



# **MANAGEMENT'S DISCUSSION & ANALYSIS**

**Three Months Ended March 31, 2018**  
**(Expressed in Canadian dollars)**

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

---

The following Management's Discussion and Analysis ("MD&A") of Novra Technologies Inc. ("Novra") should be read in conjunction with the unaudited interim Condensed Consolidated Financial Statements for the three months ended March 31, 2018, and related notes included therein. These unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and therefore these should be read in conjunction with Novra's annual 2017 Audited Financial Statements.

All information in this MD&A is presented in Canadian dollars, unless otherwise indicated. Tabular dollars are in thousands, except per share amounts. Amounts in tables may not reconcile due to rounding differences.

Throughout this MD&A, "we", "us", "our", "Novra", and "Company" refer to Novra Technologies Inc. and its subsidiaries.

This MD&A is dated as of May 30, 2018, and is current to this date. This MD&A and the unaudited interim Condensed Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors.

Financial statements, MD&A and other information relating to Novra are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities laws, concerning but not limited to: our outlook, the expected cost savings from integrating the acquired Wegener operations with the Novra Group, the proposed acquisition of Westport Research & Associates, anticipated developments in our operations in future periods, the adequacy of Novra's financial resources and other events and conditions that may occur in the future. Forward-looking statements are generally identifiable by words such as "expects", "anticipates", "believes", "intends", "estimates", "predicts", "potential", "targeted", "plans", "possible", and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. As such, forward-looking statements are not historical facts but reflect our current assumptions and expectations regarding future events. These are subject to a number of risk and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions. Some of these risks and uncertainties are described herein under the "Risks and Uncertainties" section of this MD&A.

For the above reasons, readers are cautioned not to place undue reliance on forward-looking statements.

## Table of Contents

BUSINESS OVERVIEW .....	3
OVERALL PERFORMANCE .....	3
RECENT DEVELOPMENTS .....	4
OUTLOOK .....	4
DISCUSSION OF OPERATIONS .....	5
Revenue and Gross Margin .....	6
Operating Expenses ("OPEX") .....	6
Foreign Exchange Gain (Loss) .....	7
Depreciation and Amortization .....	7
EBITDA and Adjusted EBITDA .....	8
LIQUIDITY .....	9
CAPITAL RESOURCES .....	11
OFF BALANCE SHEET ARRANGEMENTS .....	12
TRANSACTIONS WITH RELATED PARTIES .....	12
PROPOSED TRANSACTIONS .....	12
ACCOUNTING MATTERS .....	12
Critical Accounting Estimates .....	12
Future Accounting Pronouncements .....	13
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS .....	13
RISKS AND UNCERTAINTIES .....	13

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

---

### BUSINESS OVERVIEW

Novra Technologies Inc. (headquartered in Winnipeg, Canada) is a public company on the TSX Venture Exchange ("TSX-V") and trades under the stock symbol "NVI" and is a Class 1 reporting issuer. We have been in the satellite data distribution business since 2000. In 2016, we significantly expanded our product portfolio and global footprint with the acquisition of International Datacasting Corporation ("IDC"), a long-time leader in the same sector (based in Ottawa, Canada). 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. The companies joined together to form the Novra group of companies ("Novra Group")

Today, the Novra Group is an international technology provider of products, systems, and services for the distribution of multimedia broadband content. Our applications focus includes: broadcast video and radio, digital cinema, digital signage, and high-speed data applications.

See our corporate website at [www.novragroup.com](http://www.novragroup.com) for further details.

### OVERALL PERFORMANCE

This is the first quarter that our financials are consolidated with Wegener's operating results and our Q1 2018 financials have been negatively affected by this consolidation because of Wegener's weak first quarter and we expect Wegener's second quarter to also be weak. Despite Wegener not being wholly-owned by Novra (we acquired only 51.6% of its voting common shares on December 29, 2017), the accounting standards require us to consolidate 100% of Wegener's operating results. However, the consolidated net loss for the current quarter attributable to Novra shareholders was \$389 thousand, which is less than the total net loss of \$763 thousand. Wegener's second half of 2018 is expected to be strong and contribute positively to our financial results as most of Wegener's current sales backlog will be delivered in Q3 and Q4, along with additional sales that are expected in the second half of 2018.

#### Q1 2018 vs. Q1 2017:

- Total revenue of \$2.1 million, a decrease of 14%
- Gross profit at \$0.9 million was 42.5% of total revenue, compared to \$1.1 million or 46.7%
- Operating expenses were \$1.7 million, compared to \$953 thousand
- Adjusted EBITDA of \$(570) thousand, compared to Adjusted EBITDA of \$274 thousand (this is a non-IFRS financial measure - refer to "Discussion of Operations" section below for further details)
- Operating cash flows were \$241 thousand, compared to \$2.4 million
- Working capital was \$1.8 million, an 8% increase since December 31, 2017
- As of May 15, 2018 we had \$8.0 Million in revenue and backlog.

As indicated above, the significant variances in the above financial highlights were primarily driven by the inclusion of Wegener's operating results and although during this reporting period our orders were strong, our sales were soft due to production lead-times and customer installation schedules has pushed deliveries of booked sales out to Q3 and Q4.

Further, in Q1 2017, we benefited from partial deliveries on the large sales backlog generated in the second half of 2016. We did not have a significant sales backlog going into 2018; however, we ended the quarter on a strong note for new customer orders.

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

---

### RECENT DEVELOPMENTS

- In Q1 2018, we won our first significant MISTIQ audio order for a LATAM-based customer
- We shipped over 1,700 of our S300 receivers to a major US Bank for their in-branch Digital Signage.
- A European radio network service provider selected IDC to provide the technology to upgrade their client's radio stations with an initial order.
- For the past few months, we have successfully demonstrated our new Digital Cinema redundant file delivery feature in the field and as a result we believe that we will see order(s) in the second half of 2018.
- We successfully closed approximately \$8 million of new orders by May 15, 2018, including two new orders amounting to \$3.2 million from a major international radio broadcaster for an ongoing network upgrade as well as a technology refresh of satellite uplink infrastructure.

### OUTLOOK

With the acquisition of 51.6% controlling interest of Wegener Communications in December 2017, we are executing on our vision to bring great companies with complementary technologies together to capitalize on market opportunities by consolidating and refocusing engineering to provide world-class leading-edge products and services to our clients. As a result of these acquisitions, Novra has significantly evolved into a strong, scalable global company in the growing multimedia broadband content distribution business.

Although we reported that we had over \$6.0 million in sales and bookings for the first quarter, we expect our sales for the first half of 2018 to be soft as several of our clients' projects have been delayed for various reasons. Our sales funnel is healthy, and we expect sales to be much stronger in the second half of 2018.

Our high priority goals for 2018 are:

- To drive costs efficiencies as we bring Wegener into the Novra group of companies.
- Achieve operational efficiencies by merging operational divisions across the three companies.
- Refocus our engineering to develop new and innovative products by taking the best features from our existing product lines to create flexible, modular and cost-effective solutions that will meet market demand and increase our market share.
- To manage, refocus and energize our global re-seller network to enable them to offer a wider range of products and solutions to their clients.
- Position Novra for additional acquisitions, over the next 12 to 18 months, of companies with complementary technologies that will increase our sales and profitability.

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

Novra's goal is to move from being an engineering-centric to client-centric company - our product development will be driven by identifying client requirements and real market trends. Our clients are looking for cost effective solutions with built-in flexibility to enable them to deliver their services with the lowest operational costs not only today but over the life-span of our products. Only offering hardware and software is not adequate in this technologically dynamic environment. We want to offer to our clients complete solutions and would like for them to consider Novra as their technology partner that they can depend on to help them solve their engineering problems.

We take these challenges very seriously and all of us at the Novra Group of companies are committed and determined in achieving these very important goals for our clients and our shareholders.

### DISCUSSION OF OPERATIONS

The following table shows selected information from our Condensed Consolidated Financial Statements, including a reconciliation of IFRS to non-IFRS measures, for the periods indicated:

<i>(in thousands)</i>	Three Months Ended March 31,		
	2018	2017	% Chg
<b>Revenue by type:</b>			
Products	\$ 1,517	\$ 2,172	-30%
Services	555	250	122%
<b>Total revenue</b>	<b>2,072</b>	<b>2,422</b>	<b>-14%</b>
<b>Gross profit</b>	<b>880</b>	<b>1,130</b>	<b>-22%</b>
<i>Gross margin</i>	<i>42.5%</i>	<i>46.7%</i>	
Operating expenses	1,699	953	78%
<b>Operating income (loss)</b>	<b>(819)</b>	<b>177</b>	<b>NM</b>
Other income (expenses)	56	65	-14%
<b>Net income (loss) as reported under IFRS</b>	<b>\$ (763)</b>	<b>\$ 242</b>	<b>NM</b>
<i>Adjustments:</i>			
Finance income	(1)	(1)	0%
Finance costs	53	48	10%
Depreciation and amortization	242	96	152%
<b>EBITDA - non-IFRS measure</b>	<b>(469)</b>	<b>385</b>	<b>NM</b>
Loss (gain) on foreign exchange	(109)	(5)	
Share-based compensation	8	-	
Loss (gain) on Wegener options	-	(106)	
<b>Adjusted EBITDA - non-IFRS measure</b>	<b>\$ (570)</b>	<b>\$ 274</b>	<b>NM</b>

NM - Not meaningful

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

### Revenue and Gross Margin

Total revenue decreased by 14% or \$0.4 million. The decrease in product revenue was mainly due to a softer quarter for product shipments, including from our recent acquisition of Wegener; there were some delays in several of our clients' projects for various reasons. Further, as previously stated, Q1 2017 benefited from a strong sales backlog from 2016 going into 2017. While we have a healthy sales backlog at the end of Q1 2018, much of this backlog will be delivered in the second half of 2018. Accordingly, we anticipate our Q2 2018 product revenue will also be lower than Q2 2017; however, we expect this trend to reverse for the second half of 2018.

The increase in services revenue is primarily driven by the acquisition of Wegener which contributed \$185 thousand to the services revenue, coupled with the benefit from new support contracts and renewals in 2017 continuing into 2018.

Our revenue is generally concentrated on a few customers from quarter to quarter. Our top 10 customers accounted for 72% of total revenue for Q1 2018, with the first and second largest accounting for 33% and 11%, respectively, or \$0.9 million in aggregate. For the same period last year, Novra's top 10 customers accounted for 85% of total revenue, with the three largest accounting for 33%, 18%, and 11%, respectively, or \$1.5 million in aggregate. No other customers accounted for more than 10% of total revenue.

While our revenue may be concentrated on a few customers quarterly, with approximately 2,000 customers in over 100 countries, including over 200,000 installations since inception, we have a well-established customer base to provide diversification in our revenue base. The following table summarizes the geographic distribution of our revenues for the quarter:

	March 31, 2018	% of Total	March 31, 2017	% of Total
Americas ex-Canada	\$ 1,414	68%	\$ 929	38%
Canada	251	12%	868	36%
APAC	233	11%	204	8%
EMEA	174	8%	421	17%
	\$ 2,072	100%	\$ 2,422	100%

Gross margin was 42.5% for the current quarter, a 4.2 percentage point decrease over the comparable quarter in 2017. The decrease in gross margin was driven by the lower volume of sales to cover fixed overhead costs, coupled with product mix. Excluding Wegener, our gross margin was 50%, slightly higher than last year's 47% and in line with historical norms.

### Operating Expenses ("OPEX")

(in thousands)	Three Months Ended March 31,		
	2018	2017	% Chg
General and administrative ("G&A")	\$ 481	\$ 164	193%
Sales and marketing ("S&M")	313	331	-5%
Research and development, net ("R&D")	905	458	98%
<b>Total operating expenses</b>	<b>\$ 1,699</b>	<b>\$ 953</b>	<b>78%</b>

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

---

Total OPEX increased by 78% during Q1 2018 over the comparable quarter in 2017 primarily due to the increase in personnel, depreciation and occupancy costs relating to acquisition on Wegener, which closed on December 29, 2017.

For financial reporting purposes, we allocate facility costs to OPEX (G&A, S&M, and R&D) and cost of revenues. For Q1 2018, \$189 thousand and \$70 thousand facility costs were allocated to OPEX and cost of revenues, respectively, compared to \$98 thousand and \$28 thousand, respectively, for the same prior period. The increase was driven by the Wegener acquisition.

General and administrative ("G&A") expenses consist primarily of compensation paid to the corporate, IT, and finance staff as well as professional fees, and public company related costs.

Our Sales and Marketing ("S&M") costs include compensation, including sales commissions, paid to our sales team, as well as tradeshow, promotion and travel and entertainment costs.

Research and Development (R&D) costs will continue to be a significant component of our total operating expenses as we continue to develop innovative products and solutions to remain competitive in our industry. R&D costs include primarily compensation paid to engineering personnel and prototype costs. Notably, expenses related to amortization of intangible assets from the acquisitions of IDC and Wegener are also included in R&D costs. R&D product development costs are expensed as incurred; we do not capitalize development costs. Certain R&D costs may be partially subsidized by Federal and Provincial investment tax credits if qualified as scientific research and experimental development ("SR&ED"). We did not accrue any investment tax credits during Q1 2018 and 2017.

### Foreign Exchange Gain (Loss)

For Q1 2018, we had a foreign exchange gain of \$109 thousand, compared to a gain of \$5 thousand in Q1 2017, primarily due to the strengthening of the USD. As previously disclosed in our 2017 MD&A, while we do not have a formal currency hedging program, we do actively manage our foreign currency risk and may also enter speculative currency positions based on management's best judgement. At March 31, 2018, we had an outstanding forward foreign exchange contract to sell 80 thousand Euro for CAD, maturing on May 17, 2018, to partially hedge our Euro exposure. Its fair value at March 31, 2018 was insignificant.

At March 31, 2018, the foreign currency denominated assets and liabilities, subject to remeasurement, are as follows:

<i>(in thousands)</i>	USD	Euro
Assets	\$ 2,481	€ 4
Liabilities	(566)	(19)
<b>Net assets before hedging</b>	<b>\$ 1,915</b>	<b>€ (15)</b>
<b>Currency derivative contracts</b>	<b>0</b>	<b>(80)</b>
<b>Net assets -unhedged</b>	<b>\$ 1,915</b>	<b>€ (95)</b>
<b>Impact on Novra's earnings if 5% change in foreign exchange rates</b>	<b>\$ 96</b>	<b>€ (5)</b>

### Depreciation and Amortization



# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

The significant increase in depreciation and amortization costs in Q1 2018 over the comparable prior period was mainly due to the acquisition of Wegener. We acquired \$50 thousand of equipment and \$2.9 million of intangible assets. These assets are being depreciated over their respective useful lives. This depreciation is primarily included in as part of R&D operating expenses.

### EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS measures. EBITDA is defined as earnings before income tax expense, net financing costs, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for foreign exchange gain or loss, acquisition-related costs, gain or loss on Wegener options, share-based compensation, restructuring charges, material write-down of inventories, and any other material impairment charges.

Management believes that EBITDA and Adjusted EBITDA provide important financial measures of Novra's operating performance because they allow management, investors, and other stakeholders to evaluate and compare Novra's core operating results from period to period by removing the impact of its capital structure (interest expense), asset base (depreciation and amortization), and tax consequences. Because EBITDA and Adjusted EBITDA do not have any standardized meanings prescribed by IFRS, other companies may calculate these non-IFRS measures differently, and therefore our EBITDA and Adjusted EBITDA may not be comparable to similar titled measures of other companies. Accordingly, *readers are cautioned to not place undue reliance on these financial measures and encouraged to read all IFRS accounting disclosures presented in the audited Consolidated Financial Statements.*

Adjusted EBITDA for Q1 2018 was \$(570) thousand, compared to \$274 thousand in Q1 2017. This significant decrease was primarily driven by lower revenues and an increase in OPEX due to the acquisition of Wegener.

### SELECTED QUARTERLY FINANCIAL INFORMATION

(dollars in thousands, except per share data)

The following table sets out selected financial information for our current and eight most recently completed quarters.

	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016	Mar 31 2016
Revenue	\$ 2,072	\$ 1,801	\$ 2,048	\$ 3,261	\$ 2,422	\$ 3,056	\$ 1,170	\$ 501	\$ 816
Gross profit	880	918	946	1,810	1,130	1,350	463	268	357
Operating expenses	1,699	1,010	815	1,074	953	979	1,056	476	708
Foreign exchange gain (loss)	109	10	(20)	(32)	5	24	8	4	(64)
Net income (loss) as reported under IFRS	(763)	(145)	43	639	242	344	(656)	(177)	(307)
Adjusted EBITDA income (loss)	(570)	41	244	860	274	464	(465)	(89)	(118)
Earnings (loss) per share - diluted	\$ (0.023)	\$ (0.004)	\$ 0.001	\$ 0.021	\$ 0.008	\$ 0.012	\$ (0.023)	\$ (0.008)	\$ (0.014)
Weighted average shares outstanding	33,336	33,308	33,285	30,369	29,079	29,077	29,077	23,564	22,388

We occasionally receive large orders from customers and partners which can provide revenue visibility for future quarters. However, generally a large portion of Novra's quarterly revenues are generated from orders received in the quarter rather than from order backlog going into the quarter. As a result, Novra's revenue, profitability and cash flows are difficult to predict and may fluctuate significantly from quarter to quarter.

We expect continued significant volatility in revenue from quarter to quarter due to particular timing of orders from existing customers, continued economic and trade relationship instability in certain geographic regions and significant unpredictability in the length of sales cycles with new and existing customers in the sales pipeline. The result of limited order visibility is that revenue and, accordingly, profitability and cash flows, will be difficult to predict and will fluctuate.

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

### LIQUIDITY

#### Quick Ratio

Our principal liquidity requirements are for working capital, capital expenditures and for pending acquisitions as previously announced. Management measures liquidity based on Novra's unrestricted cash and accounts receivable. The following table shows our total liquid assets at the following reporting periods.

	March 31, 2018	December 31, 2017
<b>Cash</b>	\$ 2,098	\$ 1,805
<b>Accounts receivable</b>	1,870	1,539
<b>Total liquid assets</b>	\$ 3,968	\$ 3,344
<b>Quick ratio <sup>(1)</sup></b>	<b>2.31:1</b>	1.96:1

(1) Total liquid assets over total current liabilities, excluding amounts due to related parties and deferred revenue

The quick ratio as defined above is a non-IFRS financial measure. We believe this an important financial metric to investors and other stakeholders to assess Novra's ability to meet its third party short-term obligations with its most liquid assets. The related parties have expressed no intent to call on their debt in the near term until such time that Novra is in a stronger capital position. We also excluded deferred revenue in the quick ratio calculation as it does not represent a contractual financial obligation i.e. it is a liability that will reverse once revenue recognition has been met.

At December 31, 2017, Novra's quick ratio was 2.31:1 or \$2.31 of liquid assets available to cover each \$1.00 of third party current liabilities, an improvement from 1.96:1 at December 31, 2017.

The following is a summary of cash flows by activities for Q1 2018 vs. Q1 2017.

#### *Operating activities*

We had positive cash flows from operating activities of \$0.2 million for Q1 2018, compared to \$2.4 million for Q1 2017. This was driven by poorer operating results in the current quarter.

#### *Investing activities*

We had no cash flows driven by investing activities during Q1 2018 and 2017.

#### *Financing activities*

We had positive \$124 thousand net cash from financing activities in the current quarter, compared to negative \$2.2 million in the comparable prior period. In Q1 2017, we used a portion of the excess cash generated from operating activities to fully repay the borrowings under the RBC Credit Facilities and make a partial repayment on the IMT unsecured promissory note. In Q1 2018, we received additional funding from WEDC and we borrowed from our revolving line of credit with the Chymiak Trust to fund our working capital requirements.

## Novra Technologies Inc.

### Management's Discussion & Analysis

Three months ended March 31, 2018

As of the date of this MD&A, we continue to have access to the following RBC Credit Facilities:

	Currency	Borrowing Limit	Availability Based On	Outstanding Amounts	Remaining Borrowing Limit	Interest Rate	Maturity
Revolving Demand Facility (for general use)	CAD	\$ 350	75% of Good Accounts Receivable in Canada and 50% of encumbered inventories up to \$150	\$ -	\$ 350	Royal Bank Prime + 0.50%	None; Due on demand
Revolving Demand Facility (for pre-shipment financing)	CAD	\$ 495	100% of eligible pre-shipment costs	\$ -	\$ 495	Royal Bank Prime + 0.75%	None; Due on demand

### Working Capital Ratio

Novra's working capital ratio was as follows:

	March 31, 2018	December 31, 2017
<b>Working Capital:</b>		
Current assets	\$ 6,068	\$ 5,545
Current liabilities	4,306	3,914
<b>Working capital</b>	<b>\$ 1,762</b>	<b>\$ 1,631</b>
<b>Working capital, excluding related party and deferred revenue balances</b>	<b>\$ 4,353</b>	<b>\$ 3,843</b>
<b>Working capital ratio<sup>(1)</sup></b>	<b>3.54:1</b>	<b>3.26:1</b>

(1) Total current assets over total current liabilities, excluding amounts due to related parties and deferred revenue

Working capital increased to \$1.8 million at March 31, 2018, from \$1.6 million at December 31, 2017.

"Working capital, excluding related party and deferred revenue balances" and "Working capital ratio" as defined above are both non-IFRS financial measures. Management believes these are useful, relevant financial measures to investors and other stakeholders in order to assess the available working capital to fund Novra's day-to-day operations.

Excluding related party and deferred revenue balances, Novra's working capital increased to \$4.3 million at March 31, 2018, from \$3.8 million at December 31, 2017. Our working capital ratio (as defined above) further improved to 3.54:1 or \$3.54 per \$1.00 of current third party liabilities at March 31, 2018.

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

### Contractual obligations and commitments

At March 31, 2018, Novra's contractual obligations and commitments were as follows:

<b>Payment due:</b>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>
Borrowings	\$ 2,716	\$ 110	\$ 408	\$ 2,198
Operating leases	1,349	619	622	108
Purchase commitments	181	45	136	-
Trade payables and other payables	523	523	-	-
Total third party contractual obligations	4,769	1,297	1,166	2,306
Promissory notes from related party	1,019	749	221	49
Advances from related parties	491	491	-	-
Total contractual obligations	\$ 6,279	\$ 2,537	\$ 1,387	\$ 2,355

Based on the March 31, 2018 liquid assets and working capital (as defined above), in addition to the unused RBC Credit Facilities, we believe that we have sufficient liquid resources to fund all third party contractual obligations coming due within one year.

### **CAPITAL RESOURCES**

Our key objectives and policies for 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.

At March 31, 2018, our total outstanding voting common shares were 33,348,312, excluding the 2,000,000 common shares held by our subsidiary, Wegener. The total represents an increase of 40,000 from December 31, 2017 as a result of exercise of options during the current quarter.

Our capital resources were as follows:

	<b>March 31, 2018</b>	December 31, 2017
Borrowings (drawn)	\$ 2,716	\$ 2,512
Promissory notes from related party	1,019	1,017
Shareholders' equity	1,356	2,150
<b>Total capital resources</b>	<b>\$ 5,091</b>	<b>\$ 5,679</b>

The significant change in capital resources was due to the following:

- Shareholders' equity decreased by \$794 thousand mainly due to net losses for the current quarter.

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

---

Based on Novra's current liquidity (as discussed above), management believes Novra has sufficient capital resources to fund Novra's operations for the foreseeable future, including the contractual obligations and commitments as noted above. However, we anticipate that we may need to raise additional capital in 2018 to develop products outside our current vertical markets, to further realize the synergies of the Novra group of companies and to be ready for additional acquisitions.

### OFF BALANCE SHEET ARRANGEMENTS

At March 31, 2018, we had no off balance sheet arrangements.

### TRANSACTIONS WITH RELATED PARTIES

In addition to key management personnel compensation, we have material unsecured promissory notes with IMT (IMT is a shareholder and our President & CEO has a controlling interest in IMT) as disclosed in the "Liquidity" and "Capital Resources" sections of this MD&A. Refer to Note 4 of the unaudited interim Condensed Consolidated Financial Statements for a complete disclosure of all related party transactions, including amounts due at March 31, 2018.

### PROPOSED TRANSACTIONS

In February 2014, we announced that we intended to acquire Westport Research and Associates ("Westport"), a U.S. private company. Since 2014, Westport has made some changes to its operational and ownership structure, positioning itself well for us to successfully negotiate an acceptable term sheet. We recently resumed our discussions with Westport about a possible acquisition in 2018.

### ACCOUNTING MATTERS

#### Critical Accounting Estimates

The unaudited interim Condensed Consolidated Financial Statements include certain amounts that are inherently uncertain and judgmental in nature. As a result, management is required to make assumptions and best estimates in order to determine the reported values. We consider an accounting estimate to be critical if: (1) it requires that significant assumptions be made in order to deal with uncertainties; and (2) changes in the estimate could have a material impact on our results of operations, financial condition or liquidity.

We believe that the critical accounting policies and estimates disclosed in Novra's Audited Financial Statements and MD&A for the year ended December 31, 2017 continue to describe the significant estimates and judgments included in the preparation of the unaudited interim Condensed Consolidated Financial Statements for the current quarter. These are as follows:

- Revenue recognition
- Inventory obsolescence
- Impairment of non-financial assets

Refer to Note 3 of the 2017 Consolidated Financial Statements for further details.

We believe that the amounts included in these financial statements reflect management's best judgment. However, factors including, without limitation, those noted under "Risks and Uncertainties" below could cause actual events or results to differ materially from our underlying assumptions and estimates.

# Novra Technologies Inc.

## Management's Discussion & Analysis

Three months ended March 31, 2018

---

Accordingly, this could lead to a material adverse impact on our results of operations, financial condition and/or liquidity.

### **New Accounting Standards**

On January 1, 2018, we have adopted the following two new accounting standards:

- IFRS 15, Revenue from Contracts with Customers; and
- IFRS 9, Financial Instruments

The adoption of these two new accounting standards did not result in a material impact to Novra's Condensed Consolidated Financial Statements and its internal accounting processes and procedures. Refer to Note 2 of the Condensed Consolidated Financial Statements for further details on these new accounting standards.

### **Future Accounting Pronouncements**

Refer to Note 3 of the Condensed Consolidated Financial Statements.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

There were no new financial instruments. Refer to Note 5 of the 2017 Consolidated Financial Statements for disclosure relating to Novra's financial instruments and financial risk management objectives and policies.

### **RISKS AND UNCERTAINTIES**

Refer to our 2017 MD&A for a list of risks and uncertainties facing Novra. We are currently not aware of any new material risks and uncertainties.