



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the second quarter ended

April 30, 2020 and 2019

GENERAL

The following Management Discussion and Analysis of financial condition and results of operations ("MD&A") of NuRAN Wireless Inc. ("we", "us", "our", the "Company" or "NuRAN") (formerly 1014372 B.C. Ltd.) for the six-month ended April 30, 2020 has been prepared by management and should be read in conjunction with the condensed interim consolidated financial statements for the six-month ended April 30, 2020 and 2019 and the related notes thereto. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). References to notes are with reference to the consolidated financial statements. Unless otherwise noted, all currency amounts are in Canadian dollars. These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at www.sedar.com.

Unless otherwise stated, this MD&A is prepared as of June 30, 2020

DISCLAIMER FOR FOWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer (as defined herein) or NuRAN (as defined herein) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: expectations regarding NuRAN's ability to raise capital, the intention to expand the business and operations of NuRAN and use of working capital and proceeds of capital raises. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of NuRAN to obtain necessary financing; general economic conditions in Canada and globally; competition for, among other things, capital and skilled personnel; our ability to hire and retain qualified employees and key management personnel; possibility that government policies or laws may change; possible disruptive effects of organizational or personnel changes; technological change, new products and standards; risks related to acquisitions and international expansion; reliance on large customers; reliance on a limited number of suppliers; risks related to NuRAN's competition; and NuRAN's failure to adequately protect its intellectual property; interruption or failure of information technology systems. These forward-looking statements should not be relied upon as representing NuRAN's views as of any date subsequent to the date of this MD&A.

Although NuRAN has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect NuRAN. Additional factors are noted under "Risk Factors" in this MD&A. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Issuer or



NuRAN undertakes an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

CORPORATE STRUCTURE

NuRAN was incorporated under the *Business Corporations Act* (British Columbia) on September 23, 2014. The Company was initially a wholly-owned subsidiary of Bravura Ventures Corp. ("Bravura"). On October 14, 2014, the Company entered into an arrangement agreement with Bravura and 1014379 B.C. Ltd., pursuant to which the shareholders of Bravura exchanged certain common shares of Bravura for common shares of NuRAN by way of a plan of arrangement (the "Arrangement") and NuRAN became a reporting issuer in the provinces of British Columbia and Alberta.

Following completion of the Arrangement, NuRAN entered into an amalgamation agreement dated March 11, 2015 with Nutaq Innovation Inc. ("Nutaq") and 9215174 Canada Inc. ("Newco"), a wholly owned subsidiary of NuRAN formed for the purpose of the amalgamation, pursuant to which Nutaq amalgamated with Newco and NuRAN acquired all of the issued and outstanding shares of the amalgamated company in consideration of 32,999,994 common shares of NuRAN based on a ratio of 2.749 NuRAN common shares for each share of Nutaq issued and outstanding on the closing date. Nutaq and Newco completed the amalgamation on June 2, 2015 and the amalgamated company was named "Nutaq Innovation Inc.". Following the closing of the transaction, NuRAN had 40,471,869 common shares issued and outstanding and former shareholders of Nutaq acquired 81.5% of the issued and outstanding common shares of NuRAN. Following closing of the Amalgamation, Nutaq Innovation Inc. is a wholly owned subsidiary of NuRAN and NuRAN operates the business of Nutaq.

Nutaq was incorporated under the laws of Canada on May 30, 2005 under the name "Lyrtech RD Inc.". Nutaq changed its name to "Nutaq Innovation Inc." on August 31, 2012. Nutaq's registered and head office is located at 2150 Cyrille-Duquet Street, Suite 100, Quebec, Quebec G1N 2G3. Nutaq does not have any subsidiaries.

DESCRIPTION OF BUSINESS

NuRAN Wireless, with its wholly owned subsidiary Nutaq Innovation inc., is a leading supplier of mobile and broadband wireless infrastructure solutions. Its innovative radio access network (RAN), core network, and backhaul products dramatically reduce the total cost of ownership, giving mobile network operators (MNO) the ability to profitably serve remote, low income and low population density locations, an unfeasible proposition with existing systems, thereby creating new opportunities for mobile network operators and internet service providers.

The Company provides a variety of specialized systems for indoor coverage, rural connectivity in emerging markets, connectivity to offshore platforms and ships, private mobile networks or custom solutions for specific markets such as Internet of Things (IoT), public safety, emergency or crisis communications.

NuRAN's wireless solutions are also capable of supporting mobile payment transactions, a tremendous social and economic benefit for those in the developing world where 95% of all transactions are cash and 60% of adults don't currently have a bank account.



The Company generates revenue from three sources:

➤ Sale of Wireless Infrastructure Solutions ("WIS")

NuRAN's WIS are mobile wireless infrastructure equipment (e.g. base station radios) that use proprietary breakthrough small cell solution to offer better coverage, the lowest installed cost and the most efficient power consumption currently available in the global marketplace. Our design provides two key competitive advantages:

- Low total cost of ownership (TCO): a key feature for developing countries and rural/low population density areas, and
- Small footprint, easy to deploy private networks, customizable for specific markets such as defense, utilities, industrial and machine-to-machine ("M2M").

➤ Advanced Development Platforms ("ADP")

NuRAN's Advanced Development Platforms are provided by the Company's wholly owned subsidiary Nutaq Innovation and focus primarily on the wireless, scientific/medical and defense markets providing its customers with the prototyping tools needed to:

- Execute on increasingly complex designs addressing the growing sophistication of markets such as 4G and 5G;
- Speed up the development and validation of IoT devices by enabling testing directly in the developers' lab with Nutaq's PicoLTE
- Decrease new product design costs and time to market;
- Decrease product design risks; and
- Offer product differentiation through innovation.

➤ Engineering Design Services

Also through Nutaq Innovation, the Company applies its expertise and 30 years of experience in wireless and high-performance, innovative digital signal processing to provide its customers high-value research and development services in complement to, and in synergy with its product offering.

The Company expects to generate revenue from a fourth source in the near future:

➤ Mobile Network Enabler ("MNE")

The MNE revenue source monetizes the Company's Wireless Infrastructure Solutions ("WIS") on an as-a-service basis to mobile operators rather than equipment sale. Through its MNE model, NuRAN facilitates network expansion for mobile operators by taking in charge the build, operation, and maintenance of cellular sites, along with associated capital expenditures. Leveraging its carrier-grade mobile network infrastructure solutions as well as its extensive expertise in the build of cost-effective cellular infrastructure, NuRAN is able to setup network operation from the ground up with better return on investment. While deployments under the MNE model require the Company to make upfront investments, they generate significant value whereby NuRAN benefits from long-term recurring revenues with compelling returns. By expanding its offering in such a way, the Company is responding to the increasing client demand and global trend for fully managed, outsourced network



infrastructure. The MNE revenue source may also be referred to network-as-a-service ("NaaS"), or infrastructure-as-a-service ("IaaS").

GENERAL OBJECTIVES

The Company's mission is to enable its clients to profitably connect the 4 Billion of people without broadband connectivity and the Next Billion of wireless communication users, those that do not have the benefit of accessing reliable telecommunications and power infrastructures.

The company delivers the world's most affordable, lowest power consumption and easiest to deploy wireless solutions. NuRAN deploys its own breakthrough small cell solution in traditionally underserved and emerging markets, addressing the CapEx and OpEx challenges of operators, allowing the Telcos to deploy profitably in the least population dense and most remote areas.

OVERALL PERFORMANCE AND OUTLOOK

Performance

During the six-month ended April 30, 2020, the Company continued the implementation of its strategy to become the supplier of choice to Mobile Network Operators (MNO) across the world for remote and rural area without connectivity.

Management's decision to redirect NuRAN's efforts to the MNO market was made with the awareness that this change would require considerable initial investments in marketing, branding, sales, field tests and to prepare for increased production. These investments were planned to be recovered over the next couple of years through increased market visibility, higher sales and better gross margins.

In spite of delays incurred throughout the qualification process with MNO's, the contracts executed, those currently being negotiated and the growing sales pipeline confirms management's expectations.

The Company's ongoing investments in research and development, engineering and manufacturing have been rewarded with the acknowledgment by leading industry organizations and participants that NuRAN's Wireless Infrastructure Solutions are "at the top of its class".

In addition, NuRAN's marketing and branding efforts have significantly increased the market's awareness of its wireless solutions.

Some of the achievements that support this view include:

- The execution in April 2020 of Memorandums of Understanding with two Tier-one operators for expansion of their mobile network based on NuRAN's Mobile Network Enabler (MNE) model. The negotiation of the final contracts is expected to be finalized shortly.
- Collaboration between NuRAN and Intelsat to expand and enhance mobile connectivity services to the Marshall Islands;



- Execution of a \$4.75M contract for delivery and installation of NuRAN's Wireless Infrastructure Solutions;
- NuRAN wins GSMA Connected Society Innovation Grant for rural connectivity, in partnership with Vodafone Ghana;
- NuRAN technology selected by MTN for its rural expansion plan, consisting of more than 5,000 potential sites, contract and negotiations with deployment partners ongoing.
- NuRAN has secured a long-term low interest loan of up to \$3M with Quebec Government and its "Créativité Québec" program, specifically for the development of the Company's software-defined, multi-standard LiteCell xG wireless solution;
- United States Patent Office granted the Company with a patent related to 5G Massive MIMO;
- Industry veteran Christian de Faria joined as new director of the Company;
- In July 2019, NuRAN announced it had successfully conducted over-the-air 5G communication tests between its Nutaq test & measurement systems and 5G-capable commercial smartphones. NuRAN plans to migrate the technology onto its LiteRAN xG product.

The above progresses and achievements reinforce management's belief on the success of the Company's strategic shift and that NuRAN is positioned to become the market leader in this very important and growing space which should generate strong returns to its shareholders.

Outlook

NuRAN's WIS solutions have started being deployed for commercial operations by mobile operators. NuRAN has qualified its solutions with Tier-1 mobile operators and mobile operating groups. It is making progress in completing the qualification with additional ones (undergoing activities), and is preparing trials with multiple other ones as well. NuRAN solutions are being either tested or operated by MNOs in more than 20 countries across South East Asia, Africa, South America and Latin America. NuRAN has also established alliances with other key industry actors such as satellite operators and tower companies to further increase its outreach. The successful qualification by mobile operators and the partnerships with key industry players put NuRAN in position to generate significant business on both short and long term.

NuRAN's previously announced LiteRAN xG, a mobile wireless infrastructure solution that will provide operators with 2G, 3G, & 4G capability from a single piece of equipment for operators to run multiple technologies simultaneously and evolve their service through time, whose development is underway, will start being deployed this year. The addition of xG to the portfolio significantly widens the Company's addressable market.

On October 9, 2018, NuRAN announced the introduction of the Mobile Network Enabler ("MNE") model. This new model is complementary to NuRAN's existing CAPEX model and facilitates network expansion for mobile network operators in emerging markets by providing them with a zero-CAPEX model where NuRAN provides its mobile infrastructure solutions as a service. Leveraging its carrier-grade mobile network infrastructure solutions as well as its extensive expertise in the build of cost-effective cellular networks, NuRAN is able to setup network operation from the ground up and with better return on investment. While rollouts under the MNE model



require the Company to make upfront investments, they are foreseen to generate significant value whereby NuRAN will benefit from long-term recurring revenues with compelling return on investment.

NuRAN is in the process of finalizing its two definitive agreements with Tier-one operators for as-a-service network expansion, both being the subject of preliminary agreements in April 2020. Management expects to secure other contracts of similar nature in the near future.

The following discussion of the Company's financial performance is based on the condensed interim consolidated financial statements for the six-month ended April 30, 2020 and 2019.

Factors Concerning the Company's Financial Performance and Results of Operations

To evaluate the results of the strategic shift, management closely monitors four key measures of the Company's performance: Revenue, Gross Profit Margins (GPM), Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Income.

Revenue growth measures the success of our marketing and sales efforts. It will be dependent on the Company's ability to penetrate new markets and gain new customers for existing and new products and services. The investments in marketing and sales and the new products launched since 2016 have increased our sales pipeline, started to generate sales and should produce increasing revenues.

GPM measures how efficiently and effectively NuRAN delivers its systems and services to its clients.

EBITDA measures the entire operations by including selling and administrative costs. It should increase as sales grow.

Management believes that net income is a measure of how efficiently and effectively the business is running. To achieve an acceptable net income, the company needs to significantly increase its revenues, while maintaining or slightly increasing its selling and general administration costs.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial data derived from the condensed interim consolidated financial statements of the Company as at April 30, 2020 and April 30, 2019 and for the periods then ended:

	Three-month ended April 30, 2020	Three-month ended April 30, 2019	Six-month ended April 30, 2020	Six-month ended April 30, 2019
Total revenues	\$ 1,432,841	\$ 717,283	\$ 3,478,053	\$ 1,959,040
Total loss	\$ (1,089,155)	\$ (922,158)	\$ (1,282,517)	\$ (1,842,705)
Net loss per share – basic	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Net loss per share – diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

	Six-month ended April 30, 2020	Six-month ended April 30, 2019
Total assets	\$ 8,858,371	\$ 7,523,394
Total non-current financial liabilities	\$ 1,440,161	\$ 715,396

RESULTS OF OPERATIONS**Revenue**

The \$1,519,013 increase in revenue for the six-month ended April 30, 2020 compared to the six-month ended April 30, 2019 (\$715,558 increase for the three-month ended April 30, 2020 compared to the three-month ended April 30, 2019) results from WIS-related contracts the Company has secured in late 2019.

Gross Profit

Gross profit for the six-month ended April 30, 2020 increased by \$260,731 compared to six-month ended April 30, 2019 (increased by \$1,100 for three-month ended April 30, 2020 compared to three-month ended April 30, 2019). The increase in gross profit is in direct relation with the increase in revenue.

Gross margin for the six-month ended April 30, 2020, decreased to 29.48% from 39.03% for the six-month ended April 30, 2019 (decreased to 18.41% for the three-month ended April 30, 2020 from 36.62% for the three-month ended April 30, 2019). The decrease results from the execution of phases of recent contracts which consisted predominantly in the delivery of products from third-parties sold at lower margins.

Expenses

During the six-month ended April 30, 2020 total expenses decreased by \$330,812 from the six-month ended April 30, 2019 (for the three-month ended April 30, 2020 total expenses decreased by \$102,245 from the three-month ended April 30, 2019). The decrease is due to lower administrative expenses, partially offset by increased financial expenses during the period.



Net Loss Before Other Elements and Income Taxes

As a result of all the factors mentioned above the Net Loss Before Other Elements and Income Taxes for the six-month ended April 30, 2020 decreased to \$1,084,369 from the six-month ended April 30, 2019 loss of \$1,675,911 (for the three-month ended April 30, 2019, total Net Loss Before Other Elements and Income Taxes decreased to \$891,007 from the three-month ended April 30, 2019 loss of \$994,353). The reduction in net loss is the combined result of increased sales revenues and decreased expenses.

Other Elements and Income Taxes

Other Elements and Income Taxes for the six-month ended April 30, 2020 generated a net loss of \$198,148 compared with a net loss of \$166,793 in the six-month ended April 30, 2019 (a net loss of \$198,148 for the three-month ended April 30, 2019 compared to a gain of \$72,195 for the three-month ended April 30, 2019).

Net Loss and Total Comprehensive Income

As a result of all the factors mentioned above the Net Loss and Total Comprehensive Income for the six-month ended April 30, 2020 decreased to \$1,282,517 from the six-month ended April 30, 2019 loss of \$1,842,705 (for the three-month ended April 30, 2020 increased to \$1,089,155 from the three-month ended April 30, 2019 loss of \$922,158).

Financial Highlights of the six-month ended April 30, 2020

For the six-month ended April 30, 2020, the Company's financial performance was the following as compared to the six-month ended April 30, 2019:

- Revenue of \$3,478,053 compared to \$1,959,040 for the six-month ended April 30, 2019;
- Gross margin of 29.48% compared to 39.03% for to the six-month ended April 30, 2019;
- Gross Profit of \$1,025,383 compared to a Gross Profit of \$764,652 for the six-month ended April 30, 2019;
- Net Loss Before Other Elements and Income Taxes of \$1,084,369 compared to \$1,675,911 during the six-month ended April 30, 2019;
- Net Loss of \$1,282,517 compared to a Net Loss of \$1,842,705 for the six-month ended April 30, 2019.

Expenses

Below is a discussion of the expenses for the six-month ended April 30, 2020

	2020	2019	% change from 2019
Selling expenses	609,418	600,476	1.49%
Administrative expenses	683,096	920,413	-25.78%
Financial expenses	433,094	361,782	19,71%
Research and development costs, net of \$119,788 (\$86,250 in 2019) in tax credits	384,144	557,893	-31.14%
	2,109,752	2,440,564	-13.55%

Selling expenses

Selling expenses consist of salaries to sales staff, commissions on sales, travel expenses, trade shows and presentations. No significant change in selling expenses occurred between the two periods.

Administrative expenses

Administrative expenses consist of remuneration, legal fees, audit and accounting fees, insurance, rent, consulting fees and general office expenses. The decrease in administrative expenses is due to lower consulting fees and slightly lower salary expenses.

Financial expenses

Financial expenses consist of loan interest, fees on factoring accounts receivable and gain/loss on exchange rate. The increase in financial expenses for the six-month ended April 30, 2020 compared to the six-month ended April 30, 2019 is mainly due to increased losses related to currency exchange during the period.

Research and development

Research and development costs for the six-month ended April 30, 2020 have decreased from the six-month ended April 30, 2019 as a result of more of the R&D activities being capitalized rather than expensed, slightly lower salary expenses, and reduced equipment rental expenses.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Net Revenues (\$)	Net Gain (Loss) (\$)	Basic and Diluted Loss Per Share (\$)
30-Apr-20	1,432,841	(1,089,155)	(0.01)
31-Jan-20	2,045,212	(193,361)	(0.00)
31-Oct-19	(188,308)	(808,080)	(0.00)
31-Jul-19	351,435	(898,210)	(0.01)
30-Apr-19	717,283	(922,157)	(0.01)
31-Jan-19	1,241,757	(920,546)	(0.01)
31-Oct-18	528,443	(1,406,798)	(0.01)
31-Jul-18	1,340,318	(967,949)	(0.01)
30-Apr-18	1,025,302	(424,779)	(0.00)

SECOND QUARTER

During the three months ended April 30, 2020, the Company earned revenues of \$1,432,841 compared to \$717,283 during the three months ended April 30, 2019, an increase of 99.76%. The increase in revenue for the three months ended April 30, 2020 results from WIS-related contracts the Company has secured in late 2019.

For the three months ended April 30, 2020, the Company incurred a gross profit of \$263,805 compared to gross profit of \$262,705 for the same period of 2019. No significant change in gross profit occurred between the two periods in spite of the revenue increase. This is due to the execution of recent contracts which involves the delivery of complete infrastructure systems including third-party products sold at lower margins.

The net loss for the quarter was \$1,089,155 compared to a net loss of \$922,158 for the same quarter in 2019. The increase in net loss is due to the accounting recognition of an extinguishment of debt loss associated with the renegotiation of the outstanding convertible debentures (see note 9 of the Financial Statements for further details).

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash increased to \$663,666 at April 30 2020, from \$200,850 at April 30, 2019. Current assets increased to \$3,411,176 as at April 30, 2020, from \$3,464,237 as at April 30, 2019.

The cash position has increased as at April 30, 2020 compared to April 30, 2019 due to the Company's equity raise throughout the year, as well as payment inflows received in the last three quarters.

Future Financing

Management closely monitors the Company's current cash position and the short-term and long-term cash requirements and recognizes the need for improved cash flow and liquidity for future operations and growth.



Notwithstanding its cash position at April 30, 2020, the Company will look for additional financing for costs related to operations and its growth strategy (including the purchase of new equipment, continuous development of next generation wireless solutions such as the multi-Standard 2G, 3G, 4G platform, as well as the deployment of mobile infrastructure under network-as-a-service model).

Although the Company's operations currently generate positive cash flow, these are not sufficient to cover its administrative costs and finance its sales growth and the Company will continue to depend on its ability to convert its sales opportunities into purchase orders as well as on future equity issuances or other means of financing to finance its operations.

The ability of the Company to continue operating will therefore be dependent upon obtaining additional financing as required. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to small cap companies, in addition to the results of the Company's operation. There can be no guarantee that the Company will be able to secure any required financing.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company's related parties include key management personnel.

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

Unless otherwise stated, none of the transactions incorporated 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:

	<u>2020-04-30</u> <u>(3 months)</u>	<u>2019-04-30</u> <u>(3 months)</u>	<u>2020-04-30</u> <u>(6 months)</u>	<u>2019-04-30</u> <u>(6 months)</u>
	\$	\$	\$	\$
Shareholders				
Interest expenses	3,279	12,621	6,632	25,671



PROPOSED TRANSACTIONS

As at the date of this MD&A there are no proposed transactions.

COMMITMENTS

The Company leases office space with a minimum rental payment of \$16,000 per month for a 3 years term.

SUBSEQUENT EVENTS

There were no subsequent events.

ASSESSMENT OF COVID-19 IMPACT ON BUSINESS

In March 2020 the World Health Organization declared COVID-19 a global pandemic. To this date, the contagious disease outbreak has spread to every part of the world, has forced the authorities of virtually every country to impose severe containment measure effectively creating a widespread shutdown, and adversely affected the global economy.

On April 7, 2020, NuRAN announced that, as a provider of telecommunications infrastructure, the Company operates commercial activities considered essential to the population and the economy, and therefore has been able to maintain most of its operations throughout the period. In order to protect its employees from the risk of being exposed to the virus and to slow its propagation, following the guidelines of public health, all except a few employees have been working from home since March 16, and will continue to do so for as long as social distancing measures imposed by the government remain in place. During this time, the Company continues to support the operation of mobile operators and to develop its set of infrastructure solutions. Since a large portion of the development is based on software, no major disruption has occurred. NuRAN has experienced supply chain challenges due to exceptional merchandise import and export measures taken by governments in reaction to the pandemic. Those measures have since been lifted or relaxed, allowing the Company to resume business which had been temporarily hindered. This situation has affected the delivery of certain milestones associated to the Marshall Islands contract, which created execution delays of approximately three months. The global situation may cause other disruptions which could affect the Company's ability to deliver its backlog. NuRAN has taken measures to mitigate the risk of such occurrences and minimize the impacts. The Company also announced that some of its plans to connect its mobile infrastructure solutions to the core network of African mobile operators had incurred delays due to COVID-19. Of the two projects impacted, one has resumed at the beginning of June, while the other is yet to resume.

In March 2020, the government of Canada has announced an emergency wage subsidy as a relief measure to all Canadian companies being affected by the pandemic. The program provides a subsidy of 75% of employee wages for up to 24 weeks, retroactive from March 15, 2020, to August 29, 2020. The subsidy has contributed, and will continue to contribute, to lower the Company's salary expenses throughout the period.

While it is impossible at this stage to accurately predict all impact that COVID-19 may have on NuRAN's business in the future, based on its own assessment and its customers assessments, none of the expected business and plans are currently foreseen to be adversely affected.

The pandemic and its consequential shutdown have highlighted the importance of connectivity throughout the entire society, but especially for the underserved. The risen awareness may play favorably for the Company given it may stimulate connectivity projects through government actions as an example.

ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Allowance for Bad Debts

The Company establishes an appropriate provision for uncollectible or doubtful accounts. Estimates of recoverable amounts are based on management's best estimate of a customer's ability to settle its obligations, and actual amounts received may be affected by various factors, including industry conditions and changes in individual customer financial conditions. To the extent that actual losses on uncollectible accounts differ from those estimated in the Company's provision, both accounts receivable and net earnings will be affected.

Functional Currency

In deciding the functional currency of the parent and its subsidiary, company management considered the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

Provisions for Inventory

Management makes estimates of the future customer demand for the Company's products when establishing appropriate provisions for inventory. In making these estimates, management considers product life of inventory and the profitability of recent sales of inventory. In many cases, product sold by the Company turns over quickly and inventory on-hand values are lower, thus reducing the risk of material misstatement.



Management ensures that systems are in place to highlight and properly value inventory that may be approaching "best before" dates. To the extent that actual losses on inventory differ from those estimated, both inventory and net earnings will be affected.

CRITICAL ACCOUNTING POLICIES

Financial Instruments

The Company classifies its financial assets as fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets and liabilities are classified as FVTPL when the financial asset or liability is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category of financial assets.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

SHARE CAPITALIssued

The company has 172,977,913 common shares issued and outstanding as of June 30, 2020. There are no securities of any other class issued and outstanding.

Share Purchase Options

The Company has 8,155,000 stock options as at June 30, 2020.

The following is a summary of stock options outstanding, all of which are exercisable, as at June 30, 2020.

	Options outstanding & exercisable	
Exercise price	Number	Weighted average contractual life (years)
\$0.06	2,500,000	3.47
\$0.10	3,050,000	1.86
\$0.20	2,430,000	1.04
\$0.30	175,000	1.79
	8,155,000	

Warrants

The following is a summary of warrants outstanding, as at June 30, 2020.

Exercise price	Warrants outstanding		Warrants exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
\$0.05	6,180,000	2.66		
\$0.06	300,000	1.14	300,000	1.14
\$0.07	10,636,732	2.14	10,636,732	2.14
\$0.10	3,246,000	1.13	3,246,000	1.13
\$0.12	212,070	0.03	212,070	0.03
\$0.15	5,535,000	0.71	5,535,000	0.71
\$0.20	4,171,000	0.03	4,171,000	0.03
\$0.45	7,630,000	0.65	7,630,000	0.65
	37,910,802		31,730,802	

CONVERTIBLE DEBENTURE

As of April 30, 2020, the Company has a secured convertible debenture of \$3,090,000 outstanding, maturing on August 23, 2020 and having a conversion price of \$0.05 per common share.

On February 26, 2020, the Company announced it had entered into a forbearance agreement in connection with its previously issued 12% senior secured convertible debentures pursuant to which the majority lenders agreed to waive any default in payment of principal and interest payments due and payable as of this date, and continue to forbear from declaring or acting upon, or exercising related rights or remedies under such creditor's financing agreement until August 23, 2020, the conversion price has been decreased to \$0.05 per common share.

RISKS**Additional Financing Requirements and Access to Capital**

NuRAN's ability to realize its assets and discharge its liabilities depends on the continued financial support of its shareholders, the growth and profitability of the future sales of its products that are now marketed and from obtaining additional financing.



Sales Risks

NuRAN's sales efforts target large corporations that require sophisticated data capture and production execution systems to collect and analyze data relating to various operational activities. NuRAN spends significant time and resources educating prospective customers about the features and benefits of its solutions. NuRAN's sales cycle usually ranges from 3 to 18 months and sales delays could cause its operating results to vary. NuRAN balances this risk by continuously assessing the condition of its sales pipeline and making the appropriate adjustments as far in advance as possible. NuRAN's strategy also includes a comprehensive program to build and improve relationships with long-standing customers to better understand needs and proactively manage incoming business levels effectively.

Foreign Exchange Risk

NuRAN's sales are mainly outside Canada and are generally conducted in currencies other than the Canadian dollar, while a majority of our product research and development expenses, integration services, customer support costs and administrative expenses are in Canadian dollars. Fluctuations in the value of foreign currencies relative to the Canadian dollar can negatively, or positively, impact NuRAN's financial results.

Outsourcing Risk

NuRAN outsources the manufacture of its products to third parties. If they do not properly manufacture the products or cannot meet the needs in a timely manner, NuRAN may be unable to fulfill its product delivery obligations and its costs may increase, and its revenue and margins could be negatively impacted. The Company's reliance on third-party manufacturers subjects it to a number of risks, including the absence of guaranteed manufacturing capacity and the inability to control the amount of time and resources devoted to the manufacture of products. To mitigate this dependency, the Company has relationships with two separate manufacturing service providers and maintain contact with additional alternative suppliers in case the primary manufacturing sources should be disrupted.

Competition

NuRAN must contend with strong international competition. Therefore, there are no guarantees that NuRAN can maintain its competitive position. However, its unique services and products, and skilled human resources give it a competitive edge in several markets.

Availability and Cost of Qualified Professionals

The high-technology industry's strong growth increased the demand for qualified staff. So far, NuRAN has successfully met its needs for personnel. NuRAN benefits from its location in Quebec City, which gives it access to a large pool of engineering resources. Aware that the satisfaction of its customers is directly tied to the quality of its employees, NuRAN continues to take measures to attract and retain well-qualified professionals.

Ability to Develop and Expand Mix of Products and Services to Keep Pace with Demand and Technological Trends

NuRAN uses several means to remain on the cutting edge and to meet its customers' changing needs—steady investments in product development and improvements, business alliances with major industry suppliers and



partners, ongoing training of its personnel and occasional business acquisitions that provide it with specific know-how.

Protection of Intellectual Property

To protect its intellectual property, NuRAN relies on a series of patent and trademark laws, provisions respecting trade secrets, confidentiality protection measures, and various contracts. Regardless of all the efforts made to retain and protect its exclusive rights, third parties could attempt to copy aspects of its products or obtain information regarded as exclusive without authorization. There can be no assurance that the measures taken by NuRAN to protect its exclusive rights will be sufficient.

Dependence on Customers

NuRAN is currently dependent on a limited number of customers for the sale of its products and services. If one or several of these customers should cease doing business with Nutaq for any reason or should reduce or defer their current or planned product purchases, NuRAN's operating results and financial position could be adversely affected.

International Operations Risk

Our international operations are subject to various economic, political and other uncertainties that could adversely affect our business. Since 2014, approximately 40% of our sales were derived from sales outside the United States, and economic conditions in the countries and regions in which we operate significantly affect our profitability and growth prospects. The following risks, associated with doing business internationally, could adversely affect our business, financial condition and results of operations:

- regional or country specific economic downturns;
- fluctuations in currency exchange rates between the Canadian dollar and the US dollar;
- complications in complying with a variety of foreign laws and regulations, including with respect to environmental matters, which may adversely affect our operations and ability to compete effectively in certain jurisdictions or regions;
- international political and trade issues and tensions;
- unexpected changes in regulatory requirements, up to and including the risk of nationalization or expropriation by foreign governments;
- higher tax rates and potentially adverse tax consequences including restrictions on repatriating earnings, adverse tax withholding requirements and double taxation;
- greater difficulties protecting our intellectual property;
- increased risk of litigation and other disputes with customers;
- fluctuations in our operating performance based on our geographic mix of sales;

- longer payment cycles and difficulty in collecting accounts receivable;
- costs and difficulties in integrating, staffing and managing international operations, especially in rapidly growing economies;
- transportation delays and interruptions;
- natural disasters and the greater difficulty in recovering from them in some of the foreign countries in which we operate;
- uncertainties arising from local business practices and cultural considerations;
- customs matter and changes in trade policy, tariff regulations or other trade restrictions; and
- national and international conflicts, including terrorist acts.

We expect that the percentage of our sales occurring outside the United States will increase over time largely due to increased activity in Africa, Central and South America and other emerging markets. The foregoing risks may be particularly acute in emerging markets, where our operations are subject to greater uncertainty due to increased volatility associated with the developing nature of the economic, legal and governmental systems of these countries. If we are unable to successfully manage the risks associated with expanding our global business or to adequately manage operational fluctuations, it could adversely affect our business, financial condition or results of operations.