



MANAGEMENT'S DISCUSSION & ANALYSIS

Nine months ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

Novra Technologies Inc.

Management's Discussion & Analysis

Nine Months Ended September 30, 2021

The following Management's Discussion and Analysis ("MD&A") of Novra Technologies Inc. ("Novra") should be read in conjunction with the Consolidated Financial Statements for the periods ended September 30, 2021 and 2020, and related notes included therein (the "Consolidated Financial Statements"). These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All information in this MD&A is presented in Canadian dollars, unless otherwise indicated. Tabular dollars are in thousands, except per share amounts. Amounts in tables may not reconcile due to rounding differences.

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

This MD&A is dated as of November 26, 2021 and is current to this date. The MD&A and the Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors on November 29, 2021.

Financial statements, MD&A and other information relating to Novra are available on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities laws, concerning but not limited to: our outlook, the expected cost savings from integrating Wegener operations with the Novra Group, proposed acquisition of remaining 48.4% of Wegener, anticipated developments in our operations in future periods, the adequacy of Novra's financial resources and other events and conditions that may occur in the future. Forward-looking statements are generally identifiable by words such as "expect", "anticipates", "believes", "intends", "estimates", "predicts", "potential", "targeted", "plans", "possible", "position for", "prepare for" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. As such, forward-looking statements are not historical facts but reflect our current assumptions and expectations regarding future events. These are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions. Some of these risks and uncertainties are described herein under the "Risks and Uncertainties" section of this MD&A.

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

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BUSINESS OVERVIEW

Novra Technologies Inc. (headquartered in Winnipeg, Canada) is a public company on the TSX Venture Exchange ("TSX-V"), which trades under the stock symbol "NVI" and is a Class 1 reporting issuer. Novra is also listed in the United States on the OTCQB Venture Exchange, under the symbol NVRVF. We have been in the satellite data distribution business since 2000. In 2016, we significantly expanded our product portfolio and global footprint with the acquisition of International Datacasting Corporation ("IDC"), a long-time leader in the same sector (based in Ottawa, Canada). Novra also owns 51.6% controlling interest of Wegener Corporation ("Wegener"), based in Atlanta GA, which has expanded our footprint in digital media management and distribution technologies for applications including digital signage, radio and television. The companies joined together to form the Novra group of companies ("Novra Group") – see our group website at www.novragroup.com.

Today, the Novra Group is a global business with customers on every continent. We are a technology provider that offers a comprehensive product portfolio including hardware, software, and services. In addition, our areas of expertise and added value include: encryption, next-generation hybrid networks (satellite/terrestrial/cloud), and efficient bandwidth utilization.

In these times of accelerating change and global uncertainty, our business agility and drive for innovation are more important than ever. Our competitive advantage is our people and their 30 years of knowledge and experience in developing innovative products along with the deep relationships that we have established with our clients. These close customer relationships and our extensive engineering experience provide the perspective and foundation for our continuing development of advanced products and flexible solutions.

Particularly at this time, given current global supply chain challenges that are impacting all types of businesses small and large around the world, the depth of experience and dedication of our procurement and production teams is another competitive advantage. They continue to work constructively with our networks of vendors and partners to procure the necessary components and assemblies to facilitate product deliveries to our customers.

Our core product lines are:

- *Video distribution:* products and systems for providing end-to-end solutions for traditional and non-traditional video networks. This is a key focus area for our innovation activities, including on-going projects in augmented reality, remote collaboration, and emerging technologies. Our video products target the following key market niches:
 - Broadcast video networks of all sizes
 - Digital program insertion (for targeted advertising, regionalization, and blackout management)
 - Live and file-based video content distribution
 - Digital signage
 - IPTV
 - Professional-quality streaming video
- *Broadcast Radio:* We are a leading provider of end-to-end infrastructure solutions to broadcast radio networks small, medium, and large. We have a reputation for reliable, cost-effective delivery of high-quality audio via satellite, terrestrial, or hybrid networks. The radio product line includes uplink and receive-site equipment as well as network management, encryption, and targeted regionalization/ad insertion options. We have both long-established and respected product lines and innovative new products recently released for this market.

- *Data distribution:* Our broadband multimedia distribution technology is ideally suited for networks requiring fast, ultra-reliable, secure delivery of data via satellite and via Internet or private IP network. In addition to providing the hardware infrastructure (transmit and receive), we offer an advanced content distribution network (CDN) software solution (Datacast XD) for ultra-reliable and secure file broadcasting.
- *Digital Cinema:* We provide leading digital cinema networks with their core distribution infrastructure (uplink equipment, content management, and network management) and high-end appliances for cinemas as well as decoders for live events and alternative content (entertainment and sports) in 2D and 3D. Additionally, we offer a digital cinema distribution software solution for integration onto commercially available servers and third-party equipment. Recent advances in this product line have enabled our solutions to provide secure file delivery speeds that are unparalleled in the market.
- *Satellite and terrestrial broadband receivers:* We offer a line of cost-effective, reliable DVB and ATSC compliant receivers for the expanding broadband communications network market. These provide standalone communication gateways to local networks or have been integrated into a wide range of purpose-built appliances.

OVERALL PERFORMANCE

Although Novra's financial results for the nine months are substantially improved compared to 2020, it is disappointing to see over \$4.0 million in backlog of orders that we were expecting to deliver in Q3 or early Q4 delayed to late Q4 and into Q1 2022. This was caused by continued global supply chain and transport disruptions leading to longer lead-times to manufacture our products. We are working with our suppliers and partners to aggressively manage these challenges. This has negatively impacted our expected Q3 revenues by \$3 to \$4 million and will move the expected recognition of this revenue into the next two quarters.

Our revenue for the 9-month period increased by 72% to \$5.7 million (2020 \$3.3 million) resulting in a small net income loss of \$47 thousand (2020 loss \$1.6M) for the period. The significant improvement over last year was supported by a combination of significantly higher revenue and consistently reduced operating costs. The considerable backlog of orders that carried over into 2021 and the strong new bookings in Q1 drove the revenue increase. A current bookings backlog of \$4.7 million provides a positive indication for future revenue.

In response to evolving market dynamics, management has taken targeted actions, including implementing additional cost saving measures over the past several quarters. At the same time, we have continued to invest in focused innovation initiatives and building customer relationships to address current customer needs and position Novra for future growth.

Novra continues to invest strategically in R&D product development to build the products our customers need today and into the future. While many companies capitalize a significant portion of these costs, Novra's product development costs have been expensed as incurred. Because of this, no capital asset related to the multiple millions of dollars we have invested over the past 4 years in developing products and technologies is currently included in our statement of financial position. Capitalizing some of the development costs that are taking place could result in increased assets and reduced operating expenses, improving net income and more precisely matching development expenses with the timing of the future revenue they enable. With significant development being invested in new products and technologies that have extended useful lives, Novra may move to capitalize development costs in the future, in order to appropriately present our technology assets and R&D expenses.

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The Q3 financial highlights below are derived from our Consolidated Financial Statements and include consolidation of Novra's subsidiaries; International Datacasting Corporation and Wegener Corporation (51.6% controlling interest).

Q3 2021 vs. Q3 2020:

- Revenue was \$891 thousand, compared to \$1.1 million in Q3 2020, a decrease of \$202 thousand.
- Gross profit at \$193 thousand was 21.6% of total revenue, compared to \$517 thousand or 47.4%.
- Operating expenses were \$1.18 million, compared to \$1.23 million in 2020, a reduction of 4%.
- Net Loss was \$694 thousand, compared to a loss of \$715 thousand in Q3 2020. Reducing net income, is approximately \$146 thousand of amortization expenses for intangible assets associated with the prior purchase of 51% of Wegener.
- In Q3 2021, Novra recorded \$50 thousand in Other Income related to funding under the Canada Emergency Wage Subsidy.
- In Q3 2021, Wegener recognized \$337 thousand of financing under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as Other Income. This amount was previously recorded under borrowings, until Management could confidently predict the amount of forgiveness that would be granted; refer to Note 6 and Note 9 in the Unaudited Consolidated Financial Statements. All amounts received under this program have now been forgiven.

First 9 months of 2021 vs. 2020:

- Total revenue was \$5.7 million, compared to \$3.3 million, an increase of \$2.4 million.
- Gross profit at \$2.8 million was 48.5% of total revenue, compared to \$1.8 million or 53.5%.
- Operating expenses were \$3.7 million, compared to \$3.9 million, a reduction of 6%.
- Cash balance at September 30, 2021, was \$3.6 million versus \$3.9 million at December 31, 2020. Cash provided by operating activities over the current 9-month period was \$606 thousand (2020 negative \$58 thousand).
- Our consolidated net loss was \$47 thousand, compared to a loss of \$1.7 million in 2020. Reducing net income in 2021 is approximately \$443 thousand (2020 \$476 thousand) of amortization expenses for intangible assets associated with the prior purchase of 51.6% of Wegener.
- Adjusted EBITDA* gain of \$900 thousand, compared to Adjusted EBITDA* loss of \$806 thousand, an improvement of \$1.7M
- Novra recorded \$347 thousand in Other Income in the nine months ended September 30, 2021 related to funding under the Canada Emergency Wage Subsidy (2020 - \$438 thousand); refer to Note 9(a) in the Consolidated Financial Statements for details
- In 2021, Wegener recognized \$662 thousand of financing under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as Other Income. This amount was recorded under borrowings until Management could confidently predict the amount of forgiveness that would be granted; refer to Note 6 and Note 9 in the Unaudited Consolidated Financial Statements.

*Adjusted EBITDA is a non-IFRS financial measure. Adjusted EBITDA provides an important financial measure of Novra's operating performance, allowing comparison of core operating results from period to period. Refer to the "EBITDA and Adjusted EBITDA" section below for details regarding calculation of this non-IFRS measure and the "Discussion of Operations" section for a reconciliation to IFRS.

Our ongoing drive to realize synergies and efficiencies across the group resulted in consolidated operating expenses continuing to trend down in 2021 Q3 compared to 2020 Q3. The additional permanent and

temporary cost saving measures that have been implemented resulted in considerable reductions in these expenses. We will continue to actively control and adjust operating expenses in response to company performance and current volatile market conditions.

RECENT DEVELOPMENTS AND OUTLOOK

2021 Results and Road Ahead:

Last year we were at the beginning of the COVID-19 pandemic and the road ahead was obscured by global uncertainty. Today, while COVID-19 continues to have major impacts on both our clients and suppliers and some unpredictability remains, our 2021 orders have been much higher and, more broadly, there is hope that things are looking brighter for the world in general.

Our clients continue to navigate through challenging circumstances. However, bookings activity began to recover in late 2020 and continued to improve into 2021. This demonstrates the importance our customers, even in times of global uncertainty, place on investment in the critical infrastructure components that Novra provides. While some customers continue to delay or scale back purchases, others are moving ahead - both to keep their networks reliably operational and to enhance their capabilities with our newly developed products. We continue to pride ourselves on being a partner to our customers, there to support them in trying times as well as in times of exciting growth.

Increasingly in 2021, supply chain challenges have continued to intensify around the world, with distributor inventories dropping and lead-times on certain electronic components stretching to many months. In addition, global transport times and costs have also been increasing. Through strategic inventory purchases, including advance purchasing of certain key components, and nurturing additional procurement channels, Novra has been able to continue to fulfil orders for most of our products. Some larger or customized orders in our current backlog are seeing increased lead-times, which caused a slippage of 3 to 4 months in our ability to deliver certain specific orders. We are very carefully monitoring our supply chains and transport channels, while taking measured actions to mitigate these effects where possible.

We are preparing for continued stronger future performance with our on-going sales efforts and R&D activities. These have resulted in a number of new products, which have now been selected for new project rollouts, and we are starting to receive more of those orders. This is particularly good news for Novra as it positively reflects on our corporate goals and our substantial R&D investment over the past several years.

Highlights of 2021 so far:

We continue to push forward on our corporate vision to bring together great companies with complementary technologies to capitalize on both existing and new market opportunities. We have successfully consolidated, integrated, and refocused our engineering efforts to provide world-class leading-edge products and services to our clients.

Through this process Novra has evolved significantly into a strong, scalable, global company oriented to the growing multimedia broadband content distribution business. We are focused on meeting the needs of our clients, who are looking for flexible, cost-effective solutions. Our product development is centred on reacting to identified client requirements and anticipating next-generation innovations. More and more, our hardware is becoming a platform for increasingly powerful and sophisticated software—bringing agility, forward compatibility, and longevity to the lifespan of our products.

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There is a significant list of highlights so far in 2021:

- Novra became listed on the OTCQB Venture Exchange in the US, under the symbol NVRVF. This will enable US investors to more easily purchase Novra shares.
- A \$3.2 million follow-on order was received from a major radio network for our high-end Audiocaster Pro satellite receivers. This order comes on the heels of a successful initial rollout last year with the same customer and represents an endorsement of the ongoing work our team has done to develop this sophisticated product and support this important network.
- An initial order for more than \$700K was placed by a US-based paging service provider. This is a specialized project to modify and customize an existing data receiver to retrofit a legacy paging network. Our engineers worked closely with the client's team in extended testing in order to meet their stringent reliability requirements. The initial deployment will be followed up with additional rollouts over time.
- Based on our next-generation MAP Pro Cinema platform, the first phase of a new digital cinema network that launched this year. It has rolled out and is delivering films, pre-show advertising and digital signage.
- Follow-on orders were received from a range of current and historic customers, including a major Canadian radio broadcaster
- Working with a long-time service provider partner, we won a major competitive tender to receive an order for a new digital signage network for a large financial services customer in Latin America.
- A new order for implementation of a disaster recovery system for a US military television and radio network was received. This will provide redundant back-up for a network we provided previously.
- Strong follow-on orders continued for ongoing US government projects.
- Steady orders for the S400 for weather applications were received.
- Multiple small and medium radio networks around the world purchased MAP, STAR and SFX radio receivers and other equipment to power new networks or to retrofit or expand existing networks.
- Two long-time satellite-based radio networks adopted MISTiQ to launch hybrid satellite/internet distribution to improve network uptime and reach locations not accessible by satellite.

For our company like so many others, the last year and a half has been challenging on many fronts. However, through it all we have continued to provide great support to our clients to make sure we were there for them while they went through their own challenges. We have progressed our R&D initiatives to release innovative new products and feature. Our marketing and sales Engineering staff focused on filling the sales pipeline, advancing projects where possible, and launching our new products to meet our customers' evolving needs and address new market sectors. As our results so far in 2021 demonstrate, this approach is beginning to pay off.

We offer more than products - we provide complete solutions. Many of our key customers consider Novra their technology partner, one they can depend on to help them solve both engineering and business challenges. We take this role very seriously and everyone at the Novra Group of companies is part of this commitment.

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As the world recovers from COVID-19 and we all get back to “normal”, it is management’s intention to complete the acquisition of the remaining 49% of Wegener Communications in 2022. This was a priority for 2020 but the impact and duration of COVID-19 has caused this to be delayed into 2022.

DISCUSSION OF OPERATIONS

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

| (In Thousands) | Three Months Ended September 30, | | | Period ended September 30, | | |
|---|----------------------------------|-----------------|-------------|----------------------------|-------------------|-------------|
| | 2021 | 2020 | % Chg | 2021 | 2020 | % Chg |
| Revenue by type: | | | | | | |
| Products | \$ 535 | \$ 547 | -2% | \$ 4,581 | \$ 1,591 | 188% |
| Services | 356 | 545 | -35% | 1,116 | 1,714 | -35% |
| Total revenue | 891 | 1,092 | -18% | 5,697 | 3,305 | 72% |
| Gross profit | 193 | 517 | -63% | 2,760 | 1,767 | 56% |
| <i>Gross margin</i> | 21.6% | 47.4% | | 48.5% | 53.5% | |
| Operating expenses | 1,185 | 1,229 | -4% | 3,720 | 3,946 | -6% |
| Operating income (loss) | (992) | (712) | 39% | (960) | (2,179) | -56% |
| Other income (expenses) | 298 | (4) NM | | 912 | 502 | 82% |
| Net income (loss) as reported under IFRS | \$ (694) | \$ (715) | -3% | \$ (47) | \$ (1,677) | -97% |
| Adjustments: | | | | | | |
| Finance costs | 50 | 47 | 7% | 145 | 146 | -1% |
| Depreciation and amortization | 280 | 305 | -8% | 849 | 931 | -9% |
| EBITDA - non-IFRS measure | (364) | (364) | 0% | 947 | (600) | NM |
| Loss (gain) on foreign exchange | (17) | 36 | NM | (47) | (209) | -78% |
| Share-based compensation | - | 3 | -100% | - | 4 | -100% |
| Adjusted EBITDA - non-IFRS measure | \$ (380) | \$ (325) | 17% | \$ 900 | \$ (806) | NM |

NM – Not meaningful

*EBITDA and Adjusted EBITDA are non-IFRS financial measures. EBITDA and Adjusted EBITDA provide an important financial measure of Novra’s operating performance, allowing comparison of core operating results from period to period. Refer to the “EBITDA and Adjusted EBITDA” section below for details regarding calculation of this non-IFRS measure.

Revenue and Gross Margin

Total revenue for the 9-month reporting period increased to \$5.7 million (2020 - \$3.3 million). Gross margin was 48.5% for the reporting period, 5.0% lower than for the comparable period in 2020. The drop in gross margin was primarily driven by a change in product/service mix and rising product input costs.

For the first nine months of 2021, our top 10 customers accounted 74.0% of total revenue with the first and second largest accounting for 36% and 10% respectively or \$2.6 million in aggregate. For the same period last year Novra's Top 10 customers accounted for 48.7% of total revenue with the two largest accounting for 11% and 10% respectfully or \$549 thousand in aggregate. No other customer accounted for more than 10% of total revenue.

While our revenue may be concentrated with a few customers quarterly, with approximately 2,000 customers in over 100 countries, including over 200,000 installations since inception, we have a well-

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established customer base to provide diversification in our revenue base. The following table summarizes the geographic distribution of our revenues for the period.

| Geographic Market | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------|----------------------------------|----------|---------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Americas ex-Canada | \$ 504 | \$ 773 | \$ 4,149 | \$ 2,178 |
| Canada | 37 | 148 | 352 | 331 |
| EMEA | 191 | 88 | 366 | 376 |
| APAC | 159 | 83 | 830 | 420 |
| | \$ 891 | \$ 1,092 | \$ 5,697 | \$ 3,305 |

Operating Expenses

| (In thousands) | Three Months Ended September 30, | | | Period Ended September 30, | | |
|------------------------------------|----------------------------------|-------|-------|----------------------------|-------|-------|
| | 2021 | 2020 | % Chg | 2021 | 2020 | % Chg |
| General and administrative ("G&A") | 257 | 321 | -20% | 982 | 921 | 7% |
| Sales and marketing ("S&M") | 258 | 196 | 32% | 707 | 699 | 1% |
| Research and development ("R&D") | 670 | 712 | -6% | 2,031 | 2,326 | -13% |
| Total operating expenses | 1,185 | 1,229 | -4% | 3,720 | 3,946 | -6% |

Total OPEX in during the first nine months of 2021 has decreased by 6% from 2020. For financial reporting purposes, we allocate facility costs to OPEX (G&S, S&M, R&D) and cost of revenue.

General and administrative ("G&A") expenses consist primarily of compensation paid to the corporate, IT, and finance staff as well as professional fees and public company related costs. Our G&A costs increased by 7% to \$982 thousand (2020 - \$921 thousand), an increase of \$61 thousand. This increase is primarily attributable to costs associated with applying for listing on the OTCQB, costs for the deferred 2020 AGM which was held in Q1 2021, and making a change to accrue annual audit costs each quarter rather than expensing them all in the final quarter of the year. Without these, G&A expenses for the period would have been lower than the same period in 2020.

Our Sales and Marketing ("S&M") costs consist of compensation, including sales commissions, paid to our sales team, as well as tradeshow, promotion and travel and entertainment costs. Our marketing expense increased by 1% to \$707 thousand (2020 - \$699 thousand), primarily due to a change in the way some compensation expense was recorded starting part way through 2021. Travel and event restrictions related to COVID-19 have affected these expenses in both 2020 and 2021.

Research and Development ("R&D") costs will continue to be a significant component of our total operating expenses as we continue to develop innovative products and solutions to remain competitive in our industry. R&D costs include primarily compensation paid to engineering personnel and prototype costs. Notably, expenses related to amortization of intangible assets from acquisition of (controlling interest in) Wegener are also included in R&D costs. This amortization of \$443 thousand in 2021 (\$476 thousand in 2020) distorts our R&D expenditures as a percentage of revenue and it has an impact on our net operating results.

Foreign Exchange Gain (Loss)

Although we generate a significant portion of our revenue outside of Canada, denominated in USD and Euro currencies, we have determined Novra's functional currency to be Canadian dollars. Additionally, most sales in Canada are also denominated in USD currency. Further, the procurement for most of our raw materials is denominated in USD currency; however, our domestic operating costs are denominated in CAD

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currency. Accordingly, Novra's financial position and operating results are significantly exposed to foreign currency movements. We actively manage our foreign currency risk and may also enter speculative currency positions based on management's best judgement.

Additional earnings volatility arises from the translation of monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of the Consolidated Financial Position; the impact of which is reported as a foreign exchange gain or loss.

For Q3 2021 we recorded a foreign exchange gain of \$47 thousand, compared to a gain of \$209 thousand in 2020.

At September 30, 2021, the foreign currency denominated assets and liabilities, subject to remeasurement, are as follows:

| (in thousands) | USD | Euro |
|--|--------------|-------------|
| Assets | 3,496 | 23 |
| Liabilities | (2,417) | (7) |
| Net assets before hedging | 1,079 | 16 |
| Currency derivative contracts | - | - |
| Net assets - unhedged | 1,079 | 16 |
| Impact on Novra's earnings if 5% change in foreign exchange rate: | 54 | 1 |

At September 30, 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 loss would have been \$55 thousand. The above excludes Wegener's assets and liabilities which are denominated in USD.

Other Income and Finance Costs

The Company qualified for the Canada Emergency Wage Subsidy (CEWS) in the first nine months of 2021 and recorded \$347 thousand in Other Income (2020 - \$438 thousand). The CEWS is a federal government program created to provide financial support to businesses affected by COVID-19. In addition, the Company recognized \$662 thousand (2020 – nil) as income related to funding received through the US Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in Q2 2020 and Q1 2021; refer to Note 9 in the Unaudited Consolidated Financial Statements for further details.

Finance costs were \$145 thousand for the current period, a slight decrease compared to the same period last year (2020 – \$146 thousand). There were no bank borrowings on our RBC credit facilities in Q3 2021.

Depreciation and Amortization

Depreciation and amortization costs decreased to \$849 thousand for 2021 (2020 - \$931 thousand), which includes intangible asset amortization of \$443 thousand (2020 - \$476 thousand).

Tax Expense

Despite the significant non-capital loss carry forwards and available investment tax credits (see Note 15 of the Consolidated Financial Statements for 2020 and 2019) to shelter future taxable income from income taxes, we have not recognized deferred tax asset at September 30, 2021 and 2020 because management concluded it was not probable to realize this benefit in the foreseeable future. In making this determination, management considered the uncertainties in projecting future taxable income, the uncertainties related to

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the technology industry and competition in which we operate, and the lack of available income tax planning strategies.

EBITDA and Adjusted EBITDA

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

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

EBITDA was a \$947 thousand for the nine months ending September 30, 2021 compared to a loss of \$600 thousand for the same period in 2020. Adjusted EBITDA for the period in 2021 was a gain of \$900 thousand, while adjusted EBITDA for the same period in 2020 was a loss of \$806 thousand. The increase in EBITDA and Adjusted EBITDA was driven by an increase in revenue and gross profit.

SELECTED QUARTERLY FINANCIAL INFORMATION

(dollars in thousands, except per share data)

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

| <i>(In thousands of dollars, except with respect to earnings (loss) per share</i> | Sep 30, 2021 | Jun 30, 2021 | Mar 31, 2021 | Dec 31, 2020 | Sep 30, 2020 | Jun 30, 2020 | Mar 31, 2020 | Dec 31, 2019 | Sep 30, 2019 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | \$ 891 | \$ 1,078 | \$ 3,728 | \$ 1,675 | \$ 1,092 | \$ 1,186 | \$ 1,026 | \$ 1,817 | \$ 3,018 |
| Gross profit | 193 | 404 | 2,164 | 631 | 517 | 761 | 488 | 747 | 1,849 |
| Operating expenses | 1,185 | 1,345 | 1,190 | 1,201 | 1,229 | 1,271 | 1,446 | 1,439 | 1,374 |
| Foreign exchange gain (loss) | 17 | (90) | 120 | 260 | (36) | (187) | (433) | (133) | 68 |
| Net income (loss) attributable to Novra | (710) | (432) | 759 | (749) | (550) | (266) | (262) | (787) | 215 |
| Adjusted EBITDA Income (loss) | (380) | (57) | 1,338 | (116) | (325) | 103 | (580) | (358) | 796 |
| Earnings (loss) per share - diluted | \$ (0.021) | \$ (0.013) | \$ 0.023 | \$ (0.022) | \$ (0.016) | \$ (0.008) | \$ (0.008) | \$ (0.024) | \$ 0.006 |
| Weighted average shares outstanding | 33,396 | 33,396 | 33,396 | 33,396 | 33,396 | 33,396 | 33,393 | 33,372 | 33,372 |

We occasionally receive large orders from customers and partners that can provide revenue visibility for future quarters. However, a large portion of Novra's quarterly revenues is generated from orders received in the quarter rather than from order backlog going into the quarter. As a result, Novra's revenue, profitability and cash flows are difficult to predict and may fluctuate significantly from quarter to quarter. Novra currently has an order backlog of approximately \$4.7 million and at September 30, 2021 we also had more than \$1.1 million in deferred revenue. These total approximately \$5.8 million and provide some visibility into future revenue for 2021 and beyond.

We continue to expect significant volatility in revenue from quarter to quarter due to particular timing of orders from existing customers, continued economic and supply chain instability and significant unpredictability in the length of sales cycles with new and existing customers in the sales pipeline. The result of limited order visibility is that revenue and, accordingly, profitability and cash flows, will be difficult to predict and will fluctuate. We also expect COVID-19 to continue to impact markets and economies and therefore our business (see Risks and Uncertainties).

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LIQUIDITY

Quick Ratio

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

| | September 30, 2021 | December 31, 2020 |
|----------------------------|--------------------|-------------------|
| Cash | \$ 3,565 | \$ 3,859 |
| Accounts receivable | 941 | 883 |
| Total liquid assets | \$ 4,506 | \$ 4,742 |
| Quick ratio ⁽¹⁾ | 0.98:1 | 0.99:1 |

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

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

At September 30, 2021, Novra's quick ratio was 0.98:1 or \$0.98 of liquid assets available to cover each \$1.00 of third-party current liabilities, a very slight decrease from 0.99:1 at December 31, 2020. Note that a significant portion (September 30, 2021 - \$2.3 million, December 31, 2020 - \$2.5 million) of current liabilities included in the calculation of the quick ratio are customer deposits. This is a liability that reverses once customers have been invoiced for the related orders.

The following is a summary of cash flows by activities for the nine months ending September 30, 2021 vs. the same period in 2020. Overall, cash decreased by \$896 thousand in the first nine months of 2021

Operating activities

We had positive cash flows of \$606 thousand from operating activities in 2021, compared to negative cash flows from operating activities of \$58 thousand for the same period in 2020. This was mostly due to the net change in non-cash working capital and the effect of depreciation and amortization.

Investing activities

We had no cash flows driven by investing activities during the first nine months of 2021 or 2020.

Financing activities

We have negative \$896 thousand net cash flow from financing activities in 2021, compared to positive net cash from financing activities of \$144 thousand in the comparable prior period. In the current period we made repayments on our WEDC loan, completed repayment of the Crocus loan and made lease payments of \$501 thousand toward our lease liabilities. We also recognized forgiveness of \$662 thousand of government disaster assistance program debt financing related to COVID-19. 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

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2021, forgiveness in the amount of \$325 thousand (USD\$261 thousand) met this condition and was recognized as revenue in the period. In Q3 2021, forgiveness in the amount of \$337 thousand (USD\$269 thousand) met this condition and was recognized as revenue in the period. All amounts received under this program have now been fully forgiven.

As of the date of this MD&A we continue to have access to the RBC Credit Facilities. There are no amounts outstanding.

Working Capital Ratio

Novra's working capital ratio was as follows:

| | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| Working Capital: | | |
| Current assets | \$ 6,965 | \$ 7,108 |
| Current liabilities | 7,591 | 7,687 |
| Working Capital: | \$ (626) | \$ (579) |
| Working capital, excluding related party and deferred revenue balances | \$ 2,382 | \$ 2,320 |
| Working capital ratio⁽¹⁾ | 1.52:1 | 1.48:1 |

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

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

Working capital decreased to negative \$626 thousand at September 30, 2021 from negative \$579 thousand at December 31, 2020. Excluding related party and deferred revenue balances, Novra's working capital increased to \$2.38 million at September 30, 2021 from \$2.32 million at December 31, 2020. Our working capital ratio (as defined above) remained healthy at 1.52:1 or \$1.52 of current assets per \$1.00 of current liabilities, excluding amounts due to related parties and deferred revenue at September 30, 2021.

Contractual obligations and commitments

At September 30, 2021, Novra's contractual obligations and commitments were as follows:

| Payment due: | Total | Within | 1 to | 5 to | | |
|--|----------|----------|----------|----------|-----------|--|
| | | 1 year | 5 years | 10 years | 10+ years | |
| Borrowings (Note 6) | \$ 2,545 | \$ 53 | \$ 2,492 | \$ - | \$ - | |
| Operating leases (Note 11) | 2,112 | 547 | 1,060 | 505 | | |
| Purchase commitments (Note 11) | - | - | - | - | | |
| Trade payables and other payables | 721 | 721 | - | - | | |
| Total third party contractual obligations | 5,378 | 1,321 | 3,552 | 505 | | |
| Promissory notes from related party (Note 5) | 936 | 885 | 51 | - | | |
| Advances from related parties (Note 5) | 1,268 | 1,268 | - | - | | |
| Total contractual obligations | \$ 7,582 | \$ 3,474 | \$ 3,603 | \$ 505 | \$ - | |

See Consolidated Financial Statements notes for further details.

Based on the September 30, 2021 liquid assets (as defined above) and working capital, we have sufficient liquid resources to fund all third-party contractual obligations coming due within one year.

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CAPITAL RESOURCES

Our key objectives and policies for managing capital are to maintain a strong capital base in order to:

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

As at September 30, 2021, the Company had cash and cash equivalents of \$3.6 million and access to an undrawn revolving facility (the RBC Credit Facilities as described in Note 6 of the Consolidated Financial Statements), subject to the terms and conditions of the credit facilities. At the date of this MD&A we continue to have access to these facilities and no amounts are outstanding.

At September 30, 2021, Novra's total outstanding voting common shares were 33,396,293 excluding the 2,000,000 common shares held by our subsidiary, Wegener (December 31, 2020 - 33,396,293). Our debt and equity positions were as follows:

| | September 30, 2021 | December 31, 2020 |
|-------------------------------------|--------------------|-------------------|
| Borrowings (drawn) | \$ 2,545 | \$ 2,956 |
| Promissory notes from related party | 885 | 906 |
| Shareholders' equity | (2,001) | (1,622) |
| Total capital resources | \$ 1,429 | \$ 2,240 |

The change in capital resources was primarily due to a reduction in the value of outstanding borrowings coupled with a net loss for the period.

Management believes the Company's current cash, access to the undrawn portion of debt facilities and its access to additional financing in the form of debt or equity will be sufficient to meet its working capital and capital expenditure requirements for the foreseeable future, including its contractual obligations and the commitments noted above.

OFF BALANCE SHEET ARRANGEMENTS

At September 30, 2021, we had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

In addition to key management personnel compensation, we have material unsecured promissory notes with IMT (IMT is a shareholder and our President & CEO has a controlling interest in IMT) as disclosed in the "Liquidity" and "Capital Resources" sections of this MD&A. Refer to Note 5 of the Consolidated Financial Statements for a complete disclosure of all related party transactions, including amounts due on demand.

ACCOUNTING MATTERS

Critical Accounting Estimates

The Consolidated Financial Statements include certain amounts that are inherently uncertain and judgmental in nature. As a result, management is required to make assumptions and best estimates in order to determine the reported values. We consider an accounting estimate to be critical if: (1) it requires

that significant assumptions be made in order to deal with uncertainties; and (2) changes in the estimate could have a material impact on our results of operations, financial condition or liquidity.

We believe that the material items requiring such subjective and complex estimates are as follows:

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

Refer to Note 3 of the audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for further details.

We believe that the amounts included in these financial statements reflect management's best judgment. However, factors including, without limitation, those noted under "Risks and Uncertainties" below could cause actual events or results to differ materially from our underlying assumptions and estimates. Accordingly, this could lead to a material adverse impact on our results of operations, financial condition and/or liquidity.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As previously indicated, we received an additional loan during the period for \$341 thousand through government disaster assistance program debt financing related to COVID-19. For additional information, see Note 6 of the Consolidated Financial Statements for the Nine months ended September 30, 2021 and 2020. Refer to Note 5 of the audited Consolidated Financial Statements for the years ending December 31, 2020 and 2019 for disclosure relating to Novra's financial instruments and financial risk management objectives and policies.

RISKS AND UNCERTAINTIES

Refer to our December 31, 2020 MD&A for a list of risks and uncertainties facing Novra. We are currently not aware of any new material risks and uncertainties, except those noted below:

- Escalating lead-time and availability issues across the globe for electronic and other components that are used in Novra's products could significantly delay our ability to build products and/or increase costs.
- Global transportation delays and rising costs could significantly affect our time and cost to build and deliver our products.

COVID-19 Advisory: 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, reduced customer demand, a rise in customer delinquency, delayed or inadequate performance by supply chains, 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.