



**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**Three Months Ended March 31, 2018 and 2017  
(Expressed in Canadian Dollars)**

*[Notice: These interim condensed consolidated financial statements have not been audited or reviewed by Novra's independent auditor.]*

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

	NOTES	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 2,098,458	\$ 1,804,786
Restricted non-redeemable GIC's		200,000	200,000
Trade and other receivables		1,869,528	1,538,589
Inventories		1,723,254	1,809,988
Prepayments and other		175,193	189,898
Current tax assets		1,883	1,832
<b>Total Current Assets</b>		<b>6,068,316</b>	<b>5,545,093</b>
<b>Non-Current Assets</b>			
Equipment		168,854	186,481
Intangible assets		3,181,941	3,327,952
<b>Total Non-Current Assets</b>		<b>3,350,795</b>	<b>3,514,433</b>
<b>TOTAL ASSETS</b>		<b>\$ 9,419,111</b>	<b>\$ 9,059,526</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 523,210	\$ 545,386
Accrued liabilities		804,050	710,886
Borrowings	5	110,101	108,878
Customer deposits		208,060	258,554
Deferred revenue - current portion		1,350,302	1,057,214
Warranty provision		70,240	78,417
Advances from related parties	4(c)	490,719	418,305
Promissory notes from related party - current portion	4(d)	749,184	736,359
<b>Total Current Liabilities</b>		<b>4,305,866</b>	<b>3,913,999</b>
<b>Non-Current Liabilities</b>			
Borrowings	5	2,605,810	2,402,664
Deferred revenue		881,730	311,734
Promissory notes from related party	4(d)	270,179	280,716
<b>Total Non-Current Liabilities</b>		<b>3,757,719</b>	<b>2,995,114</b>
<b>TOTAL LIABILITIES</b>		<b>8,063,585</b>	<b>6,909,113</b>
<b>Equity</b>			
Share capital	6	7,362,333	7,354,573
Contributed surplus		466,815	461,937
Accumulated other comprehensive loss		(22,849)	-
Accumulated deficit		(6,055,367)	(5,666,097)
<b>Total Equity Attributable to Shareholders of Novra</b>		<b>1,750,932</b>	<b>2,150,413</b>
Non-Controlling Interests		(395,406)	-
<b>TOTAL EQUITY</b>		<b>1,355,526</b>	<b>2,150,413</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 9,419,111</b>	<b>\$ 9,059,526</b>

*See Note 13 "Commitments and Contingent Liabilities"*

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

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

	NOTES	Three Months Ended March 31,	
		2018	2017
<b>REVENUE</b>	10,11	\$ 2,071,860	\$ 2,422,490
<b>COST OF REVENUE</b>		<b>1,192,189</b>	1,292,192
<b>GROSS PROFIT</b>		<b>879,671</b>	1,130,298
<b>OPERATING EXPENSES</b>	8		
General and administrative		480,673	163,500
Sales and marketing		312,892	331,027
Research and development, net		905,501	458,325
Total operating expenses		<b>1,699,066</b>	952,852
<b>OPERATING INCOME (LOSS)</b>		<b>(819,395)</b>	177,446
<b>Other Income (Expenses)</b>			
Foreign exchange gain (loss)		108,826	5,287
Finance income		637	1,331
Finance costs	9	(53,312)	(47,810)
Unrealized gain on Wegener options		-	105,534
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		<b>(763,244)</b>	241,788
Income tax recovery (expense)			
Current		-	-
Deferred		-	-
<b>NET INCOME (LOSS)</b>		<b>\$ (763,244)</b>	\$ 241,788
<b>OTHER COMPREHENSIVE LOSS</b>			
Foreign currency translation adjustments		(44,281)	-
		(44,281)	-
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>\$ (807,525)</b>	\$ 241,788
<b>EARNINGS (LOSS) PER SHARE:</b>	7		
Basic		\$ (0.02)	\$ 0.01
Diluted		\$ (0.02)	\$ 0.01
Weighted average number of shares outstanding - basic		33,336,134	29,079,481
Weighted average number of shares outstanding - diluted		33,336,134	29,079,481
<b>Net loss attributable to:</b>			
Shareholders of Nova		\$ (389,270)	\$ -
Attributable to non-controlling interest		(373,974)	-
		<b>\$ (763,244)</b>	\$ -
<b>Comprehensive loss attributable to:</b>			
Shareholders of Nova		\$ (412,119)	\$ -
Attributable to non-controlling interest		(395,406)	-
		<b>\$ (807,525)</b>	\$ -

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

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

	NOTES	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total Equity
<b>At January 1, 2018</b>								
Total		35,308,312	\$ 7,614,573	\$ 461,937	\$ -	\$ (5,666,097)	\$ -	\$ 2,410,413
Less: common shares held by subsidiary		(2,000,000)	(260,000)	-	-	-	-	(260,000)
		33,308,312	\$ 7,354,573	\$ 461,937	\$ -	\$ (5,666,097)	\$ -	\$ 2,150,413
Net income (loss)		-	-	-	-	(389,270)	(373,974)	(763,244)
Change in foreign currency translation		-	-	-	(22,849)	-	(21,432)	(44,281)
Share based compensation	6 (c)	-	-	7,838	-	-	-	7,838
Options exercised	6 (c)	40,000	7,760	(2,960)	-	-	-	4,800
<b>At March 31, 2018</b>		33,348,312	\$ 7,362,333	\$ 466,815	\$ (22,849)	\$ (6,055,367)	\$ (395,406)	\$ 1,355,526

	NOTES	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total Equity
<b>At January 1, 2017</b>								
Total		29,077,435	\$ 6,778,066	\$ 472,654	\$ -	\$ (6,444,590)	\$ -	\$ 806,130
Net income (loss)		-	-	-	-	241,788	-	241,788
Warrants exercised	6 (b)	10,080	1,558	(348)	-	-	-	1,210
<b>At March 31, 2017</b>		29,087,515	\$ 6,779,624	\$ 472,306	\$ -	\$ (6,202,802)	\$ -	\$ 1,049,128

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

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

	NOTES	Three Months Ended March 31,	
		2018	2017
<b>OPERATING ACTIVITIES</b>			
Net income (loss)		\$ (763,244)	\$ 241,788
<i>Add items not requiring an outlay of cash:</i>			
Amortization of equipment and intangible assets		242,021	95,647
Inventory impairment charge		14,732	21,665
Unrealized gain on Wegener options		-	(105,534)
Share based compensation	6 (c)	7,838	-
Finance costs	9	53,312	47,810
Changes in non-cash working capital items	12	709,973	2,192,076
Finance costs paid		(23,784)	(48,939)
<b>Net cash provided by operating activities</b>		<b>240,848</b>	<b>2,444,513</b>
<b>FINANCING ACTIVITIES</b>			
Repayments on bank borrowings	5 (a)	(30,000)	(2,189,672)
Proceeds from bank borrowings	5 (a)	30,000	80,000
Proceeds from WEDC repayable contribution	5 (d)	57,834	-
Exercise of warrants	6 (b)	-	1,210
Exercise of stock options	6 (c)	4,800	-
Proceeds from Revolving line of credit with the Chymiak Trust	5 (b)	51,576	-
Repayments on IMT promissory notes	4 (d)	-	(57,675)
Foreign exchange gain on financing activities		9,874	(23,815)
<b>Net cash provided by (applied to) financing activities</b>		<b>124,084</b>	<b>(2,189,952)</b>
Effect of movement of exchange rates on cash held		(71,260)	-
<b>Net increase in cash</b>		<b>293,672</b>	<b>254,561</b>
Cash, beginning of period		1,804,786	1,264,594
<b>CASH, end of period</b>		<b>\$ 2,098,458</b>	<b>\$ 1,519,155</b>

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

# NOVRA TECHNOLOGIES INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2018 and 2017

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

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### 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.

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

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

The Board of Directors authorized the Condensed Consolidated Financial Statements for issue on May 30, 2018. These unaudited interim financial statements should be read in conjunction with the Novra's annual audited Consolidated Financial Statements for the year ended December 31, 2017.

### 2. Significant Accounting Policies

Our significant accounting policies are consistent with those disclosed in Note 2 of the audited Consolidated Financial Statements for the year ended December 31, 2017 except for the following:

#### ***Basis of Presentation***

We have prepared these unaudited interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, they do not include all of the information and footnotes required under IFRS for complete financial statements. In the opinion of management, these unaudited interim Condensed Consolidated Financial Statements reflect all adjustments considered necessary for a fair presentation of Novra's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. For areas involving a higher degree of management judgment or complexity, refer to Note 3 of the audited Consolidated Financial Statements for the year ended December 31, 2017.

The Condensed Consolidated Statement of Financial Position at March 31, 2018 and the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), of Changes in Equity and of Cash flows for the periods ended March 31, 2018 and 2017 have not been audited or reviewed by Novra's auditors. The Condensed Consolidated Statement of Financial Position at December 31, 2017 is derived from Novra's audited Consolidated Financial statements.

# NOVRA TECHNOLOGIES INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2018 and 2017

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

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The tabular disclosures herein are presented in thousands, except for share data. Furthermore, these interim financial statements are expressed in Canadian dollars.

### ***Foreign currency translation***

#### a) Functional and presentation currency

Except as noted below with respect to the functional currency of Wegener, the functional and presentation currency of the parent and each of its subsidiaries is the Canadian dollar. This remains unchanged from the disclosure made in our consolidated financial statements for the year ended December 31, 2017.

#### *Acquisition of Wegener Corporation ("Wegener")*

As a result of acquiring Wegener on December 29, 2017, Wegener's financial results are now included in Novra's Condensed Consolidated Financial Statements. We have determined that the functional currency of Wegener is the US dollar, the currency of the primary economic environment in which Wegener operates. As Wegener's financial statements are measured in US. dollars, we have translated these to Canadian dollars at the end of the period for consolidation purposes, Novra's presentation currency. Accordingly, Wegener's assets and liabilities have been translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Wegener's income and expense items were translated at the average exchange rates for the period, as exchange rates did not fluctuate significantly during that period; otherwise the exchange rates at the dates of the transactions would be used. Exchange differences, if any, are recognized in other comprehensive income (loss) as functional currency translation adjustments in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) as well as in the Statements of Changes in Shareholders' Equity.

### ***New Accounting Standards***

We adopted the following new accounting standards effective January 1, 2018.

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

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

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

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;



# NOVRA TECHNOLOGIES INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2018 and 2017

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

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

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

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

	As reported	IFRS 15 Adjustment	Amount without IFRS 15
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 2,098,458	\$ -	\$ 2,098,458
Restricted non-redeemable GIC's	200,000	-	200,000
Trade and other receivables	1,869,528	(712,090)	1,157,438
Inventories	1,723,254	-	1,723,254
Prepayments and other	175,193	-	175,193
Current tax assets	1,883	-	1,883
<b>Total Current Assets</b>	<b>6,068,316</b>	<b>(712,090)</b>	<b>5,356,226</b>
<b>Non-Current Assets</b>			
Equipment	168,854	-	168,854
Intangible assets	3,181,941	-	3,181,941
<b>Total Non-Current Assets</b>	<b>3,350,795</b>	<b>-</b>	<b>3,350,795</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,419,111</b>	<b>\$ (712,090)</b>	<b>\$ 8,707,021</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	\$ 523,210	\$ -	\$ 523,210
Accrued liabilities	804,050	-	804,050
Borrowings	110,101	-	110,101
Customer deposits	208,060	-	208,060
Deferred revenue - current portion	1,350,302	(128,447)	1,221,855
Warranty provision	70,240	-	70,240
Advances from related parties	490,719	-	490,719
Promissory notes from related party - current portion	749,184	-	749,184
<b>Total Current Liabilities</b>	<b>4,305,866</b>	<b>(128,447)</b>	<b>4,177,419</b>
<b>Non-Current Liabilities</b>			
Borrowings	2,605,810	-	2,605,810
Deferred revenue	881,730	(583,643)	298,087
Promissory notes from related party	270,179	-	270,179
<b>Total Non-Current Liabilities</b>	<b>3,757,719</b>	<b>(583,643)</b>	<b>3,174,076</b>
<b>TOTAL LIABILITIES</b>	<b>8,063,585</b>	<b>(712,090)</b>	<b>7,351,495</b>
<b>Equity</b>			
Share capital	7,362,333	-	7,362,333
Contributed surplus	466,815	-	466,815
Accumulated other comprehensive loss	(22,849)	-	(22,849)
Accumulated deficit	(6,055,367)	-	(6,055,367)
<b>Total Equity Attributable to Shareholders of Novra</b>	<b>1,750,932</b>	<b>-</b>	<b>1,750,932</b>
Non-Controlling Interests	(395,406)	-	(395,406)
<b>TOTAL EQUITY</b>	<b>1,355,526</b>	<b>-</b>	<b>1,355,526</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 9,419,111</b>	<b>\$ (712,090)</b>	<b>\$ 8,707,021</b>

# NOVRA TECHNOLOGIES INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2018 and 2017

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

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

### *IFRS 9 Financial Instruments ("IFRS 9")*

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

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

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

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

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

### **3. Recently Issued Accounting Standards Not Yet Adopted**

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

#### *IFRS 16 Leases ("IFRS 16")*

In January 2016, the IASB issued IFRS 16, which replaces IAS 17, Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 has also been applied. We have not yet assessed the impact of the adoption of this standard on Novra's Condensed Consolidated Financial Statements.

# NOVRA TECHNOLOGIES INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2018 and 2017

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

### 4. Related Party Transactions

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

#### a) Key management personnel compensation

The following table discloses the compensation of independent directors as well as key management personnel (President & CEO, COO, and CFO) in the ordinary course of their employment recognized as an expense during the first quarter.

	Three Months Ended March 31,	
	2018	2017
Salaries and employee benefits	\$ 125	\$ 80
Share-based compensation	4	-
Directors' fees	2	2
<b>Total</b>	<b>\$ 131</b>	<b>\$ 82</b>

#### b) Transactions with other related parties

	Three Months Ended March 31,	
	2018	2017
<b>Purchase of goods and services</b>		
InfoMagnetics Technologies Inc. ("IMT") <sup>(1)</sup>	\$ -	\$ -
The Exchange Global Server Centre Inc. <sup>(2)</sup>	2	2
<b>Interest on unsecured promissory notes</b>		
IMT	15	15
<b>Interest on convertible note</b>		
IMT	-	7
<b>Total</b>	<b>\$ 17</b>	<b>\$ 24</b>

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

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

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

#### c) The breakdown of advances from related parties by party was as follows:

	March 31, 2018	December 31, 2017
Key management and directors (see part (a))	401	351
IMT	90	66
The Exchange Global Server Centre Inc.	-	1
<b>Total</b>	<b>\$ 491</b>	<b>\$ 418</b>

At March 31, 2018, \$365 thousand (December 31, 2017: \$316 thousand) was due to Novra's President & CEO in regards to unpaid salaries and expense reimbursements for current and prior years in which he voluntarily chose to not collect payment in the interest of preserving liquidity in the

# NOVRA TECHNOLOGIES INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2018 and 2017

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

company. The payable amount bears no interest and has no repayment term.

- d) The movement of unsecured promissory notes due to IMT during the first quarter of 2018 and 2017 was as follows:

	Prime Rate + 4% Floating \$250k	Base Rate + 2.5% Floating \$563k <sup>(1)</sup>	4% Fixed \$381k	2018	2017
At January 1	\$ 273	\$ 355	\$ 389	\$ 1,017	\$ 1,172
Loans received	-	-	-	-	-
Loan repayments	-	-	-	-	(58)
Foreign exchange movement	-	10	-	10	(4)
Interest charged	5	7	3	15	15
Interest paid	(23)	-	-	(23)	(27)
At March 31	\$ 255	\$ 372	\$ 392	\$ 1,019	\$ 1,098

Maturity Dates: Due on Demand Nov 1, 2022 Dec 31, 2018

(1) The note is US\$400 thousand, converted to Canadian currency at the transaction date.

The following table shows the presentation of the above total IMT loans on Novra's Consolidated Statements of Financial Position at March 31, 2018 and 2017.

	2018	2017
Current portion	\$ 749	\$ 743
Non-current portion	270	355
Total	\$ 1,019	\$ 1,098

- e) Convertible Note due to IMT:

On November 28, 2016, Novra's Board of Directors approved to enter a \$300 thousand unsecured convertible promissory note ("Convertible Note") with IMT effective December 1, 2016, as partial settlement of the \$681 thousand unsecured promissory note. Under this Convertible Note, IMT, at its sole discretion, could elect to partially or fully convert the debt to Novra's equity at a conversion rate of \$0.12 per Novra's common share. Such conversion could take place anytime after June 15, 2017 and if fully converted would result in the issuance of 2,500,000 common shares or 8.6% of total outstanding common shares at December 31, 2016. The Convertible Note bore a fixed interest rate of 4% per annum.

On June 16, 2017, IMT elected to fully convert its convertible note to 2,500,000 common shares of Novra.

# NOVRA TECHNOLOGIES INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2018 and 2017

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

### 5. Borrowings

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

	March 31, 2018	December 31, 2017
Bank borrowings	\$ -	\$ -
Revolving line of credit with the Chymiak Trust	2,198	2,054
Crocus loan	276	273
WEDC repayable contribution	242	185
Total borrowings	2,716	2,512
Less: current portion	(110)	(109)
Total borrowings - noncurrent	\$ 2,606	\$ 2,403

#### a) Bank borrowings

The following table shows the movement in the total borrowings from the RBC Credit Facilities during the first quarter of 2018:

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

The above RBC Credit Facilities remained in place at March 31, 2018.

#### b) Revolving line of credit with the Chymiak Trust

During the current quarter, we borrowed an additional \$52 thousand to fund our working capital requirements.

#### c) Crocus loan

There was no change to the Crocus loan during the current quarter, except for the accrued interest expense.

#### d) WEDC repayable contribution

During the current quarter, we received \$57 thousand from WEDC (2017 - \$120).

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### 6. Shareholders' Equity

#### a) Common Stock

The following table provides a summary of authorized as well as issued and outstanding capital for Novra.

	March 31, 2018	December 31, 2017
<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>		
33,348,312 (December 31, 2017: 33,308,312)		
Class "A" common voting shares	\$ 7,362	\$ 7,355

During the first quarter of 2018, 40,000 options were exercised at \$0.12 each.

#### b) Warrants

During the first quarter of 2016, 100 warrants were exercised. These warrants were issued as part of the merger with IDC and are reported under contributed surplus in the Consolidated Statements of Changes in Shareholders' Equity.

#### c) Stock Options

The following table provides a summary of stock option activity for the quarter ended March 31, 2018:

	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,740,000	\$ 0.12
Granted	-	\$ 0.12
Exercised	(40,000)	\$ 0.12
Forfeited	(4,000)	\$ 0.12
Expired		\$ 0.12
Outstanding, end of year	1,696,000	\$ 0.12

At March 31, 2018, the remaining stock option pool for future grants was 1,204,000.

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

# of Options Outstanding	Grant Date	Expiry Date	Fair Value at Grant Date	# of Options Exercisable	Exercise Price
1,396,000	11-May-17	10-May-24	\$ 0.07	564,000	\$ 0.12
300,000	28-Jun-17	28-Jun-24	\$ 0.06	60,000	\$ 0.12
1,696,000				624,000	

### 7. Earnings (Loss) Per Share ("EPS")

#### a) Basic EPS

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

	Three Months Ended March 31,	
	2017	2016
Net income (loss)	\$ (763)	\$ 242
Weighted average number of common shares	33,336	29,079
<b>Basic EPS</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>

#### b) Diluted EPS

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

For the quarter ending March 31, 2017, we had two types of dilutive potential common shares: convertible note and warrants. The convertible note is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For warrants, a calculation is done to determine the number of common shares that could have been acquired at fair value (the average market price of Novra's common stock) based on the proceeds from exercise of warrants. The result of this calculation is then compared to the number of shares that would have been issued assuming the exercise of warrants. Convertible note and warrants would be both anti-dilutive when Novra incurs a net loss.

During 2017, we also issued stock options where are also potential dilutive securities.

The following table provides the detailed calculation for diluted EPS.

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	Three Months Ended March 31,	
	2018	2017
<b>Net income (loss)</b>	<b>\$ (763)</b>	<b>\$ 242</b>
<b>Weighted average number of common shares:</b>		
Weighted average number of common shares	33,336	29,079
<i>Adjustment for:</i>		
- Assumed conversion of convertible note <sup>(1)</sup>	-	-
- Warrants <sup>(1)</sup>	-	-
- Stock options <sup>(2)</sup>	-	-
<b>Weighted average number of common shares for diluted EPS</b>	<b>33,336</b>	<b>29,079</b>
<b>Diluted EPS</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>

(1) Convertible note and warrants were anti-dilutive as the average Novra share price was \$0.106 for the quarter ended March 31, 2017.

(2) Stock options were anti-dilutive for the quarter ended March 31, 2018.

### 8. Operating Expenditures

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

Three Months Ended March 31, 2018	General and administrative	Sales and marketing	Research and development	Total
Personnel expenditures	\$ 322	\$ 196	\$ 534	\$ 1,052
Other operating expenditures	158	116	141	415
Depreciation and amortization	1	1	230	232
	<b>\$ 481</b>	<b>\$ 313</b>	<b>\$ 905</b>	<b>\$ 1,699</b>

Three Months Ended March 31, 2017	General and administrative	Sales and marketing	Research and development	Total
Personnel expenditures	\$ 106	\$ 221	\$ 309	\$ 636
Other operating expenditures	57	109	66	232
Depreciation and amortization	1	1	83	85
	<b>\$ 164</b>	<b>\$ 331</b>	<b>\$ 458</b>	<b>\$ 953</b>



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### 9. Finance Costs

The following table provides a breakdown of total finance costs during the first quarter.

	Three Months Ended March 31,	
	2018	2017
Interest expense:		
- Bank borrowings	\$ 4	\$ 16
- Unsecured promissory notes (see Note 4 (d))	15	15
- Convertible note (see Note 4 (e))	-	7
Other fees	34	10
	<b>\$ 53</b>	<b>\$ 48</b>

### 10. Revenues

The following table provides a breakdown of our revenues as well as the timing of revenue recognition:

	Three Months Ended March 31,	
	2018	2017
<b>Major Products/Service Lines</b>		
Hardware	\$ 1,505	\$ 2,038
Software	6	132
Support and Extended Warranty	497	237
Other	64	15
	<b>\$ 2,072</b>	<b>\$ 2,422</b>
<b>Timing of Revenue Recognition</b>		
Products transferred at a point in time	\$ 1,575	\$ 2,185
Products and services transferred over time	497	237
	<b>\$ 2,072</b>	<b>\$ 2,422</b>

#### **Contract balances**

The timing of revenue recognition may differ from the timing of invoicing to customers. We record unbilled revenue where professional services are performed or products are delivered prior to Novra's ability to invoice in accordance with the contract terms, or deferred revenue when revenue is recognized prior to invoicing.

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The following table provides information about our accounts receivable at March 31, 2018, which includes trade and unbilled revenue from contracts with customers.

	March 31, 2018	December 31, 2017
Trade accounts receivable	\$ 1,147	\$ 1,459
Unbilled revenue	671	20
Total receivables from contracts with customers	1,818	1,479
Other	52	60
Total trade and other receivables	\$ 1,870	\$ 1,539

As at March 31, 2018, two customers individually accounted for 37% and 23% of total receivables from contracts with customers. As at December 31, 2017, four customers individually accounted for 19%, 18%, 17% and 13% respectively of total receivables from contracts with customers.

The following tables detail the changes in unbilled revenue and deferred revenue during the period.

	Unbilled revenue
Opening balance- December 31, 2017	\$ 20
Impact of foreign exchange	18
Increase in unbilled from revenue recognized	-
Increase in unbilled from IFRS 15	640
Decrease in unbilled from transfer to trade receivables and other adjustments	(7)
Ending balance - March 31, 2018	\$ 671

	Deferred revenue
Opening balance- December 31, 2017	\$ 1,369
Impact of foreign exchange	15
Increases in deferred revenue from payments received, excluding revenue recognized and other adjustments	482
Increase in deferred revenue from IFRS 15	863
Decreases in deferred revenue from revenue recognized that was included in the opening deferred revenue balance and other adjustments	(497)
Ending balance - March 31, 2018	\$ 2,232

### ***Assets recognized from costs to obtain a contract with a customer***

We recognize an asset for the incremental costs of obtaining a contract with a customer if the expected benefit of those costs is longer than one year. We have determined that no commissions paid to sales employees meet the requirement to be capitalized for March 31, 2018 and December 31, 2017.

# NOVRA TECHNOLOGIES INC.

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### 11. Segmented Information

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

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

	Three Months Ended March 31,	
	2018	2017
Americas ex Canada	\$ 1,414	\$ 929
Canada	251	868
APAC	233	204
EMEA	174	421
	\$ 2,072	2,422

- 1) APAC: Asia Pacific
- 2) EMEA: Europe, Middle East and Africa

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

	March 31, 2018	December 31, 2017
Canada	\$ 120	\$ 136
United States	49	50
	\$ 169	\$ 186

### 12. Net Change in Non-Cash Working Capital

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

	Three Months Ended March 31,	
	2018	2017
Trade and other receivables	\$ (331)	\$ 1,467
Inventories	72	214
Notes receivable	-	1
Current tax assets	-	2
Prepayments and other	15	134
Amounts payable including advances	149	(422)
Customer deposits	(50)	(80)
Deferred revenue	863	859
Warranty provision	(8)	17
Total	\$ 710	\$ 2,192

# NOVRA TECHNOLOGIES INC.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 13. Commitments and Contingent Liabilities

a) Lease commitments

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

rest of 2018	469
2019	489
2020	122
2021	129
2022 and thereafter	140
<b>Total</b>	<b>\$ 1,349</b>

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 March 31, 2018, we had \$181 thousand of purchase commitments of which \$45 thousand is due within one year.