novra
TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To The Shareholders
Novra Technologies Inc.

Opinion

We have audited the accompanying consolidated financial statements of Novra Technologies Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and December 31, 2018, 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.

Auditors' Responsibility 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 Dion C. Bird.

Baker Tilly HMA LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 15, 2020

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

	NOTES	December 31, 2019	December 31, 2018
ASSETS			
Current Assets			
Cash		$ 3,176,327	$ 4,138,014
Restricted non-redeemable GIC's	11(a)	-	200,000
Trade and other receivables	5(c)	808,034	1,214,910
Inventories	7	1,834,036	2,170,203
Prepayments and other		131,885	386,976
Total Current Assets		5,950,282	8,110,103
Non-Current Assets			
Equipment	9	64,456	122,900
Right-of-use assets	2,21(a)	2,466,270	-
Intangible assets	10	1,783,417	2,641,246
Total Non-Current Assets		4,314,143	2,764,146
TOTAL ASSETS		$ 10,264,425	$ 10,874,249
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		$ 482,703	$ 563,406
Accrued liabilities		843,147	842,010
Borrowings	11	101,774	152,461
Lease liabilities	2,21(a)	559,806	-
Customer deposits		303,858	1,339,049
Deferred revenue - current portion		1,088,491	1,264,403
Warranty provision	12	59,845	70,282
Advances from related parties	19(c)	785,783	709,400
Promissory notes from related party - current portion	19(d)	775,182	750,063
Total Current Liabilities		5,000,589	5,691,074
Non-Current Liabilities			
Borrowings	11	2,341,349	2,556,611
Lease liabilities	2,21	2,025,612	-
Deferred revenue		842,577	879,211
Promissory notes from related party	19(d)	144,544	227,324
Total Non-Current Liabilities		5,354,082	3,663,146
TOTAL LIABILITIES		10,354,671	9,354,220
Equity			
Share capital	13	7,366,989	7,366,989
Contributed surplus		494,844	482,536
Accumulated other comprehensive loss		(31,181)	(110,865)
Accumulated deficit		(7,760,409)	(6,041,434)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF NOVRA		70,243	1,697,226
Non-Controlling Interests		(160,489)	(177,197)
TOTAL EQUITY		(90,246)	1,520,029
TOTAL LIABILITIES AND EQUITY		$ 10,264,425	$ 10,874,249

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 Decemeber 31, 2019	2018
REVENUE	17	**$ 9,756,263**	$ 10,629,515
COST OF REVENUE		**4,931,969**	5,050,374
GROSS PROFIT		**4,824,294**	5,579,141
OPERATING EXPENSES			
General and administrative		**1,472,495**	1,628,817
Sales and marketing		**1,246,719**	1,273,409
Research and development, net	15	**3,336,977**	3,508,287
Total operating expenses		**6,056,191**	6,410,513
OPERATING INCOME (LOSS)		**(1,231,897)**	(831,372)
Other Income (Expenses)			
Foreign exchange gain (loss)	5	**(259,246)**	348,604
Finance income	22(a)	**740**	2,041
Finance costs	22(b)	**(211,864)**	(71,810)
INCOME (LOSS) BEFORE INCOME TAXES		**(1,702,267)**	(552,537)
Income tax recovery (expense)	16	**-**	-
NET INCOME (LOSS)		**$ (1,702,267)**	$ (552,537)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES			
Foreign Currency Translation Adjustments on Wegener Consolidation		**79,684**	(110,865)
Total other comprehensive loss, net of taxes		**79,684**	(110,865)
COMPREHENSIVE INCOME (LOSS)		**$ (1,622,583)**	$ (663,402)
EARNINGS (LOSS) PER SHARE:			
Basic	14	$ (0.05)	$ (0.02)
Diluted		$ (0.05)	$ (0.02)
Weighted average number of shares outstanding - basic		**33,372,307**	33,345,375
Weighted average number of shares outstanding - diluted		**33,372,307**	33,345,375
NET INCOME (LOSS) ATTRIBUTABLE TO :			
Shareholders of Novra		**$ (1,718,975)**	**$ (375,340)**
Attributable to non-controlling interest		**$ 16,708**	**$ (177,197)**
		(1,702,267)	**(552,537)**
COMPREHENSIVE INCOME(LOSS) ATTRIBUTABLE TO:			
Shareholders of Novra		**$ (1,639,291)**	**$ (486,205)**
Attributable to non-controlling interest		**$ 16,708**	**$ (177,197)**
		(1,622,583)	**(663,402)**

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
At January 1, 2019								-
Total		35,372,312	$ 7,626,989	$ 482,536	$ (110,865)	$ (6,041,434)	$ (177,197)	1,780,029
Less: common shares held by subsidiary		(2,000,000)	$ (260,000)					(260,000)
		33,372,312	7,366,989	482,536	(110,865)	(6,041,434)	(177,197)	1,520,029
Net income (loss)		-	-	-	-	(1,718,975)	16,708	(1,702,267)
Change in foreign currency translation		-	-	-	79,684	$ -		79,684
Share based compensation	13(b)	-	-	12,308	-	-	-	12,308
Options Exercised	13(b)	-	-	-	-	-	-	-
Cancellation of common shares	13(a)	(5)						-
At December 31, 2019		33,372,307	$ 7,366,989	$ 494,844	$ (31,181)	$ (7,760,409)	$ (160,489)	$ (90,246)

	NOTES	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-Controlling Interest	Total Shareholders' Equity
At January 1, 2018								-
Total		35,308,312	$ 7,614,573	$ 461,937	$ -	$ (5,666,097)	$ -	2,410,416
Less: common shares held by subsidiary		(2,000,000)	$ (260,000)					(260,000)
		33,308,312	7,354,573	461,937	-	(5,666,097)	-	2,150,416
Net income (loss)		-	-	-	-	(375,340)	(177,197)	(552,537)
Change in foreign currency translation		-	-	-	(110,865)	$ -	-	(110,865)
Share based compensation	13(b)	-	-	25,335	-	-	-	25,335
Options Exercised	13(b)	64,000	12,416	(4,736)	-	-	-	7,680
At December 31, 2018		33,372,312	$ 7,366,989	$ 482,536	$ (110,865)	$ (6,041,437)	$ (177,197)	$ 1,520,029

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

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

		Twelve Months Ended December 31,	
	NOTES	**2019**	2018
OPERATING ACTIVITIES			
Net income (loss)		**$ (1,702,267)**	$ (552,537)
Add items not affecting cash:			
Depreciation and amortization	20	**1,431,633**	1,125,054
Share based compensation	13(b)	**12,308**	25,334
Interest expense	22(b)	**211,864**	71,810
Changes in non-cash working capital items	18	**(263,223)**	2,055,483
Interest paid		**(30,604)**	(64,370)
Net cash provided by (applied to) operating activities		**(340,289)**	2,660,774
INVESTING ACTIVITIES			
Purchase of equipment		**-**	(4,133)
Net cash provided by (applied to) investing activities		**-**	(4,133)
FINANCING ACTIVITIES			
Repayments on Bank borrowings	11(a)	**-**	(30,000)
Proceeds from Bank borrowings	11(a)	**-**	30,000
Repayments on Crocus loan	11(c)	**(114,409)**	(108,878)
Payments on lease liabilities	21(a)	**(563,704)**	
Proceeds from WEDC repayable contribution	11(d)	**-**	72,230
Repayment on WEDC repayable contribution	11(d)	**(38,610)**	-
Repayments on IMT promissory notes	19(d)	**(75,497)**	(74,595)
Exercise of stock options	13(b)	**-**	12,416
Proceeds from revolving line of credit with the Chymiak Trust	11(b)	**-**	54,568
Unrealized foreign exchange gain/(loss) on financing activities		**13,457**	(25,533)
Net cash provided by (applied to) financing activities		**(778,763)**	(69,792)
Effect of exchange rates on cash and cash equivalents		**157,365**	(253,621)
Net change in cash		**(961,687)**	2,333,228
Cash, beginning of period		**4,138,014**	1,804,786
CASH, end of period		**$ 3,176,327**	$ 4,138,014

The accompanying notes are an intergral part of these Consolidated Financial Statements

1. General Information

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

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

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

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

On June 15, 2020, 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.

Business Combinations

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

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

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

Segment reporting

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

Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

Financial Instruments

a) Financial assets

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

i) At fair value through profit or loss

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

ii) At fair value through other comprehensive income

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

iii) Amortized cost

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

b) Impairment of financial assets

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

c) Financial liabilities

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

d) Fair value measurement

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

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

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

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

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

	Classification	Measurement
Financial Assets:		
Cash	Amortized cost	Amortized cost
Restricted non-redeemable GIC's	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Financial liabilities:		
Trade and other payables	Amortized cost	Amortized cost
Accrued liabilities	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.

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

Intangible Assets

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

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

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

Impairment of Non-Financial Assets

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

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

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

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

Trade and Other Payables

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

Borrowings

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

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

Deferred Revenue

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

Provisions

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

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

Revenue Recognition

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

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

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

a) Sales of Products

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

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

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

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

b) Sales of Services

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

c) Sales of Extended Warranty

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

d) Sales of Post Contract Support

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

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

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

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

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

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. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use the technology, are met; otherwise they are expensed as incurred. Such capitalized costs are amortized over their expected useful lives. No amounts have been capitalized to date.

Leases

The Company records a right-of-use asset and lease liability 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. See note on New Accounting Standards for detailed information on adoption and impact of IFRS 16.

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.

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.

New Accounting Standards

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Company applied IFRS 16 using the modified retrospective approach and therefore the comparable information has not been restated and continues to be reported under IAS 17.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to us. Under IFRS 16, we recognize right-of-use assets and lease liabilities for all leases.

i) Significant Accounting Policies

On transition to IFRS 16, the Company elected to apply the practical expedient to assess which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases, at the date of initial application. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed after January 1, 2019.

The Company also used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases Under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied recognition exemptions to leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option.
- Applied the low value lease exemption not to recognize right-of-use assets at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- The Company has elected not to separate lease and non-lease components for leases of its properties.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability and are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Novra's incremental borrowing rate. Generally, the incremental borrowing rate is used as the discount rate.

ii) Impact on Financial Statements

On initial transition the Company recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its rights to make lease payments. Right-of-use assets and lease liabilities of $3,000,367 were recorded on January 1, 2019. The weighted average discount applied at January 1, 2019 was 5.88%.

A reconciliation of the right-of-use assets and lease liabilities for the year ended December 31, 2019 is presented in Note 21.

The following table(s) summarizes the impact of applying IFRS 16 to our Consolidated Financial Statement of Financial Position at December 31, 2019:

(Not reported in thousands of dollars)	Balance after adoption of IFRS 16	Impact of IFRS 16	Balances without adoption of IFRS 16
ASSETS			
Current Assets			
Cash	$ 3,176,327	$ -	$ 3,176,327
Restricted non-redeemable GIC's	-	-	$ -
Trade and other receivables	808,034	-	$ 808,034
Inventories	1,834,036	-	$ 1,834,036
Prepayments and other	131,885	-	$ 131,885
Total Current Assets	5,950,282	-	5,950,282
Non-Current Assets			
Equipment	64,456	-	$ 64,456
Right-of-use assets, net	2,466,270	(2,466,270)	$ -
Intangible assets	1,783,417	-	$ 1,783,417
Total Non-Current Assets	4,314,143	(2,466,270)	1,847,873
TOTAL ASSETS	$ 10,264,425	$ (2,466,270)	$ 7,798,155
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	482,703	$ -	$ 482,703
Accrued liabilities	843,147	-	$ 843,147
Borrowings	101,774	-	$ 101,774
Lease liabilities	559,806	(559,806)	$ -
Customer deposits	303,858	-	$ 303,858
Deferred revenue - current portion	1,088,491	-	$ 1,088,491
Warranty provision	59,845	-	$ 59,845
Advances from related parties	785,783	-	$ 785,783
Promissory notes from related party - current portion	775,182	-	$ 775,182
Total Current Liabilities	5,000,589	(559,806)	4,440,783
Non-Current Liabilities			
Borrowings	2,341,349	-	$ 2,341,349
Lease liabilities	2,025,612	(2,025,612)	$ -
Deferred revenue	842,577	-	$ 842,577
Promissory notes from related party	144,544	-	$ 144,544
Total Non-Current Liabilities	5,354,082	(2,025,612)	3,328,470
TOTAL LIABILITIES	10,354,671	(2,585,418)	7,769,253
Shareholders' Equity			
Share capital	7,366,989	-	$ 7,366,989
Contributed surplus	494,844	-	$ 494,844
Accumulated other comprehensive loss	(31,181)	-	$ (31,181)
Accumulated deficit	(7,760,409)	119,148	$ (7,641,261)
Total Equity Attributable to Shareholders of the Company	70,243	119,148	189,391
Non-Controlling Interests	(160,489)	-	$ (160,489)
TOTAL SHAREHOLDERS' EQUITY	(90,246)	119,148	28,902
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 10,264,425	$ (2,466,270)	$ 7,798,155

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

2) Inventory Obsolescence

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

3) Business Combination

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

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

- Inventories – finished goods
- Equipment
- Deferred revenue

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

4) Impairment of Non-Financial Assets

At December 31, 2019, Novra's intangible assets were $1.78 million (see Note 10) and directly related to the acquisition of Wegener. Wegener was profitable for 2019 on a stand-alone basis and management has determined there was no impairment on the intangible assets at the reporting date.

4. Business Acquisitions

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

On December 29, 2017, we completed the purchase of 51.6% controlling interest of Wegener Corporation (herein referred as the "Wegener Acquisition"). Subject to Wegener shareholders' and regulatory approval, we may purchase the remaining 49% minority interest for US$300 thousand on or before March 31, 2021, in the form of cash and/or common shares of Novra.

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

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.

<u>Financial risk factors</u>

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 Statements of Consolidated Financial Position. At December 31, 2019 we did not have any foreign currency derivative contracts.

At December 31, 2019, 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 $140 thousand. This excludes Wegener's assets and liabilities which are denominated in USD.

(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, 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 19(d)) is subject to variable interest rates. In 2019 and 2018, 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) so that Novra does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

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

Payment due:	Total	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years
Borrowings (Note 11)	**$ 2,443**	$ 102	$ 153	$ 890	$ 1,298
Operating leases (Note 21)	**3,254**	560	925	498	1,271
Purchase commitments (Note 21)	**71**	71	-	-	-
Trade payables and other payables	**483**	483	-	-	-
Total third party contractual obligations	**6,251**	1,216	1,078	1,388	2,569
Promissory notes from related party (Note 19)	**920**	775	145	-	-
Advances from related parties (Note 19)	**785**	785	-	-	-
Total contractual obligations	**$ 7,956**	**$ 2,776**	**$ 1,223**	**$ 1,388**	**$ 2,569**

At December 31, 2019, 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.

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 31st was as follows:

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

	2019	2018
Cash	**$ 3,176**	$ 4,138
Restricted non-redeemable GIC	**-**	200
Trade receivables	**808**	1,215
	$ 3,984	$ 5,553

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

Trade and other receivables

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

	2019	2018
Trade accounts receivable	**$ 893**	$ 1,167
Less: allowance for doubtful accounts	**(105)**	(27)
Net trade accounts receivable	**788**	1,140
VAT/HST and other receivables	**20**	75
Total trade and other receivables	**$ 808**	$ 1,215

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

		2019	2018
Current		**$ 378**	$ 470
Past due:	Less than 30 days	**68**	287
	31-60	**75**	121
	61-90	**223**	114
	Greater than 90 days	**44**	148
		$ 788	$ 1,140

At December 31, 2019, two customers accounted for 34% of the total trade receivables (2018 – three customers accounted for 23%).

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

	2019	2018
Start of the year	**$ 27**	$ 27
Provision for impairment	**85**	-
Receivables written off during the year as uncollectable	**(7)**	-
Provision reversed due to subsequent collections	**-**	-
End of year	**$ 105**	27

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

6. Capital Management

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

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

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

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

	December 31, 2019	December 31, 2018
Borrowings (drawn)	$ 2,443	$ 2,709
Promissory notes from related party	920	977
Shareholders' equity	(90)	1,520
Total capital resources	$ 3,273	$ 5,206

7. Inventories

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

	2019	2018
Finished goods	$ 928	$ 1,143
Raw materials	2,087	2,308
Work-in-progress	86	64
Provision	(1,267)	(1,345)
	$ 1,834	$ 2,170

The cost of inventories charged to cost of sales in 2019 was $3.9 million (2018 - $4.0 million).

(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			
At December 31, 2019	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
Financial assets measured at fair value:								
Derivative financial instrument	$ -	$ -	$ -	**$ -**	$ -	$ -	$ -	**$ -**
Financial assets not measured at fair value:								
Current financial assets:								
Cash	$ 3,176	$ -	$ -	**$ 3,176**				**$ 3,176**
Restricted non-redeemable GIC	-	-	-	**-**				**-**
Trade and other receivables	808	-	-	**808**				**808**
Prepayments and other:	132	-	-	**132**				**132**
Current tax receivable	-	-	-	**-**				**-**
Total current financial assets	4,116	-	-	**4,116**	-	-	-	**4,116**
Non-current financial assets:	-	-	-	**-**				**-**
Total financial assets	**$ 4,116**	**$ -**	**$ -**	**$ 4,116**	**$ -**	**$ -**	**$ -**	**$ 4,116**
Financial liabilities not measured at fair value:								
Current financial liabilities:								
Trade and other payables	$ -	$ 679	$ -	**$ 679**				**$ 679**
Borrowings	-	102	-	**102**				**102**
Lease liabilities		560		**560**				**560**
Customer deposits	-	304	-	**304**				**304**
Advances from related parties	-	786	-	**786**				**786**
Promissory notes from related party	-	775	-	**775**				**775**
Total current financial liabilities	-	3,206	-	**3,206**	-	-	-	**3,206**
Non-current financial liabilities:								
Borrowings	-	2,341	-	**2,341**				**2,308**
Lease liabilities		2,025		**2,025**				**2,025**
Promissory notes from related party	-	145	-	**145**				**138**
Total non-current financial liabilities	-	4,511	-	**4,511**	-	-	-	**4,471**
Total financial liabilities	**$ -**	**$ 7,717**	**$ -**	**$ 7,717**	**$ -**	**$ -**	**$ -**	**$ 7,677**

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

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

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 2019 vs. 2018 and Novra's credit worthiness remains strong. Accordingly, the overall financing cost would not have changed significantly at December 31, 2019, 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.

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

- *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, 2019.

9. Equipment

The following is a breakdown of the total carrying value of equipment at December 31, 2019.

	Machinery and testing equipment	Computer equipment	Furniture and fixtures	Total
Cost				
January 1, 2019	$ 388	$ 41	$ 30	**$ 459**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
December 31, 2018	$ 388	$ 41	$ 30	**$ 459**
Accumulated Amortization				
January 1, 2019	$ 275	$ 30	$ 30	**335**
Amortization	56	4	-	**60**
Disposals	-	-	-	**-**
December 31, 2018	$ 331	$ 34	$ 30	**$ 395**
Net carrying values	**$ 57**	**$ 7**	**$ -**	**$ 64**

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

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

(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, 2019.

		Acquired Technology		Customer Relationships		Total
Cost						
January 1, 2019	$	1,811	$	2,000	**$**	**3,811**
		-		-		**-**
December 31, 2019	$	1,811	$	2,000	**$**	**3,811**
Accumulated Amortization						
Amortization period		*3 - 5 years*		*5 years*		
January 1, 2019	$	976	$	413	**$**	**1,389**
Amortization for the year		328		423		**751**
December 31, 2019	$	1,304	$	836	**$**	**2,140**
Effect of movement in exchange rates	$	34	$	78	**$**	**112**
Net carrying values	**$**	**541**	**$**	**1,242**	**$**	**1,783**

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

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

Amortization is recorded as part of our R&D expenses in the Consolidated Statements of Operations for 2019 and 2018.

(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, 2019	December 31, 2018
Bank borrowings	$ -	$ -
Revolving line of credit with the Chymiak Trust	2,175	2,288
Crocus loan	50	164
WEDC repayable contribution	218	257
Total borrowings	2,443	2,709
Less: current portion	(102)	(153)
Total borrowings - non-current	$ 2,341	$ 2,556

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 are 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 Facility includes 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, 2019, our Visa credit card liability was nil (2018-nil).

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, 2019, including its revolving line of credit. As amended and effective October 8, 2009, Wegener's subsidiary, Wegener Communications Inc. ("WCI"), has entered a revolving line of credit ("loan facility") with The David E. Chymiak Trust Dated December 15, 1999 (the "Chymiak Trust"). Mr. David Chymiak controls the Chymiak Trust and owns approximately 8.5% of the remaining 48.6% minority interest of Wegener at December 31, 2019.

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

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

i) Effective December 29, 2017, the closing date of the 51.6% acquisition of Wegener, the Chymiak Trust agreed to amend the loan facility as follows:
   - The maximum credit limit will be US$1,600,000 and shall remain available up to December 29, 2019 and may not demand repayment at any time prior to December 29, 2019. On December 29, 2019, the loan facility was extended to July 31, 2021.
   - The interest rate shall be revised to the current U.S. Prime Rate + 2%.

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

ii) Effective from the closing date of the tender offer for the 49% minority interest of Wegener, the Chymiak Trust will further amend the loan facility as follows:
- Novra to fully repay the loan and interest over up to 8 years.
- A portion of the debt will be forgiven by the Chymiak Trust as of the closing date, and therefore this amount is excluded in our Consolidated Statements of Financial Position at December 31, 2019.
- The interest will remain at U.S. Prime Rate + 2.0 and accrued quarterly.
- The Chymiak Trust shall continue to hold its current security interest in Wegener's assets until the operating loan, including any accrued and unpaid interest, is fully repaid.

c) Crocus loan

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

At December 31, 2019, the remaining principal balance was $50 thousand and will be repaid in September 2020.

d) WEDC repayable contribution

On June 5, 2015, Novra entered a contribution agreement with Western Economic Diversification ("WEDC"). Under this agreement, Novra received a repayable contribution of $257 thousand towards the commercialization of two new innovative technology-based products. During the current year, we did not receive any additional funds from WEDC (2018 - $72 thousand). Repayment is scheduled for 60 consecutive monthly installments which commenced April 1, 2019. The contributions are subject to interest at the average bank rate plus 3% if any payments are late.

At December 31, 2019, the remaining principal balance was $218,149.

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 2019 and 2018.

	2019	2018
At January 1st	**$ 70**	$ 78
Additional provision	**-**	5
Payments during the year	**(10)**	(13)
At December 31st	**$ 60**	$ 70

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

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 31st:

		2019	2018
Authorized:			
Unlimited	Class "A" Common voting shares		
Unlimited	Class "B" Common non-voting shares		
Unlimited	Class "C" Preferred shares, redeemable and retractable at $1,000		
Issued:			
33,372,307 (December 31, 2018: 33,372,312)			
Class "A" common voting shares		**$ 7,367**	$ 7,367

In 2019, we cancelled 5 shares and no further shares were issued. In 2018, we issued 64,000 shares due to the following events:

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

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.

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.

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

Summary of Stock Option Information:

The following table provides a summary of stock option activity for 2019:

	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,152,000	$ 0.12
Granted	-	$ 0.12
Exercised	-	$ 0.12
Forfeited	(20,000)	$ 0.12
Expired		$ 0.12
Outstanding, end of period	1,132,000	$ 0.12

At December 31, 2019, the remaining stock option pool for future grants was 1,768,000.

The following table summarizes information about the stock options outstanding at December 31, 2019:

# of Options Outstanding	Grant Date	Expiry Date	Fair Value at Grant Date	# of Options Exercisable	Exercise Price
1,132,000	11-May-17	10-May-24	$ 0.07	888,000	$ 0.12
-	-		$ -	-	$ -
1,132,000				888,000	

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

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

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

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

a) Basic EPS

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

	2019	2018
Net income (loss)	**$ (1,639)**	$ (486)
Weighted average number of common shares	**33,372**	33,345
Basic EPS	$ (0.05)	$ (0.02)

b) Diluted EPS

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

	2019	2018
Net income (loss)	**$ (1,639)**	$ (486)
Weighted average number of common shares:		
Weighted average number of common shares	**33,372**	33,345
Adjustment for:		
- Stock options	**-**	-
Weighted average number of common shares for diluted EPS	33,372	33,345
Diluted EPS	$ (0.05)	$ (0.02)

Stock options were antidilutive for the year ended December 31, 2019 and 2018.

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

15. Research and Development (R&D) Expense

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

	2019	2018
R&D expenses	$ 3,336	$ 3,508
Investment tax credits	-	-
R&D expenses, net	$ 3,336	$ 3,508

16. 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:

	2019	2018
Income (loss) Before income taxes	$ (1,623)	$ (663)
Statutory income tax rate	27.0%	27.0%
Tax provision based on combined Canadian federal and provincial rates	(438)	(183)
Increase (decrease) resulting from:		
Origination and reversal of temporary differences	25	319
Non-deductible amounts and other permanent differences	1	1
Current year losses (Utlization of tax credits)	251	(465)
Other	161	328
Income tax recovery (expense)	$ -	$ -
Effective income tax rate	0.0%	0.0%

b) Investment Tax Credits

At December 31, 2019, Novra's federal and provincial investment tax credits ("ITCs") available to reduce future Canadian federal and provincial taxes payable were $5.1 million and $0.5 million respectively.

The ITCs will expire as follows:

	Federal ITCs	Provincial ITCs
2020	-	-
2021	91	-
2022	42	-
2023	216	-
2024 and after	4,729	455
Total	**$ 5,078**	**$ 455**

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

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

c) Loss Carry Forwards

At December 31, 2019, Novra has incurred losses of $11 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
2020	-
2021	-
2022	-
2023	-
2024 and after	10,983
Total	10,983

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.

17. Revenue

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

Major Products/Service Lines	**2019**	2018
Hardware	**$ 7,148**	$ 8,147
Software	**15**	15
Services, Support and Extended Warranty	**2,558**	2,444
Other	**35**	24
	$ 9,756	$ 10,630

Geographic Market	**2019**	2018
Americas ex-Canada (1)	**$ 7,139**	$ 8,070
Canada	**684**	940
EMEA (2)	**1,257**	1,068
APAC (3)	**676**	552
	$ 9,756	$ 10,630

(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.

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

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

Timing of Revenue Recognition	2019	2018
Products transferred at a point in time	$ 7,158	$ 8,147
Products and services transferred over time	2,598	2,483
	$ 9,756	$ 10,630

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

	Deferred revenue
Balance, December 31, 2018	$ 2,144
Amounts invoiced and revenue deferred	2,031
Recognition of deferred revenue included in the balance at the beginning of the period	(2,244)
Ending balance - December 31, 2019	$ 1,931

18. Supplemental Cash Flow and Other Disclosures

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

	2019	2018
Trade and other receivables	$ 407	$ 377
Inventories	336	(360)
Current tax assets	-	-
Other assets	255	(196)
Amounts payable including advances	(80)	440
Customer deposits	(1,035)	1,081
Deferred revenue	(213)	721
Provisions	(10)	(8)
Advances Related Party	76	-
Total	$ (264)	$ 2,055

19. 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, 2019.

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

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

	2019	2018
Salaries and employee benefits	$ 164	$ 388
Share-based compensation	12	9
Directors' fees	12	10
Total	$ 188	$ 407

b) Transactions with other related parties

	2019	2018
Purchase of goods and services		
The Exchange Global Server Centre Inc.[1]	$ 12	$ 8
Interest on unsecured promissory notes		
IMT	57	61
	$ 69	$ 69

[1] The Exchange Global Server Centre Inc. is 50% owned by IMT.

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

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

	December 31, 2019	December 31, 2018
Key management and directors (see part (a))	526	542
IMT	259	167
The Exchange Global Server Centre Inc.	-	-
	$ 785	$ 709

At December 31, 2019, $494 thousand (2018: $498 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	2019	2018
At January 1	$ 265	$ 308	$ 404	$ 977	$ 1,017
Loan repayments	-	(75)	-	(75)	(75)
Foreign exchange movement	-	(13)	-	(13)	28
Interest charged	15	25	16	56	60
Interest paid	-	(25)	-	(25)	(53)
At December 31	$ 280	$ 220	$ 420	$ 920	$ 977
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 2019 and 2018:

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

	2019	2018
Current portion	**$ 775**	$ 750
Non-current portion	**145**	227
Total	**$ 920**	$ 977

The following is a summary of loan transactions with IMT during 2019 and 2018.

- 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, 2019, the remaining balance of the promissory note plus accrued interest was $280 thousand (2018 - $265 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, and 6.50% as of December 31, 2019, the remaining balance of the promissory note plus accrued interest was $220 thousand USD (2018 - $226 thousand USD).

- On June 30, 2017, we entered a new unsecured promissory note of $381 thousand with IMT to replace the remaining unpaid $381 thousand unsecured promissory note dated June 9, 2016. On December 31, 2018, we renewed the unsecured promissory note dated June 30, 2017, which bears interest at 4% per annum and is due on demand. At December 31, 2019, the remaining balance of the unsecured promissory note plus accrued interest was $420 thousand (2018 - $404 thousand).

20. Depreciation and Amortization

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

	2019	2018
Cost of revenue	$ 264	$ 190
Selling and marketing	43	2
Research and development	931	932
General and administrative	193	1
	$ 1,431	**$ 1,125**

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

21. 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. The following table presents the right-of-use asset for the Company:

	Year Ended December 31,
Commitments at December 31, 2018	$ 4,187
Less: Measurement adjustment	(137)
Undiscounted lease obligations at January 1, 2019	4,050
Discounted lease obligation at January 1, 2019	3,000
Depreciation charge for the period	(534)
Balance, right-of-use asset December 31, 2019	2,466

The following is a summary of the changes in the lease liability during the year ended December 31, 2019.

	Year Ended December 31,
Lease liabilities, January 1, 2019	$ 3,000
Interest on lease liabilities	149
Lease payments	(564)
Total lease liabilities	2,585
Less: current portion	(560)
Lease liabilities non-current, December 31, 2019	$ 2,025

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2019:

Less than one year	$ 560
One to three years	925
Three to five years	498
More than five years	1,271
Total undiscounted lease obligations	$ 3,254

Interest expense on lease obligations for 2019 was $149. The cash outflow for leases was $564, including $415 of principal payments on lease obligations

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, 2019, we had $71 thousand of purchase commitments which are due within one year. At December 31, 2018, we had $150 thousand of purchase commitments of which $75 thousand is due within one year.

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

22. Finance Income and Finance Costs

a) Finance income

The following table provides a breakdown of total finance income.

	2019	2018
Interest income:		
- Restricted non-redeemable GIC	1	2
	$ 1	$ 2

b) Finance costs

The following table provides a breakdown of total finance costs.

	2019	2018
Interest expense:		
- Unsecured promissory notes (see Note 19(d))	$ 56	$ 60
- Crocus loan (see Note 11)	6	12
- Lease Commitments (see Note 21)	149	-
	$ 211	$ 72

23. Subsequent Events

Since December 31, 2019, 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 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.