



**CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2021 and 2020  
(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.....	20
Note 4 – Business Acquisitions.....	21
Note 5 – Financial Risk Management .....	21
Note 6 – Capital Management .....	24
Note 7 – Inventories.....	24
Note 8 – Financial Instruments .....	25
Note 9 – Equipment .....	27
Note 10 – Intangible Assets .....	28
Note 11 – Borrowings .....	29
Note 12 – Warranty Provision .....	31
Note 13 – Shareholders' Equity .....	31
Note 14 – Income Taxes.....	33
Note 15 - Revenue.....	34

## Table of Contents

*Notes to Consolidated Financial Statements: (continued)*

Note 16 – Related Party Transactions .....	35
Note 17 – Depreciation and Amortization .....	37
Note 18 – Commitments and Contingent Liabilities .....	37
Note 19 – Finance Income and Finance Costs .....	38
Note 20 – Right-of-use Assets .....	38
Note 21 – COVID-19.....	39

**INDEPENDENT AUDITOR'S 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, 2021 and 2020, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2021 and 2020, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, 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 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 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 auditor's report is Michael P. Angers.

*Baker Tilly HMA LLP*

Chartered Professional Accountants

Winnipeg, Manitoba  
May 2, 2022

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

	NOTES	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 2,965,300	\$ 3,858,812
Trade and other receivables	5(c)	1,124,176	883,319
Inventories	7	1,676,557	2,242,072
Prepayments and other		742,950	123,988
<b>Total Current Assets</b>		<b>6,508,983</b>	<b>7,108,191</b>
<b>Non-Current Assets</b>			
Equipment	9	29,380	47,972
Right-of-use assets	2, 18(a), 20	1,720,721	1,926,966
Intangible assets	10	1,208,274	1,165,510
<b>Total Non-Current Assets</b>		<b>2,958,375</b>	<b>3,140,448</b>
<b>TOTAL ASSETS</b>		<b>\$ 9,467,358</b>	<b>\$ 10,248,639</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 1,558,022	\$ 1,674,392
Borrowings	11	53,829	103,487
Lease liabilities	2, 18(a)	529,242	481,968
Customer deposits		2,091,828	2,527,835
Deferred revenue - current portion		601,035	1,042,249
Advances from related parties	16(c)	1,336,411	1,054,908
Promissory notes from related party - current portion	16(d)	830,885	802,288
<b>Total Current Liabilities</b>		<b>7,001,252</b>	<b>7,687,127</b>
<b>Non-Current Liabilities</b>			
Borrowings	11	2,456,618	2,852,493
Lease liabilities	2, 18(a)	1,448,709	1,679,975
Deferred revenue		714,701	306,933
Promissory notes from related party	16(d)	32,967	103,049
<b>Total Non-Current Liabilities</b>		<b>4,652,995</b>	<b>4,942,450</b>
<b>TOTAL LIABILITIES</b>		<b>11,654,247</b>	<b>12,629,577</b>
<b>Equity</b>			
Share capital	13	7,372,749	7,369,869
Contributed surplus		500,576	500,576
Accumulated other comprehensive gain (loss)		106,275	95,391
Accumulated deficit		(9,706,266)	(9,587,513)
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF NOVRA</b>		<b>(1,726,666)</b>	<b>(1,621,677)</b>
Non-Controlling Interests		(460,223)	(759,261)
<b>TOTAL EQUITY</b>		<b>(2,186,889)</b>	<b>(2,380,938)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 9,467,358</b>	<b>\$ 10,248,639</b>

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

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

	NOTES	Year Ended December 31,	
		2021	2020
<b>REVENUE</b>	15	\$ 7,205,488	\$ 4,979,431
<b>COST OF REVENUE</b>		3,876,442	2,581,156
<b>GROSS PROFIT</b>		3,329,046	2,398,275
<b>OPERATING EXPENSES</b>			
General and administrative		1,119,012	1,263,402
Sales and marketing		788,922	908,133
Research and development		2,091,507	2,975,562
Total operating expenses		3,999,441	5,147,097
<b>OPERATING INCOME (LOSS)</b>		(670,395)	(2,748,822)
<b>Other Income (Expenses)</b>			
Foreign exchange gain (loss)		(5,395)	(51,429)
Finance income	19(a)	1,032,702	584,404
Finance costs	19(b)	(176,627)	(210,029)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		180,285	(2,425,876)
Income tax recovery (expense)	14	-	-
<b>NET INCOME (LOSS)</b>		\$ 180,285	\$ (2,425,876)
<b>OTHER COMPREHENSIVE INCOME, NET OF TAXES</b>			
Foreign Currency Translation Adjustments on Wegener Consolidation		10,884	126,572
Total other comprehensive income, net of taxes		10,884	126,572
<b>COMPREHENSIVE INCOME (LOSS)</b>		\$ 191,169	\$ (2,299,304)
<b>EARNINGS (LOSS) PER SHARE:</b>			
Basic		\$ (0.00)	\$ (0.05)
Diluted		\$ (0.00)	\$ (0.05)
Weighted average number of shares outstanding - basic		33,420,293	33,396,293
Weighted average number of shares outstanding - diluted		33,420,293	33,396,293
<b>NET INCOME (LOSS) ATTRIBUTABLE TO :</b>			
Shareholders of Novra		\$ (118,753)	\$ (1,827,104)
Non-controlling interest		\$ 299,038	\$ (598,772)
		180,285	(2,425,876)
<b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>			
Shareholders of Novra		\$ (107,869)	\$ (1,700,532)
Non-controlling interest		\$ 299,038	\$ (598,772)
		191,169	(2,299,304)

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

**NOVRA TECHNOLOGIES INC.**  
**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
<b>At January 1, 2021</b>							
Total	35,396,293	\$7,629,869	\$ 500,576	\$ 95,391	\$ (9,587,513)	\$(759,261)	\$ (2,120,938)
Less: common shares held by subsidiary	(2,000,000)	(260,000)	-	-	-	-	(260,000)
	33,396,293	7,369,869	500,576	95,391	(9,587,513)	(759,261)	(2,380,938)
Net income (loss)	-	-	-	-	(118,753)	299,038	180,285
Change in foreign currency translation	-	-	-	10,884	-	-	10,884
Share based compensation 13(b)	-	-	-	-	-	-	-
Options exercised 13(b)	24,000	2,880	-	-	-	-	2,880
Cancellation of common shares 13(a)	-	-	-	-	-	-	-
<b>At December 31, 2021</b>	<b>33,420,293</b>	<b>\$7,372,749</b>	<b>\$ 500,576</b>	<b>\$ 106,275</b>	<b>\$ (9,706,266)</b>	<b>\$(460,223)</b>	<b>\$ (2,186,889)</b>

NOTES	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total Shareholders' Equity
<b>At January 1, 2020</b>							
Total	35,372,307	\$7,626,989	\$ 494,844	\$ (31,181)	\$ (7,760,409)	\$(160,489)	\$ 169,754
Less: common shares held by subsidiary	(2,000,000)	(260,000)	-	-	-	-	(260,000)
	33,372,307	7,366,989	494,844	(31,181)	(7,760,409)	(160,489)	(90,246)
Net income (loss)	-	-	-	-	(1,827,104)	(598,772)	(2,425,876)
Change in foreign currency translation	-	-	-	126,572	-	-	126,572
Share based compensation 13(b)	-	-	5,732	-	-	-	5,732
Options exercised 13(b)	24,000	2,880	-	-	-	-	2,880
Cancellation of common shares 13(a)	(14)	-	-	-	-	-	-
<b>At December 31, 2020</b>	<b>33,396,293</b>	<b>\$7,369,869</b>	<b>\$ 500,576</b>	<b>\$ 95,391</b>	<b>\$ (9,587,513)</b>	<b>\$(759,261)</b>	<b>\$ (2,380,938)</b>

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

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

	NOTES	Twelve Months Ended December 31,	
		2021	2020
<b>OPERATING ACTIVITIES</b>			
Net income (loss)		\$ 180,285	\$ (2,425,876)
<i>Add items not affecting cash:</i>			
Depreciation and amortization	17	1,131,845	1,237,673
Share based compensation	13(b)	-	5,732
Interest expense	19(b)	176,627	210,029
Changes in non-cash working capital items			
Trade and other receivables		(240,857)	(75,285)
Inventories		565,515	(408,036)
Intangible assets		(627,991)	-
Other assets		(618,962)	7,897
Trade and other payables and accrued liabilities		(116,370)	291,470
Customer deposits		(436,007)	2,223,977
Deferred revenue		(33,446)	(581,886)
Provisions		-	(2,773)
Advances Related Party		281,503	269,125
Interest paid		(10,433)	(17,447)
<b>Net cash provided by (applied to) operating activities</b>		<b>251,709</b>	<b>734,600</b>
<b>FINANCING ACTIVITIES</b>			
Payments on lease liabilities	18(a)	(620,319)	(491,253)
Payments on WEDC repayable contribution	11(d)	(51,480)	(17,160)
Repayments on IMT promissory notes	17(d)	(71,488)	(41,461)
Repayments on Crocus loan	11(c)	(52,007)	-
Exercise of stock options	13(b)	2,880	2,880
Proceeds from disaster assistance funding	11(e)	340,599	563,158
Forgiveness of disaster assistance funding	11(e)	(664,274)	-
Unrealized foreign exchange gain/(loss) on financing activities		(3,026)	779
<b>Net cash provided by (applied to) financing activities</b>		<b>(1,119,115)</b>	<b>16,943</b>
Effect of exchange rates on cash and cash equivalents		(26,106)	(69,058)
<b>Net increase in cash</b>		<b>(893,512)</b>	<b>682,485</b>
Cash, beginning of year		3,858,812	3,176,327
<b>CASH, end of year</b>		<b>\$ 2,965,300</b>	<b>\$ 3,858,812</b>

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

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

(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).

With 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, 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 May 2, 2022, 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.

#### ***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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

### ***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

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in Canadian dollars as this presentation is most meaningful to financial statement users. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of monetary items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange gains (losses) on translation of foreign operations in other comprehensive income

#### 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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

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.

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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

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

	Classification	Measurement
Financial Assets:		
Cash	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Financial liabilities:		
Trade and other payables	Amortized cost	Amortized cost
Customer deposits	Amortized cost	Amortized cost
Lease liabilities	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.

Other receivables include unbilled revenue and harmonized goods and sales tax recoverable.

### **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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

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 (All intangible assets of IDC were fully amortized as of June 2019). 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.

### ***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 accrued liabilities, corporate credit cards, harmonized and goods and services tax payable, and warranty provision. 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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

### ***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, contract services, extended product warranty, post-contract customer support 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.

### ***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 revenue 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.

### ***Revenue Recognition***

Novra revenue consists 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 recognize revenue when there is persuasive evidence that 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 types 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.

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,

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

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 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 Product Warranty

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

d) Sales of Post-Contract Customer Support

Revenue on post-contract customer 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 product warranty, new feature development and the associated post-contract customer support. 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").

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. Internally developed assets, are capitalized during the development phase if certain criteria, including technical feasibility and intent and ability for future sales in excess of the capitalized amount are met; otherwise, they are expensed as incurred. Such capitalized costs are amortized over 5 years. No amortization is recorded in the year of initial cost.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

### **Leases**

The Company records leases in accordance with IFRS 16. As a result, a right-of-use asset and lease liability are recorded at the lease commencement date. The right-of-use asset is initially measured at cost, and consequently at cost less any accumulated depreciation and impairment losses and adjusted for certain measurement of the lease liability.

### **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.

#### 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 may make fixed contributions to Group RSP, subject to a minimum contribution by the employee and the contribution matching policy in effect at the time. 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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

### ***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.

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.

### ***Earnings Per Share***

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.

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

### **Accounting standards and amendments issued but not yet adopted**

- a) Amendments to IAS 1 – Presentation of financial statements: classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions that exist at the end of a reporting period are those that will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. The company does not intend to early adopt these amendments and is currently assessing the impact of these amendments on its consolidated financial statements.

- b) Amendments to IAS 37 – Provisions, contingent liabilities, and contingent assets

In May 2020, the IASB issued amendments to clarify the costs that a company should include as the cost of fulfilling a contract at the time a contract is considered onerous. The amendment is effective January 1, 2022, with early adoption permitted. The company does not intend to early adopt these amendments and is currently assessing the impact of these amendments on its consolidated financial statements.

- c) Amendments to IAS 16 – Property, plant and equipment

In May 2020, the IASB issued amendments to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective January 1, 2022, with early adoption permitted. The company does not intend to early adopt these amendments and is currently assessing the impact of these amendments on its consolidated financial statements.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

### 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.

#### 1) Revenue Recognition

Our sales arrangements occasionally involve multiple elements, including hardware, installation and professional services, extended product warranty, and post-contract customer 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 Novra's gross profit.

#### 3) Business Combination

The acquisition of the 51.6% majority interest in Wegener 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, 2021, Novra's intangible assets were \$1.21 million, of which \$580 thousand is directly related to the acquisition of Wegener (see Note 10). Management has assessed the intangible assets, and has determined that they have continuing value and do not require any impairment at the reporting date.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

### 4. Business Acquisitions

#### ***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 48.4% minority interest in the future.

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

Intangible assets 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 10). There was no assumed goodwill on this acquisition.

### 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*

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 Consolidated Statements of Financial Position. At December 31, 2021 we did not have any foreign currency derivative contracts.

At December 31, 2021, 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 income would have been \$47 thousand. This excludes Wegener's assets and liabilities which are denominated in USD.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

ii) Cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument, and consequently net income (loss), 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 17(d)) and the revolving line of credit with the Chymiak Trust (See Note 11(b)) are subject to variable interest rates. In 2021 and 2020, 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 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 11(a)) 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.

<b>Payment due:</b>	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>5 to 10 years</b>	<b>10+ years</b>
Borrowings (Note 11)	\$ 2,510	\$ 54	\$ 160	\$ 2,152	\$ 144
Operating leases (Note 18)	1,978	529	1,003	446	-
Trade payables and other payables	1,109	1,109	-	-	-
Total third party contractual obligations	5,597	1,692	1,163	2,598	144
Promissory notes from related party (Note 16)	864	831	33	-	-
Advances from related parties (Note 16)	1,336	1,336	-	-	-
Total contractual obligations	\$ 7,797	\$ 3,859	\$ 1,196	\$ 2,598	\$ 144

At December 31, 2021, Novra's financial assets of \$4.1 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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

### 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 and accounts 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 31<sup>st</sup> was as follows:

	2021	2020
Cash	\$ 2,965	\$ 3,859
Trade receivables	1,124	883
	\$ 4,089	\$ 4,742

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 31<sup>st</sup>:

	2021	2020
Trade accounts receivable	\$ 1,103	\$ 783
Less: allowance for doubtful accounts	(4)	(46)
Net trade accounts receivable	1,098	737
VAT/HST and other receivables	26	146
Total trade and other receivables	\$ 1,124	\$ 883

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

	2021	2020
Current	\$ 373	\$ 245
Past due Less than 30 days	568	254
31-60 days	108	70
61-90 days	1	13
Greater than 90 days	74	155
	\$ 1,124	\$ 737

At December 31, 2021, two customers accounted for 33% of the total trade receivables (2020 – two customers accounted for 33%).

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

The movements in allowance for doubtful accounts were as follows:

	2021	2020
Start of the year	\$ 46	\$ 105
Provision for impairment	4	46
Receivables written off during the year as uncollectable	(46)	(105)
End of year	\$ 4	46

### 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:

	December 31, 2021	December 31, 2020
Borrowings (drawn)	\$ 2,510	\$ 2,956
Promissory notes from related party	864	906
Shareholders' equity	(1,727)	(1,622)
<b>Total capital resources</b>	<b>\$ 1,647</b>	<b>\$ 2,240</b>

### 7. Inventories

The breakdown of inventories was as follows at December 31<sup>st</sup>:

	2021	2020
Finished goods	\$ 245	\$ 1,319
Raw materials	1,919	2,082
Work-in-progress	86	118
Provision	(573)	(1,277)
	\$ 1,677	\$ 2,242

The cost of inventories charged to cost of revenue in 2021 was \$1.7 million (2020 - \$1.1 million).

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

### 8. 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			
	Cash and receivables	Other financial assets/liabilities at amortized cost	Assets / Liabilities at fair value through earnings	Total	Level 1	Level 2	Level 3	Total
<b>At December 31, 2021</b>								
<b>Financial assets measured at fair value:</b>								
Derivative financial instruments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Financial assets not measured at fair value:</b>								
<i>Current financial assets:</i>								
Cash	\$ 2,965	\$ -	\$ -	\$ 2,965	\$ 2,965	\$ -	\$ -	\$ 2,965
Trade and other receivables	1,124	-	-	1,124	1,124	-	-	1,124
Prepayments and other	743	-	-	743	743	-	-	743
<b>Total current financial assets</b>	<b>4,832</b>	<b>-</b>	<b>-</b>	<b>4,832</b>	<b>4,832</b>	<b>-</b>	<b>-</b>	<b>4,832</b>
<i>Non-current financial assets</i>	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>\$ 4,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,832</b>	<b>\$ 4,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,832</b>
<b>Financial liabilities not measured at fair value:</b>								
<i>Current financial liabilities:</i>								
Trade and other payables	\$ -	\$ 1,558	\$ -	\$ 1,558	\$ 1,558	\$ -	\$ -	\$ 1,558
Borrowings	-	54	-	54	54	-	-	54
Lease liabilities	-	529	-	529	-	529	-	529
Customer deposits	-	2,092	-	2,092	2,092	-	-	2,092
Advances from related parties	-	1,336	-	1,336	1,336	-	-	1,336
Promissory notes from related party	-	831	-	831	831	-	-	831
<b>Total current financial liabilities</b>	<b>-</b>	<b>6,400</b>	<b>-</b>	<b>6,400</b>	<b>5,871</b>	<b>529</b>	<b>-</b>	<b>6,400</b>
<i>Non-current financial liabilities:</i>								
Borrowings	-	2,457	-	2,457	2,457	-	-	2,457
Lease liabilities	-	1,449	-	1,449	-	1,449	-	1,449
Promissory notes from related party	-	33	-	33	33	-	-	33
<b>Total non-current financial liabilities</b>	<b>-</b>	<b>3,939</b>	<b>-</b>	<b>3,938</b>	<b>2,490</b>	<b>1,449</b>	<b>-</b>	<b>3,938</b>
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ 10,339</b>	<b>\$ -</b>	<b>\$ 10,339</b>	<b>\$ 8,361</b>	<b>\$ 1,978</b>	<b>\$ -</b>	<b>\$ 10,339</b>

	Carrying Amount				Fair Value			
	Cash and receivables	Other financial assets/liabilities at amortized cost	Assets / Liabilities at fair value through earnings	Total	Level 1	Level 2	Level 3	Total
<b>At December 31, 2020</b>								
<b>Financial assets measured at fair value:</b>								
Derivative financial instruments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Financial assets not measured at fair value:</b>								
<i>Current financial assets:</i>								
Cash	\$ 3,859	\$ -	\$ -	\$ 3,859	\$ 3,859	\$ -	\$ -	\$ 3,859
Trade and other receivables	883	-	-	883	883	-	-	883
Prepayments and other	124	-	-	124	124	-	-	124
<b>Total current financial assets</b>	<b>4,866</b>	<b>-</b>	<b>-</b>	<b>4,866</b>	<b>4,866</b>	<b>-</b>	<b>-</b>	<b>4,866</b>
<i>Non-current financial assets</i>	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>\$ 4,866</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,866</b>	<b>\$ 4,866</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,866</b>
<b>Financial liabilities not measured at fair value:</b>								
<i>Current financial liabilities:</i>								
Trade and other payables	\$ -	\$ 1,617	\$ -	\$ 1,617	\$ 1,617	\$ -	\$ -	\$ 1,617
Borrowings	-	103	-	103	103	-	-	103
Lease liabilities	-	482	-	482	-	482	-	482
Customer deposits	-	2,528	-	2,528	2,528	-	-	2,528
Advances from related parties	-	1,055	-	1,055	1,055	-	-	1,055
Promissory notes from related party	-	802	-	802	802	-	-	802
<b>Total current financial liabilities</b>	<b>-</b>	<b>6,588</b>	<b>-</b>	<b>6,588</b>	<b>6,106</b>	<b>482</b>	<b>-</b>	<b>6,588</b>
<i>Non-current financial liabilities:</i>								
Borrowings	-	2,852	-	2,852	2,852	-	-	2,852
Lease liabilities	-	1,680	-	1,680	-	1,680	-	1,680
Promissory notes from related party	-	103	-	103	103	-	-	103
<b>Total non-current financial liabilities</b>	<b>-</b>	<b>4,636</b>	<b>-</b>	<b>4,636</b>	<b>2,956</b>	<b>1,680</b>	<b>-</b>	<b>4,636</b>
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ 11,223</b>	<b>\$ -</b>	<b>\$ 11,223</b>	<b>\$ 9,061</b>	<b>\$ 2,163</b>	<b>\$ -</b>	<b>\$ 11,223</b>

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

### *Financial instruments measured at fair value*

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

### *Financial instruments not measured at fair value*

The carrying amounts of trade and other receivables, 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 11 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.
  - *Crocus loan*: The Canadian interest environment has remained flat in 2021 vs. 2020 and Novra's credit worthiness remains strong. Accordingly, the overall financing cost would not have changed significantly at December 31, 2021, 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.
- *Lease Liabilities*: See Note 2 for the treatment of lease liabilities. We believe the estimated fair value of the lease liabilities approximates carrying value.
- *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, 2021.

## NOVRA TECHNOLOGIES INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

#### 9. Equipment

The following is a breakdown of the total carrying value of equipment at December 31, 2021.

	Machinery and testing equipment	Computer equipment	Furniture and fixtures	Total
<b>Cost</b>				
January 1, 2021	\$ 388	\$ 55	\$ 30	\$ 473
Additions	-	1	-	1
Disposals	-	-	-	-
December 31, 2021	\$ 388	\$ 56	\$ 30	\$ 474
<b>Accumulated Amortization</b>				
January 1, 2021	\$ 360	\$ 35	\$ 30	\$ 425
Amortization	13	7	-	20
Disposals	-	-	-	-
December 31, 2021	\$ 373	\$ 42	\$ 30	\$ 445
<b>Net carrying values</b>	<b>\$ 15</b>	<b>\$ 14</b>	<b>\$ -</b>	<b>\$ 29</b>

The following is a breakdown of the total carrying value of equipment at December 31, 2020.

	Machinery and testing equipment	Computer equipment	Furniture and fixtures	Total
<b>Cost</b>				
January 1, 2020	\$ 388	\$ 41	\$ 30	\$ 459
Additions	-	14	-	14
Disposals	-	-	-	-
December 31, 2020	\$ 388	\$ 55	\$ 30	\$ 473
<b>Accumulated Amortization</b>				
January 1, 2020	\$ 331	\$ 34	\$ 30	\$ 395
Amortization	29	1	-	30
Disposals	-	-	-	-
December 31, 2020	\$ 360	\$ 35	\$ 30	\$ 425
<b>Net carrying values</b>	<b>\$ 28</b>	<b>\$ 20</b>	<b>\$ -</b>	<b>\$ 48</b>

## NOVRA TECHNOLOGIES INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

#### 10. Intangible Assets

The following is a breakdown of the carrying value of the total intangible assets at December 31, 2021.

	Acquired Technology	Customer Relationships	Development	Total
<b>Cost</b>				
January 1, 2021	\$ 1,811	\$ 2,000	\$ -	\$ 3,811
Additions	-	-	628	628
December 31, 2021	\$ 1,811	\$ 2,000	\$ 628	\$ 4,439
<b>Accumulated Amortization</b>				
<i>Amortization period</i>	<i>5 years</i>	<i>5 years</i>	<i>5 years</i>	
January 1, 2021	\$ 1,490	\$ 1,264	\$ -	\$ 2,754
Amortization for the year	174	400	-	574
December 31, 2021	\$ 1,664	\$ 1,664	\$ -	\$ 3,328
Effect of movement in exchange rates	\$ 29	\$ 68	\$ -	\$ 97
<b>Net carrying values</b>	<b>\$ 176</b>	<b>\$ 404</b>	<b>\$ 628</b>	<b>\$ 1,208</b>

The following is a breakdown of the carrying value of the total intangible assets at December 31, 2020.

	Acquired Technology	Customer Relationships	Total
<b>Cost</b>			
January 1, 2020	\$ 1,811	\$ 2,000	\$ 3,811
December 31, 2020	\$ 1,811	\$ 2,000	\$ 3,811
<b>Accumulated Amortization</b>			
<i>Amortization period</i>	<i>5 years</i>	<i>5 years</i>	
January 1, 2020	\$ 1,304	\$ 836	\$ 2,140
Amortization for the year	186	428	614
December 31, 2020	\$ 1,490	\$ 1,264	\$ 2,754
Effect of movement in exchange rates	\$ 33	\$ 75	\$ 108
<b>Net carrying values</b>	<b>\$ 353</b>	<b>\$ 811</b>	<b>\$ 1,165</b>

Amortization is recorded as part of our R&D expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) for 2021 and 2020.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

### 11. Borrowings

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

	December 31, 2021	December 31, 2020
Revolving line of credit with the Chymiak Trust	2,126	2,136
Crocus loan	-	51
WEDC repayable contribution	154	205
Government assistance funding	230	563
Total borrowings	2,510	2,955
Less: current portion	(54)	(103)
Total borrowings - non-current	\$ 2,456	\$ 2,852

#### 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 October 2019. 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 were subordinated to the security provided under the Crocus Loan (see below). The cash collateral requirement in which we assigned a \$200 thousand non-redeemable GIC in favor of RBC was eliminated in 2019.

The RBC Credit Facilities include a revolving demand facility up to \$845,000 and corporate Visa credit cards available for use up to a maximum limit of \$60 thousand in Canadian currency and US currency. There was no movement in the revolving demand facility in the current year and at December 31, 2021, our Visa credit card liability was \$nil (2020 - \$2 thousand).

#### 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 Statement of Financial Position at December 31, 2021, 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 48.4% minority interest of Wegener at December 31, 2021.

Immediately prior to entering into a term sheet with Wegener to acquire a 51.6% acquisition on November 27, 2017 (see Note 4), \$1,712 thousand USD remained outstanding under the loan facility and \$2,867 thousand USD 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 \$1,600,000 USD and shall remain available up to December 29, 2019 and may not demand repayment at any time prior to December 29, 2019. On December 29, 2020 the loan was further extended to July 31, 2023.
  - 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, 2021 and 2020

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

---

- ii) Effective from the closing date of the tender offer for the 48.4% minority interest of Wegener, the Chymiak Trust will further amend the loan facility as follows:
- Wegener 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 Statements of Financial Position at December 31, 2021.
  - The interest will remain at U.S. Prime Rate + 2% 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.

The Crocus loan was fully repaid in March 2021. At December 31, 2021, the balance outstanding is \$nil.

### d) WEDC repayable contribution

On June 5, 2015, Novra entered a contribution agreement with Western Economic Diversification Canada ("WEDC"). Under this agreement, Novra received a repayable contribution of \$257 thousand towards the commercialization of two new innovative technology-based products. During the current year, we did not receive any additional funds from WEDC. Repayment is scheduled for 60 consecutive monthly installments which commenced April 1, 2019. Repayment obligations were paused from April to December 2020 due to the COVID-19 pandemic. Repayments recommenced on January 1, 2021. The contribution is subject to interest at the average bank rate plus 3% if any payments are late.

At December 31, 2021, the remaining principal balance was \$153,799.

### e) Government assistance funding

Novra received funding from the Government of Canada through the Canada Emergency Business Account (CEBA) in the amount of \$40,000. The loan is interest free, administered through RBC and repayment on or before December 31, 2022 will result in forgiveness of 25% (up to \$10,000). In January 2022, the repayment date was extended to December 31, 2023.

Wegener applied for and received funding from Truist Bank through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). During Q2 2020, \$361,353 (USD\$260,900) was received. During Q1 2021, \$340,599 (USD\$269,035) was received. Management expected all or a substantial portion of the loan balances to be forgiven. However, the interpretation of legislated forgiveness rules continued to evolve and the amounts were only recognized as revenue when Management was able to confidently predict the amount of forgiveness that would be granted. In Q2 2021, forgiveness in the amount of \$325,342 (USD\$260,900) met this condition and was recognized as finance income in the period. In Q3 2021, forgiveness in the amount of \$336,644 (USD\$269,035) met this condition and was recognized as finance income in the period. All amounts received under this program have now been fully forgiven.

In August 2020, Wegener received additional financing in the amount of \$190,980 (USD\$150,000) through the U.S. Small Business Administration (SBA), Office of Disaster Assistance. Funds were advanced with the following terms: interest of 3.75%, installment payments of US\$731/month begin after 12 months and the balance of principal and interest payable 30 years from the funding date. In 2021, SBA deferred repayments to begin 24 months from the funding date. In March 2022, SBA deferred repayments to begin 30 months from the funding date. Interest continues to accrue on the balance of the loan outstanding.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

### 12. 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 2021 and 2020.

	2021	2020
<b>At January 1st</b>	<b>\$ 57</b>	<b>\$ 60</b>
Payments during the year	(2)	(3)
Additions during the year	26	-
<b>At December 31st</b>	<b>\$ 82</b>	<b>\$ 57</b>

### 13. Shareholders' Equity

#### a) Common Stock

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

	2021	2020
<b>Authorized:</b>		
Unlimited Class "A" Common voting shares		
Unlimited Class "B" Common non-voting shares		
Unlimited Class "C" Preferred shares, redeemable and retractable at \$1,000		
<b>Issued:</b>		
33,420,293 (December 31, 2020: 33,396,293)		
Class "A" common voting shares	<b>\$ 7,373</b>	<b>\$ 7,370</b>

In 2021, we did not cancel any shares (2020 – 14 shares cancelled). In 2021, we issued 24,000 shares due to the following events:

- 24,000 options were exercised at \$0.12 each by a director.

#### b) 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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

During the second quarter of 2017, the Board of Directors approved the grant of 1,800,000 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.

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 2021:

	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,124,000	\$ 0.12
Granted	-	\$ 0.12
Exercised	24,000	\$ 0.12
Forfeited	-	\$ 0.12
Expired		\$ 0.12
Outstanding, end of year	1,148,000	\$ 0.12

At December 31, 2021, the remaining stock option pool for future grants was 1,752,000.

The following table summarizes information about the stock options outstanding at December 31, 2021:

# of Options Outstanding	Grant Date	Expiry Date	Fair Value at Grant Date	# of Options Exercisable	Exercise Price
1,148,000	11-May-17	10-May-24	\$ 0.07	1,148,000	\$ 0.12

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, 2021 and 2020

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

### 14. 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:

	2021	2020
Income (loss) before income taxes	\$ 204	\$ (3,003)
Statutory income tax rate	27.0%	27.0%
Tax provision based on combined Canadian federal and provincial rates	55	(811)
Increase (decrease) resulting from:		
Origination and reversal of temporary differences	(97)	(4)
Non-deductible amounts and other permanent differences	-	-
Current year losses (Utilization of tax credits)	42	815
Income tax recovery (expense)	\$ -	\$ -
Effective income tax rate	0.0%	0.0%

#### b) Investment Tax Credits

At December 31, 2021, Novra's federal and provincial investment tax credits ("ITCs") available to reduce future Canadian federal and provincial taxes payable were \$4.9 million and \$0.5 million respectively.

The ITCs will expire as follows:

	Federal ITCs	Provincial ITCs
2022	216	-
2023	267	-
2024	276	-
2025	308	-
2026 and after	3,878	455
<b>Total</b>	<b>\$ 4,945</b>	<b>\$ 455</b>

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 \$26.2 million.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

### c) Loss Carry Forwards

At December 31, 2021, Novra has incurred losses of \$11.7 million for tax purposes which can be carried forward over 20 years to reduce future taxable income.

These losses will expire as follows:

	Loss Carry Forward
2022	-
2023	-
2024	-
2025	-
2026 and after	11,700
<b>Total</b>	<b>11,700</b>

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.

### 15. Revenue

The following tables provide a breakdown of our revenues by category and geographic market at December 31:

Major Products/Service Lines	2021	2020
Hardware	\$ 5,586	\$ 2,595
Software	19	95
Services, Support and Extended Warranty	1,532	2,272
Other	68	17
	<b>\$ 7,205</b>	<b>\$ 4,979</b>

Geographic Market	2021	2020
Americas (excluding Canada) <sup>(1)</sup>	\$ 5,416	\$ 3,068
Canada	434	431
EMEA <sup>(2)</sup>	462	713
APAC <sup>(3)</sup>	893	767
	<b>\$ 7,205</b>	<b>\$ 4,979</b>

(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.

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

The timing of revenue recognition may differ from the timing of invoicing to customers. The following table provides a breakdown of revenue timing:

Timing of Revenue Recognition	2021	2020
Products transferred at a point in time	\$ 5,673	\$ 2,595
Products and services transferred over time	1,532	2,384
	\$ 7,205	\$ 4,979

The following table presents changes in the deferred revenue balances for the year ended December 31, 2021:

	Deferred revenue
Beginning balance, December 31, 2020	\$ 1,349
Amounts invoiced and revenue deferred	2,104
Recognition of deferred revenue	(2,146)
Foreign exchange movement	8
Ending balance, December 31, 2021	\$ 1,316

### 16. 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, 2021.

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

	2021	2020
Salaries and employee benefits	\$ 335	\$ 339
Share-based compensation	-	6
Directors' fees	12	12
Total	\$ 347	\$ 357

#### b) Transactions with other related parties

	2021	2020
<b>Interest on unsecured promissory notes</b>		
InfoMagnetics Technologies Inc. ("IMT") <sup>(1)</sup>	39	45
	\$ 39	\$ 45

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

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

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 was as follows:

	December 31, 2021	December 31, 2020
Key management and directors (see part (a))	902	708
IMT	435	347
	<b>\$ 1,337</b>	<b>\$ 1,055</b>

At December 31, 2021, \$858 thousand (2020: \$675 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:

	4% Fixed \$250k	Base Rate + 2.5% Floating \$563k	4% Fixed \$381k	2021	2020
At January 1	\$ 291	\$ 177	\$ 437	<b>\$ 905</b>	\$ 920
Loan repayments	-	(71)	-	<b>(71)</b>	(41)
Foreign exchange movement	-	1	-	<b>1</b>	(2)
Interest charged	11	10	18	<b>39</b>	45
Interest paid	-	(10)	-	<b>(10)</b>	(17)
At December 31	<b>\$ 302</b>	<b>\$ 107</b>	<b>\$ 455</b>	<b>\$ 864</b>	<b>\$ 905</b>
Maturity Dates:	Due on demand		Nov 1, 2022	Due on demand	

The following table shows the presentation of the above total IMT loans on Novra's Consolidated Statements of Financial Position at 2021 and 2020:

	2021	2020
Current portion	<b>\$ 831</b>	\$ 802
Non-current portion	<b>33</b>	103
Total	<b>\$ 864</b>	<b>\$ 905</b>

The following is a summary of loan transactions with IMT during 2021 and 2020.

- 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, 2021, the remaining balance of the promissory note plus accrued interest was \$302 thousand (2020 - \$291 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, 6.75% at December 31, 2018, 6.50% at December 31, 2019, 4.55% at December 31, 2020, and 4.7% at December 31, 2021. The remaining balance of the promissory note plus accrued interest was \$107 thousand CDN (2020 - \$177 thousand CDN).

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

- 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, 2021, the remaining balance of the unsecured promissory note plus accrued interest was \$455 thousand (2020 - \$437 thousand).

### 17. Depreciation and Amortization

The following table presents the total depreciation and amortization expense by function.

	Year ended December 31,	
	2021	2020
Cost of revenue	\$ 149	\$ 204
Selling and marketing	43	43
Research and development	750	794
General and administrative	190	197
	<b>\$ 1,132</b>	<b>\$ 1,238</b>

### 18. Commitments and Contingent Liabilities

#### a) Leases

The Company leases office and production space for the head office and subsidiaries. We had no significant operating leases for equipment. Changes in the right-of-use assets are summarized in Note 21 of these Consolidated Financial Statements. The following table is a summary of the changes in the lease liabilities during the year ended December 31, 2021:

	2021
Balance, January 1, 2021	\$ 2,162
Interest	113
Effects on movement in exchange rates	(3)
Additions	326
Lease payments	(620)
Balance December 31, 2021	1,978
Less: current portion	(529)
<b>Lease liabilities non-current, December 31, 2021</b>	<b>\$ 1,449</b>

The following table presents the contractual undiscounted payments for lease obligations as at December 31, 2021:

Less than one year	\$ (566)
One to five years	(1,012)
More than five years	(756)
<b>Total undiscounted lease obligations</b>	<b>\$ (2,334)</b>

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

### 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, 2021, we had no purchase commitments which are due within one year. At December 31, 2020, we had \$70 thousand of purchase commitments due within one year.

## 19. Finance Income and Finance Costs

### a) Finance income

The Company qualified for the Canadian Emergency Wage Subsidy (CEWS) for the months of January to October and recorded \$366,256 to finance income (2020 - \$584,404). The Company also qualified for the Canada Recovery Hiring Program (CRHP) for November and recorded \$1,824 to finance income (2020 - \$nil). \$366,256 was received by December 31 and the balance of \$1,824 is accrued as a receivable from the Canadian Government (2020 - \$146,039). The CEWS and CRHP are general government programs created to provide financial support to businesses affected by COVID-19.

The company recognized finance income related to disaster assistance funding received from Truist Bank through the CARES Act (see Note 11(e)).

### b) Finance costs

The following table provides a breakdown of total finance costs.

	2021	2020
Interest expense:		
- Unsecured promissory notes (see Note 16(d))	\$ 39	\$ 45
- Crocus loan (see Note 11(c))	-	2
- Lease commitments (see Note 18(a))	113	141
- Other interest and finance costs	25	22
	\$ 177	\$ 210

## 20. Right-of-use Assets

The following table presents right-of-use assets for the Company:

	2021	2020
Balance, January 1	\$ 1,927	\$ 2,466
Additions	326	-
Depreciation	(528)	(528)
Effects on movement in exchange rates	(4)	(11)
Balance, December 31	\$ 1,721	\$ 1,927

# NOVRA TECHNOLOGIES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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

---

### 21. COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, supply chain interruptions, transport delays, reduced customer demand, a rise in customer delinquency and increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.