Craig Wireless Systems Ltd.
Condensed Interim Consolidated Financial Statements
Three Months Ended November 30, 2014
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 "Continuous Disclosure Obligations", if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditors, MNP LLP, have not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

	Note	***November 30, 2014***	*August 31, 2014*
Assets			
Current assets			
Cash and cash equivalents		**$ 626,500**	$ 137,150
Accounts receivable		**177,268**	170,375
Prepaid expenses and deposits		**328,112**	474,649
Inventories		**144,082**	144,073
		1,275,962	926,247
Non-current assets			
Cash – restricted		**210,119**	210,119
Property and equipment, net	5	**7,393,028**	7,669,191
Intangible assets, net	6	**3,004,372**	2,874,580
Other assets	7	**304,749**	333,398
Investments	2	**4,584,563**	4,581,268
Total assets		**$ 16,772,793**	$ 16,594,803
Liabilities & Equity			
Current liabilities			
Accounts payable and accruals		**$ 3,034,287**	$ 3,024,463
Derivative liability		**2,205,982**	1,170,682
Current portion of loans		**6,172**	8,094
Redeemable preferred shares of a subsidiary		**1,725,721**	1,630,903
		6,972,162	5,834,142
Non-current liabilities			
Convertible debenture		**3,388,283**	2,448,482
Long-term loans		**-**	983
Total liabilities		**10,360,445**	8,283,607
Equity			
Shareholders’ equity		**7,517,206**	9,158,016
Non-controlling interest		**(1,104,858)**	(846,820)
Total equity		**6,412,348**	8,311,196
Total liabilities and equity		**$ 16,772,793**	$ 16,594,803

Commitments and contingent liabilities	12
Going concern	1

Approved on behalf of the Board

Signed “T. Boyd Craig” **Director** ***Signed “David Coriat”*** **Director**

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

	Note	***November 30, 2014***	*November 30, 2013*
Revenue		**$ 2,402,564**	$ 3,171,904
Cost of Sales		**1,748,229**	1,897,510
Gross Margin		**654,335**	1,274,394
Expenses			
Employee compensation and benefits		**1,020,469**	1,327,047
Operations and administration		**1,169,170**	1,385,673
Interest expense		**221,839**	34,682
Depreciation and amortization		**394,744**	409,849
		2,806,222	3,157,251
Loss before the undernoted		**2,151,887**	1,882,857
Other expense (income)			
Interest income		**(3,372)**	(2,045)
Impairment expense		**-**	-
Gain on sale of assets		**(16,122)**	(32,548)
Foreign exchange loss (gain)		**(76,788)**	32,294
Unrealized (gain)/loss on derivative		**-**	-
Share of loss (gain) of joint ventures	9	**(78,164)**	24,559
		(174,446)	22,260
Net loss		**1,977,441**	$ 1,905,117
Net loss attributable to:			
Shareholders		**$ 1,784,263**	$ 1,837,633
Non-controlling interests		**193,178**	67,484
		$ 1,977,441	$ 1,905,117
Loss per share			
Basic and diluted		**$ 0.04**	$ 0.04
Weighted average number of shares outstanding			
Basic and diluted		**51,350,807**	51,350,807

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

Condensed Interim Consolidated Statements of Other Comprehensive Income

For the three months ended November 30, 2014
(Unaudited)

	November 30, 2014	*November 30, 2013*
Net loss	**$ 1,977,441**	$ 1,905,117
Other comprehensive (income) loss		
Change in unrealized losses (gains) on translating financial statements of foreign operations	**(78,593)**	(548,153)
Comprehensive loss	**$ 1,898,848**	$ 1,356,964
Comprehensive (income) loss attributable to:		
Shareholders	**$ 1,925,446**	$ 1,380,901
Non-controlling interests	**(26,598)**	(23,937)
Comprehensive loss	**$ 1,898,848**	$ 1,356,964

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

	Note	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Shareholders' equity	Non-controlling interest	Total equity
Balance at September 1, 2013		**$ 58,309,174**	**$ 6,985,591**	**$ (45,946,334)**	**$ (565,638)**	**$ 18,782,793**	**$ (510,735)**	**$ 18,272,058**
Net loss		**-**	**-**	**(10,338,474)**	**-**	**(10,338,474)**	**(424,386)**	**(10,762,860)**
Other comprehensive income		**-**	**-**	**-**	**692,489**	**692,489**	**88,301**	**780,790**
Share-based compensation	8	**-**	**21,208**	**-**	**-**	**21,208**	**-**	**21,208**
Balance at August 31,2014		**$ 58,309,174**	**$ 7,006,799**	**$ (56,284,808)**	**$ 126,851**	**$ 9,158,016**	**$ (846,820)**	**$ 8,311,196**
Net loss				**(1,784,263)**		**(1,784,263)**	**(193,178)**	**(1,977,441)**
Other comprehensive income					**143,453**	**143,453**	**(64,860)**	**78,593**
Balance at November 30, 2014		**$ 58,309,174**	**$ 7,006,799**	**$ (58,069,071)**	**$ 270,304**	**$ 7,517,206**	**$ (1,104,858)**	**$ 6,412,348**
Balance at August 31, 2013		$ 58,309,174	$ 6,985,591	$ (45,946,334)	$ (565,638)	$ 18,782,793	$ (510,735)	$ 18,272,058
Net loss		-	-	(1,837,633)	-	(1,837,633)	(67,484)	(1,905,117)
Other comprehensive income		-	-	-	456,732	456,732	91,421	548,153
Share-based compensation	8	-	7,307	-	-	7,307	-	7,307
Balance at November 30, 2013		$ 58,309,174	$ 6,992,898	$ (47,783,967)	$ (108,906)	$ 17,409,199	$ (486,798)	$ 16,922,401

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

	November 30, 2014	*November 30, 2013*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	**$ 2,285,241**	$ 3,000,143
Cash paid to suppliers	**(2,852,089)**	(3,293,259)
Cash paid to employees	**(1,035,795)**	(1,246,385)
Interest received	**1,174**	2,144
	(1,601,469)	(1,537,357)
Financing activities		
Issuance of long-term loan	**2,236,800**	-
Interest paid on loan	**-**	(4,968)
Repayments of long-term loans	**-**	(72,739)
	2,236,800	(77,707)
Investing activities		
Purchases of property and equipment	**(187,176)**	(105,152)
Disposal of property and equipment	**52,193**	3,383
	(134,983)	(101,769)
Foreign exchange gain (loss) on cash held in foreign currency	**(10,998)**	(18,730)
Increase (decrease) in cash resources	**489,350**	(1,735,563)
Cash resources, beginning of period	**137,150**	2,633,144
Cash resources, end of period	**$ 626,500**	$ 897,581

1. Nature of business and going concern

Corporate Information

Craig Wireless Systems Ltd. (the "Company") was incorporated under the laws of Canada on October 23, 2002. On September 17, 2007, CWS was listed and the subordinate voting shares posted for trading on the Toronto Stock Exchange (the "TSX") under the stock exchange symbol "CWG". On October 1, 2013, the Company transitioned from listing on the TSX to the TSX Venture Exchange ("TSXV"). The Company's registered head office is located at 30th Floor, 360 Main Street, Winnipeg, Manitoba, Canada, R3C 4G1.

The Company is a 4G wireless spectrum holder and an Internet service provider. The condensed interim consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries: (i) Craig Wireless USA Inc. and its subsidiary Craig Wireless Palm Springs Inc.; (ii) Craig Wireless Systems (Cyprus) Limited and its direct and indirect subsidiaries Craig Wireless Hellas S.A. and Craig Wireless Hellas Holdings S.A.; (iii) Craig Wireless Manitoba Inc.; (iv) Craig Wireless New Zealand Spectrum Holdings Inc. and its subsidiary Craig Wireless New Zealand Spectrum Operations Ltd.; (v) Craig Wireless South Inc. and its 75% interest in Woosh Wireless Holdings Limited and its direct and indirect subsidiaries Woosh Wireless (NZ) Limited, Woosh Limited and two dormant Australian companies (Woosh Pty Limited and Woosh Wireless Pty Limited); and (vi) the Company's 50% interest in Cayman Spectrum (NO) Co. ("CSNO") and Cayman Spectrum (NZ) Co. ("CSNZ").

Going concern

These condensed interim consolidated financial statements have been prepared on the basis of IFRS accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has experienced substantial net losses and decreases in cash resources for the past four fiscal years and does not have sufficient working capital to settle its current obligations. These conditions create material uncertainties that cast significant doubt on the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to going concern.

The Company routinely plans future activities including forecasting future cash flows and cash requirements. Management has reviewed their plan with the Directors and has collectively formed a judgment that the Company will have adequate resources to continue as a going concern for the foreseeable future, which has been defined as being at least the next twelve months. In arriving at the judgment, the Company has prepared cash flow projections, which incorporate a cash flow model through the current financial year and considers information in relation to the current economic financing uncertainties and the Company's available financial resources. The expected cash flows have been modeled based on an assumption of new debt or other financing including continued related party support and anticipated revenues and expenditures. Sensitivities have been applied to this model in relation to expense reductions not achieving anticipated levels. Key assumptions used in the future cash flow forecast are as follows:

- The Company will continue to engage in an aggressive cost reduction strategy cutting non-performing assets and related expenditures;
- The Company's commitments will continue to be funded through the normal course of the operating plan;
- The Company will secure additional third party and/or related party debt financing under terms that meet the TSXV's approval;
- The Company will enter into strategic operating alliances in key markets.

The anticipated additional financing in the cash flow model has not been completed at the time of the issue of the condensed interim consolidated financial statements and would materially impact the Company if the funding is not available. There is no assurance that the financing will be successful.

Continued operations of the Company are dependent on its ability to continue to roll-out its 4G network, generate operating revenue from subscribers, receive financing through debt or equity financings, enter into strategic operating alliances and/or dispose of certain assets or operating segments. The Company is currently in negotiations with a strategic operating partner. These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. These adjustments, if necessary, may materially change the condensed interim consolidated financial statements.

2. Significant accounting policies

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of application as those used in the Company's audited consolidated financial statements for the year ended August 31, 2014 with the exception of the new and amended standards that were adopted in the period as disclosed in Note 5. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2014.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on January 29, 2015.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is also the functional currency of the entity. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates. These condensed interim consolidated financial statements have also been prepared on a historical cost basis, except for those financial assets classified as fair value through profit and loss which have been measured at their fair value.

Basis of consolidation

The condensed interim consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The non-controlling interest component of the Company's subsidiaries is included in equity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the Company's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-company balances, transactions, unrealized gains and losses resulting from intra-company transactions and dividends are eliminated in full.

Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of the control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2. Significant accounting policies *(continued from previous page)*

Investments in associates and joint ventures *(continued from previous page)*

The results and assets and liabilities of associates or joint venture are incorporated in these condensed interim consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the condensed interim consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at the date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture in included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Company, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Company's condensed interim consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

2. Significant accounting estimates, assumptions and judgements

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities as at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the period. Management continually evaluates its estimates, assumptions and judgements in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Significant accounting estimates and assumptions

Valuation of accounts receivable

The Company estimates that a certain portion of receivables from customers may not be collected, and maintains an allowance for doubtful accounts. If circumstances related to certain customers change or actual results differ from expectations, the Company's estimate of the recoverability of receivables could fluctuate from that provided for in the condensed interim consolidated financial statements. A change in estimate could impact bad debt expense and accounts receivable.

Useful lives of property and equipment and intangible assets

Property and equipment are amortized on a straight-line basis over their estimated useful lives. Intangible assets with a definite useful life are amortized on a straight-line basis over their estimated period of future benefit. The Company reviews these estimates on an annual basis, or more frequently if events during the year indicate that a change may be required, with consideration given to technological obsolescence and other relevant business factors. A change in managements' estimate could impact depreciation and amortization expense and the carrying value of property and equipment and intangible assets.

Impairment of non-financial assets

The Company assesses impairment of all assets at each reporting date by evaluating conditions specific to the Company and to the particular asset or assets that may lead to impairment. These include changes in technology, economic, regulatory and political environments, future business threats and restructure transactions. If impairment conditions exist, the recoverable amount of the asset is estimated, the asset's carrying value is reduced and the reduction is expensed to impairment expense.

Fair value and recognition of financial instruments and warrants

Where a valuation model is used to determine the fair value of financial assets, financial liabilities or equity instruments, it makes maximum use of observable inputs. Where observable inputs are not available a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, volatility and likelihood of exercise at grant dates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation techniques used by the Company are described in further detail in the notes to the financial statements.

Significant accounting judgements

Cash generating units

For purposes of the assets impairment testing, the Company identifies cash generating units as the smallest identifiable groups of assets that generate independent cash inflows. Impairment testing is performed on these groups of assets on an annual basis or when events or circumstances indicate that the cash generating unit may become impaired taking into account the assessed and projected recoverable values of the cash generating unit.

Classification of CSNO and CSNZ as a joint venture

Management has reviewed the contractual arrangement, legal structure and other relevant facts and have determined that the Company has rights to the net assets of these entities. Accordingly, these entities have been classified as joint ventures and accounted for using the equity method.

Functional currency

The Company determines the functional currency for each entity and for jointly controlled entities. This requires the assessment of the primary economic environment in which each of these entities operates. The determination of functional currency affects how the Company translates foreign currency balances and transactions. In determining the functional currency in each entity, the Company considered the currency that primarily influences or determines the selling prices of goods and services and the cost of production, including labour, material and other costs and the currency whose competitive forces and regulations mainly determine selling prices.

3. Application of new and revised International Financial Reporting Standards (IFRSs)

On September 1, 2013, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB).

The Company adopted IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities and IFRS 13 Fair Value Measurement and these standards did not have a significant impact on the Company's presentation or financial results.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Venture. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance in the first-time application of the standards.

On September 1, 2013, the Company has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 29 together with the amendments of IFRS 10, IFRS 11 and IFRS 12. IAS 27 is not applicable to the Company as it deals only with separate financial statements.

The impact of these standards is set out below.

4. Accounting standards issued but not yet effective and new policies adopted

Accounting standard issued but not yet effective

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretations and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IFRS 9, Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement, issued by the IASB in May 2011, replaces the fair value measurement guidance currently dispersed across different IFRS standards with a single definition of fair value and a comprehensive framework for measuring fair value when such measurement is required under other IFRSs. The standard would also establish disclosure requirements about fair value measurements. IFRS 13 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not expect this standard to have a material impact on its consolidated financial statements.

Revenue – IFRS 15

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures.

IFRS 15 supersedes IAS 11, Customer Contracts, and IAS 18, Revenue as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company beginning on September 1, 2017, with earlier adoption permitted.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applies in interim financial statements.

New policies adopted

IFRS 10 Consolidated Financial Statements

As a result of adopting IFRS 10, the Company has changed its accounting policies with respect to determining whether it has control over and consequently consolidates its investees. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company has concluded that the standard does not change its previous judgements.

IFRS 11 Joint Arrangements

As a result of adopting IFRS 11, the Company changed its accounting policies with respect to the classification and accounting of arrangements over which it has joint control with one or more other parties' i.e. joint arrangements. Joint arrangements are now classified as either joint ventures or joint operations based on the Company's contractual rights and obligations. Joint ventures' use the equity method in accordance with amended IAS 28 to account for their interest in the joint venture as proportionate consolidation is no longer permissible. For joint operations, the relevant assets, liabilities, income and expenses are recognized and measured based on applicable IFRSs, in relation to their interest in the arrangement.

Specifically, the Company has a 50% ownership interest in Cayman Spectrum (NO) Co. ("CSNO") and Cayman Spectrum (NZ) Co. ("CSNZ"). The Company reviewed and assessed the classification of the Company's investments in joint arrangements in accordance with the requirements of IFRS 11. The Company concluded that the investments in CSNO and CSNZ, which was classified as a jointly controlled entity under IAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under IFRS 11 and accounted for using the equity method.

The change in accounting of the Company's investments in CSNO and CSNZ has been applied in accordance with the relevant transitional provisions set out in IFRS 11. Accordingly the standard was adopted retrospectively, comparative amounts have been recasted to reflect the change in accounting. The initial investments for the purpose of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Company had previously proportionately consolidated (see the tables below for details). The Company performed an impairment assessment on the initial investment and concluded that no impairment loss is required.

The impact on the assets, liabilities and equity as at August 31, 2013 as a result of the adoption is shown below:

	As at August 31, 2013 (as previously reported)	**August 31, 2013 adjustments**	**As at August 31, 2013 (recasted)**
Cash and cash equivalents	2,776,811	(143,667)	2,633,144
Accounts receivable	364,988	-	364,988
Prepaid expenses and deposits	297,335	-	297,335
Inventories	170,834	-	170,834
Cash – restricted	204,137	-	204,137
Property and equipment, net	8,948,659	-	8,948,659
Intangible assets, net	8,652,182	(5,812,354)	2,839,828
Other assets	943,849	(128,487)	815,362
Investments	0	6,058,796	6,058,796
Accounts payable and accruals	(2,282,107)	25,712	(2,256,395)
Current portion of long-term loans	(221,898)	-	(221,898)
Redeemable preferred shares	(1,576,160)	-	(1,576,160)
Long-term loans	(6,572)	-	(6,572)
Total effect on net assets	18,272,058	-	18,272,058
Shareholders’ equity	18,782,793	-	18,782,793
Non-controlling interest	(510,735)	-	(510,735)
Total effect on equity	18,272,058	-	18,272,058

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires disclosures with respect to interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the adoption of IFRS 12 has resulted in additional disclosures in the Company’s condensed interim consolidated financial statements. Refer to note 9.

5. Property and equipment

Property and equipment is comprised of network equipment, office equipment, leasehold improvements and vehicles. During the quarter, additions to property and equipment totaled $187,176 ($105,152 – November 30, 2013).

No provision for impairment was required during the quarter ($nil – November 30, 2013).

6. Intangible assets

Intangible assets are comprised of spectrum licenses and software. During the quarter there were no additions to intangible assets (nil – November 30, 2013).

No provision for impairment was required during the quarter ($nil – November 30, 2013).

As of November 30, 2014, the Company holds the following spectrum assets under management right, license or lease:

Region/Country	Spectrum	License expiry dates
Coachella Valley, California, USA	36 MHz (2.5 GHz)	February, 2041
Coachella Valley, California, USA	72 MHz (2.6 GHz)	April, 2016
Greece	56 MHz (3.5 GHz)	January, 2016
Norway (joint venture)	50 MHz (2.5GHz/2.6 GHz)	December, 2022
New Zealand (joint venture)	40 MHz (2.5GHz/2.6 GHz)	December, 2028
New Zealand	29 MHz (2.0 GHz)	March 31, 2021
New Zealand	29 MHz (2.2 GHz)	March 31, 2021
New Zealand	35 MHz (2.3 GHz)	November 25, 2030
New Zealand	35 MHz (2.3 GHz)	November 25, 2030

Spectrum licenses are subject to regulatory requirements including achieving implementation targets by certain dates.

The Norway 50 MHz of 2.5/2.6 GHz and the New Zealand 40 MHz of 2.5/2.6 GHz are spectrum licensed by the 50% joint ventures Cayman (NO) Limited and Cayman (NZ) Limited respectively.

Spectrum licenses are subject to regulatory requirements including achieving implementation targets by certain dates. Certain spectrum licenses with expiry dates are considered intangible assets with indefinite lives in the presence of renewal options and regulatory requirements in favor of the Company.

7. Other assets

Other assets include the following:

	November 30, 2014	August 31, 2014
Promissory note to related party	221,389	221,389
Long-term lease	83,360	50,201
Prepaid legal fees relating to financing	-	61,808
	$ 304,749	$ 333,398

8. Share capital

	November 30, 2014		*August 31, 2014*	
	Shares	**$**	Shares	$
Issued and outstanding				
Multiple voting shares	**3,642,883**	**12,750,092**	3,642,883	12,750,092
Subordinate voting shares	**47,707,924**	**45,559,082**	47,707,924	45,559,082
		58,309,174		58,309,174

The multiple voting shares are entitled to 200 votes per share and can be converted into subordinate voting shares on a 1:1 basis at the option of the holder, provided the holder is a Canadian resident.

The subordinate voting shares are entitled to one vote per share, and have no par value.

The Company recorded a share-based compensation expense for the three months ended November 30,2014 of nil (November 30, 2013 - $7,307) and a corresponding increase in contributed surplus related to previously issued options in the period.

A summary of stock options outstanding and exercisable are as follows:

	Multiple voting stock options		Subordinate voting stock options	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding, September 1, 2013	2,000,000	3.50	1,446,666	1.97
Granted			60,000	0.20
Outstanding, August 31, 2014	2,000,000	3.50	1,345,000	2.08
Granted			60,000	0.20
Cancelled			(161,666)	0.25
Outstanding, November 30, 2014	2,000,000	3.50	1,345,000	2.08
Exercisable, November 30, 2014	2,000,000	3.50	1,345,000	2.08

9. Investments

Details of the Company's joint ventures at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	November 30, 2014	August 31, 2014
Cayman Spectrum (NO) Co. ("CSNO")	Non operating	Norway	50%	50%
Cayman Spectrum (NZ) Co. ("CSNZ")	Non operating	New Zealand	50%	50%

As of November 30, 2014, the joint venture's holds the following spectrum assets under management right, license or lease which have an indefinite life and are not being amortized:

Region/Country	Spectrum	License expiry dates
Norway	50 MHz (2.5 GHz/2.6 GHz)	December, 2022
New Zealand	40 MHz (2.5/2.6 GHz)	December, 2028

The above joint ventures are accounted using the equity method in these condensed interim consolidated financial statements. Summarised financial information in respect of the Company's joint ventures is set out below and represents amounts shown in the joint venture's financial statements prepares in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	Cayman Spectrum (NO) Co. ("CSNO")		*Cayman Spectrum (NZ) Co. ("CSNZ")*	
	November 30, 2014	**August 31, 2014**	**November 30, 2014**	**August 31, 2014**
Current assets	$ 38,762	$ 41,707	$ 11,842	$ 11,249
Non-current assets	8,442,180	8,418,009	748,662	713,900
Current liabilities	13,602	11,165	14,310	11,163
The above amounts of assets and liabilities includes cash and cash equivalents of	37,770	37,747	11,842	11,249
Loss and comprehensive loss	11,016	2,933,934	8,352	384,562

Three months ended November 30, 2014

	Cayman Spectrum (NO) Co. ("CSNO")		*Cayman Spectrum (NZ) Co. ("CSNZ")*	
	November 30, 2014	**November 30, 2013**	**November 30, 2014**	**November 30, 2013**
Revenue	$ 0	$ 0	$ 0	$ 0
Loss for the period	11,016	18,100	8,352	6,459
Other comprehensive loss for the period	11,016	18,100	8,352	6,459
The above loss for the period includes interest income of	24	25	6	63

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the condensed interim consolidated financial statements:

	Cayman Spectrum (NO) Co. ("CSNO")		*Cayman Spectrum (NZ) Co. ("CSNZ")*	
	November 30, 2014	**August 31, 2014**	**November 30, 2014**	**August 31, 2014**
Net assets of the joint venture	$ 8,550,104	$ 8,448,551	$ 619,022	$ 713,986
Proportion of the Company's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Company's interest in the joint venture	4,275,052	4,224,275	309,511	356,993

10. Related party transaction

Effective April 2, 2012, the Company entered into a contract for US $1,000 per month to provide personal administrative services for a certain director. During the quarter, the Company billed and collected US $3,000 for these services ($3,000 – November 30, 2013). The fees for these services were reflected as a recovery of costs and reduced the operations and administration expense in the consolidated statement of operations.

The transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at November 30, 2014, the director owed the Company $41,838 related to these services and other expenses paid by the Company on behalf of the director.

Effective January 29, 2014, the Company entered into a contract for the sale of WiMAX network equipment to a certain director. The sale was for consideration of $221,389 in the form of a promissory note between the director and the Company and carries an interest rate of 8% payable after six months on any amount outstanding. The promissory note has a term of 3 years and also carries a right to offset any interest owed by the director against amounts owed to the director.

The transactions were conducted in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Segmented reporting

The Company's business is to acquire and own 4G compatible spectrum assets that are capable of supporting a 4G network to facilitate its development or asset holding strategies. Assets and operations are entirely for the provision of Internet services and, consequently, the Company has only one reportable operating segment.

The Company operates in different geographic locations. Revenues and non-current assets in Canadian dollars for each of the geographic locations are as follows:

Three months ended November 30, 2014

	November 30, 2014	November 30, 2013
Revenue		
New Zealand	$ 2,294,139	$ 3,083,729
United States	108,425	80,601
Greece	-	7,574
	$ 2,402,564	$ 3,171,904

	November 30, 2014	November 30, 2013
Non-current assets (1)		
New Zealand	$ 8,509,917	$ 8,570,234
United States	881,291	1,350,610
Greece	-	503,884
Other	1,006,192	1,552,464
	$ 10,397,400	$ 11,977,192

(1) Non-current assets include property and equipment and intangible assets

12. Commitments and contingent liabilities

Commitments

Future minimum rentals payable under non-cancellable operating leases as at November 30, 2014 are as follows:

Within one year	$3,067,373
After one year but not more than five years	2,710,922
After more than five years	2,163,900
Total minimum lease payments	$8,098,929

Contingent liabilities

On July 30, 2009, Lannet Communications SA filed a claim with the Arbitration Tribunal of Athens against the Company in the amount of 254,764,444 Euros ("€"). The Company served its response to the arbitration notice on August 28, 2009 in which it refuted all allegations. There is no certainty over the outcome of the arbitration claim. The Company is confident in its position that no payment will be required and no expense was recorded by the Company

13. Convertible debentures and derivative liability

On April 29, 2014, subject to certain conditions including TSX-V approval, the Company agreed to a commitment to complete a further financing to replace the existing US$2,000,000 Loan. The Lender agreed to advance the further sum of US$1,500,000 (the "Additional Sum") upon the issuance of a convertible promissory note (the "Convertible Note") in replacement of the Loan and in respect of the Additional Sum. Accordingly, the Convertible Note provided for a loan for the principal sum US$3,500,000. Pursuant to the terms of the commitment, the Loan and the 3,700,000 Warrants issued by the Company to the related party in connection with the Loan were cancelled upon issuance of the Convertible Note. Interest accrued on the outstanding principal amount of the Convertible Note at 12% per annum, calculated daily and payable semi-annually in advance. The principal and accrued and unpaid interest on the Convertible Note was due two years from the date of issue, subject to the right of the Company to prepay in minimum increments on 30 days' notice during the term of the facility. The outstanding principal amount of the Convertible Note was convertible at any time, in whole or in part, until maturity, into subordinate voting shares of the Company. The conversion price in respect of the first year of the term was $0.08, and the conversion price in respect of the second year of the term was $0.10.

The Convertible Note is secured by a general security agreement and pledges of subsidiaries that ranks pari passu to all other indebtedness.

Approval by the TSX-V was received on June 6, 2014 and the facility was fully drawn prior to August 31, 2014.

The transaction was treated as an extinguishment of the Loan and Warrants. Accordingly, the Loan and Warrants were derecognized and a loss on the transaction of $36,371 was recorded.

The Convertible Note represented a complex financial instrument with host debt component ("Host Debt") and an embedded derivative ("Derivative") represented by the conversion feature. As there was a difference in currency with respect to the principal amount of the Convertible Note and the currency of the Derivative the fixed-for-fixed criteria for equity classification of the conversion feature was not met. Accordingly, the conversion feature was determined to be a derivative liability.

The fair value of the Host Debt and Derivative were measured using level 2 inputs in fair value hierarchy and were classified as "Other Financial Liabilities" and "Fair Value through Profit or Loss" respectively.

The fair value of the Derivative was determined using a binomial option pricing model with the following inputs:

Risk Free Rate	1-1.05%
Volatility Rate	200-240%
Warrant Life	0.85-2 years
Share Price	$0.045
Grant Price 1	$0.08
Grant Price 2	$0.10
Probability of exercise at prices	50%
Fair Value	$1,448,991

The fair value of the Host Debt was determined to be $2,363,398.

Transaction costs of $45,116 were included as a reduction to the carrying value of the Host Debt and are amortized using the effective interest method. Transaction costs of $20,045 relating to the Derivative were expensed immediately.

The fair value of the Derivative at August 31, 2014 was determined using a binomial option pricing model with the following inputs:

Risk Free Rate	1-1.05%
Volatility Rate	215-225%
Warrant Life	0.76-1.76 years
Share Price	$0.04
Grant Price 1	$0.08
Grant Price 2	$0.10
Probability of exercise at prices	50%
Fair Value	$1,170,682

The change in the fair value of the Derivative was included in the net loss for the period.

On September 9, 2014, the Company announced the additional financing, previously announced on August 8, 2014. Pursuant to a commitment letter dated August 8, 2014 each of J. Drew Craig and S. Miles Craig have provided a secured loan in the aggregate amount of US$2,000,000 to the Company. Each of the investors have been issued a US$1,000,000 principal amount convertible promissory note (collectively, the "Convertible Promissory Notes"). The new US$2,000,000 loan has been combined with the existing US$3,500,000 loan from T. Boyd Craig advanced on June 6,2014 into a single loan in the principal amount of US$5,500,000 and in furtherance thereof, the outstanding Convertible Note held by T. Boyd Craig has been amended and restated upon the same terms as the Convertible Promissory Notes.

Closing of the US$2,000,000 financing and the issuance of the Convertible Promissory Notes was subject to approval by the TSX-V and a four-month hold period both of which had been satisfied by January 5, 2015.

The Convertible Promissory Notes mature on December 31, 2015 and bear interest on the outstanding principal amount at 12% per annum, calculated daily and payable semi-annually in advance on December 31 and June 30 with a stub period interest amount payable representing the interest payable from the date of issue to December 31, 2014 due on the date of issue, September 9, 2014. The outstanding principal amount of the Convertible Promissory Notes is convertible at any time, in whole or in part, until maturity, into subordinate voting shares of the Company. The conversion price to June 6, 2015 is $0.08, and the conversion price in respect of the remainder of the term to maturity is $0.10.

The Convertible Promissory Notes are secured by a general security agreement, guarantees and pledges of securities of and by subsidiaries that ranks pari passu to all other indebtedness.

The transaction was treated as a modification of the previously issued Convertible Note held by T. Boyd Craig. Accordingly, no gain or loss was recognized on the transaction. Transaction costs $31,818 adjusted the carrying value of the liability and will be amortized over the remaining term of the modified liability.

The new Convertible Promissory Notes represented a complex financial instrument with host debt component ("Host Debt") and an embedded derivative ("Derivative") represented by the conversion feature. As there was a difference in currency with respect to the principal amount of the Convertible Promissory Note and the currency of the Derivative the fixed-for-fixed criteria for equity classification of the conversion feature was not met. Accordingly, the conversion feature was determined to be a derivative liability.

The fair value of the Host Debt and Derivative were measured using level 2 inputs in fair value hierarchy and were classified as “Other Financial Liabilities” and “Fair Value through Profit or Loss” respectively.

The fair value of the Derivative was determined using a binomial option pricing model with the following inputs:

Risk Free Rate	1-1.03%
Volatility Rate	215-225%
Conversion Life	0.74-1.31 years
Share Price	$0.04
Grant Price 1	$0.08
Grant Price 2	$0.10
Probability of exercise at prices	50%
Fair Value	$602,081

The fair value of the Host Debt was determined to be $1,600,319 less transaction costs.

Transaction costs of $13,211 were included as a reduction to the carrying value of the Host Debt and are amortized using the effective interest method. Transaction costs of $4,971 relating to the Derivative were expensed immediately.

The fair value of the Derivative at November 30, 2014 was determined using a binomial option pricing model with the following inputs:

Risk Free Rate	1%
Volatility Rate	240-249%
Conversion life	0.52-1.08 years
Share Price	$0.05
Grant Price 1	$0.08
Grant Price 2	$0.10
Probability of exercise at prices	50%
Fair Value	$2,205,982

The change in the fair value of the Derivative was included in the net loss for the period.

14. Subsequent Event

Subsequent to the quarter ended November 30, 2014, a related party advanced to the Company a demand loan in the aggregate principal amount of $850,000. The Company is currently in discussions with the related party regarding the specific terms of the loan as well as possible future advances.