

Nuran Wireless Inc.
Condensed Interim Consolidated
Financial Statements
July 31, 2021 and
July 31, 2020

| | |
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The condensed interim consolidated financial statements of Nuran Wireless inc. for the third quarter ended July 31, 2021 as well as the corresponding comparative data were not subject to a review by the Company's auditor.

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Comprehensive Income**

Periods ended July 31, 2021 and July 31, 2020

(In Canadian dollars)

(Unaudited)

| | 3 months ended | | 9 months ended | |
|--|-----------------------|-------------|-----------------------|-------------|
| | 2021-07-31 | 2020-07-31 | 2021-07-31 | 2020-07-31 |
| | \$ | \$ | \$ | \$ |
| Revenue | 7 363 | 319 228 | 888 258 | 3 797 281 |
| Cost of sales | 147 314 | 163 044 | 765 752 | 2 615 714 |
| Gross profit | (139 950) | 156 184 | 122 507 | 1 181 567 |
| Selling expenses | 128 798 | 77 501 | 458 239 | 686 918 |
| Administrative expenses | 1 357 665 | 241 560 | 2 792 019 | 924 656 |
| Employee shared-based compensation (Note 11) | 3 486 942 | | 3 486 942 | |
| Financial expenses | 70 116 | 126 700 | 273 665 | 559 794 |
| Research and development costs, net of \$33,752 in tax credits for the three-month period ended July 31, 2021, \$32,752 for the nine-month period ended July 31, 2021 (\$12,411 for the three-month period ended July 31, 2020, \$132,199 for the nine-month period ended July 31, 2020) | 60 451 | (84 033) | 277 644 | 300 110 |
| | 5 103 971 | 361 728 | 7 288 509 | 2 471 479 |
| Loss before other gain | (5 243 922) | (205 544) | (7 166 003) | (1 289 911) |
| Other elements: | | | | |
| Gain (Loss) debt settlement share | | | (285 269) | |
| Loss on debt settlement | | | (140 695) | |
| Gain/Loss on disposal of assets | 820 | | (268 739) | (267 888) |
| Change in fair value of derivative liability (Note 9) | | 148 999 | | 218 739 |
| | 820 | 148 999 | (694 703) | (49 149) |
| Loss before income taxes | (5 243 102) | (56 545) | (7 860 705) | (1 339 060) |
| Net loss and total comprehensive income | (5 243 102) | (56 545) | (7 860 705) | (1 339 060) |
| Loss per share (Note 13) | | | | |
| Basic and diluted loss per share | (0,23) | (0,00) | (0,45) | (0,01) |
| Weighted average number of outstanding common shares | 22 627 639 | 173 763 783 | 17 469 451 | 173 241 782 |

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

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Changes in Deficiency**

Periods ended July 31, 2021 and July 31, 2020

(In Canadian dollars)

(Unaudited)

| | | | | | | 2020-07-31 |
|--|--------------------|-------------------|---------------------|-------------------------------------|---------------------|--------------------|
| | Share capital | | Contributed surplus | Fair value of the conversion option | Deficit | Total deficiency |
| | Number | \$ | \$ | \$ | \$ | \$ |
| Balance as at November 1, 2020 | 7 123 117 | 25 362 587 | 1 568 472 | | (28 895 688) | (1 964 629) |
| Issue of share capital (Note 10) | 15 520 951 | 11 519 728 | | | | 11 519 728 |
| Share Issue cost | | (123 239) | | | | (123 239) |
| Net loss and total comprehensive income for the period | | | | | (7 860 705) | (7 860 705) |
| Amendment to the conversion option of the convertible debenture (Note 9) | | (1 169 615) | | 1 469 766 | | 300 151 |
| Debenture conversion in share capital (Note 10) | 5 231 822 | 6 336 229 | | (1 083 272) | | 5 252 957 |
| Exercise of Warrants (Note 11) | 306 780 | 407 265 | | | | 407 265 |
| Exercise of Stock Options (Note 12) | 59 800 | 89 700 | | | | 89 700 |
| Warrants (Notes 10 and 11) | | (1 055 127) | 1 055 127 | | | |
| Employee shared-based compensation (Note 11 and 12) | | | 3 534 642 | | | 3 534 642 |
| Non-employee shared-based compensation (Note 12) | | | 10 744 | | | 10 744 |
| Balance as at July 31, 2021 | 28 242 470 | 41 367 528 | 6 168 984 | 386 494 | (36 756 393) | 11 166 613 |
| | | | | | | 2019-07-31 |
| | Share capital | | Contributed surplus | Fair value of the conversion option | Deficit | Total deficiency |
| | Number | \$ | \$ | \$ | \$ | \$ |
| Balance as at November 1, 2019 | 172 977 913 | 25 064 583 | 1 505 585 | 1 218 | (27 001 435) | (430 049) |
| Issue of share capital (Note 11) | 5 100 000 | 265 596 | | | | 265 596 |
| Net loss and total comprehensive income for the period | | | | | (1 339 060) | (1 339 060) |
| Amendment to the conversion option of the convertible debenture (Note 9) | | | 1 218 | (230 553) | | (229 335) |
| Forbearance to the convertible debentures default (Note 9) | | | | 316 708 | | 316 708 |
| Employee shared-based compensation (Note 13) | | | 10 500 | | | 10 500 |
| Non-employee shared-based compensation (Note 13) | | | 7 000 | | | 7 000 |
| Warrants (Notes 9 and 12) | | | 80 766 | | | 80 766 |
| Balance as at July 31, 2020 | 178 077 913 | 25 330 179 | 1 605 069 | 87 373 | (28 340 495) | (1 317 874) |

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

Nuran Wireless Inc.**Condensed Interim Consolidated Statements of Cash Flows**

Periods ended July 31, 2021 and July 31, 2020

(In Canadian dollars)

(Unaudited)

| | 2021-07-31 | 2020-07-31 |
|---|--------------------|--------------------|
| | (9 months) | (9 months) |
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss | (7 860 705) | (1 339 060) |
| Non-cash flow adjustments | | |
| Depreciation of property, plant and equipment | 35 687 | 67 316 |
| Depreciation of intangible assets | 62 144 | 45 156 |
| Depreciation of Right-of-use assets | 23 365 | |
| Debenture modification cost | | 107 335 |
| Gain(loss) on extinguishment of debt | | 267 888 |
| Gain (loss) on disposal of assets | 387 024 | |
| Gain (loss) on debt settlement | 425 964 | |
| Non-employee share-based transaction | 47 700 | 7 000 |
| Employee share-based transaction | 3 497 685 | 10 500 |
| Accretion of convertible debentures | (36 427) | 226 313 |
| Change in fair value of derivative liability | | (218 739) |
| Net change in working capital items | | |
| Trade and other receivables | (207 046) | (240 531) |
| Scientific research and experimental development tax credits receivable | (198 757) | 553 586 |
| Work in progress | | (45 590) |
| Inventories | (718 845) | 674 648 |
| Prepaid expenses | (18 536) | 55 633 |
| Security deposits and deposits on purchase of goods | (485 592) | 366 360 |
| Trade and other payables | (566 751) | 629 582 |
| Deferred revenue | (425 743) | (249 878) |
| Net cash from operating activities | (6 038 832) | 917 519 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (25 639) | (32 276) |
| Purchase of intangible assets | (209 644) | (1 305 739) |
| Right-of-use assets | (467 304) | (429 341) |
| Placement in subsidiary | (23 683) | |
| Net cash used in investing activities | (726 270) | (1 767 356) |
| FINANCING ACTIVITIES | | |
| Net change in loan payable to companies under common control | | |
| Long-term debt | | 1 104 997 |
| Repayment of long-term debt | (1 287 421) | (490 110) |
| Lease liabilities | 467 304 | 429 341 |
| Repayment of Lease liabilities | (18 400) | (104 395) |
| Convertible debentures and derivative liability | 1 990 695 | |
| Convertible debenture conversion | 1 083 272 | (265 596) |
| Forbearance of the convertible debenture | (783 120) | |
| Issue of common shares | 12 763 493 | 265 596 |
| Share issue cost | (123 239) | |
| Net cash used in financing activities | 14 092 583 | 939 833 |
| Net decrease in cash | 7 327 481 | 89 996 |
| Cash, beginning of period | 64 254 | 510 832 |
| Cash, end of period | 7 391 735 | 600 828 |
| Supplementary information | | |
| Interest paid included in operating activities | 308 419 | 288 700 |

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

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

As at July 31, 2021 and October 31, 2020

(In Canadian dollars)

(Unaudited)

| | <u>2021-07-31</u> | <u>2020-10-31</u> |
|---|---------------------|---------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 7 391 735 | 64 254 |
| Trade and other receivables | 513 221 | 306 177 |
| Scientific research and experimental development tax credits receivable | 198 757 | |
| Inventories (Note 4) | 2 023 557 | 1 625 483 |
| Prepaid expenses | 21 122 | 2 586 |
| Security deposits and deposits on purchase of goods | 667 160 | 181 568 |
| Current assets | <u>10 815 552</u> | <u>2 180 068</u> |
| Non-current | | |
| Property, plant and equipment (Note 5) | 256 493 | 314 414 |
| Intangible assets (Note 6) | 5 574 568 | 5 445 448 |
| Right-of-use assets (Note 7) | 443 939 | |
| Placement in subsidiary | 23 683 | |
| Non-current assets | <u>6 298 682</u> | <u>5 759 862</u> |
| Total assets | <u>17 114 234</u> | <u>7 939 930</u> |
| LIABILITIES | | |
| Current | | |
| Trade and other payables | 1 545 756 | 2 112 507 |
| Deferred revenue | 1 752 801 | 2 178 544 |
| Loans payable | | |
| Convertible debentures and derivative liability (Note 9) | 709 073 | 2 835 000 |
| Deferred Tax Liabilities | 361 342 | 361 342 |
| Current portion of long-term debt | | 183 444 |
| Current portion of lease liabilities (Note 8) | 18 770 | |
| Current liabilities | <u>4 387 742</u> | <u>7 670 837</u> |
| Non-current | | |
| Long-term debt | | 1 103 977 |
| Deferred Tax Liabilities | 1 129 745 | 1 129 745 |
| Lease liabilities (Note 8) | 430 134 | |
| Total liabilities | <u>5 947 621</u> | <u>9 904 559</u> |
| SURPLUS | | |
| Share capital (Note 10) | 41 367 528 | 25 362 587 |
| Contributed Surplus | 6 168 984 | 1 568 472 |
| Fair value of conversion option | 386 494 | |
| Deficit | <u>(36 756 393)</u> | <u>(28 895 688)</u> |
| Total Surplus | <u>11 166 613</u> | <u>(1 964 629)</u> |
| Total Surplus and liabilities | <u>17 114 234</u> | <u>7 939 930</u> |

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

NuRAN Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

As at July 31, 2021 and July 31, 2020

(In Canadian dollars)

(Unaudited)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

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 and marketing of digital electronic circuits and wireless telecommunication products.

2 - GENERAL INFORMATION, STATEMENT OF COMPLIANCE WITH IFRSs AND GOING CONCERN ASSUMPTION

The Company's registered office is at 2150 Cyrille-Duquet Street, suite 100, Québec, Quebec G1N 2G3.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Accordingly, they do not include all the disclosures required under IFRS for annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the 2020 audited annual financial statements. They are based on the assumption that the Company is a going concern, meaning it will be able to realize its assets and discharge its liabilities in the normal course of its operations.

During the nine-month period ended July 31, 2021, the Company incurred a net loss of \$7,860,705 which includes 3,486,942 of non-cash costs which was determined to be the value of the performance warrants issued to the CEO as part of his new employment agreement (see note 11) and has a deficit of \$36,756,393 as at July 31, 2021. Consequently, there is material uncertainty that may cast significant 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 adequately structure its operations, to complete the refinancing of its Convertible Debentures for which a forbearance agreement has been reached and to obtain additional financing to deliver on the NaaS contracts signed in September 2020 and February 2021.

As at the date of these financial statements, 74% of the principal amount of the Convertible Debentures and 100% of other secured debt outstanding at the end of October 2020 have been converted to common shares. In addition, the Company has continued to make expenditures towards the rollout of the NaaS contract in Cameroon where the first site has started operating, and initiated expenditures in DRC with continued disbursements to be made in the coming months supported by investment from Spacecom (see note 10). Together these contracts are projected to generate gross revenues and operating profit which will be transformative for the Company.

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Notes to Condensed Interim Consolidated Financial Statements

As at July 31, 2021 and July 31, 2020

(In Canadian dollars)

(Unaudited)

On July 12, 2021, the Company raised \$11,065,453 through a non-brokered private placement of common shares and warrants (see note 10) to be used for expenses associated with the buildout of sites under its NAAS contracts with Orange SA, product development and general working capital purposes. This capital provides the Company with much needed resources to achieve its objectives and will be used to further leverage other funding sources.

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

The carrying amounts of assets, liabilities, revenues and expenses presented in the condensed interim consolidated financial statements and the condensed interim consolidated statements of financial position's classification have not been adjusted as would be required if the going concern assumption were not appropriate.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on September 29 , 2021.

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Notes to Condensed Interim Consolidated Financial Statements

As at July 31, 2021 and July 31, 2020

(In Canadian dollars)

(Unaudited)

3 - SUMMARY OF ACCOUNTING POLICIES

Overall considerations

The accounting policies are in accordance with those used in the preparation of the 2020 annual financial statements.

Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the condensed interim financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended October 31, 2020.

4 - INVENTORIES

| | <u>2021-07-31</u> | <u>2020-10-31</u> |
|----------------|-------------------|-------------------|
| | \$ | \$ |
| Raw materials | 1 163 798 | 986 941 |
| Finished goods | <u>859 759</u> | <u>638 542</u> |
| | <u>2 023 557</u> | <u>1 625 483</u> |

For the nine-month period ended July 31, 2021, \$0 and \$0 for the three-month period ended July 31, 2021 (\$11,207 for the nine-month period ended July 31, 2020 and \$0 for the three-month period ended July 31, 2020) of inventories was included in profit or loss as an expense resulting from the write-down of inventories.

NuRAN Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

5 - PROPERTY, PLANT AND EQUIPMENT

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

| | 2021-07-31 | | |
|--|--|--------------------|----------------|
| | Equipment and furniture, tele-communication system, furniture and fixtures | Computer equipment | Total |
| | \$ | \$ | \$ |
| Gross carrying amount | | | |
| Balance as at November 1, 2020 | 787,808 | 355,664 | 1,143,472 |
| Additions | | 25,639 | 25,639 |
| Disposal | (194,185) | (11,091) | (205,277) |
| Balance as at July 31, 2021 | 593,623 | 370,212 | 963,834 |
| Depreciation | | | |
| Balance as at November 1, 2020 | 533,818 | 295,240 | 829,058 |
| Disposal | (150,231) | (7,172) | (157,403) |
| Depreciation | 26,166 | 9,521 | 35,686 |
| Balance as at July 31, 2021 | 409,753 | 297,589 | 707,341 |
| Carrying amount as at July 31, 2021 | 183,870 | 72,623 | 256,493 |

NuRAN Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

6 – INTANGIBLE ASSETS

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

| | 2021-07-31 | | |
|---|-------------------------|---------------|------------------|
| | Acquisition software | Trademarks | Total |
| | \$ | \$ | \$ |
| Gross carrying amount | | | |
| Balance as at November 1, 2020 | 5,925,085 | 60,452 | 5,985,537 |
| Additions | 209,192 | 452 | 518,534 |
| Disposal | | (18,380) | (18,380) |
| Balance as at July 31, 2021 | 6,134,277 | 42,524 | 6,176,801 |
| Amortization | | | |
| Balance as at November 1, 2020 | 540,089 | | 540,089 |
| Amortization | 62,144 | | 64,144 |
| Balance as at July 31, 2021 | 602,233 | | 602,233 |
| Carrying amount as at April 30, 2021 | 5,532,044 | 42,524 | 5,574,568 |

NuRAN Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

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(In Canadian dollars)

(Unaudited)

7 – RIGHT-OF-USE ASSETS

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

Right-of-use assets

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

| | <u>2021-07-31</u> |
|--------------------------------|-----------------------|
| | <u>Total</u> |
| | <u>\$</u> |
| Gross carrying amount | |
| Balance as at November 1, 2020 | |
| Additions | <u>467,304</u> |
| Balance as at July 31, 2021 | <u>467,304</u> |
| Depreciation | |
| Balance as at November 1, 2020 | |
| Depreciation | <u>23,365</u> |
| Balance as at July 31, 2021 | <u>23,365</u> |
| Carrying amount as at | |
| July 31, 2021 | <u><u>443,939</u></u> |

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.

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(In Canadian dollars)

(Unaudited)

8 – 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.

| | <u>2021-07-31</u> |
|--------------------------------|-----------------------|
| | <u>Total</u> |
| | \$ |
| Gross carrying amount | |
| Balance as at November 1, 2020 | |
| Additions | 467,304 |
| Lease payments | (27,624) |
| Lease interest | 9,224 |
| Balance as at July 31, 2021 | <u>448,904</u> |
| Current portion | <u>18,770</u> |
| Non-current portion | <u>430,134</u> |

NuRAN Wireless Inc.

Notes to Condensed Interim Consolidated Financial Statements

As at July 31, 2021 and July 31, 2020

(In Canadian dollars)

(Unaudited)

9 - CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

As at July 31, 2021, the convertible debentures and derivative liability consists of:

| | Convertible debentures |
|--|---------------------------|
| | \$ |
| Opening Balance as at November 1, 2020 | 2,835,000 |
| Issuance of convertible debenture | 990,695 |
| Conversion of convertible debenture | (3,080,195) |
| Accretion of convertible debenture | 263,724 |
| Forbearance of the debenture default | (300,151) |
| Closing balance, as at July 31, 2021 | 709,073 |

The extinguishment and recognition of the debentures, including the fair value of the warrants issued as consideration (Note 10) and the fair value of the conversion option, resulted in an equity adjustment of \$1,110,490 that has been recognized in the consolidated statement of changes in equity. This transaction had no impact on the consolidated statement of comprehensive income.

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

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

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

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(In Canadian dollars)

(Unaudited)

10% per annum however was converted into common shares of the Company at a conversion price of \$0.49 on the same date.

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

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

- (i) The maturity date of the Debentures is amended to December 31, 2021;
- (ii) Subject to compliance with applicable securities laws, all accrued but unpaid interest and penalties on the Debentures in common shares of the Company up to and as at January 12, 2021 will be settled at a deemed price per common share equal to \$0.28 (being last closing market price of the common shares on the CSE), discounted by the maximum discount permitted by Section 2.1 of Policy 6 of the CSE. As at January 12, 2021, the total amount of interest and penalties owed under the Debentures totaled approximately \$875,000;
- (iii) Interest on the Debentures following January 12, 2021, will be payable on June 30, 2021 and December 31, 2021, payable at the option of the Company in cash or common shares, at a deemed price per common share equal to the volume weighted average trading price of the common shares on the CSE for the 10 day period prior to the interest payment date; and
- (iv) In the event that the Company elects to pay accrued interest in common shares, the effective interest rate is increased to 15% (from 12%).

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

During the nine-month period ended July 31, 2021, the debenture holders requested the conversion of debentures totalling a par value of \$3,080,195 in common shares of the Company. Taking into account the book value of the debentures converted, as well as the value of the conversion option, the carrying value recorded for these shares was \$5,163,467.

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(In Canadian dollars)

(Unaudited)

10- SHARE CAPITAL

| | <u>2021-07-31</u> | <u>2020-10-31</u> |
|----------------------|-------------------|-------------------|
| | \$ | \$ |
| Class "A" shares (a) | 41,378,366 | 25,362,587 |

- a) The number of issued common shares totals 28,241,370 as at July 31, 2021 (7,123,117 as at October 31, 2020)

As at November 9, 2020, Nuran Wireless Cameroon Ltd issued 10 shares representing 100% of its share capital to Nuran Wireless inc.

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

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

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

As at April 6, 2021, Nuran Wireless DRC S.A.R.L.U. issued 100 shares representing 100% of its share capital to Nuran Wireless inc.

As at June 22, 2021, Nuran Wireless Cameroon Ltd. issued an additional 990 shares of its share capital to Nuran Wireless inc. The total number of shares subscribed is 1,000 shares representing 100% of its share capital to Nuran Wireless inc.

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(In Canadian dollars)

(Unaudited)

As at July 12, 2021, the Company completed a non-brokered private placement of common shares and warrants of the Company for gross proceeds of \$11,065,433. In connection with the Offering, the Company issued 4,617,930 units (each comprised of one Common Share and one Warrant) for gross proceeds of \$7,065,433 and received a lead order to subscribe for 2,614,379 Common Shares and 182,000 Warrants for gross proceeds of approximately \$4,000,000 from Space-Communication Ltd., an international satellite communication provider. Following closing of the Offering, Spacecom holds a 9.3% equity stake in the Company on an undiluted basis.

During the nine-month period ended July 31, 2021, the Company converted unpaid interest and penalties on the debenture totalling a par value of \$887,495 in common shares of the Company. Taking into account the book value of the debt converted, the carrying value recorded for these shares was \$1,172,762.

During the nine-month period ended July 31, 2021, 194,780 shares were issued following the exercise of warrants (Note 11) and 59,800 shares were issued following the exercise of stock options (Note 12).

As stated in Note 8, the debenture holders requested the conversion of debentures totalling a par value of \$3,080,195 in common shares of the Company. Taking into account the book value of the debentures converted, as well as the value of the conversion option, the carrying value recorded for these shares was \$5,163,467.

11 – WARRANTS

The following is a summary of the activity of warrants:

| | Nine months ended July 31, 2021 | |
|---|---------------------------------|---------------------------------|
| | Number of warrants | Weighted average exercise price |
| Opening balance, as at November 1, 2020 | 1,341,109 | \$ 4.22 |
| Granted during the period | 9,079,015 | \$ 1.37 |
| Exercised during the period | (306,780) | \$ 1.48 |
| Expired during the period | (520,840) | \$ 8.13 |
| Closing balance, as at July 31, 2021 | 9,592,504 | \$ 1.38 |

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(In Canadian dollars)

(Unaudited)

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

| | Warrants outstanding | | Warrants exercisable | |
|----------------|----------------------|---|----------------------|---|
| | Number | Weighted average contractual life (years) | Number | Weighted average contractual life (years) |
| July 31, 2021 | | | | |
| Exercise price | | | | |
| \$0.00 | 3,200,000 | 2.67 | 1,000,000 | 2.67 |
| \$0.50 | 900,000 | 0.87 | 900,000 | 0.87 |
| \$1.25 | 168,400 | 1.58 | 168,400 | 1.58 |
| \$1.53 | 28,550 | 1.98 | | |
| \$1.75 | 339,889 | 1.05 | 339,889 | 1.05 |
| \$2.40 | 4,850,465 | 1.98 | | |
| \$2.50 | 105,200 | 0.06 | 105,200 | 0.06 |
| | <u>9,592,504</u> | | <u>2,513,489</u> | |

As stated in Note 10, on December 15, 2020, the Company completed a non-brokered private placement of units of the Company at a price of \$0.40 per unit for total gross proceeds of \$400,000. Each Unit consists of one common share in the capital of the Company and one Common Share purchase warrant, with each Warrant entitling the holder to acquire one Common Share at a price of \$0.50 per Common Share for a period of 18 months from the date of issuance. The Company issued an aggregate of 1,000,000 units pursuant to the offering.

The warrants were assigned a value of \$4,387 using the Black Scholes option pricing model using the following assumptions: risk free interest rate of 0.25%; expected volatility of 64%; expected dividend yield of 0%; expected life of one year and a half and exercise price of \$0.50. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$0.350.

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

The warrants were assigned a value of \$2,630,000 using the Black Scholes option pricing model using the following assumptions: risk free interest rate of 0.54%; expected volatility of 54%; expected dividend yield of 0%; expected life of three years and exercise price of \$0.00. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.63.

As stated in Note 10, on July 12, 2021, the Company completed a non-brokered private placement of common shares and warrants of the Company for gross proceeds of \$11,065,433. In connection with the Offering, the Company issued 4,617,930 units (each comprised of one Common Share and one Warrant) for gross proceeds of \$7,065,433 and received a lead order to subscribe for 2,614,379 Common Shares and 182,000 Warrants for gross proceeds of approximately \$4,000,000 from Space-Communication Ltd., an international satellite communication provider. Following closing of the Offering, Spacecom holds a 9.3% equity stake in the Company on an undiluted basis.

The warrants were assigned a value of \$1,029,356 using the Black Scholes option pricing model using the following assumptions: risk free interest rate of 0.47%; expected volatility of 47%; expected dividend yield of 0%; expected life of two years and exercise price of \$2.40. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.28.

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

50,535 warrants were assigned a value of \$10,837 using the Black Scholes option pricing model using the following assumptions: risk free interest rate of 0.47%; expected volatility of 47%; expected dividend yield of 0%; expected life of two years and exercise price of \$2.40. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.28.

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28,550 warrants were assigned a value of \$10,546 using the Black Scholes option pricing model using the following assumptions: risk free interest rate of 0.47%; expected volatility of 47%; expected dividend yield of 0%; expected life of two years and exercise price of \$1.53. Expected volatility was based on the historical volatility of other comparable listed companies. The share price upon issuance was \$2.28.

12 - OPTIONS

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

| | <u>Six months ended July 31, 2021</u> | |
|---|---------------------------------------|---------------------------------------|
| | Number of options | Weighted average exercise price |
| Opening balance, as at November 1, 2020 | 320,200 | \$ 2.96 |
| Granted during the period | 1,225,000 | \$ 2.35 |
| Exercised during the period | (59,800) | \$ 1.50 |
| Forfeited | (145,200) | \$ 4.17 |
| Closing balance, as at July 31, 2021 | 1,340,200 | \$ 2.34 |

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The following is a summary of stock options outstanding and exercisable as at July 31, 2021:

| | Options outstanding | | Options exercisable | |
|----------------|---------------------|---|---------------------|---|
| | Number | Weighted average contractual life (years) | Number | Weighted average contractual life (years) |
| July 31, 2021 | | | | |
| Exercise price | | | | |
| \$1.50 | 40,200 | 2.39 | 40,200 | 2.39 |
| \$2.35 | 1,225,000 | 4.41 | 950,000 | 4.53 |
| \$2.50 | 74,000 | 0.54 | 74,000 | 0.54 |
| \$7.50 | 1,000 | 0.70 | 1,000 | 0.70 |
| | <u>1,340,200</u> | | <u>1,065,200</u> | |

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

The options with a three-year lifespan were assigned a value of \$14,325 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate 0.18%; expected volatility 65%; expected dividend yield of 0%; expected life of five years and an exercise price of \$2.35. Expected volatility was based on the historical volatility of other comparable listed companies.

The options with a five-year lifespan were assigned a value of \$365,700 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate 0.18%; expected volatility 65%; expected dividend yield of 0%; expected life of three years and an

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exercise price of \$2.35. Expected volatility was based on the historical volatility of other comparable listed companies.

For the six-month period ended April 30, 2021, \$29,222 and \$0 for the three-month period ended April 30, 2021 (\$10,500 for the six-month and \$3,500 the three-month period ended April 30, 2020) employee remuneration expense has been included in profit or loss and credited to contributed surplus.

13 - LOSS PER SHARE

Basic and diluted losses per share have been calculated based on the net loss available for common shareholders by the weighted average number of common shares outstanding during the period. There were no adjustments to the numerator and denominator of basic earnings used in calculating diluted earnings.

Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11 and 12.

14 - RELATED PARTY TRANSACTIONS

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

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

Other related party transactions

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

| | 2021-07-31 (3 months) | 2020-07-31 (3 months) | 2021-07-30 (6 months) | 2020-07-31 (6 months) |
|-------------------|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Shareholders | | | | |
| Interest expenses | | 3,352 | | 9,984 |

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(In Canadian dollars)

(Unaudited)

15 – POST-REPORTING DATE EVENTS

On September 3, 2021, the Company announced the entry into an employment agreement with Questus Consulting Ltd. ("Questus"), a company controlled by Jim Bailey, Chief Financial Officer of the Company. Pursuant to the terms of the Employment Agreement, the Company will pay Questus a fixed fee of \$20,833.33 per month in consideration of certain management consulting services provided by Questus including managing the financing and banking functions and overseeing the procedures for internal controls and management of continuous disclosure filings of the Company. Under the terms of the Employment Agreement, Questus will be entitled to receive options of the Company under the Company's equity compensation plan at the discretion of the Board and was issued a performance warrant to acquire a total of up to 1,600,000 common shares of the Company (the "Performance Warrant") based on the Company reaching certain successful milestones in strategic planning, growth, increased revenue and achievement of operation targets and subject to the completion of a minimum of four months of continuous employment from the date of the Employment Agreement. In the event of a change of control of the Company and pursuant to the terms and conditions of the Employment Agreement, whereby more than 50% of the outstanding voting shares of the Company are acquired by a person or persons, acting jointly and in concert, Questus is entitled to payment in the amount equivalent to 12-months of the Fee, incentive compensation pursuant to the incentive compensation plan and the vesting of all of Questus' unvested stock options under the Company's stock option plan. The Employment Agreement does not have a predetermined term.