Total Surplus (Deficiency)
		\$	\$			\$	\$
Balance as at January 1, 2022	32,420,357	45,139,877	6,734,468	-	-	(41,827,394)	10,046,951
Issue of share capital (Note 18)	2,587,840	319,645	-	-	-	-	319,645
Net loss and total comprehensive income for the period	-	-	-	-	-	(9,892,114)	(9,892,114)
Foreign exchange in translation of foreign operations	-	-	-	-	(168,788)	-	(168,788)
Debenture conversion in share capital (Notes 17 and 18)	-	882,550	-	20,564	-	-	903,114
Interest conversion in share capital (Note 17 and 18)	-	1,242,817	-	-	-	-	1,242,817
Exercise of Warrants (Notes 18 and 19)	-	405,740	(191,240)	-	-	-	214,500
Employee shared-based compensation - Warrants (Note 19)	-	-	1,083,389	-	-	-	1,083,389
Non-Employee shared-based compensation - Warrants (Note 19)	-	(1,042,397)	1,042,397	-	-	-	-
Employee shared-based compensation - Stock Options (Note 20)	-	-	91,061	-	-	-	91,061
Non-employee shared-based compensation - Stock Options (Note 20)	-	-	346,617	-	-	-	346,617
Balance as at December 31, 2022	35,008,197	46,948,232	9,106,691	20,564.00	(168,788.19)	(51,719,508)	4,187,191

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

Nuran Wireless Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2023 and December 31, 2022

	2023	2022
	\$	\$
in Surplus (Deficiency)		
OPERATING ACTIVITIES		
Net loss and total comprehensive income	(12,322,245)	(9,892,114)
Non-cash flow adjustments		
Depreciation of property, plant and equipment	84,441	91,769
Depreciation of intangible assets	35,838	141,142
Depreciation of Right-of-use assets	225,861	221,520
Amortization of OID	60,469	-
Interest on lease liabilities	46,060	53,362
Interest on overdue payables	101,215	-
Gain on debt settlement	-	484,896
Gain (loss) on disposal of assets	757	(25,496)
Deferred income tax expense	-	-
Non-employee share-based transaction	84,720	346,617
Warrants issued	136,264	-
Employee share-based compensation	-	1,174,449
Interest expense on convertible debentures	1,566,168	-
Accretion of convertible debentures	541,924	375,204
Interest on loan	820,616	-
Expected credit loss	(12,297)	-
Net change in working capital items		
Trade and other receivables	3,564,612	(4,706,380)
Accrued revenues	(4,016,238)	-
Scientific research and experimental development tax credits receivable	131,830	(5,701)
Work in progress	(351,324)	817,021
Inventories	124,552	441,245
Prepaid expenses	(3,752)	(20,170)
Security deposits and deposits on purchase of goods	(573,963)	(168,158)
Trade and other payables	917,541	4,539,040
Deferred revenue	253,523	(498,849)
Net cash used in operating activities	(8,583,427)	(6,799,390)
INVESTING ACTIVITIES		
Proceeds from the disposal of property, plant and equipment	8974	
Purchase of property, plant and equipment	(65,850)	(134,397)
Purchase of intangible assets	(486,203)	(826,256)
Right-of-use assets	(150,866)	(107,908)
Net cash generated in investing activities	(693,945)	(1,068,561)
FINANCING ACTIVITIES		
Long-term debt	13,240,431	1,794,523
Lease liabilities	155,587	111,852
Promissory notes exhausted	(1,500,000)	-
Factoring receivable	(3,566,193)	-
Repayment of Lease Liabilities	(276,644)	(257,768)
Repayment Convertible debenture	(75,000)	(2,235,465)
Convertible debenture and derivative liability	1,097,318	
Issue of common shares	-	402,499
Net cash generated in financing activities	9,075,500	7,320,158
Net increase in cash	(201,872)	(547,793)
Cash, beginning of year	183,397	731,191
Foreign exchange in translation of foreign operations	191,355	(168,788)
Cash, end of year	172,880	183,397

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

Nuran Wireless Inc.
Condensed Interim Consolidated Statements of Financial Position

As at December 31, 2023

(In Canadian dollars)

in Surplus (Deficiency)

	<u>2023-12-31</u>	<u>2022-12-31</u>
	\$	\$
ASSETS		
Current		
Cash	172,880	183,397
Trade and other receivables	2,102,290	5,654,606
Scientific research and experimental development tax credits receivable	147,981	279,811
Accrued revenues	4,016,476	238
Work in progress	351,324	
Inventories (Note 8)	4,788,808	4,913,360
Prepaid expenses	43,360	39,608
Security deposits and deposits on purchase of goods	825,802	251,839
Current assets	<u>12,448,920</u>	<u>11,322,859</u>
Non-current		
Property, plant and equipment (Note 9)	274,863	303,186
Intangible assets (Note 10)	6,999,547	6,549,181
Right-of-use assets (Note 11)	487,278	562,273
Non-current assets	<u>7,761,688</u>	<u>7,414,641</u>
Total assets	<u>20,210,608</u>	<u>18,737,500</u>
LIABILITIES		
Current		
Trade and other payables (Note 12)	9,824,571	6,730,282
Deferred revenue	1,486,454	1,232,931
Loans payable (Note 13)	9,393,761	1,794,523
Convertible debentures and derivative liability (Note 16)	4,145,918	4,189,988
Current portion of lease liabilities (Note 15)	233,820	197,063
Current liabilities	<u>25,084,523</u>	<u>14,144,787</u>
Non-current		
Lease liabilities (Note 15)	<u>293,768</u>	<u>405,522</u>
Total liabilities	<u>25,378,292</u>	<u>14,550,309</u>
SURPLUS		
Share capital (Note 17)	51,413,683	46,948,232
Contributed Surplus (Notes 18 and 19)	7,415,829	9,106,691
Fair value of conversion option	21,990	20,564
Foreign exchange in translation of foreign operations	22,567	(168,788)
Deficit	<u>(64,041,753)</u>	<u>(51,719,508)</u>
Total Surplus	<u>(5,167,684)</u>	<u>4,187,191</u>
Total Surplus and liabilities	<u>20,210,608</u>	<u>18,737,500</u>

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

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

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

Nuran Wireless Inc. is incorporated under the Business Corporations Act (B.C.) and with its subsidiaries (together, the “Company”) operates in the research, development, manufacturing, marketing and operation of digital electronic circuits and wireless telecommunication products and services to the mobile telephony industry.

Along with its subsidiaries, Nuran Wireless Cameroon Ltd., Nuran Wireless DRC S.A.R.L.U., Nuran Wireless Madagascar S.A.R.L.U., Nuran Wireless Côte d’Ivoire S.A.R.L.U., NuRAN Wireless (Africa) Holding and Innovation Nutaq Inc., the Company provides products and services that help Mobile Network Operators (MNOs) profitably serve off-grid markets that are currently not served. The main strategy is to finance, build and manage rural cellular infrastructure, monetizing 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. It also sells products and services direct to MNOs and others which they build into their own networks.

In 2021, Nuran Wireless Inc. (“NuRAN”) modified its by laws to change its financial year-end from October 31 to December 31.

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

NuRAN’s registered office is at 1000 – 595 Burrard Street, Vancouver BC V7X 1S8 and its place of business is at 2150, Cyrille-Duquet, suite 100, Québec (Québec) G1N 2G3.

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). 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 measurement bases used are described in the applicable notes.

During the year ended December 31, 2023, the Company incurred a net loss of \$12,322,245 which includes over \$3 million of non-cash financial expenses and has a deficit of \$64,041,753 as at December 31, 2023. This reflects the significant and upfront nature of capital and operating expenditures in network infrastructure required of the NaaS model and operating losses for the business prior to the repositioning into NaaS. In parallel to deploying this model the Company has taken significant steps forward in restructuring and repositioning its 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 for the deployment of over 4,600 rural mobile sites signed from September 2020 to January 2023.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

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

As at the date of these financial statements, the Company signed a bridge financing contract valued at US\$ 5M which will provide much needed capital to restart construction of NaaS sites while other financing contracts are progressing. NuRAN announced the signing of four additional expressions of interest from lenders in the first quarter of 2024 which reflect both the scale of the Company in terms of NaaS contracts signed as well as the progress that has been made with existing sites in operation, specifically Cameroon. This along with discussions already underway for both debt and equity show the interest from the market and the ability of the Company to attract providers of finance critical to its business model. While these discussions show tremendous promise, there are 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 on its assets and to discharge its liabilities in the normal course of operations.

The consolidated financial statements for the 12 months period ended December, 2023 (including comparatives) were approved and authorized for issue by the Board of Directors on April 29, 2024.

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 (Africa) Holding, Nuran Wireless Cameroon Ltd, Nuran Wireless DRC S.A.R.L.U. Nuran Wireless Madagascar S.A.R.L.U., Nuran Wireless Côte d'Ivoire S.A.R.L.U., and Innovation Nutaq Inc., as at December 2023.

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 or disposed of during the 12 months period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Foreign currency translation

Functional and presentation currency

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

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 12 months period are recognized in the profit or loss.

Non-monetary items are not retranslated at the end of the 12 months 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:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. 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 -two 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 point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will 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).

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

Network as a Service (“NaaS”)

The Company’s Network as a Service (“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 passing 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 contracts require payment to be received for the time and effort spent by the Company on progressing the contract.

The Company’s NaaS contracts operating revenue is 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 less allowable direct costs deducted by the Mobile Network Operator) earned by the network over the life of the contract. When estimating the percentage of gross margin earned by the network sites the Company has been constrained because it does not yet have sufficient historical experience to reliably estimate the value of the payment that will be received and is a function of the mobile voice and data traffic which is unknown.

On the sale of network sites, the Company accepts monthly instalment payments from the date the site is accepted/recognized as operational 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.

The transaction price is then allocated between all performance obligations on a relative stand-alone selling price basis. The stand-alone selling price per site is estimated based on the expected cost of building the site, including the financing component, plus a profit margin (Gross Cost). The difference between the Gross Cost and the estimate of the Gross Margin for each of the Network’s sites, is classified as operational income.

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, 2023

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 rates are applied:

	Methods	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, 2023

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 amortized over their estimated useful lives, as these assets are considered finite. The following amortization 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 amortized.

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.

Impairment of property, plant and equipment and intangible assets

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 that 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

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.

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

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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, loans payable, 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 the 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 bond. The remainder of the proceeds are allocated to the conversion option and 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, 2023

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. 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 the 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.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

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 14 months 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 are valued at the lower of cost and net realizable value, the cost being determined using the first in, first out method. Finished goods are valued at the lower of cost and net realizable value, the cost being determined using the first in, first out method.

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.

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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based compensation

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.

Significant management judgments in applying accounting policies and estimation uncertainty

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant management judgments in applying accounting policies and estimation uncertainty

Significant management judgments

- 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 needs to exercise judgment to determine the impact of any changes to the terms of the convertible debentures and then apply the guidance set out in IFRS 9 - Financial Instruments to determine whether the change is considered a debt extinguishment or a debt modification (Note 17).

Estimation uncertainty

- 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, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant management judgments in applying accounting policies and estimation uncertainty

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 16).

- 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 16).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

4. CHANGES IN ACCOUNTING POLICIES

New standards adopted as at December 31, 2023.

a) *New standards, interpretations and amendments adopted from 1 January 2023*

The following amendments are effective for the period beginning 1 January 2023: • IFRS 17 Insurance Contracts;

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);

- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and

- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. See the applicable notes for further details on how the amendments affected the Group.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as A The Company carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual consolidated financial statements of the Group.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the annual consolidated financial statements of the Group.

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Management of the Company has determined that the Group is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Group.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Group does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Group

5. BANKRUPTCY OF ITS SUBSIDIARY

On November 16, 2021, NuRAN filed a proposal with its creditors for the unwinding of the bankruptcy of its 100% owned subsidiary, Innovation Nutaq Inc. ("Nutaq"). This proposal provided 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 and the bankruptcy of Nutaq was formally discharged on March 25, 2022.

6. OPERATING SEGMENTS

During the year ended December 31, 2023, the Company operated as a manufacturer of digital electronic circuits and wireless telecommunication products, which was considered one reportable segment under the requirements of IFRS 8.

The Company changed its business model in its subsidiaries to act also as a Network as a Service (NaaS) entity in various geographical areas which was considered another reportable segment 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, 2023

7. TRADE AND OTHER RECEIVABLES

	2023	2022
	\$	\$
Trade accounts receivable, gross	1,276,580	5,621,862
Allowance for credit losses	(3,925)	(16,222)
	1,272,655	5,605,640
Indirect taxes receivable	829,636	48,966
	2,102,291	5,654,606

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 four-year period prior to the year end.

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

	2023	2022
	\$	\$
Opening balance	16,222	15,185
Write-off	(11,916)	-
Exchange difference on allowance for credit losses	(381)	1,037
Closing balance	3,925	16,222

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

					2023
December 31, 2023	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	0.40%	0.31%
Gross carrying amount	\$ 99,048	\$ 117,437	\$ 85,674	\$ 974,421	\$ 1,276,580
Loss provision	\$ -	\$ -	\$ -	\$ 3,925	\$ 3,925
					2022
December 31, 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	0.84%	0.29%
Gross carrying amount	\$3,452,982	\$ 137,544	\$ 90,815	\$ 1,940,522	\$ 5,621,862
Loss provision	\$ -	\$ -	\$ -	\$ 16,222	\$ 16,222

8. INVENTORIES

	2023	2022
	\$	\$
Raw materials	988,766	942,450
Finished goods	3,800,042	3,970,910
	4,788,808	4,913,360

For the year ended December 31, 2023, a total of \$nil (\$93,776 in 2022) of inventories was written off and included in profit or loss as an expense

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

9. PROPERTY, PLANT AND EQUIPMENT

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

				2023
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at December 31, 2022	7,727	717,625	344,445	1,069,797
Additions	-	56,037	9,813	65,850
Disposal	-	(9,733)	-	(9,733)
Balance as at December 31, 2023	7,727	763,929	354,258	1,125,914
Depreciation and impairment				
Balance as at December 31, 2022	2,229	488,970	275,412	766,611
Depreciation	1,544	61,005	22,855	85,404
Disposal	-	(964)	-	(964)
Balance as at December 31, 2023	3,773	549,011	298,267	851,051
Carrying amount as at December 31, 2023	3,954	214,918	55,991	274,863

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2022			
	Leasehold improvements	Equipment and furniture, tele- communication system, furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at December 31, 2021	7,727	610,684	323,600	942,011
Additions	-	106,941	20,845	127,786
Balance as at December 31, 2022	7,727	717,625	344,445	1,069,797
Depreciation and impairment				
Balance as at December 31, 2021	683	423,651	250,508	674,842
Depreciation	1,546	65,319	24,904	91,769
Balance as at December 31, 2022	2,229	488,970	275,412	766,611
Carrying amount as at December 31, 2022	5,498	228,655	69,033	303,186

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

	2023	2022
	\$	\$
Cost of sales	5,615	-
Administrative expenses	54,104	59,663
Research and development costs	25,685	32,106
	85,404	91,769

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

10. INTANGIBLE ASSETS

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

			2023
	Software	Trademarks	Total
	\$	\$	\$
Gross carrying amount			
Balance as at December 31, 2022	7,317,016	44,244	7,361,260
Additions			
Under development	431,400	-	431,400
Acquired	54,805	-	54,805
Balance as at December 31, 2023	7,803,221	44,244	7,847,465
Depreciation and impairment			
Balance as at December 31, 2022	812,079	-	812,079
Amortization	35,838	-	35,838
Balance as at December 31, 2023	847,917	-	847,917
Carrying amount as at December 31, 2023	6,955,303	44,244	6,999,547
			2022
	Software	Trademarks	Total
	\$	\$	\$
Gross carrying amount			
Balance as at December 31, 2021	6,492,482	42,523	6,535,005
Additions			
Under development	811,862	-	811,862
Acquired	12,672	1,721	14,393
Balance as at December 31, 2022	7,317,016	44,244	7,361,260
Depreciation and impairment			
Balance as at December 31, 2021	670,937	-	670,937
Amortization	141,142	-	141,142
Balance as at December 31, 2022	812,079	-	812,079
Carrying amount as at December 31, 2022	6,504,937	44,244	6,549,181

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

10. INTANGIBLE ASSETS (CONTINUED)

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

	2023	2022
	\$	\$
Cost of sales	18,240	124,918
Research and development costs	4,795	5,994
Administrative expenses	12,803	10,231
	35,838	141,142

As at December 31, 2023, software includes software under development at a cost of \$4,035,649 (\$3,604,250 as at December 31, 2022).

11. RIGHT-OF-USE ASSETS

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

	2023	2022
	\$	\$
Gross carrying amount		
Balance as at December 31, 2022	887,776	779,867
Addition	150,866	107,909
Balance as at December 31, 2023	1,038,642	887,776
Depreciation and impairment		
Balance as at December 31, 2022	325,503	103,982
Amortization	225,861	221,521
Balance as at December 31, 2023	551,364	325,503
Carrying amount as at December 31, 2023	487,278	562,273

Right-of-use assets are initially measured at the amount of the lease liability. Subsequent to initial measurements, right-of-use assets are amortized on a straight-line basis over the remaining term of the lease.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

12. TRADE AND OTHER PAYABLES

	2023	2022
	\$	\$
Accounts payable and accrued liabilities		
Shareholders	39,400	39,400
Others	9,153,436	6,134,714
Salaries and payroll deductions payable	631,736	556,168
	9,824,572	6,730,282

As at December 31, 2023, accounts payable include \$280,146 relating to intangible asset purchases (\$239,069 as at December 31, 2022) and \$39,400 (\$39,400 as at December 31, 2022) relating to unpaid interest on convertible debentures (Note 16).

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 year, the Company has waived off \$nil of accounts payable and accrued payables (\$319,527 as at December 31, 2022) (Note 5).

13. LOANS PAYABLE

	2023	2022
	\$	\$
Loan from non-related companies (a)	173,686	294,523
Loan from non-related companies (b)	3,172,359	-
Loan from non-related companies (c)	6,047,716	-
Loan from non-related company (d)	-	400,000
Loan from individual (e)	-	1,100,000
	9,393,761	1,794,523

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

13. LOANS PAYABLE (CONTINUED)

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

- a) The loan from a non-related company is secured by a chattel mortgage on the universality of the Company's assets.

The loan relates to a factoring agreement for a maximum of \$2,500,000. As at December 31, 2023, the Company has \$0 (\$731,859 as at December 31, 2022) in accounts receivable that have been transferred in factoring to the non-related company, for which an amount of \$0 (\$437,336 as at December 31, 2022) has been retained as a factoring reserve.

These factoring agreements stipulate that the Company shall repay the loans received related to invoices that are past due over 90 days. As at December, 2023 these terms are respected.

- (i) The loan relates to a factoring agreement dated October 4th, 2023, for the sale of \$287,306 of receivables owed to the Company by its operating subsidiaries in Africa. Pursuant to the factoring facility, the Company has sold receivables valued at \$287,306 for gross proceeds of \$173,686 consisting of The settlement of indebtedness owing to the factor relating to accounts receivable and an unsecured debenture.

Under the terms of the factoring agreement, the non-related company will have recourse against NuRAN for any sold receivables, in certain circumstances. If the non-related company delivers a recourse notice, the Company will have the option of satisfying any repurchase request of the Recourse Account in cash at 107% the price originally paid by the factoring company for the Recourse Account or by issuing units of the Company (each a "Unit") at \$0.35 per Unit for the amount of the Recourse Account. Each Unit will be comprised of (i) one share in the capital of the Company; and (ii) three quarters (3/4) of one warrant exercisable into one additional share of the Company at \$0.40 for a period of 3 years from entering into of the factoring facility. The Sold Receivables will bear interest until the non-related company has received payment, at a rate of 15% per annum. If the Company does complete a subsequent sale of receivables, the pricing on the Units will be set in compliance with applicable policies of the Canadian Securities Exchange.

- b) The loan from a non-related company is a secured promissory note of USD \$1,653,947, dated April 24, 2023 from a US-based institution. This note bears interest at 10% per annum and the maturity date is the day which is six months from the issue date which was subsequently extended.

On December 4th, 2023, the Company extended the bridge loan until October 21, 2024. As consideration, the Company has agreed to increase the principal amount on the loan by 10% as an extension fee and issue the lender 5,000,000 share purchase warrants to replace the existing warrants held by the lender, with each warrant exercisable to acquire a share of the Company at an exercise price of \$0.25 for a period of two years. In addition, the Company has agreed to add a conversion feature to the loan, at \$0.225 per common shares of the Company. Any securities issuable upon exercise of these warrants or conversion of the loan will be subject to a statutory hold period of four months and one day.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

13. LOANS PAYABLE (CONTINUED)

- c) The loan from a non-related company relates to a factoring agreement (The "Factoring Agreement") with a factoring company (the "Factor") dated August 28, 2023, for the sale of up to \$15 million of receivables owed to the Company by its operating subsidiaries in Africa (the "Receivables"). Pursuant to the Factoring Agreement, the Company sold Receivables valued at \$8.65 million for gross proceeds of \$5,438,340 consisting of:
- (ii) a cash payment of \$4,638,340 used to settle outstanding loans advanced by short term lenders, who are affiliates of the Factor (d);
 - (iii) a cash payment of \$800,000 on or before September 30, 2023 for the purpose of funding working capital requirements.

Under the terms of the Factoring Agreement, the Factor will have recourse against NuRAN for any sold receivables, in certain circumstances. If the Factor delivers a recourse notice, the Company will have the option of satisfying any repurchase request of the Recourse Account in cash at 107% the price originally paid by the Factor for the Recourse Account or by issuing units of the Company (each a "Unit") at \$0.35 per Unit for the amount of the Recourse Account. Each Unit will be comprised of (i) one share in the capital of the Company; and (ii) three quarters (3/4) of one warrant exercisable into one additional share of the Company at \$0.40 for a period of 3 years from entering into of the factoring facility. The sold receivables will bear interest until the Factor has received payment, at a rate of 15% per annum. If the Company does complete a subsequent sale of receivables, the pricing on the Units will be set in compliance with applicable policies of the Canadian Securities Exchange.

In connection with the Factoring Agreement, the Company agreed to pay an arrangement fee to the Factor consisting of 3,800,000 common shares (the "Fee Shares") (having a deemed value of \$0.23 based on closing price of the common shares of NuRAN on the closing) representing approximately 5% of the total factoring facility. 2,500,000 of these Fee Shares were issued at the initial closing and the remainder were to be issued on January 2, 2024. The Fee Shares will be subject to a statutory hold period in Canada of four months and a day.

On October 17, 2023, the Company amended the terms of the Factoring Agreement which called for additional cash payments, completion of other financing and securing the indebtedness by way of a Hypothec in favour of the Factor or its duly authorised agent on or before September 30, 2023, this date was extended to October 31, 2023.

On December 4th, 2024, the Company further amended the terms of the Factoring Agreement by selling receivables valued at \$1.425 million for proceeds of \$865,000 consisting of:

- (i) a cash payment of \$215,000 that have been received by the Company; and
- (ii) a cash payment \$650,000 on or before December 31, 2023 for the purpose of funding working capital requirements leading up to the finalisation of other loans.

Included in the amendment, the Factor agreed to extend various deadlines until January 31, 2024.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

13. LOANS PAYABLE (CONTINUED)

Furthermore, pursuant to the amendment, if the Company chooses to satisfy the Recourse Account by issuing Units, which is entirely at the discretion of the Company, the deemed price per Unit will be \$0.225 per Unit and the warrant exercise price will be \$0.25. Finally, the amendment adjusted the timing and quantum of the Fee Shares so that the remaining balance of 1,300,000 Fee Shares has increased to 1,900,000, 1,000,000 of which will be issued on or before January 31, 2024, and the remainder to be issued on or before March 15, 2024. The Fee Shares will be subject to a statutory hold period in Canada of four months and a day from the date of issuance.

- d) From September 19, 2022, the loan is secured by promissory notes of \$2,475,587, bears interest equal to the Bank of Canada overnight rate plus 11,75% and is payable on demand.

On August 28, 2023, the Company has reimbursed \$2,717,352, including interest, when it entered into the Factoring Agreement (c)

- e) From September 19, 2022, the loan is secured by promissory notes of \$1,625,000, bears interest equal to the Bank of Canada overnight rate plus 11,75%, is payable on demand.

On August 28, 2023, the Company has reimbursed \$1,920,989, including interest, when it has entered into the Factoring Agreement (c)

14. EMPLOYEE FUTURE BENEFITS

The Company implemented a tailored Simplified Pension Plan (SIPP) that will improve the retirement preparedness of NuRAN 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.

15. LEASE LIABILITIES

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 (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease 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.

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.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

15. LEASE LIABILITIES (CONTINUED)

Lease liabilities

The maturity analysis of the lease liability as at reporting date was as follows:

	Within 1 year	After 1 year but less than 5 years	Total
At 31 December 2023	<u>\$</u>	<u>\$</u>	<u>\$</u>
Gross lease liability	225,724	277,745	503,469
Less future interest costs	8,096	16,023	24,118
	<u>233,820</u>	<u>293,768</u>	<u>527,588</u>

	Within 1 year	After 1 year but less than 5 years	Total
At 31 December 2022	<u>\$</u>	<u>\$</u>	<u>\$</u>
Gross lease liability	156,208	365,150	521,358
Less future interest costs	40,855	40,372	81,227
	<u>197,063</u>	<u>405,522</u>	<u>602,585</u>

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Gross carrying amount		
Balance as at January 1, 2023	602,585	695,139
Additions	155,587	111,852
Lease payments	(276,644)	(257,768)
Lease interest	46,060	53,362
Write-off		
Balance as at December 31, 2023	<u>527,588</u>	<u>602,585</u>
Current	233,820	197,063
Non-current	<u>293,768</u>	<u>405,522</u>
	<u>527,588</u>	<u>602,585</u>

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

16. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

As at December 31, 2023, the convertible debentures and derivative liability consist of the following:

	Convertible debentures	Unsecured Convertible debentures	Total
	\$	\$	\$
Balance at December 31, 2021	8,196,179	-	8,196,179
Issuance of convertible debenture	(2,235,465)	-	(2,235,465)
Forbearance of the debenture default	(912,931)	-	(912,931)
Conversion of convertible debentures	(1,233,000)	-	(1,233,000)
Accretion of convertible debentures	375,204	-	375,204
Balance at December 31, 2022	4,189,988	-	4,189,988
		-	
Issuance of convertible debenture	5,768,724	75,000	5,843,724
Amortization of OID on convertible debenture	60,469	-	60,469
Restructuring of the debentures	(4,746,407)	-	(4,746,407)
Fair Value of the debenture	(609,136)	(5,757)	(614,892)
Conversion of convertible debentures	(1,053,888)	-	(1,053,888)
Accretion of convertible debentures	536,168	5,757	541,924
Reimbursement of convertible debenture		(75,000)	(75,000)
Closing balance, as at December 31, 2023	4,145,918	-	4,145,918

As at March 17, 2022, the Company issued secured convertible debentures in the principal amount of \$2,235,465 with an original issue discount equal to 10% of the Purchase Price. Each debenture was to mature on March 17, 2023 with interest accrued until the Maturity date, early repayment by the Company or any event of default. After either event if any amount remained unpaid, the remaining balance would accrue interest at a rate of 22% per annum. The debenture value determined using the current value method was \$1,951,481. These debentures were subsequently settled on August 19, 2022.

The principal amount was convertible, at the option of the debenture holder, into common shares of NuRAN at any time before the maturity date at a price of \$1.35 per common share.

The debenture holders also received 1,490,309 share purchase warrants at a price of \$2.00 for a term of two years. The fair value of \$284,649 assigned to the warrants issued was established using a Black-Scholes pricing model.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

16. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (CONTINUED)

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

Share price	\$1,04
Exercise price	\$2,00
Time to maturity	2 years
Risk-free rate	1,89%
Expected volatility	94.99%
Dividend yield	Nil
Dilution factor	30.25%

The debentures could be prepaid by the Company at any time prior to the Maturity Date, upon ten business days' notice to the debenture holder, subject to the Company paying a price equal to 103% of the principal amount of the Debentures then outstanding plus accrued and unpaid interest thereon;

The debentures were to rank pari passu in right of payment of principal and interest, the holders would all enter into an interlender agreement appointing a collateral agent;

The debentures were subject to accelerated repayment (subject to a prepayment penalty amount) at the option of the Company or the debenture holder if the Company completed an equity or debt financing for gross proceeds of \$3,000,000 or more.

The fair value of the conversion option on March 31, 2022, was estimated at \$43,053, which was derived using a Black-Scholes option pricing model:

Share price	\$1,04
Exercise price	\$1,35
Time to maturity	1 year
Risk-free rate	1,89%
Expected volatility	49.80%
Dividend yield	Nil
Dilution factor	30.25%

As at July 12, 2022, the Company issued secured convertible debentures in the principal amount of \$2,222,222 with an original issue discount equal to 10% of the Purchase Price. The debenture was to mature on July 12, 2023. Interest is accrued until the Maturity date, early repayment by the Company or any event of default, after either event if any amount remains unpaid, the remaining balance shall accrue interest at a rate of 22% per annum.

The debenture value determined using the current value method was \$1,927,728.

The principal amount is convertible, at the option of the debenture holder, into common shares of NuRAN at any time before the maturity date at a price of \$1.35 per common share.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

16. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (CONTINUED)

The debenture holder also received 1,481,481 share purchase warrants at a price of \$2.00 for a term of two years. The fair value of \$108,148 assigned to the warrants issued was established using a Black-Scholes pricing model.

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

Share price	\$0.73
Exercise price	\$2.00
Time to maturity	2 years
Risk-free rate	3.19%
Expected volatility	89.22%
Dividend yield	Nil
Dilution factor	35.11%

The debentures may be prepaid by the Company at any time prior to the Maturity Date, upon ten business days' notice to the debenture holder, subject to the Company paying a price equal to 103% of the principal amount of the Debentures then outstanding plus accrued and unpaid interest thereon.

The fair value of the conversion option on September, 2022, was estimated at \$3,292, which was derived using a Black-Scholes option pricing model:

Share price	\$0.73
Exercise price	\$1.35
Time to maturity	1 year
Risk-free rate	3.19%
Expected volatility	45.72%
Dividend yield	Nil
Dilution factor	35.11%

As at August 19, 2022, the Company announced that it has restructured the terms of the secured convertible debenture financing closed on March 17, 2022 in the principal amount of \$2,235,465.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

16. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (CONTINUED)

The Company entered into debt settlement agreements with each of the secured lenders pursuant to which the prior secured debentures, related security agreements and previously issued warrants from the March Debenture Offering were cancelled and the Company agreed to issue the following to the secured lenders:

- (i) secured convertible debentures in the aggregate principal amount of \$3,517,512 (inclusive of all advances, accrued interest and default fees) with a blended conversion price of approximately \$0.905 representing a 25% premium to the 5 day volume weighted average price of NuRAN's common shares with \$1,951,804 of the principal amount convertible at \$0.95 at the option of the debenture holder and the remaining principal amount convertible at a price of \$0.85, provided that if at any time while the debentures remain outstanding, the volume weighted average price of the common shares does not exceed \$0.85 for a period of 50 consecutive trading days, the Conversion Price will be reduced to \$0.73. \$1,398,278 of the principal amount of the debentures bears interest at a rate of 12% until maturity and the remaining principal amount does not bear interest until maturity;
- (ii) 2,899,999 share purchase warrants, with each warrant exercisable to acquire one common share of NuRAN at an exercise price of \$1.10 for a term of three years replacing the previous share purchase warrants issued;
- (iii) 182,840 bonus common shares of the NuRAN.

In connection with the debt restructuring the secured lenders also agreed to forbear their right to enforce their security and accelerate payment of the debenture amounts under the terms of their security agreements and debentures issued pursuant to the March Debenture Offering relating to any technical default under the debentures due to the cease trade order issued in May 2022.

The debentures may be prepaid by the Company at any time prior to the Maturity Date, upon ten business days' notice to the debenture holder, subject to the Company paying a price equal to 103% of the principal amount of the Debentures then outstanding plus accrued and unpaid interest thereon.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

16. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (CONTINUED)

The fair value of the conversion option on September, 2022, was estimated at \$10,273 and \$16,816, which was derived using a Black-Scholes option pricing model:

Share price	\$0.72
Exercise price	\$0.95
Time to maturity	1 year
Risk-free rate	3.43%
Expected volatility	43.57%
Dividend yield	Nil
Dilution factor	39.57%

Share price	\$0.72
Exercise price	\$0.55
Time to maturity	1 year
Risk-free rate	3.43%
Expected volatility	43.57%
Dividend yield	Nil
Dilution factor	39.57%

The fair value of \$649,600 assigned to the warrants issued was established using a Black-Scholes pricing model.

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

Share price	\$0.72
Exercise price	\$1.10
Time to maturity	3 years
Risk-free rate	3.43%
Expected volatility	111.04%
Dividend yield	Nil
Dilution factor	39.57%

The Company also agreed to settle outstanding fees of \$220,979 by issuing a New Debenture in the same principal amount, 205,333 New Warrants, and 28,886 bonus common shares of the Company.

During the year ended December 31, 2022, the debenture holders requested the conversion of debentures totalling a par value of \$1,233,000 in common shares of NuRAN. 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 \$1,242,817.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

16. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (CONTINUED)

As at February 21, 2023, the Company announced that the debenture holders agreed to extend the maturity for a further 6 months to August 2023 and waive certain rights pursuant to the debentures, including relating to events of default. As consideration to these debenture holders, the Company entered into debt settlement agreements pursuant to which the prior secured debentures and related security agreements from August 2022 were cancelled and the Company agreed to issue the following:

- (i) secured convertible debentures in the aggregate principal amount of \$2,975,914 (inclusive of all advances, accrued interest and fees) with a conversion price of \$0.42 per common share; and
- (ii) an aggregate of 750,000 bonus shares, which are subject to a 4-month hold.

The New Debentures matured on August 23, 2023 and do not bear interest until maturity. There is no change to the warrants issued in August 2022.

The debenture value determined using the current value method was \$2,789,883.

The fair value of the conversion option on March 31, 2023 was estimated at \$0, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.42
Exercise price	\$0.42
Time to maturity	6 months
Risk-free rate	4.23%
Expected volatility	30.91%
Dividend yield	Nil
Dilution factor	42.82%

As at April 24, 2023, the Company issued an unsecured convertible debenture in the principal amount of \$75,000. The debenture was to mature on October 24, 2023 with interest accrued until the Maturity date. The debenture value determined using the current value method was \$69,243.

As at August 29, 2023, the Company restructured its convertible secured debentures issued in February, 2023. The debenture holders agreed to extend the maturity for a further 12 months to August, 2024 and waive certain rights pursuant to the debentures, including relating to events of default. As consideration to these debenture holders, the Company entered into debt settlement agreements and agreed to pay a 5% extension fee pursuant to which the prior secured debentures and related security agreements from February 2023 were cancelled and the Company agreed to issue the following: (i) secured convertible debentures in the new aggregate principal amount of \$2,792,810 (inclusive of accrued interest and fees) with a new conversion price of \$0.35 per unit, with each unit comprised of one common share and three quarters of one warrant, with each whole warrant exercisable to acquire an additional common share at a price of \$0.40 until August 28, 2026. The New Debentures will bear interest until at a rate of 15% per annum.

The debenture value determined using the current value method was \$2,380,620.

The fair value of the conversion option on August 28, 2023 was estimated at \$7,979, which was derived using a Black-Scholes option pricing model.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

16. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (CONTINUED)

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

Share price	\$0.23
Exercise price	\$0.35
Time to maturity	12 months
Risk-free rate	4.78%
Expected volatility	39.54%
Dividend yield	Nil
Dilution factor	36.04%

As at September 30, 2023, the debentures holder agreed to extend the maturity to February 28, 2024. As consideration to these debenture holders, the Company agreed to a new conversion price of \$0.225 per unit, with each unit comprised of one common share and three quarters (3/4) of one warrant, with each whole warrant exercisable to acquire an additional common share at a price of \$0.25 until August 28, 2026. As additional consideration to the debenture holders, the Company agreed to issue 120,000 common shares, which are subject to a statutory hold period in Canada of four months and a day.

The Company issued an aggregate of 750,000 bonus shares, which are subject to a 4-month hold.

The fair value of the conversion option on September 30, 2023 was estimated at \$24,203, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.212
Exercise price	\$0.225
Time to maturity	10 months
Risk-free rate	4.97%
Expected volatility	34.53%
Dividend yield	Nil
Dilution factor	36.03%

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

16. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (CONTINUED)

As at December 20, 2023, the Company extended the maturity date of the Convertible Debentures entered into in July 2022. The maturity date of the Convertible Debentures was extended to July 12, 2024 along with other terms of the original debenture which were amended. The original debenture had an original issuance discount of 10% and this was increased to 16% leading to a maturity value of CA\$ 2,645,502. In addition, the principal amount is convertible into common shares of the Company at a fixed price of \$0.40 at the option of the debenture holder during the term of the Convertible Debenture. Under the terms of the Convertible Debenture the principal amount is due one year from the date of closing and does not bear interest until the maturity date or an event of default occurs. The number and terms of warrants issued in conjunction with the original debenture, as well as all other terms of the debenture did not change.

The debenture value determined using the current value method was \$2,273,353.

The fair value of the conversion option on December 20, 2023 was estimated at \$nil, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.11
Exercise price	\$0.40
Time to maturity	6 months
Risk-free rate	3.91%
Expected volatility	26.80%
Dividend yield	Nil
Dilution factor	41.06%

As at October 4th, 2023, the unsecured debenture was settled into a factoring agreement (Note 15).

During the year ended December 31, 2023, the debenture holders requested the conversion of debentures totalling a value of \$1,053,888 in common shares of NuRAN. 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 \$1,056,300.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

17. SHARE CAPITAL

NuRAN'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

	2023		2022	
	Number	\$	Number	\$
Balance as at December 31, 2022	35,008,197	46,948,232	32,420,357	45,139,877
Issue of share capital	3,659,215	970,970	182,840	319,645
Convertible Debenture	-	613,466	-	-
Debenture conversion in share capital	3,056,167	1,053,888	1,500,000	2,125,367
Issue of Warrants	-	(60,873)	-	-
Exercise of Warrants	1,250,000	1,888,000	805,000	405,740
Employee shared-based compensation	70,000	-	100,000	(1,042,397)
Balance as at December 31, 2023	43,043,579	51,413,683	35,008,197	46,948,232

(a) The number of issued common shares totals 43,043,579 as at December 31, 2023 (35,008,197 as at December 31, 2022).

As stated in Note 16, on February 22, 2023, the debenture holders received 750,000 bonus shares at a price of \$0.

As stated in Note 13, on August 28, 2023, in connection with the factoring facility, the Company agreed to pay an arrangement fee to the Factor consisting of 3,800,000 common shares, at a deemed value of \$0.23. 2,500,000 shares were issued at the initial closing. The remainder will be issued on January 2, 2024.

As stated in Note 16, on November 29, 2023, the debenture holder received 120,000 bonus shares at a price of \$0.

During the year ended September 30, 2023, 3,056,167 shares were issued following the conversion of debentures (Note 16), 1,250,000 shares were issued pursuant to the exercise of special warrants (Note 18), 70,000 shares were issued pursuant to the exercise of RSUs, 289,215 shares were issued as of shares for services

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

18. WARRANTS

The following is a summary of the activity of warrants:

	2023	2022
	\$	\$
Balance as at December 31, 2022	6,085,741	4,151,196
Issue of Warrants	60,873	1,042,397
Exercise of Warrants	(1,888,000)	(191,240)
Employee shared-based compensation - RSU	6,264	1,083,389
Warrants forfeited	(3,472,342)	-
Balance as at December 31, 2023	792,537	6,085,741

	2023	2023
	Number of	Weighted
	warrants	average
		exercise
		price
		\$
Opening balance	12,297,895	1.47
Granted during the period	7,979,625	0.29
Exercised during the period	(1,250,000)	-
Expired during the period	(5,116,415)	2.34
Forfeited during the period	(2,000,000)	0.40
Closing balance, as at December 31, 2023	11,911,105	0.64
Closing balance of exercisable warrants, as at December 31, 2023	5,361,105	1.20

	2022	2022
	Number of	Weighted
	warrants	average
		exercise
		price
		\$
Opening balance	9,206,304	1.41
Granted during the period	4,381,480	1.40
Exercised during the period	(905,000)	0.50
Expired during the period	(384,889)	1.60
Closing balance, as at December 31, 2022	12,297,895	1.47
Closing balance of exercisable warrants, as at December 31, 2022	9,497,895	1.89

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

18. WARRANTS (CONTINUED)

The following is a summary of warrants outstanding and exercisable as at December 31, 2023:

	Options outstanding		Options exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
December 31, 2023				
<u>Exercise price</u>				
\$0,00	700 000	0,25	-	-
\$0,00	850 000	0,68	-	-
\$0,25	5 000 000	1,92	-	-
\$0,25	829 625	2,66	829 625	2,66
\$0,40	150 000	2,66	150 000	2,66
\$1,10	2 899 999	1,64	2 899 999	1,64
\$2,00	1 481 481	0,53	1 481 481	0,53
	<u>11 911 105</u>		<u>5 361 105</u>	
December 31, 2022				
<u>Exercise price</u>				
\$0,00	1 300 000	1,25	-	-
\$0,00	1 500 000	1,68	-	-
\$0,50	50 000	-	50 000	-
\$1,10	2 899 999	2,64	2 899 999	2,64
\$1,25	168 400	0,16	168 400	0,16
\$1,53	28 550	0,52	28 550	0,52
\$2,00	1 481 481	1,53	1 481 481	1,53
\$2,40	4 869 465	0,52	4 869 465	0,52
	<u>12 297 895</u>		<u>9 497 895</u>	

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

18. WARRANTS (CONTINUED)

As at April 25th, 2023, the Company announced that it has closed non-convertible bridge loan from a US based institution. The Company also agreed to issue to the Lender 2,000,000 share purchase warrants with each warrant exercisable to acquire a share of the Company at an exercise price of \$0.40 for a period of two years from the closing date.

The fair value of the warrants on April 25th, 2023 was estimated at \$24,000, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.30
Exercise price	\$0.40
Time to maturity	2 years
Risk-free rate	3.73%
Expected volatility	50.21%
Dividend yield	Nil
Dilution factor	42.35%

As at August 29, 2023, the Company restructured its convertible secured debentures issued in February, 2023. The debenture holders have agreed to extend the maturity for a further 12 months to August, 2024 and waive certain rights pursuant to the debentures, including relating to events of default. As consideration to these debenture holders, the Company entered into debt settlement agreements and agreed to pay a 5% extension fee pursuant to which the prior secured debentures and related security agreements from February 2023 were cancelled and the Company agreed to issue the following: (i) secured convertible debentures in the new aggregate principal amount of \$2,792,810 (inclusive of accrued interest and fees) with a new conversion price of \$0.35 per unit, with each unit comprised of one common share and three quarters of one warrant, with each whole warrant exercisable to acquire an additional common share at a price of \$0.40 until August 28, 2026.

As at September 30, 2023, the debentures holder agreed to extend the maturity to February 28, 2024. As consideration to these debenture holders, the Company agreed to a new conversion price of \$0.225 per unit, with each unit comprised of one common share and three quarters (3/4) of one warrant, with each whole warrant exercisable to acquire an additional common share at a price of \$0.25 until August 28, 2026

The fair value of the 150,000 warrants on November 1st, 2023 was estimated at \$3,600, which was derived using a Black-Scholes option pricing model.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

18. WARRANTS (CONTINUED)

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

Share price	\$0.16
Exercise price	\$0.25
Time to maturity	2.75 years
Risk-free rate	4.53%
Expected volatility	83.10%
Dividend yield	Nil
Dilution factor	34.23%

The fair value of the warrants 150,000 on November 30, 2023 was estimated at \$2,550, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.15
Exercise price	\$0.25
Time to maturity	2.67 years
Risk-free rate	4.20%
Expected volatility	60.93%
Dividend yield	Nil
Dilution factor	31.87%

The fair value of the warrants 150,000 on December 5, 2023 was estimated at \$2,250, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.13
Exercise price	\$0.25
Time to maturity	2.67 years
Risk-free rate	4.07%
Expected volatility	60.93%
Dividend yield	Nil
Dilution factor	36.73%

The fair value of the warrants 150,000 on December 11, 2023 was estimated at \$1.350, which was derived using a Black-Scholes option pricing model.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

18. WARRANTS (CONTINUED)

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

Share price	\$0.13
Exercise price	\$0.25
Time to maturity	2.67 years
Risk-free rate	4.19%
Expected volatility	60.83%
Dividend yield	Nil
Dilution factor	36.57%

The fair value of the warrants 150,000 on December 13, 2023 was estimated at \$1.350, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.13
Exercise price	\$0.25
Time to maturity	2.67 years
Risk-free rate	3.97%
Expected volatility	61.12%
Dividend yield	Nil
Dilution factor	36.72%

The fair value of the warrants 154,625 on December 21, 2023 was estimated at \$773, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.11
Exercise price	\$0.25
Time to maturity	2.67 years
Risk-free rate	3.94%
Expected volatility	61.15%
Dividend yield	Nil
Dilution factor	41.07%

On December 4th, 2023, the Company received an extension from the US based institution. As consideration, the Company issued to the lender 5,000,000 share purchase warrants to replace the existing warrants held by the lender, with each warrant exercisable to acquire a share of the Company at an exercise price of \$0.25 for a period of two years.

Nuran Wireless Inc.

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18. WARRANTS (CONTINUED)

The fair value of the warrants on December 4th, 2023, was estimated at \$25,000, which was derived using a Black-Scholes option pricing model.

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

Share price	\$0.14
Exercise price	\$0.25
Time to maturity	2 years
Risk-free rate	4.07%
Expected volatility	54.43%
Dividend yield	Nil
Dilution factor	36.97%

19. 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:

	2023	2022
	\$	\$
Balance as at December 31, 2022	3,020,950	2,583,272
Issue of Stock Options	130,000	437,678
Warrants forfeited	3,472,342	-
Balance as at December 31, 2023	6,623,291	3,020,950

	2023	
	Number of options	Weighted average exercise price
		\$
Opening balance	2,404,000	1.94
Granted during the period	1,250,000	0.43
Forfeited during the period	(349,000)	1.48
Closing balance, as at December 31, 2023	3,305,000	1.54
Closing balance of exercisable options, as at December 31, 2023	3,305,000	1.54

Nuran Wireless Inc.

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As at December 31, 2023

19. STOCK OPTIONS (CONTINUED)

		2022
	Number of options	Weighted average exercise price
		\$
Opening balance	1,965,000	2.09
Granted during the period	550,000	1.40
Forfeited during the period	(111,000)	2.95
Closing balance, as at December 31, 2022	2,404,000	1.94
Closing balance of exercisable options, as at December 31, 2022	2,404,000	1.94

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

19. STOCK OPTIONS (CONTINUED)

The following is a summary of stock options outstanding and exercisable as at December 31, 2023:

	Options outstanding		Options exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
December 31, 2023				
Exercise price				
\$0.43	1,250,000	2.26	1,250,000	2.26
\$1.34	250,000	3.08	250,000	3.08
\$1.60	310,000	0.86	310,000	0.86
\$1.67	100,000	2.82	100,000	2.82
\$1.70	250,000	2.81	250,000	2.81
\$2.35	1,145,000	1.98	1,145,000	1.98
	3,305,000		3,305,000	
December 31, 2022				
Exercise price				
\$1.34	250,000	4.08	250,000	4.08
\$1.45	300,000	0.07	300,000	0.07
\$1.50	20,000	0.97	20,000	0.97
\$1.60	335,000	1.86	335,000	1.86
\$1.67	100,000	3.82	100,000	3.82
\$1.70	250,000	3.81	250,000	3.81
\$2.35	1,145,000	2.98	1,145,000	2.99
\$2.50	4,000	0.07	4,000	0.07
	2,404,000		2,404,000	

As at April 4th, 2023, the Company granted an aggregate of 1,250,000 stock options to a consultant of the Company to purchase 1,250,000 common shares of the Company pursuant to the Company's stock option plan. The Options, which vest immediately, are exercisable at an exercise price of \$0.425 per Option Share for a period of five years from the date of grant.

The fair value of the warrants on June 30, 2023 was estimated at \$130,000, which was derived using a Black-Scholes option pricing model.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

19. STOCK OPTIONS (CONTINUED)

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

Share price	\$0.415
Exercise price	\$0.425
Time to maturity	5 years
Risk-free rate	4.23%
Expected volatility	84.56%
Dividend yield	Nil
Dilution factor	40.57%

In total, \$6,264 (\$437,677 in 2022) of employee remuneration expense and consultant fees (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to contributed surplus.

20. 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.

	<u>2023</u>	<u>2022</u>
	\$	\$
Loss per share	0.32	0.30
	0.30	0.32

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

21. 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:

	<u>31-Dec-23</u>	31-Dec-22	<u>31-Dec-21</u>
Income tax recovery calculated on the basis of the statutory rate in Canada of 26.50%	(1,881,380)	(868,138)	(3,743,897)
Increase (decrease) of the following items:			
Non-deductible expenses and non-taxable income	357,648	(56,592)	59,901
Change in unrecognized deferred tax assets	1,523,732	924,730	2,305,120
Other	15,763	488	(30,941)
Income tax expense in the consolidated statement of net loss and comprehensive loss	15,763	488	(1,409,817)

The major component of tax reconciliation of the expected tax expense based on the domestic tax rate for NuRAN (26.50% in 2023; 26.50% in 2022) and the reported tax expense in profit or loss is the increase of the unused tax losses and deductible temporary difference for which no deferred tax assets are recognized.

Deferred income taxes

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

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

21. INCOME TAXES (CONTINUED)

Deferred income taxes

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

	31-Dec-22	Recognized in profit or loss	31-Dec-23
Property, plant and equipment and intangible assets	(1,417,261)	80,924	(1,336,337)
Undeducted accounting reserves	-	-	-
Accounts receivable	(9,716)	-	(9,716)
Inventory	(377,559)	-	(377,559)
Financing fees	44,046	-	44,046
Tax losses	1,804,216	(80,924)	1,723,292
Other	(43,726)	-	(43,726)
	-	-	-
	31-Dec-21	Recognized in profit or loss	31-Dec-22
Property, plant and equipment and intangible assets	(1,466,511)	49,250	(1,417,261)
Undeducted accounting reserves	53,178	(53,178)	-
Accounts receivable	(9,716)	-	(9,716)
Inventory	(377,559)	-	(377,559)
Financing fees	85,007	(40,961)	44,046
Tax losses	1,759,327	44,889	1,804,216
Other	(43,726)	-	(43,726)
	-	-	-

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

21. INCOME TAXES (CONTINUED)

Deferred income taxes

	31-Oct-20	Recognized in profit or loss	31-Dec-21
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	-

Unrecognized deductible temporary differences and unused tax losses belonged to a subsidiary and consisted of the following as at December 31, 2023:

	Federal	Quebec
Unused tax losses	42,222,798	34,080,165
Financing expenses	93,803	93,803
Unrecognized deductible temporary differences and unused tax losses	42,316,601	34,173,968

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

21. INCOME TAXES (CONTINUED)

The Company has unused tax losses from its operations totalling \$24,410,566 for the federal level and \$24,090,638 for the provincial level that may be carried forward and applied against taxable income over the following years:

	<u>Federal</u>	<u>Provincial</u>
2035	244,914	244,914
2036	2,646	2,646
2037	1,445	1,445
2038	115,100	115,100
2039	151,054	151,054
2040	799,532	799,532
2041	13,856,395	13,856,395
2042	3,489,547	3,164,030
2043	5,749,933	5,755,522
	<u>24,410,566</u>	<u>24,090,638</u>

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

22. FINANCIAL EXPENSES

Financial expenses consist of the following:

	December 31, 2023	December 31, 2022
	\$	\$
Foreign exchange loss / (gain)	338,595	(138,243)
Bank charges	33,069	31,319
Penalties	105,635	40,549
Accretion expense on convertible debentures	541,924	375,204
Interest expenses for financial liabilities at amortized cost		
Non-current liabilities and convertible debentures	2,531,051	677,308
	3,550,275	986,137
Interest expense on financial lease agreements	49,713	49,946
	3,599,987	1,036,083

23. EMPLOYEE REMUNERATION

Expenses recognized for employee benefits such as wages, salaries and social security costs total \$2,834,363 for the year ended December 31, 2023 (\$4,197,216 for the year ended December 31, 2022).

24. LEASE SERVICE CONTRACT

The Company leases offices under the scope of IFRS 16. The future lease payment for the 12 months period ending December 31, 2023 until expiration of the lease agreement is \$527,588 (\$602,585 for the year ended December 31, 2022).

The lease expense during the 12 months period amounts to the following, representing the minimum lease payments:

	December 31, 2023	December 31, 2022
	\$	\$
Lease expense (office)	276,644	257,768

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

25. EXCLUSIVITY

Space-Communication Ltd. ("Spacecom") shall have an exclusive right to provide, either directly or through third party's satellite capacity / bandwidth with respect to any of NuRAN's requirements for satellite capacity / bandwidth on GEO satellites, either for pure capacity purpose and/or for managed services and/or for any other service or requirement, in all cases where Spacecom is willing and able to provide the satellite capacity / bandwidth required at the Agreed Price by the required SSD and where the satellite to be used meets all the Original Capacity Technical Requirements. Any actual provision by Spacecom of Service Capacity to NuRAN's operations shall be subject to the execution of a Service Order between the Parties.

26. RELATED PARTY TRANSACTIONS

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

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

Transactions with key management personnel

The Company's key management consists of the directors and executives. The key management personnel remuneration totals \$1,689,722 (\$1,839,013 for the year ended December 31, 2022) and a share-based compensation totals \$6,264 (\$909,600 for year ended December 31, 2022) for the year ended December 31, 2022.

The number of shares held personally or through a company by key management personnel is 2,397,840 shares as at December 31, 2023 (2,513,932 as at December 31, 2022).

27. 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 and it does not write options.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

27. FINANCIAL INSTRUMENT RISK (CONTINUED)

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	\$	\$
Financial assets classified at amortized costs		
Cash	172,880	183,397
Trade accounts receivable	1,272,655	5,605,640
	<u>1,445,535</u>	<u>5,789,037</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	\$	\$
Financial liabilities carried at amortized cost		
Trade accounts payable	9,192,836	6,174,114
Convertible debentures	4,145,918	4,189,988
Loan payable	9,393,761	1,794,523
Lease Liabilities	527,588	759,336
	<u>23,260,103</u>	<u>12,917,961</u>

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

Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically 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.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

27. FINANCIAL INSTRUMENT RISK (CONTINUED)

Market risk analysis

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

	December 31, 2023	December 31, 2022
	\$	\$
Cash	140,353	156,025
Trade accounts receivable and deposits	1,054,284	1,254,279
Trade and other payables	9,233,560	3,294,467

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 12 months. All other things being equal, such a change in exchange rates would have increased or decreased the net loss and deficit by \$243,260 for the year ended December 31, 2023 (\$94,208 in 2022) based on the Company's foreign currency financial instruments held at each reporting date.

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 120 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.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

27. FINANCIAL INSTRUMENT RISK (CONTINUED)

Credit risk analysis

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, 2023	December 31, 2022
	\$	\$
No more than three months	310,820	3,681,340
More than three months but no more than six months	196,502	1,142,549
More than six months but no more than one year	13,457	565,252
More than one year	755,801	232,721
	1,276,580	5,621,862

The Company held cash and cash equivalents of CAD 172,880 at 31 December 2023 (2022: CAD 183,397). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency ratings.

The Company is exposed to a credit risk concentration because 94% of its trade accounts receivable are due from three customers (90% from three customers as at December 31, 2022).

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.

Nuran Wireless Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

27. FINANCIAL INSTRUMENT RISK (CONTINUED)

Liquidity risk analysis

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

					December 31, 2023
	Current			Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
Trade and other payables	3,040,876	1,915,561	4,236,399	-	9,192,836
Lease liabilities	113,883	118,835	294,870	-	527,588
Loan payable	7,206,251	2,187,511	-	-	9,393,761
Convertible Debenture	4,145,918	-	-	-	4,145,918
	14,506,927	2,034,396	4,531,269	-	21,072,592

					December 31, 2022
	Current			Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
Trade and other payables	3,520,247	1,999,554	653,231	-	6,173,033
Lease liabilities	119,554	77,509	405,522	-	602,585
Loan payable	1,794,523	-	-	-	1,794,523
Convertible Debenture	4,189,988	-	-	-	4,189,988
	9,624,312	2,077,063	1,058,753	-	12,760,129

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2023

27. FINANCIAL INSTRUMENT RISK (CONTINUED)

Fair value measurement

Financial assets and financial liabilities measured at amortized cost which fair value is disclosed in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Unobservable inputs for the asset or liability.

All of the Company's financial liabilities are included into level 2.

28. 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.

29. 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.

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29. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENTS INFORMATION (CONTINUED)

The following information provides the required entity-wide disclosures:

As at December 31, 2023

Segment	Region	Sale of Goods	Rendering of Services	Others	Total
		\$	\$	\$	\$
NaaS	Africa	660,203	1,126,288	221,432	2,007,923
Direct	Africa	588,771	15,831	12,871	617,473
Direct	Canada	-	12,814	3,130	15,943
Direct	US	-	-	344	344
Direct	Europe	-	-	-	-
Direct	Marshall Island	557,442	-	-	557,442
December 31, 2023		1,806,416	1,154,933	237,776	3,199,125

As at December 31, 2022

Segment	Region	Sale of Goods	Rendering of Services	Others	Total
		\$	\$	\$	\$
NaaS	Africa	2,275,727	649,670	177,839	3,103,236
Direct	Africa	318,693	-	1,556	320,249
Direct	Canada	-	67,173	168	67,341
Direct	US	188,508	-	-	188,508
Direct	Europe	601,454	277,753	-	879,207
Direct	Marshall Island	313,349	-	-	313,349
December 31, 2022		3,697,730	994,596	179,564	4,871,890

The Company is exposed to a credit risk concentration because 86% of its revenues are from three customers for the year ended December 31, 2023 (63% from two customers in 2022).

All of the Company's non-current assets are located in Canada and Africa.

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30. 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	Loan payable	Total
	\$	\$	\$	\$
January 1, 2023	602,585	4,189,988	-	4,792,573
Cash flows			-	
Addition	155,587	-	9,393,761	9,549,348
Repayment	(276,644)	-	-	(276,644)
Proceeds	46,061	-	-	46,061
Non-cash				
Issuance of convertible debenture	-	5,289,300	-	5,652,111
Repayment of convertible debenture	-	(4,821,407)	-	(4,821,407)
Accretion of convertible debentures	-	541,924	-	541,924
Conversion of convertible debentures	-	(1,053,888)	-	(1,053,888)
December 31, 2023	527,588	4,145,918	9,393,761	14,430,079

	Lease liabilities	Convertible debentures and derivative liability	Long-term debt	Total
	\$	\$	\$	\$
January 1, 2022	695,139	-	-	695,139
Cash flows				
Addition	111,852	-	-	111,852
Repayment	(257,768)	-	-	(257,768)
Proceeds	53,362	-	-	53,362
Non-cash				
Conversion into convertible debenture	-	(2,235,465)	-	(2,235,465)
Issuance of convertible debenture	-	8,196,179	-	8,196,179
Accretion of convertible debentures	-	(537,727)	-	(537,727)
Conversion of convertible debentures	-	(1,233,000)	-	(1,233,000)
December 31, 2022	602,585	4,189,988	-	4,792,573

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31. POST-REPORTING DATE EVENTS

FINANCING

On January 3, 2024, the Company announced that it had signed a non-binding mandate letter for a US\$ 5M Senior Secured Bridge Facility (the “Facility”) for (re)financing of renewable energy assets for NuRAN Wireless (Africa) Holding (“NuRAN Africa”), a wholly owned subsidiary of the Company. The Facility will have a 2-year tenor and bullet principal repayment at maturity. It is to be refinanced by long-term senior debt and the term can be extended by the lender or converted into other long-term debt.

On February 29, 2024, the Company subsequently announced that it had received Investment Committee approval for the Facility and initiated the process of negotiating definitive loan documentation.

On April 4, 2024, the Company announced that it had amended the terms of the factoring agreement dated August 28, 2023 and later amended as announced on the 1st of December (the “Amendment”). Pursuant to the Amendment, the Company has sold additional receivables valued at \$1.911 million bringing the current total of Receivables currently owed to the Factor being \$12 million. As consideration for the sale of these additional Receivables, the Company had already received cash of \$675,000 and is to receive an additional cash payment of \$325,000 on or before April 30, 2024 for the purpose of funding working capital requirements leading up to the finalisation of recently approved US \$5M Loan Facility. Included in the Amendment, the Factor agreed to extend various deadlines until April 30, 2024 and certain limitations on converting into shares of the Company.

Also on April 4, 2024, the Company announced the confirmation of US \$800K credit facility from a local Cameroon Commercial Bank to NuRAN Cameroon and specifically to support the further deployment of sites.

On April 26, 2024, NuRAN announced the signing of the Loan Facility agreement with the Facility for Energy Inclusion (“FEI”), a fund managed by Cygnum Capital. The Loan Facility is for the purpose of financing the construction of renewable energy assets for mobile network infrastructure in respect of existing and new Network as a Service (“NaaS”) agreements with the intention of accelerating the build of NaaS sites primarily in Cameroon and DRC. This senior secured Loan Facility is intended to allow NuRAN to deploy more than 500 new sites. Combined with cash generated from operating sites, the Company intends to use the proceeds to cover all material and construction costs of new sites. The loan drawdowns are subject to customary drawdown conditions for a loan of this nature including evidence of new sites being funded and operational from the proceeds of drawdowns and the amounts are secured against the assets of the Company’s subsidiaries.