



CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

Table of Contents

Independent Auditor's Report	4
Consolidated Statements of Financial Position.....	7
Consolidated Statements of Operations and Comprehensive Income (Loss).....	8
Consolidated Statements of Changes in Shareholders' Equity	9
Consolidated Statements of Cash Flows	10
<i>Notes to Consolidated Financial Statements:</i>	
Note 1 – General Information.....	11
Note 2 – Significant Accounting Policies.....	11
Note 3 – Critical Accounting Estimates and Judgments	23
Note 4 – Business Acquisitions.....	25
Note 5 – Financial Risk Management	26
Note 6 – Capital Management	30
Note 7 – Inventories	30
Note 8 – Notes Receivable	30
Note 9 – Financial Instruments	31
Note 10 – Derivative Financial Instrument.....	33
Note 11 – Equipment	34
Note 12 – Intangible Assets	35
Note 13 – Borrowings.....	36
Note 14 – Warranty Provision	39
Note 15 – Shareholders' Equity	39
Note 16 – Earnings (Loss) Per Share	42
Note 17 – Research and Development (R&D) Expense.....	43
Note 18 – Finance Income and Finance Costs.....	43
Note 19 – Income Taxes	44
Note 20 – Segmented Information	45

Table of Contents

Notes to Consolidated Financial Statements: (continued)

Note 21– Supplemental Cash Flow & Other Disclosures	46
Note 22 – Related Party Transactions	46
Note 23 – Operating Expenditures.....	49
Note 24 – Commitments and Contingent Liabilities	50
Note 25 – Subsequent Events	50

INDEPENDENT AUDITORS' REPORT

To The Shareholders
Novra Technologies Inc.

Opinion

We have audited the accompanying consolidated financial statements of Novra Technologies Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2018 and December 31, 2017, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company. As at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit

or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Dion Bird.

Baker Tilly HMA LLP
Chartered Professional Accountants

Winnipeg, Manitoba
April 30, 2019

NOVRA TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Canadian dollars)

	NOTES	December 31, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash		\$ 4,138,014	\$ 1,804,786
Restricted non-redeemable GIC's	13(a)	200,000	200,000
Trade and other receivables	5	1,214,910	1,538,589
Inventories	7	2,170,203	1,809,988
Prepayments and other	5	386,976	189,898
Current tax assets		-	1,832
Total Current Assets		8,110,103	5,545,093
Non-Current Assets			
Equipment	11	122,900	186,481
Intangible assets	12	2,641,246	3,327,952
Total Non-Current Assets		2,764,146	3,514,433
TOTAL ASSETS		\$ 10,874,249	\$ 9,059,526
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		\$ 563,406	\$ 545,386
Accrued liabilities		842,010	710,886
Borrowings	13	152,461	108,878
Customer deposits		1,339,049	258,554
Deferred revenue - current portion		1,264,403	1,057,214
Warranty provision	14	70,282	78,417
Advances from related parties	22(c)	709,400	418,305
Promissory notes from related party - current portion	22(d)	750,063	736,359
Total Current Liabilities		5,691,074	3,913,999
Non-Current Liabilities			
Borrowings	13	2,556,611	2,402,664
Deferred revenue		879,211	311,734
Promissory notes from related party	22(d)	227,324	280,716
Total Non-Current Liabilities		3,663,146	2,995,114
TOTAL LIABILITIES		9,354,220	6,909,113
Equity			
Share capital	15	7,366,989	7,354,573
Contributed surplus		482,536	461,937
Accumulated other comprehensive loss		(110,865)	-
Accumulated deficit		(6,041,434)	(5,666,097)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF NOVRA		1,697,226	2,150,413
Non-Controlling Interests		(177,197)	-
TOTAL EQUITY		1,520,029	2,150,413
TOTAL LIABILITIES AND EQUITY		\$ 10,874,249	\$ 9,059,526

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

NOVRA TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(Canadian dollars, except share data)

	NOTES	Year Ended December 31,	
		2018	2017
REVENUE	20	\$ 10,629,515	\$ 9,532,445
COST OF REVENUE		5,050,374	4,728,319
GROSS PROFIT		5,579,141	4,804,126
OPERATING EXPENSES	23		
General and administrative		1,628,817	772,570
Sales and marketing		1,273,409	1,276,290
Research and development, net	17	3,508,287	1,803,674
Total operating expenses		6,410,513	3,852,534
OPERATING INCOME (LOSS)		(831,372)	951,592
Other Income (Expenses)			
Foreign exchange gain (loss)	5	348,604	(37,662)
Loss on disposal of equipment		-	-
Finance income	18(a)	2,041	6,968
Finance costs	18(b)	(71,810)	(109,207)
Unrealized losses on foreign exchange swaps		-	-
Unrealized gain (loss) on options	10	-	(32,225)
INCOME (LOSS) BEFORE INCOME TAXES		(552,537)	779,466
Income tax recovery (expense)	19	-	(973)
NET INCOME (LOSS)		\$ (552,537)	\$ 778,493
OTHER COMPREHENSIVE LOSS, NET OF TAXES			
Foreign Currency Translation Adjustments		(110,865)	-
Total other comprehensive loss, net of taxes		(110,865)	-
COMPREHENSIVE INCOME (LOSS)		\$ (663,402)	\$ 778,493
EARNINGS (LOSS) PER SHARE:	16		
Basic		\$ (0.02)	\$ 0.02
Diluted		\$ (0.02)	\$ 0.02
Weighted average number of shares outstanding - basic		33,345,375	31,490,672
Weighted average number of shares outstanding - diluted		33,345,375	31,545,175
NET INCOME (LOSS) ATTRIBUTABLE TO :			
Shareholders of Novra		\$ (375,340)	
Attributable to non-controlling interest		\$ (177,197)	
		(552,537)	
COMPREHENSIVE INCOME(LOSS) ATTRIBUTABLE TO:			
Shareholders of Novra		\$ (486,205)	
Attributable to non-controlling interest		\$ (177,197)	
		(663,402)	

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

NOVRA TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Canadian dollars, except share data)

	NOTES	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total Shareholders' Equity
At January 1, 2018								-
Total		35,308,312	\$ 7,614,573	\$ 461,937	\$ -	\$ (5,666,097)	\$ -	2,410,413
Less: common shares held by subsidiary		(2,000,000)	\$ (260,000)					(260,000)
		33,308,312	7,354,573	461,937	-	(5,666,097)	-	2,150,413
Net income (loss)		-	-	-	-	(375,340)	(177,197)	(552,537)
Change in foreign currency translation		-	-	-	(64,645)	-	(46,220)	(110,865)
Share based compensation	15 (c)	-	-	25,335	-	-	-	25,335
Options Exercised	15 (c)	64,000	12,416	(4,736)	-	-	-	7,680
At December 31, 2018		33,372,312	\$ 7,366,989	\$ 482,536	\$ (64,645)	\$ (6,041,437)	\$ (223,417)	\$ 1,520,029

	NOTES	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
At January 1, 2017		29,077,435	\$ 6,778,066	\$ 472,654	\$ (6,444,590)	\$ 806,130
Net income (loss)		-	-	-	778,493	778,493
Issuance of common shares, net	4 (a)	2,000,000	260,000	-	-	260,000
Warrants exercised	15 (b)	1,706,877	263,051	(58,222)	-	204,829
Share based compensation	15 (c)	-	-	67,062	-	67,062
Options Exercised	15 (c)	24,000	4,656	(1,776)	-	2,880
Conversion of Convertible Note	22 (e)	2,500,000	308,800	(17,781)	-	291,019
		35,308,312	7,614,573	461,937	(5,666,097)	2,410,413
Wegener		(2,000,000)	(260,000)	-	-	(260,000)
At December 31, 2017		33,308,312	\$ 7,354,573	\$ 461,937	\$ (5,666,097)	\$ 2,150,413

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

NOVRA TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Canadian dollars)

	NOTES	Twelve Months Ended December 31,	
		2018	2017
OPERATING ACTIVITIES			
Net income (loss)		\$ (552,537)	\$ 778,493
<i>Add items not affecting cash:</i>			
Amortization of equipment and intangible assets		1,125,054	380,454
Inventory impairment charge (recovery)		-	(7,177)
Loss on Wegener options	10	-	32,225
Share based compensation	15(c)	25,334	67,062
Interest expense	18(b)	71,810	109,207
Changes in non-cash working capital items	21	2,055,483	1,273,550
Interest paid		(64,370)	(118,073)
Net cash provided by (applied to) operating activities		2,660,774	2,515,741
INVESTING ACTIVITIES			
Purchase of Wegener, net of assumed cash	4(a)	-	65,578
Purchase of equipment		(4,133)	(1,052)
Net cash provided by (applied to) investing activities		(4,133)	64,526
FINANCING ACTIVITIES			
Repayments on borrowings	13(a)	(30,000)	(2,189,672)
Proceeds from borrowings	13(a)	30,000	80,000
Proceeds from WEDC repayable contribution	13(d)	72,230	120,233
Repayments on IMT promissory notes	22(d)	(74,595)	(111,953)
Repayments on long-term debt	5(c)	(108,878)	(107,155)
Exercise of warrants	15(b)	-	204,829
Exercise of stock options	15(c)	12,416	2,880
Proceeds from revolving line of credit with the Chymiak Trust	13(b)	54,568	-
Unrealized foreign exchange loss on financing activities		(25,533)	(39,237)
Net cash provided by (applied to) financing activities		(69,792)	(2,040,075)
Effect of exchange rates on cash and cash equivalents		(253,621)	-
Net increase in cash		2,333,228	540,192
Cash, beginning of period		1,804,786	1,264,594
CASH, end of period		\$ 4,138,014	\$ 1,804,786

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

1. General Information

Novra Technologies Inc. ("Novra") is incorporated under the Canada Business Corporations Act and its corporate office and principal place of business is 900-330 St. Mary Avenue, Winnipeg, Manitoba, Canada R3C 3Z5. Novra is a publicly traded company on the TSX Venture Exchange ("TSX-V") under the symbol NVI.

Novra has been in the satellite data distribution business since 2000. During 2016, Novra significantly expanded its product portfolio and global footprint with the acquisition of International Datacasting Corporation and its wholly-owned U.S. subsidiary (collectively referred as "IDC"), a long-time leader in the same sector. On December 29, 2017, Novra acquired a 51.6% controlling interest of Wegener Corporation ("Wegener") to further expand its footprint in digital media management and distribution technologies for applications including digital signage, radio and television (see Note 4).

Through its subsidiaries, Novra offers a comprehensive product portfolio including hardware, software, and services. In addition to its core video, radio, and data products, areas of expertise and added value include: encryption and cybersecurity, next-generation hybrid networks (satellite/terrestrial/cloud), and efficient bandwidth utilization.

In these Consolidated Financial Statements, "Novra", "Company", "we", "us", or "our" refers to Novra Technologies Inc. and its subsidiaries.

On April 30, 2019, the Board of Directors authorized the Consolidated Financial Statements for issue.

2. Significant Accounting Policies

The significant accounting policies used in the preparation of these Consolidated Financial Statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise noted.

Basis of Presentation

The Consolidated Financial Statements of Novra are expressed in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS, as issued by the International Accounting Standards Board ("IASB"). We have prepared the Consolidated Financial Statements under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The tabular disclosures herein are presented in thousands, except for share data.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

Use of Estimates

In preparing these Consolidated Financial Statements, management has made judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. For areas involving a higher degree of management judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, refer to Note 3.

Consolidation

These Consolidated Financial Statements consolidate the accounts of Novra Technologies Inc. and its subsidiaries. Subsidiaries are all entities over which we have control. We control an entity when we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. We have power over an entity when we have existing rights that give us the current ability to direct the activities that most significantly affect the entity's returns (relevant activities). Power may be determined on the basis of voting rights or, in the case of structured entities, other contractual arrangements. We consolidate all subsidiaries from the date we obtain control and cease consolidation when an entity is no longer controlled by us. All transactions and balances from subsidiaries have been eliminated upon consolidation.

Business Combinations

We apply the acquisition method in accounting for business combinations. We measure goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, and the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration.

Transaction costs that Novra incurs in connection with a business combination, such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed in the period as incurred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). This CODM is responsible for allocating resources and assessing performance of the operating segments. Novra's CODM is the President and Chief Executive Officer ("CEO").

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Novra group of companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Management has determined the Canadian dollar to be the functional currency of the Parent company as well as its subsidiaries.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Income and expense items are translated at the average exchange rates for the period, unless foreign exchange rates fluctuated significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as foreign exchange gains (losses) in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Financial Instruments

a) *Financial assets*

We classify Novra's financial assets in the following categories depending on Novra's business model for managing the financial assets and their contractual cash flow characteristics.

i) At fair value through profit or loss

Assets in this category are derivatives as well as quoted equity instruments which we have not irrevocably elected, at initial recognition or transition, to classify at FVOCI. These assets are measured at fair value with changes therein being recognized in net income or loss.

ii) At fair value through other comprehensive income

Assets in this category are those which are not held-for-trading and for which we have irrevocably elected, at initial recognition or transition, to classify at FVOCI. These assets are measured at fair value with changes therein being recognized in other comprehensive income.

iii) Amortized cost

Assets in this category are those for which our business model is to collect their contractual cash flows and the contractual cash flows represent solely payments of principal and interest. These assets are measured at amortized cost using the effective interest method.

b) *Impairment of financial assets*

We utilize an expected credit loss impairment model which is based on changes in credit quality at each reporting date since initial recognition. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty, default or delinquency in payment and when observable data indicates that there is a measurable decrease in the estimated future cash flows. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

c) *Financial liabilities*

Financial liabilities are recognized on the trade date in which we become a party to the contractual provisions of the instrument at fair value plus any directly attributable costs. We classify financial liabilities subsequently at amortized cost or fair value through profit or loss.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

d) Fair value measurement

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. Management uses a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is broken down into the following three levels:

Level 1: Fair value based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.

Level 3: Fair value based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect significant management judgments about assumptions that market participants might use.

The following table summarizes our classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial Assets:		
Cash	Amortized cost	Amortized cost
Restricted non-redeemable GIC's	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Derivatives	FVTPL	Fair value
Financial liabilities:		
Trade and other payables	Amortized cost	Amortized cost
Accrued liabilities	Amortized cost	Amortized cost
Customer deposits	Amortized cost	Amortized cost
Borrowings/loan payable	Amortized cost	Amortized cost
Advances from related parties	Amortized cost	Amortized cost
Promissory notes from related parties	Amortized cost	Amortized cost

Cash

Cash includes petty cash and unrestricted cash balances held at two high credit-quality financial institutions.

Trade and Other Receivables

Trade receivables are stated at the amounts billed to customers under normal trade, less an allowance for doubtful accounts. At each reporting date, management adjusts the allowance for doubtful accounts based upon a review of: the aging of outstanding customer balances, historical default rates, customer credit worthiness and changes in customer payment to evaluate collectability of Novra's trade and other receivable balances.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

Other receivables include unbilled revenue, harmonized and goods sales tax recoverable, and accrued investment tax credits.

Inventories

Novra's inventories consist of parts and supplies, work in progress ("WIP"), and finished goods. Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. The cost of WIP and finished goods include the cost of raw materials, direct labor, and manufacturing overhead. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

At each reporting period, management estimates the provision for obsolete and slow-moving inventory which may be reversed in subsequent periods, should the value subsequently be recovered.

Prepayments

Prepayments include short-term prepaid expenses and prepayments related to materials, insurance premiums, third party software licenses, and other deposits required in the normal course of business which are less than one year.

Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Management has established the following estimated useful lives:

- Computers, peripherals and software: 3 years
- Demo and testing equipment: 3 – 5 years
- Furniture and fixtures: 5 – 10 years

The estimated useful lives, residual values, and depreciation methods are reviewed annually, with the effect of any changes in estimate accounted for prospectively.

We capitalize the cost associated with substantive betterments or improvements to equipment that significantly add to the productive capacity or extend the useful life of an asset. All other repair and maintenance costs are recognized as expenses.

Intangible Assets

Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. We amortized intangible assets on a straight-line basis over their estimated useful lives and are subject to impairment test as described in the Impairment of Non-Financial Assets policy.

In connection with the acquisition of IDC, management has established an estimated useful life of three years for the acquired technology assets from IDC. In connection with the acquisition of Wegener, management has established useful lives of five years for the acquired technology and customer relationships assets from Wegener.

Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Indefinite life intangible assets are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described below.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

Impairment of Non-Financial Assets

At each balance sheet date, management reviews the carrying amounts of Novra's non-financial assets, other than inventories and deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a cash generating unit ("CGU").

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping. The fair value less costs to sell is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

We recognize an impairment charge to operating income if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments, the impairment charge reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis. Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include corporate credit cards and harmonized and good sales tax payable. We classify trade and other payables as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in earnings over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. If so, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Deferred Revenue

Deferred revenue includes amounts related to installation, training, extended warranty, and post customer support contract associated with the sale of Novra's products. If the revenue recognition associated with these services is expected to take place within 12 months from the balance sheet date, we present the deferred revenue as current; otherwise the deferred revenue is presented as non-current.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

Provisions

Novra provides a one-year manufacturer's warranty for its products at no additional cost to the customer. Estimates of future warranty costs are accrued at the time of product shipment and included in cost of revenues in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Management periodically reviews the provision for product warranty and records adjustments based on the terms of warranties provided to customers, historical and anticipated warranty claims experience, and estimates of the timing and cost of warranty claims. Factors that could impact the provision for product warranty include the success of our productivity and quality initiatives, as well as parts and labour costs. A higher degree of scrutiny is exercised in establishing product warranty provision related to sales of new products.

Convertible Note

Convertible note issued by Novra is known as a compound financial instrument as it can be converted to Novra's common shares at the option of the holder, and the number of common shares to be issued does not vary with changes in their fair value.

The liability component of a convertible note is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the convertible note as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

After initial recognition, the liability component of a convertible note instrument is measured at amortized cost using the effective interest method. The equity component of a convertible note instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Revenue Recognition

Novra revenues consist of sales of satellite communications equipment and network products, product repair services, installation, training, extended warranty and post contract customer support.

Revenue is measured at fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, and sales / value added taxes. We recognized revenue when there is persuasive evidence of an agreement with the customer exists, delivery has occurred or services have been provided, the sales price is fixed or determinable, collectability is reasonably assured, and risk of loss and title have transferred to the customer.

Revenue recognition for the following type of stand-alone sales is as follows:

a) Sales of Products

Hardware products are typically sold on a stand-alone basis. Embedded in our hardware products is internally developed software of varying applications that function together with the hardware to deliver the product's essential functionality. The embedded software is not sold separately and we do not provide post-contract customer support specific to embedded software. The functionality that the software provides is marketed as part of the overall product and accordingly we do not record separately the revenue associated with the embedded software.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

Revenue from hardware products is recognized when risk of loss and title has transferred which is generally upon shipment. For virtually all international shipments, customer contracts are fulfilled under shipping terms known as "Ex-Works", in accordance with international commercial terms. In these instances, revenue is recognized upon delivery, which is the date that the goods are made available to the customer as requested by the customer and no further obligations of Novra's remain. Where final acceptance of the hardware is required by the customer, revenue is deferred until acceptance criterion has been met. For instance, most delivery of headend solution to customers require customer acceptance and consequently the revenue is delayed until then.

For standalone software products, we recognize revenue upon releasing the perpetual software license to the customer.

Shipping and handling costs charged to customers are recorded as an offset in cost of revenue.

b) Sales of Services

We recognize revenue associated with product repairs, professional installation, and training services in the accounting period in which the services have been performed.

c) Sales of Extended Warranty

Revenue on extended warranty for Novra's products is initially deferred and recognized in income on a straight-line basis over the contract period. Extended warranty revenue is recognized only after Novra's one-year manufacturer's warranty expires.

d) Sales of Post Contract Support

Revenue on post contract support is initially deferred and recognized in income on a straight-line basis over the contract period. Post contract customer support includes support levels that provides customers with access to telephone support for trouble-shooting, diagnosis and extends to on-site repair of products. Novra also provides software upgrades on a when and if available basis and software support for a fixed annual fee.

Occasionally, we enter multiple-element sales arrangements in which the sales transaction may bundle the hardware, multi-year extended warranty, new feature development and the associated post customer support contract. When arrangements contain multiple elements, the deliverables are separated into more than one unit of accounting when the following are met:

- the delivered item(s) has value to the customer on a stand-alone basis; and
- if a general right of return exists relative to the delivered item(s), the delivery or performance of an undelivered item is probable and substantially in Novra's control.

We then allocate revenue to all deliverables based on their relative selling prices. In such circumstances, we use the following hierarchy to determine the selling price to be used for allocating revenue to deliverables:

- i) Vendor specific objective evidence ("VSOE") of selling price;
- ii) If no VSOE exists, third party evidence of selling price ("TPE") is used; or
- iii) If neither VSOE nor TPE exists, then management's best estimate of the selling price ("BESP").

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

VSOE generally exists only when we sell the deliverable separately and is the price we actually charged for that deliverable. The objective of the BESP is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. We determine BESP for a product or service by considering multiple factors including, but not limited to: geographies, market conditions, competitive landscape, internal costs, gross margin, and pricing practices. If a delivered item does not meet the criteria in the applicable accounting guidance to be considered a separate unit of accounting, revenue is deferred until the undelivered units are fulfilled. Accordingly, the determination of BESP can impact the timing of revenue recognition for an arrangement.

Research and Development Costs

Novra incurs research and development costs associated with the design of new technology. Expenditures during the research phase are expensed as incurred, net of associated investment tax credits (ITCs) realized. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use the technology, are met; otherwise they are expensed as incurred. Such capitalized costs are amortized over their expected useful lives. No amounts have been capitalized to date.

ITCs, which are earned as a result of qualifying research and development expenditures, are recognized when the expenditures are made and their realization is reasonably assured. The ITCs are presented net of the research and development expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Leases

Leases that transfer substantially all of the benefits and risks of ownership of the leased assets to Novra are capitalized by recording the present value of future minimum payments under the lease as a capital asset and a liability in the Consolidated Statements of Financial Position. Assets recorded under finance leases are amortized using the rates consistent with those used by the Corporation for similar assets.

For leases, which are classified as operating leases, lease payments are recognized as an expense on a straight-line basis over the lease term.

Income Taxes

Income taxes comprise current and deferred income taxes. Income taxes are recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss), except to the extent that they relate to a business combination or items recognized in other comprehensive income (loss) or directly to equity.

1) Current income taxes

The taxes currently payable are based on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date in the countries where the Parent and its subsidiaries operate and generate taxable income. Additionally, it includes any adjustment to tax payable in respect of previous years. Taxable profit differs from IFRS profit because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

2) Deferred income taxes

Deferred income taxes are recognized using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax effects of temporary differences between financial reporting and taxable income (loss) and for tax credit and loss carry forwards. This is measured on a non-discounted basis using tax rates and laws that were enacted or substantively enacted at the dates of the Consolidated Statements of Financial Position and are expected to apply when the deferred income tax asset or liability is settled. We establish a valuation allowance when it is more likely than not that future taxable profits will not be sufficient to allow all or part of the deferred tax assets to be utilized.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, management reassess unrecognized deferred tax assets. We recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future tax profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are presented as non-current.

Employee Benefits

a) Pension obligations

Novra offers a Group Registered Savings Plan (Group RSP) to its employees in Canada. This is a contribution pension plan under which Novra makes fixed contributions to Group RSP, subject to a minimum contribution by the employee. Wegener sponsors a 401k for its US employees but does not contribute to it. Novra has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. Pension contribution costs are recognized at the time employees make contributions to the Group RSP.

b) Termination benefits

We recognize termination benefits when Novra has demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-based compensation

Novra has a stock option plan for directors, executives, employees, and consultants. Grants are subject to a service condition by the option holder.

All option grants are initially measured at fair value using the Black-Scholes option pricing model. The fair value of the options is amortized over the vesting period and is included in operating expenses with a corresponding increase in contributed surplus, net of an estimated forfeiture credit. Management reassess the estimated forfeiture credit at each reporting period. Where the terms and conditions of the initial option grant are modified before they vest, the options are remeasured at fair value at the modification date and any increase in fair value is charged to earnings.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

When options are exercised, common shares are issued from treasury and the proceeds are credited to share capital in the Consolidated Statements of Financial Position.

Share Capital

Common shares, options and warrants issued by Novra are classified as equity. Incremental costs directly attributable to the issue of these financial instruments are shown in equity as a deduction, net of tax, from the proceeds.

New Accounting Standards

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

On January 1, 2018, we have adopted the new accounting standard IFRS 15 to all revenue contracts using the modified retrospective approach, and this adoption did not have a material impact on our timing of revenue recognition policies previously disclosed in the December 31, 2017 audited Consolidated Financial Statements.

IFRS 15 supersedes previous accounting standards for revenue, including IAS 11, Construction Contracts, and IAS 18, Revenue, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

The following table summarizes the impact of adopting IFRS 15 on our Condensed Consolidated Statement of Financial Position as at December 31, 2018. Under IFRS 15, contract assets are presented separately from contract liabilities.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

(Not reported in thousands of dollars)	As reported	IFRS 15 Adjustment	Amount without IFRS 15
ASSETS			
Current Assets			
Cash	\$ 4,138,014	\$ -	\$ 4,138,014
Restricted non-redeemable GIC's	200,000	-	200,000
Trade and other receivables	1,214,910	(548,463)	666,447
Inventories	2,170,203	-	2,170,203
Note receivable	386,976	-	386,976
Prepayments and other	-	-	-
Current tax assets	-	-	-
Total Current Assets	8,110,103	(548,463)	7,561,640
Non-Current Assets			
Equipment	122,900	-	122,900
Intangible assets	2,641,246	-	2,641,246
Total Non-Current Assets	2,764,146	-	2,764,146
TOTAL ASSETS	\$ 10,874,249	\$ (548,463)	\$ 10,325,786
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	563,406	-	563,406
Accrued liabilities	842,010	-	842,010
Borrowings	152,461	-	152,461
Customer deposits	1,339,049	-	1,339,049
Deferred revenue - current portion	1,264,403	(57,419)	1,206,984
Warranty provision	70,282	-	70,282
Advances from related parties	709,400	-	709,400
Promissory notes from related party - current portion	750,063	-	750,063
Total Current Liabilities	5,691,074	(57,419)	5,633,655
Non-Current Liabilities			
Borrowings	2,556,611	-	2,556,611
Deferred revenue	879,211	(491,044)	388,167
Promissory notes from related party	227,324	-	227,324
Total Non-Current Liabilities	3,663,146	(491,044)	3,172,102
TOTAL LIABILITIES	9,354,220	(548,463)	8,805,757
Shareholders' Equity			
Share capital	7,366,989	-	7,366,989
Contributed surplus	482,536	-	482,536
Accumulated other comprehensive loss	(110,865)	-	(110,865)
Accumulated deficit	(6,041,434)	-	(6,041,434)
Total Equity Attributable to Shareholders of the Company	1,697,226	-	1,697,226
Non-Controlling Interests	(177,197)	-	(177,197)
TOTAL SHAREHOLDERS' EQUITY	1,520,029	-	1,520,029
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 10,874,249	\$ (548,463)	\$ 10,325,786

There was no material impact on our Condensed Statements of Comprehensive Income or Cash Flows for the year ended December 31, 2018.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

IFRS 9 Financial Instruments ("IFRS 9")

On January 1, 2018, we also adopted IFRS 9 on January 1, 2018, and this adoption resulted in no material impact to Novra's Condensed Consolidated Financial Statements.

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IFRS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Trade and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost. There was no change to the initial measurement of Novra's financial assets.

IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. ECL's are a probability-weighted estimate of credit losses. We have calculated ELC's based on consideration of customer-specific factors and factual credit loss experience over the past five years. As a percentage of revenue, Novra's historical credit loss experience has not been material.

The adoption of IFRS 9 has not had an effect on Novra's accounting policies related to financial liabilities.

Recently Issued Accounting Standards Not Yet Adopted

The IASB has issued new accounting standards and amendments to existing standards. The following new standard relevant to Novra was not yet effective at December 31, 2018.

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces IAS 17, Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. We have not yet assessed the impact of the adoption of this standard on Novra's Consolidated Financial Statements.

3. Critical Accounting Estimates and Judgments

The preparation of our Consolidated Financial Statements and related disclosures requires us to make estimates and assumptions about future events that can have a material impact on the amounts reported in our Consolidated Financial Statements and accompanying notes. Consequently, actual results could differ from those estimated. Our significant accounting policies are described in Note 2. The following critical accounting policies are those that we believe require a high level of subjectivity and judgment and have a material impact on Novra's financial condition and operating performance.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

1) Revenue Recognition

Our sales arrangements occasionally involve multiple elements, including hardware, installation and professional services, extended product warranty, post-contract technical support. We allocate revenue to all of these deliverables using the relative selling price hierarchy (see Note 2). Where VSOE of selling price does not exist for an element, we are required to then look to third-party evidence of selling price. However, third-party evidence is generally not available as our product offerings differ from those of our competitors and competitor pricing is often not available. As a result, we generally use the BESP to estimate the selling price for an element which is subject to significant management judgement.

2) Inventory Obsolescence

We exercise significant judgment to estimate a provision for obsolete and slow-moving inventory (see Note 7). The inventory valuation process includes a review of future demand for Novra's products based on current sales pipeline; the stage of the product life cycle of Novra's product; customer acceptance; ability to repurpose slow-moving finished goods into other products showing greater market interest; and an assessment of the selling price in relation to the product cost. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, Novra could be required to write off inventory, which could negatively impact Nova's gross profit.

3) Business Combination

The acquisition of the 51% majority interest was accounted for by the acquisition method (see Note 4). Under this method, assets acquired and liabilities assumed as part of the business combination are recorded at their fair value at the date of acquisition. The excess of purchase price over the fair value of assets acquired and liabilities assumed is recorded as goodwill.

The determination of fair value of identifiable assets and liabilities assumed required significant management judgement and estimate due to limited comparable observable market data, particularly for the following:

- Inventories – finished goods
- Equipment
- Deferred revenue

Additionally, the identification and fair value measurement of Wegener's intangible assets required significant management judgment.

4) Impairment of Non-Financial Assets

At December 31, 2018, Novra's intangible assets were \$2.6 million (see Note 12).

The market capitalization of Novra's common stock listed on the TSX-V was \$5.0 million at December 31, 2018 (2017 - \$4.6 million), greater than the carrying value of Novra's net assets on December 31, 2018. Further, Novra was able to generate healthy operating cash flows and the business fundamentals remain positive for the next twelve months. Accordingly, management has concluded there was no impairment on the intangible assets at December 31, 2018.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

4. Business Acquisitions

a) 51.6% Acquisition of Wegener Corporation ("Wegener")

On December 29, 2017, we completed the purchase of 51.6% controlling interest of Wegener Corporation (herein referred as the "Wegener Acquisition"). Subject to Wegener shareholders' and regulatory approval, we may purchase the remaining 49% minority interest for US\$300 thousand on or before December 31, 2019 in for the form of cash and/or common shares of Novra.

Management believes this acquisition will further diversify Novra's revenue base with complimentary products and gain further market share in the United States, Mexico and Latin America regions as it grows to be a major world-class broadcast technology provider.

Consideration Transferred:

Under the terms of the Wegener Acquisition, we issued 2,000,000 voting common shares to Wegener and in return we received 14,000,000 common shares, 51.6% of Wegener's total outstanding and issued common shares at December 31, 2017. The total purchase consideration was valued at \$260 thousand, based on Novra's closing stock price on December 29, 2017.

The net cash outflow as at the closing of the acquisition was as follows:

Cash acquired	\$	65
Consideration paid in cash		-
Net cash inflow	\$	65

The purchase price allocation was as follows:

Net assets acquired	\$	260
Goodwill		-
Total purchase price	\$	260

Net Assets Acquired:

The following identifiable assets and liabilities were subject to management's best estimates and assumptions after taking into consideration all relevant information available. The purchase price allocation to the net assets acquired was as follows:

Current assets		
Cash	\$	66
Trade and other receivables		230
Inventories		733
Prepayments		341
		1,370
Non-current assets		
Equipment		50
Intangible assets acquired		2,870
Total assets acquired	\$	4,290

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

Current liabilities	
Trade and other payables	801
Accrued liabilities	225
Provisions	28
Deferred revenue - current	486
Customer deposits	159
	<hr/>
	1,699
Non-current liabilities	
Note payable due to Novra ⁽¹⁾	125
Line of credit	2,054
Deferred revenue - non-current	152
Total liabilities assumed	\$ 4,030
	<hr/>
NET ASSETS ACQUIRED	\$ 260

⁽¹⁾ Eliminated on consolidation.

Intangible Assets:

Intangible assets of \$2.9 million relate to acquired customer list and technology assets and will be amortized on a straight-line basis over their estimated useful lives of five years (see Note 12). There was no assumed goodwill on this acquisition.

Acquisition-related Costs:

Novra has incurred costs totaling \$20 thousand related to the acquisition of Wegener. These costs were recorded in general and administrative expenses during 2017.

Impact of Wegener's Results to Novra:

If the acquisition had occurred on January 1, 2017, management estimates that Novra's proforma consolidated revenue would have been \$14.3 million and net income of \$687 thousand for 2017. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2017.

5. Financial Risk Management

Financial Risk Management Objectives and Policies

In the normal course of business, we are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk and credit risk of non-performance by counter parties. These financial risks are subject to normal credit standards, financial controls, risk management as well as monitoring procedures. From time to time, we may use derivative financial instruments to hedge certain risk exposures.

Financial risk factors

a) *Market risk*

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

Market risk is the risk that changes in market prices will affect Novra's earnings or the value of its holdings of financial instruments.

i) Foreign exchange risk

Foreign exchange risk is the risk to Novra's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of those rates.

We operate internationally and therefore we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

We do not currently have a formal hedging program to mitigate Novra's exposure to foreign currency risk; however, management may speculate on the foreign currency trend and enter into derivative financial instruments. Unrealized gains or losses on outstanding foreign currency derivative contracts (e.g. futures, forwards, swaps) are reflected in the Consolidated Statements of Operations and Comprehensive Income (Loss) based on currency rates as at the date of the Statements of Consolidated Financial Position.

At December 31, 2018 we did not have any foreign currency derivative contracts. The following foreign currency derivative contracts were outstanding at December 31, 2017.

Type	Notional	Currency	Maturity	Equivalent	
				Canadian \$	Fair value
<i>Forward contracts:</i>					
Sell	300	USD	January 17, 2018	\$ 385	\$ 9
Buy	100	USD	January 17, 2018	\$ 127	\$ (2)
<i>Zero-cost options:</i>					
Collar option	500	USD	January 17, 2018	\$ 629	\$ 1
Leveraged collar option	1,000	USD	January 17, 2018	\$ 1,258	\$ (1)
Total (included in Prepayments and other)				\$	7

At December 31, 2018, if the Canadian dollar had weakened/strengthened by 5% against the U.S. dollar and Euro with all other variables held constant, the resulting change to Novra's consolidated net loss would have been \$183 thousand.

ii) Cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument, and consequently net income, might be adversely affected by a change in the interest rates.

Borrowings issued at variable interest rates expose Novra to cash flow interest rate risk. The remaining outstanding USD unsecured promissory note due to IMT (see Note 22(d)) is subject

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

to variable interest rates. In 2018 and 2017, we have not entered interest rate swaps to mitigate this cash flow interest rate risk.

An increase of 2% in the floating interest rate with all other variables held constant, would result in an insignificant increase to interest expense for the year.

b) Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. Management monitors continuously both actual and forecasted cash flows to ensure Novra has sufficient liquidity to meet operational needs while maintaining sufficient headroom on its undrawn RBC Credit Facilities (see Note 13) at all times so that Novra does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The following table analyzes Novra's financial liabilities, including commitments, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Payment due:	Total	Within 1 year	1 to 3 years	3 to 5 years
Borrowings (Note 13)	\$ 2,709	\$ 153	\$ 204	\$ 2,352
Operating leases (Note 24)	4,187	729	1,763	1,695
Purchase commitments (Note 24)	150	75	75	-
Trade payables and other payables	563	563	-	-
Total third party contractual obligations	7,609	1,520	2,042	4,047
Promissory notes from related party (Note 22)	977	750	227	-
Advances from related parties (Note 22)	709	709	-	-
Total contractual obligations	\$ 9,295	\$ 2,979	\$ 2,269	\$ 4,047

At December 31, 2018, Novra's financial assets of \$5.9 million were adequate to meet all third party contractual obligations due within the next 12 months. Additionally, we continue to have access to the full RBC Credit Facilities to fund our working capital as needed. Accordingly, management believes Novra has adequate liquidity and working capital to meet its financial liabilities for the next 12 months.

c) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations.

Novra's credit risk is primarily attributable to its cash holdings, accounts receivable and notes receivable. We do not use credit derivatives or similar financial instruments to mitigate Novra's credit risk. However, as part of our overall credit risk management, we may buy credit insurance from Export Development Canada (EDC) and seek customer deposits to mitigate credit risk in foreign markets. Novra's maximum credit risk exposure at December 31st was as follows:

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

	2018	2017
Cash	\$ 4,138	\$ 1,805
Restricted non-redeemable GIC	200	200
Trade receivables	1,140	1,459
	\$ 5,478	\$ 3,464

To further mitigate credit risk our cash and derivative financial instruments are held by highly reputable, large financial institutions.

Trade and other receivables

The trade and other receivables include the following at December 31st:

	2018	2017
Trade accounts receivable	\$ 1,167	\$ 1,487
Less: allowance for doubtful accounts	(27)	(28)
Net trade accounts receivable	1,140	1,459
Tax credits and grants receivable	-	19
VAT/HST and other receivables	75	61
Total trade and other receivables	\$ 1,215	\$ 1,539

The following table shows the aging of trade receivables that were not impaired at December 31st:

	2018	2017
Current	\$ 470	\$ 922
Past due: Less than 30 days	287	141
31-60	121	15
61-90	114	367
Greater than 90 days	148	14
	\$ 1,140	\$ 1,459

At December 31, 2018, three customers accounted for 23% of the total trade receivables. At December 31, 2017, four customers accounted for 68% of the total trade receivables.

The movements in Novra's allowance for doubtful accounts were as follows:

	2018	2017
Start of the year	\$ 27	\$ 29
Provision for impairment	-	(1)
Receivables written off during the year as uncollectable	-	(1)
End of year	\$ 27	\$ 27

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

6. Capital Management

Our key objectives when managing capital are to maintain a strong capital base in order to:

- maintain investor, creditor and market confidence;
- advance Novra's corporate strategies to generate attractive risk-adjusted return over the long-term for our shareholders;
- sustain Novra's operations and growth through all cycles; and
- ensure compliance with the covenants of any applicable credit facility and other financing facilities.

Management monitors Novra's capital and capital structure on an ongoing basis to ensure it is sufficient to achieve Novra's short-term and long-term objectives.

Our capital resources consisted of the following at December 31st:

	2018	2017
Borrowings (drawn)	\$ 2,709	\$ 2,512
Promissory notes from related party	977	1,017
Shareholders' equity	1,520	2,150
Total capital resources	\$ 5,206	\$ 5,679

7. Inventories

The breakdown of inventories was as follows at December 31st:

	2018	2017
Finished goods	\$ 1,143	\$ 823
Raw materials	2,308	1,977
Work-in-progress	64	223
Provision	(1,345)	(1,213)
	\$ 2,170	\$ 1,810

The cost of inventories charged to cost of sales in 2018 was \$4.0 million (2017 - \$3.6 million).

8. Notes Receivable

During 2014, we entered an unsecured promissory note of \$100 thousand USD with Wegener Communications Inc. (see Note 4). This note was originally due on September 23, 2015 and was further extended to December 31, 2017. The promissory note with Wegener was unsecured and bears interest at 4% per annum.

As a result of the Wegener Acquisition, we no longer include this promissory note in our Consolidated Statements Financial Position as it is eliminated on consolidation.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

9. Financial Instruments

The following tables present the carrying values and fair values of recognized financial instruments using the valuation methods and assumptions described below.

	Carrying Amount				Fair Value			
	Loans and receivables	Other financial assets/liabilities at amortized cost	Assets / Liabilities at fair value through earnings	Total	Level 1	Level 2	Level 3	Total
At December 31, 2018								
Financial assets measured at fair value:								
Derivative financial instrument	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financial assets not measured at fair value:								
<i>Current financial assets:</i>								
Cash	\$ 4,138	\$ -	\$ -	\$ 4,138				\$ 4,138
Restricted non-redeemable GIC	200	-	-	200				200
Trade and other receivables	1,215	-	-	1,215				1,215
Notes receivable	-	-	-	-				-
Prepayments and other:	387	-	-	387				387
Current tax receivable	-	-	-	-				-
<i>Total current financial assets</i>	5,940	-	-	5,940	-	-	-	5,940
<i>Non-current financial assets:</i>	-	-	-	-				-
Total financial assets	\$ 5,940	\$ -	\$ -	\$ 5,940	\$ -	\$ -	\$ -	\$ 5,940
Financial liabilities not measured at fair value:								
<i>Current financial liabilities:</i>								
Trade and other payables	\$ -	\$ 769	\$ -	\$ 769				\$ 769
Borrowings	-	152	-	152				152
Customer deposits	-	1,339	-	1,339				1,339
Advances from related parties	-	709	-	709				709
Promissory notes from related party	-	750	-	750				750
<i>Total current financial liabilities</i>	-	3,719	-	3,719	-	-	-	3,719
<i>Non-current financial liabilities:</i>								
Borrowings	-	2,557	-	2,557				2,577
Promissory notes from related party	-	227	-	227				239
<i>Total non-current financial liabilities</i>	-	2,784	-	2,784	-	-	-	2,816
Total financial liabilities	\$ -	\$ 6,503	\$ -	\$ 6,503	\$ -	\$ -	\$ -	\$ 6,535

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

	Carrying Amount				Fair Value			
	Loans and receivables	Other financial assets/liabilities at amortized cost	Assets / Liabilities at fair value through earnings	Total	Level 1	Level 2	Level 3	Total
At December 31, 2017								
Financial assets measured at fair value:								
Derivative financial instrument	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financial assets not measured at fair value:								
<i>Current financial assets:</i>								
Cash	\$ 1,805	\$ -	\$ -	\$ 1,805				\$ 1,805
Restricted non-redeemable GIC	200	-	-	200				200
Trade and other receivables	1,539	-	-	1,539				1,539
Notes receivable	-	-	-	-				-
Prepayments and other:	59	-	-	59				59
Current tax receivable	2	-	-	2				2
<i>Total current financial assets</i>	3,605	-	-	3,605	-	-	-	3,605
<i>Non-current financial assets:</i>								
	-	-	-	-				-
Total financial assets	\$ 3,605	\$ -	\$ -	\$ 3,605	\$ -	\$ -	\$ -	\$ 3,605
Financial liabilities not measured at fair value:								
<i>Current financial liabilities:</i>								
Trade and other payables	\$ -	\$ 765	\$ -	\$ 765				\$ 765
Borrowings	-	109	-	109				109
Customer deposits	-	259	-	259				259
Advances from related parties	-	418	-	418				418
Promissory notes from related party	-	736	-	736				736
<i>Total current financial liabilities</i>	-	2,287	-	2,287	-	-	-	2,287
<i>Non-current financial liabilities:</i>								
Borrowings	-	2,403	-	2,403				2,369
Promissory notes from related party	-	281	-	281				236
<i>Total non-current financial liabilities</i>	-	2,684	-	2,684	-	-	-	2,605
Total financial liabilities	\$ -	\$ 4,971	\$ -	\$ 4,971	\$ -	\$ -	\$ -	\$ 4,892

Financial instruments measured at fair value

Novra did not have remeasure any financial assets at fair value.

Financial instruments not measured at fair value

The carrying amounts of trade and other receivables, note receivable, trade and other payables, borrowings, and advances from related parties approximate fair values because of the short-term nature of these financial instruments.

The following are valuation techniques we used to estimate the fair value of financial instruments with maturities longer than 12 months:

- *Borrowings*: See Note 13 for a further breakdown of the total borrowings. We use the discounted cash flow model to estimate their respective fair values.
 - *Revolving line of credit with the Chymiak Trust*: As the variable interest rate was negotiated at arm's length (prime + 2%) and the line of credit is secured by a first line on Wegener's assets, we believe the financing cost reflects market rate and therefore the estimated fair value of this line of credit fairly approximates its carrying value.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

- *Crocus loan*: While the Canadian interest environment has increased in 2018 vs. 2017, Novra's credit worthiness remains strong. Accordingly, the overall financing cost would not have changed significantly at December 31, 2018, based on current market conditions. As a result, the estimated fair value of the Crocus loan fairly approximates its carrying value.
- *WEDC repayable contribution*: As this is an interest-free repayable loan, we applied a 7.5% discount rate to estimate the fair value of the WEDC repayable contribution. The 7.5% discount rate is the same rate as the Crocus loan.
- *Unsecured promissory note with related party*: We used the discounted cash flow model to estimate its fair value. We applied a discount rate of 10%, which reflects the estimated market yield for a high yield bond index fund at December 31, 2018.

10. Derivative Financial Instrument

On September 16, 2013, we entered a strategic agreement with Wegener Corporation ("Wegener"), a publicly traded US based communications technology company, in which we agreed to acquire Wegener subject to due diligence and restructuring (see Note 4(a)).

As part of this strategic agreement, we agreed to become a low margin supplier to Wegener's subsidiary, Wegener Communications Inc., in return for receiving 15 million stock options to purchase Wegener common shares at \$0.03 USD each ("Wegener options"), for a total consideration of \$450 thousand USD. This stock option agreement was set to expire on September 30, 2014 but was subsequently extended to March 31, 2018. We initially recorded the Wegener options at fair value in the amount of \$257 thousand, using the Black-Scholes option pricing model. These options were revalued at each reporting date, with the change reported as unrealized loss on Wegener options in the Consolidated Statements of Operations and Comprehensive Income (Loss).

As a result of the Wegener Acquisition, we wrote-off the remaining carrying value of the Wegener options at December 31, 2017.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

11. Equipment

The following is a breakdown of the total carrying value of equipment at December 31, 2018.

	Machinery and testing equipment		Computer equipment		Furniture and fixtures		Total
Cost							
January 1, 2018	\$	384	\$	41	\$	30	\$ 455
Additions		4		-		-	4
Disposals		-		-		-	-
December 31, 2018	\$	388	\$	41	\$	30	\$ 459
Accumulated Amortization							
January 1, 2018	\$	218	\$	25	\$	25	268
Amortization		57		5		6	68
Disposals		-		-		-	-
December 31, 2018	\$	275	\$	30	\$	31	\$ 336
Net carrying values	\$	113	\$	11	\$	(1)	\$ 123

The following is a breakdown of the total carrying value of equipment at December 31, 2017.

	Machinery and testing equipment		Computer equipment		Furniture and fixtures		Total
Cost							
January 1, 2017	\$	343	\$	31	\$	30	\$ 404
Additions		1		-		-	1
Acquired from Wegener (see Note 4 (a))		40		10		-	50
Disposals		-		-		-	-
December 31, 2017	\$	384	\$	41	\$	30	\$ 455
Accumulated Amortization							
January 1, 2017	\$	166	\$	14	\$	21	201
Amortization		52		11		4	67
Disposals		-		-		-	-
December 31, 2017	\$	218	\$	25	\$	25	\$ 268
Net carrying values	\$	166	\$	16	\$	5	\$ 187

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

12. Intangible Assets

The following is a breakdown of the carrying value of the total intangible assets at December 31, 2018.

	Acquired Technology	Customer Relationships	Total
Cost			
January 1, 2018	\$ 1,811	\$ 2,000	\$ 3,811
December 31, 2018	\$ 1,811	\$ 2,000	\$ 3,811
Accumulated Amortization			
<i>Amortization period</i>	<i>3 - 5 years</i>	<i>5 years</i>	
January 1, 2018	\$ 483	\$ -	\$ 483
Amortization for the year	493	413	906
December 31, 2018	\$ 976	\$ 413	\$ 1,389
Effect of movement in exchange rates	\$ 66	\$ 153	\$ 219
Net carrying values	\$ 901	\$ 1,740	\$ 2,641

The following is a breakdown of the carrying value of the total intangible assets at December 31, 2017.

	Acquired Technology	Customer Relationships	Total
Cost			
January 1, 2017	\$ 940	\$ -	\$ 940
Acquired from Wegener (see Note 4(a))	871	2,000	2,871
December 31, 2017	\$ 1,811	\$ 2,000	\$ 3,811
Accumulated Amortization			
<i>Amortization period</i>	<i>3 - 5 years</i>	<i>5 years</i>	
January 1, 2017	\$ 170	\$ -	\$ 170
Amortization for the year	313	-	313
December 31, 2017	\$ 483	\$ -	\$ 483
Net carrying values	\$ 1,328	\$ 2,000	\$ 3,328

Amortization is recorded as part of our R&D expenses in the Consolidated Statements of Operations for 2018 and 2017.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

13. Borrowings

The following is a breakdown of our total borrowings with third parties at December 31st:

	2018	2017
Bank borrowings	\$ -	\$ -
Revolving line of credit with the Chymiak Trust	2,288	2,054
Crocus loan	164	273
WEDC repayable contribution	257	185
Total borrowings	2,709	2,512
Less: current portion	(153)	(109)
Total borrowings - non-current	\$ 2,556	\$ 2,403

a) Bank borrowings

On March 13, 2014, we entered credit facilities with the Royal Bank of Canada ("RBC Credit Facilities"), which were further amended in September 2016. The RBC Credit Facilities are repayable on demand and are secured by a General Security Agreement with RBC, providing a first ranking security in all personal property of Novra; however, the RBC Credit Facilities are subordinated to the security provided under the Crocus Loan (see below). Further, we have entered a cash collateral agreement in which we assigned \$200 thousand non-redeemable GIC in favor of RBC.

The following is a breakdown of the RBC Credit Facilities:

Revolving Demand Facility:

A revolving demand facility up to \$350 thousand, which is margined based on 75% of unencumbered accounts receivable that are less than 90 days outstanding, excluding inter-company receivables, plus 50% of unencumbered inventories up to a maximum of \$150 thousand.

Pre-Shipment Financing:

Revolving Demand Facility: Up to \$495 thousand to finance eligible pre-shipment costs in relation to multiple export contracts as insured by EDC.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

The following table shows the movement for the above credit facilities during 2018:

	Balance at January 1 2018	Additional Borrowings	Interest	Foreign Exchange	Repayments	Balance at December 31 2018	Interest Rate	Maturity
Revolving Demand Facility (for general use)	\$ -	\$ 30			\$ (30)	\$ -	Royal Bank Prime + 0.50%	None; Due on demand
Revolving Demand Facility (for pre-shipment financing)	-					-	Royal Bank Prime + 0.75%	None; Due on demand
	\$ -	\$ 30	\$ -	\$ -	\$ (30)	\$ -		

Credit Card:

We also have corporate Visa credit cards available for use up to a maximum limit of \$41 thousand in Canadian currency and US currency. At December 31, 2018, our Visa credit card liability was nil (2017-nil).

Foreign Exchange Forward Contracts:

We may also enter foreign exchange forward contracts with RBC, up to a predetermined notional amount which varies based on the use of the above credit facilities. Refer to Note 9.

b) Revolving line of credit with the Chymiak Trust

As part of the Wegener acquisition, we have included Wegener's total liabilities in our Consolidated Financial Position at December 31, 2018, including its revolving line of credit. As amended and effective October 8, 2009, Wegener's subsidiary, Wegener Communications Inc. ("WCI"), has entered a revolving line of credit ("loan facility") with The David E. Chymiak Trust Dated December 15, 1999 (the "Chymiak Trust"). Mr. David Chymiak controls the Chymiak Trust and owns approximately 8.5% of the remaining 48.6% minority interest of Wegener at December 31, 2018.

Immediately prior to the entering a term sheet with Wegener to acquire a 51.6% acquisition on November 27, 2017 (see Note 4), US\$1,712 remained outstanding under the loan facility and US\$2,867 in accrued and unpaid interest. The loan facility is secured by a first lien on substantially all of WCI's assets and is guaranteed by Wegener Corporation (parent company). Under the terms of the loan facility's debt covenants, we are precluded from paying dividends from Wegener.

As an inducement for Novra to proceed with the 51.6% acquisition of Wegener, the Chymiak Trust agreed to restructure the terms of its debt owed from Wegener. As a result, we entered a separate, simultaneous term sheet on November 27, 2017 with the Chymiak Trust, resulting in the following terms:

- i) Effective December 29, 2017, the closing date of the 51.6% acquisition of Wegener, the Chymiak Trust agreed to amend the loan facility as follows:
 - The maximum credit limit will be US\$1,600,000 and shall remain available up to December 29, 2019 and may not demand repayment at any time prior to December 29, 2019.
 - The interest rate shall be revised to the current U.S. Prime Rate + 2%.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

- ii) Effective from the closing date of the tender offer for the 49% minority interest of Wegener, the Chymiak Trust will further amend the loan facility as follows:
- Novra to fully repay the loan and interest over up to 8 years.
 - A portion of the debt will be forgiven by the Chymiak Trust as of the closing date, and therefore this amount is excluded in our Consolidated Financial Position at December 31, 2018.
 - The interest will remain at U.S. Prime Rate + 2.0 and accrued quarterly.

The Chymiak Trust shall continue to hold its current security interest in Wegener's assets until the operating loan, including any accrued and unpaid interest, is fully repaid.

c) Crocus loan

On January 15, 2004, we entered a \$750 thousand loan agreement with Crocus Investment Fund ("Crocus Loan"). On September 1, 2011, the terms of the Crocus Loan were renegotiated and all accrued interest to the date of the amended agreement was forgiven. The new terms of the Crocus Loan call for interest at 7.50% per annum and a blended annual repayment of \$120 thousand, maturing on September 1, 2020. Factoring in all interest free periods and expected repayment amounts, the effective interest rate on the amended loan agreement is 4.47%. The carrying value of the Crocus Loan is calculated based on this effective rate. The Crocus Loan is secured by all the personal property of Novra.

At December 31, 2018, the remaining principal of the Crocus loan will be repaid as follows:

2019	\$	114
2020		50
	\$	164

d) WEDC repayable contribution

On June 5, 2015, Novra entered a contribution agreement with Western Economic Diversification ("WEDC"). Under this agreement, Novra received a repayable contribution of \$257 thousand towards the commercialization of two new innovative technology-based products. During 2018 we received \$72 thousand from WEDC (2017 - \$120).

On August 23, 2018, the WEDC contribution agreement was amended and repayment is scheduled for 60 consecutive monthly installments commencing April 1, 2019. The contributions are subject to interest at the average bank rate plus 3% if any payments are late.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

14. Warranty Provision

We provide a one-year manufacturer's warranty for Novra's products at no additional cost to the customer. The following table shows the movement in the warranty provision for 2018 and 2017.

	2018	2017
At January 1st	\$ 78	\$ 56
Assumption of Wegener's product warranty provision (see Note 4(a))	-	28
Assumption of IDC's product warranty provision (see Note 4(b))	-	-
Additional provision	5	20
Payments during the year	(13)	(26)
At December 31st	\$ 70	\$ 78

15. Shareholders' Equity

a) Common Stock

The following table provides a summary of authorized as well as issued and outstanding capital for Novra at December 31st:

	2018	2017
Authorized:		
Unlimited Class "A" Common voting shares		
Unlimited Class "B" Common non-voting shares		
Unlimited Class "C" Preferred shares, redeemable and retractable at \$1,000		
Issued:		
33,372,312 (2017: 33,308,312)		
Class "A" common voting shares	\$ 7,367	\$ 7,355

In 2018, we issued 64,000 shares due to the following events:

- 48,000 options were exercised at \$0.12 each by a director.
- 16,000 options were exercised at \$0.12 each by an employee.

In 2017, we issued 4,230,877 shares due to the following events:

- 1,706,877 warrants were exercised at \$0.12 each. All remaining outstanding warrants have expired on June 15, 2017.
- IMT elected to convert its \$300,000 convertible note for 2,500,000 common shares of Novra at \$0.12 each (see Note 22(e)).

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

- 24,000 options were exercised at \$0.12 each by one director during the third quarter.

b) Warrants

On June 15, 2016, 13,336,145 warrants with a value of \$455 thousand were issued as part of the merger with IDC (see Note 4) and are reported under contributed surplus in the Consolidated Statements of Changes in Shareholders' Equity. The warrants provided the right to purchase one common share at \$0.12 each. The warrants were valued on the issuance date using the Black-Scholes pricing model based on the following key inputs:

Expected life	1 year
Volatility	86%
Risk free interest rate	0.59%
Dividend yield	Nil
Closing stock price	\$0.11
Exercise price of warrant	\$0.12

In 2017, 1,706,877 warrants were exercised at \$0.12 each. All remaining outstanding warrants have expired on June 15, 2017, one year after their issuance on June 15, 2016.

c) Stock Options

On April 28, 2017, the Board of Directors approved the 2017 Stock Option Plan ("2017 Plan") to retain and attract executives, directors and key employees. This replaces and terminates the former option plan, which had no outstanding options. The 2017 Plan provides for the grant of stock options of up to an aggregate of 2,900,000 with a five-year vesting period and seven-year term. Subject to the applicable discount provided by the TSX-V rules, the exercise price will be at least equal to the fair market value of Novra's common shares at the grant date as defined as the greater of:

- The volume weighted average trading price for Novra's common share for the five market trading days immediately prior to the grant date; and
- The closing trading price of Novra's common share on the day immediately prior to the grant date.

Additionally, the Board of Directors has the discretion to amend general vesting provisions and the term of any award under the 2017 Plan, subject to the restrictions defined in the 2017 Plan.

During the second quarter of 2017, the Board of Directors approved the grant of 1,500,000 stock options to independent directors, employees, and a sales consultant under the terms of the 2017 Plan, exercisable at \$0.12 each and subject to the following vesting provision:

- 20% on June 30, 2017;
- 20% on December 31, 2017;
- 20% on December 31, 2018;
- 20% on December 31, 2019; and
- 20% on December 31, 2020.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

In connection with the employment agreement entered with the CFO during the second quarter of 2017, the Board of Directors approved the grant of 300,000 stock options, exercisable at \$0.12 each and subject to a five-year vesting period starting with 20% on December 31, 2017, and 20% annually thereafter.

All options granted during 2017 will expire seven years from the grant date.

Summary of Stock Option Information:

The following table provides a summary of stock option activity for 2018:

	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,740,000	\$ 0.12
Granted	-	\$ 0.12
Exercised	(64,000)	\$ 0.12
Forfeited	(524,000)	\$ 0.12
Expired		\$ 0.12
Outstanding, end of year	1,152,000	\$ 0.12

At December 31, 2018, the remaining stock option pool for future grants was 876,000.

The following table summarizes information about the stock options outstanding at December 31, 2018:

# of Options Outstanding	Grant Date	Expiry Date	Fair Value at Grant Date	# of Options Exercisable	Exercise Price
1,152,000	11-May-17	10-May-24	\$ 0.07	440,000	\$ 0.12
-	-		\$ -	-	\$ -
1,152,000				440,000	

We used the following assumptions in the Black-Scholes option pricing model to estimate the fair value of options at the following grant dates:

	11-May-17
Expected life, in years	3.5 years
Volatility	80%
Risk free interest rate	0.60%
Anticipated forfeiture	0 to 10%
Dividend yield	0%
Closing stock price at grant date	0.13

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

16. Earnings (Loss) Per Share ("EPS")

a) Basic EPS

Basic EPS is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year.

	2018	2017
Net income (loss)	\$ (486)	\$ 779
Weighted average number of common shares	33,345	31,491
Basic EPS	\$ (0.02)	\$ 0.02

b) Diluted EPS

Diluted EPS is calculated by adjusting the weighted average number of common shares to assume conversion of all dilutive common shares.

	2018	2017
Net income (loss)	\$ (486)	\$ 779
Weighted average number of common shares:		
Weighted average number of common shares	33,345	31,491
<i>Adjustment for:</i>		
- Stock options	-	54
Weighted average number of common shares for diluted EPS	33,345	31,545
Diluted EPS	\$ (0.02)	\$ 0.02

For the year ended December 31, 2018, stock options were antidilutive.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

17. Research and Development (R&D) Expense

The following table provides a summary of R&D costs incurred during the year, net of associated investment tax credits realized. The investment tax credits were provided by the Ontario Ministry of Finance to partially fund eligible R&D expenses.

	2018	2017
R&D expenses	\$ 3,508	\$ 1,817
Investment tax credits	-	(14)
R&D expenses, net	\$ 3,508	\$ 1,803

18. Finance Income and Finance Costs

a) Finance income

The following table provides a breakdown of total finance income.

	2018	2017
Interest income:		
- Note receivable	\$ -	\$ 5
- Restricted non-redeemable GIC	2	2
	\$ 2	\$ 7

b) Finance costs

The following table provides a breakdown of total finance costs.

	2018	2017
Interest expense:		
- Unsecured promissory notes (see Note 22(d))	\$ 61	\$ 57
- Crocus loan (see Note 13)	11	16
- Convertible note (see Note 22(e))	-	13
- Bank borrowings (see Note 13)	-	12
Fees on bank borrowings and promissory notes	-	11
	\$ 72	\$ 109

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

19. Income Taxes

a) Reconciliation of effective income tax rate

Novra's effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to income (loss) before income taxes. These differences result from the following items:

	2018	2017
Income (loss) Before income taxes	\$ (663)	\$ 778
Statutory income tax rate	27.6%	27.0%
Tax provision based on combined Canadian federal and provincial rates	(183)	210
Increase (decrease) resulting from:		
Origination and reversal of temporary differences	319	79
Non-deductible amounts and other permanent differences	1	27
Utilization of tax credits	(465)	(648)
Other	328	342
Income tax recovery (expense)	\$ -	\$ -
Effective income tax rate	0.0%	0.0%

b) Investment Tax Credits

At December 31, 2018, Novra's federal and provincial investment tax credits ("ITCs") available to reduce future Canadian federal and provincial taxes payable were \$4.9 million and \$0.4 million respectively.

The ITCs will expire as follows:

	Federal ITCs	Provincial ITCs
2019	-	-
2020	42	-
2021	216	-
2022	266	-
2023 and after	4,462	382
Total	\$ 4,986	\$ 382

In addition to the ITCs, Novra has accumulated a Scientific Research and Experimental Development ("SR&ED") expenditures pool that is available for an indefinite carry forward period with discretionary deductions of \$26.3 million.

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

c) Loss Carry Forwards

At December 31, 2018, Novra has approximately \$10.1 million of cumulative net operating losses that can be carried forward over 20 years to reduce future taxable income. These loss carry forwards will begin to expire in 2023.

We have not recognized the tax benefits associated with the unused tax losses, tax credits, and deductible temporary differences in the Consolidated Financial Statements as their ultimate realization are contingent on the generation of future taxable profits. Management concluded that this was not probable (minimum recognition threshold) based on the significant risks and uncertainties in projecting Novra's future taxable income and the lack of available income tax planning strategies.

20. Segmented Information

Novra and its group of companies operate as one operating segment. While IDC and Wegener will continue to operate independently, our Chief Operating Decision Maker (Novra's President and CEO) evaluates the company's operating performance and allocates resources based on information provided at a consolidated level.

Based on the location of our customers, Novra's consolidated revenues by geographic market are as follows:

	2018	2017
Americas ex-Canada ⁽¹⁾	\$ 8,070	\$ 4,822
Canada	940	2,994
EMEA ⁽²⁾	1,068	1,213
APAC ⁽³⁾	552	504
	\$ 10,630	\$ 9,533

(1) The geographic region of the Americas includes North America, Central America and South America.

(2) EMEA consists of Europe, the Middle East and Africa.

(3) APAC consists of East Asia, South Asia, Southeast Asia and Oceania.

For 2018, one customer accounted for 24% of Novra's total revenues (2017– two customers accounted for 40%).

Novra's equipment by geographic location at the reporting dates were:

	2018	2017
Canada	\$ 80	\$ 136
United States	43	50
	\$ 123	\$ 186

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

21. Supplemental Cash Flow and Other Disclosures

The components of the net change in non-cash working capital at December 31st are as follows:

	2018	2017
Trade and other receivables	\$ 377	\$ 912
Inventories	(360)	1,089
Notes receivable		-
Current tax assets		2
Prepayments and other	(195)	390
Amounts payable including advances	440	(523)
Customer deposits	1,081	(19)
Deferred revenue	721	(572)
Warranty provision	(8)	(6)
Total	\$ 2,055	\$ 1,273

Non-cash transactions in 2017:

- The issue of Novra's common shares as consideration for the acquisition of Wegener (see Note 4(a)), which were eliminated on consolidation.

22. Related Party Transactions

The following is a summary of Novra's related party transactions:

a) Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of Novra. The key management personnel of Novra is the executive management team and the Board of Directors, who collectively control approximately 17% (President & CEO has direct and indirect ownership of 16%) of the total outstanding and issued common shares of Novra at December 31, 2018.

The following table discloses the compensation for the key management personnel for the year ended December 31st.

	2018	2017
Salaries and employee benefits	\$ 388	\$ 346
Share-based compensation	9	32
Directors' fees	10	8
Total	\$ 407	\$ 386

b) Transactions with other related parties

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

	2018	2017
Sale of goods and services		
InfoMagnetics Technologies Inc. ("IMT") ⁽¹⁾	\$ -	\$ (7)
Purchase of goods and services		
InfoMagnetics Technologies Inc. ("IMT") ⁽¹⁾	-	-
The Exchange Global Server Centre Inc. ⁽²⁾	8	9
Interest on unsecured promissory notes		
IMT	61	57
Interest on convertible note		
IMT	-	13
	\$ 69	\$ 15

⁽¹⁾ Novra's President & CEO has a controlling interest in IMT.

⁽²⁾ The Exchange Global Server Centre Inc. is 50% owned by IMT.

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

c) The breakdown of advances from related parties by party at December 31st was as follows:

	2018	2017
Key management and directors (see part (a))	542	351
IMT	167	66
The Exchange Global Server Centre Inc.	-	1
	\$ 709	\$ 418

At December 31, 2018, \$498 thousand (2017: \$316 thousand) was due to Novra's President & CEO in regards to unpaid salaries and expense reimbursements for current and prior years in which he voluntarily chose to not collect payment in the interest of preserving liquidity in the company. The payable amount bears no interest and has no repayment term.

d) The movement of unsecured promissory notes due to IMT was as follows:

	Base Rate +			2018	2017
	4% Fixed \$250k	2.5% Floating \$563k	4% Fixed \$381k		
At January 1	\$ 273	\$ 355	\$ 389	\$ 1,017	\$ 1,172
Loan repayments	-	(75)	-	(75)	(112)
Foreign exchange movement	-	28	-	28	(28)
Interest charged	15	30	15	60	57
Interest paid	(23)	(30)	-	(53)	(72)
At December 31	\$ 265	\$ 308	\$ 404	\$ 977	\$ 1,017
Maturity Dates:	Due on demand	Nov 1, 2022	Due on demand		

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

The following table shows the presentation of the above total IMT loans on Novra's Consolidated Statements of Financial Position at 2018 and 2017:

	2018	2017
Current portion	\$ 750	\$ 376
Non-current portion	227	641
Total	\$ 977	\$ 1,017

The following is a summary of loan transactions with IMT during 2018 and 2017.

- On November 5, 2014, Novra entered a \$250 thousand unsecured promissory note bearing 4% annual interest and maturing on August 31, 2015. The maturity date of this note was extended in previous years and in December 2018 both parties agreed to change the extension terms to 'due on demand'. As of December 31, 2018, the remaining balance of the promissory note plus accrued interest was \$265 thousand (2017 - \$273 thousand).
- On January 25, 2016, Novra entered a \$400 thousand USD unsecured promissory note bearing interest at the monthly USD floating base rate plus 2.5% per annum and maturing on November 1, 2022. The purpose of this note was to provide further liquidity to fund its working capital requirements. The USD floating base rate was 4.8% per annum at January 25, 2016, 5.80% at December 31, 2017, and 6.75% at December 31, 2018. As of December 31, 2018, the remaining balance of the promissory note plus accrued interest was \$226 thousand USD (2017 - \$283 thousand USD).
- On June 30, 2017, we entered a new unsecured promissory note of \$381 thousand with IMT to replace the remaining unpaid \$381 thousand unsecured promissory note dated June 9, 2016. On December 31, 2018, we renewed the unsecured promissory note dated June 30, 2017, which bears interest at 4% per annum and is due on demand. At December 31, 2018, the remaining balance of the unsecured promissory note plus accrued interest was \$404 thousand (2017 - \$389 thousand).

e) Convertible Note due to IMT:

	December 31, 2018	December 31, 2017
Issuance of convertible note to IMT	\$ -	\$ 300
Amount reclassified as equity	-	(18)
Unwind discount adjustment	-	15
Payment of interest	-	(6)
Conversion of note to common shares	-	(291)
Carrying value of convertible note	\$ -	\$ -

On November 28, 2016, Novra's Board of Directors approved to enter a \$300 thousand unsecured convertible promissory note ("Convertible Note") with IMT effective December 1, 2016, as partial settlement of the \$681 thousand unsecured promissory note. Under this Convertible Note, IMT may at its sole discretion elect to partially or fully convert the debt to Novra's equity at a conversion rate of \$0.12 per Novra's common share. Such conversion may take place anytime after June 15, 2017 and if fully

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

converted would result in the issuance of 2,500,000 common shares or 8.6% of total outstanding common shares at December 31, 2016. The Convertible Note bears a fixed interest rate of 4% per annum and matures on January 2, 2018.

In accordance with IFRS (see Note 2), we have recorded the estimated fair value of the equity component (i.e. call option feature) of the Convertible Note as part of contributed surplus in Novra's shareholders' equity, which amounted to \$18 thousand. At December 31, 2016, the carrying value of the Convertible Note, including accrued interest, was \$285 thousand.

On June 16, 2017, IMT elected to fully convert its convertible note to 2,500,000 common shares of Novra (see Note 15(a)).

23. Operating Expenditures

We present our Consolidated Statements of Operations and Comprehensive Income (Loss) on a functional basis in which expenditures are aggregated to the function to which they relate. We have identified the major functions as general and administrative, sales and marketing, and research and development activities.

2018	General and administrative	Sales and marketing	Research and development	Total
Personnel expenditures	\$ 970,157	\$ 727,254	\$ 1,820,986	\$ 3,518,398
Other operating expenditures	657,532	544,250	755,237	1,957,019
Depreciation and amortization	1,128	1,905	932,063	935,096
	\$ 1,628,817	\$ 1,273,409	\$ 3,508,287	\$ 6,410,513

2017	General and administrative	Sales and marketing	Research and development	Total
Personnel expenditures	\$ 493,226	\$ 883,541	\$ 1,192,315	\$ 2,569,082
Other operating expenditures	277,282	389,885	276,301	943,468
Depreciation and amortization	2,062	2,864	335,058	339,984
	\$ 772,570	\$ 1,276,290	\$ 1,803,674	\$ 3,852,534

NOVRA TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(Tabular amounts are in 000's, except share data)

24. Commitments and Contingent Liabilities

a) Lease commitments

We lease office space for our head office and subsidiaries. We had no significant operating leases for equipment. At December 31, 2018, Novra's future minimum payments under non-cancellable operating leases were as follows:

2019	729
2020	712
2021	689
2022	363
2023 and thereafter	1,695
Total	\$ 4,187

The above table reflects a new lease agreement for our head office executed in November 2017, commencing on February 1, 2018 for a five-year term. As IMT and Novra are joint tenants for this new lease (i.e. sharing the floor space), we have included the full lease payment in the above table, reflecting the joint liability exposure. However, we expect that IMT will cover at least 50% of the monthly lease payments.

The table also includes a new lease agreement for our IDC office executed in February 2019, commencing August 2019 for a ten-year term.

b) Purchase Commitments

In the normal course of business, we may enter purchase commitments, including inventory and third-party software license embedded in our products, to achieve economy of scale. At December 31, 2018, we had \$150 thousand of purchase commitments of which \$75 thousand is due within one year. At December 31, 2017, we had \$207 thousand of purchase commitments of which \$69 thousand is due within one year.

25. Subsequent Events

a) New Lease

Effective February 5, 2019, Novra entered into a 10-year lease agreement for a new office location in Ottawa. Novra's IDC operation will be moving to the new location in Q2 2019. The lease commitment is included in Note 24.

b) Major Radio Order

During the first quarter of 2018, we won a new order valued at more than \$2.7M from a major international radio broadcaster. This order is part of an ongoing network upgrade and is scheduled for delivery in the third and fourth quarters of 2019.