NOVRA TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To The Shareholders
Novra Technologies Inc.

We have audited the accompanying consolidated financial statements of Novra Technologies Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Novra Technologies Inc. as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards.

Collins Barrow HMA LLP
Chartered Professional Accountants

Winnipeg, Manitoba
April 30, 2018

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

	NOTES	December 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash		**$ 1,804,786**	$ 1,264,594
Restricted non-redeemable GIC's	13 (a)	**200,000**	200,000
Trade and other receivables	5	**1,538,589**	2,803,960
Inventories	7	**1,809,988**	2,158,549
Note receivable	8	**-**	134,270
Prepayments and other	5	**189,898**	498,695
Current tax assets		**1,832**	3,835
Derivative financial instrument	10	**-**	32,225
Total Current Assets		**5,545,093**	7,096,128
Non-Current Assets			
Equipment	11	**186,481**	202,531
Intangible assets	12	**3,327,952**	770,324
Total Non-Current Assets		**3,514,433**	972,855
TOTAL ASSETS		**$ 9,059,526**	$ 8,068,983
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		**$ 545,386**	$ 634,037
Accrued liabilities		**710,886**	752,577
Borrowings	13	**108,878**	2,234,015
Customer deposits		**258,554**	118,519
Deferred revenue - current portion		**1,057,214**	1,193,623
Warranty provision	14	**78,417**	56,035
Advances from related parties	22(c)	**418,305**	371,110
Promissory notes from related party - current portion	22(d)	**736,359**	531,499
Total Current Liabilities		**3,913,999**	5,891,415
Non-Current Liabilities			
Borrowings	13	**2,402,664**	337,319
Deferred revenue		**311,734**	108,933
Promissory notes from related party	22(d)	**280,716**	640,569
Convertible note from related party	22(e)	**-**	284,617
Total Non-Current Liabilities		**2,995,114**	1,371,438
TOTAL LIABILITIES		**6,909,113**	7,262,853
Shareholders' Equity			
Share capital	15	**7,354,573**	6,778,066
Contributed surplus		**461,937**	472,654
Accumulated deficit		**(5,666,097)**	(6,444,590)
Total Equity Attributable to Shareholders of the Company		**2,150,413**	806,130
Non-Controlling Interests		**-**	-
TOTAL SHAREHOLDERS' EQUITY		**2,150,413**	806,130
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 9,059,526**	$ 8,068,983

See Note 24 "Commitments and Contingent Liabilities" and Note 25 "Subsequent Events"

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

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

	NOTES	Years Ended December 31, 2017	2016
REVENUE	20	**$ 9,532,445**	$ 5,042,548
COST OF REVENUE		**4,728,319**	2,873,260
GROSS PROFIT		**4,804,126**	2,169,288
OPERATING EXPENSES	23		
General and administrative		**772,570**	882,861
Sales and marketing		**1,276,290**	592,324
Research and development, net	17	**1,803,674**	1,290,281
Total operating expenses		**3,852,534**	2,765,466
OPERATING INCOME (LOSS)		**951,592**	(596,178)
Other Income (Expenses)			
Foreign exchange gain (loss)	5	**(37,662)**	(28,336)
Loss on disposal of equipment		**-**	(11,760)
Finance income	18(a)	**6,968**	7,269
Finance costs	18(b)	**(109,207)**	(143,619)
Unrealized loss on Wegener options	10	**(32,225)**	(23,056)
INCOME (LOSS) BEFORE INCOME TAXES		**779,466**	(795,680)
Income tax recovery (expense)	19		
Current		**(973)**	10
Deferred		**-**	-
NET AND COMPREHENSIVE INCOME (LOSS)		**$ 778,493**	$ (795,670)
EARNINGS (LOSS) PER SHARE:	16		
Basic		$ 0.02	$ (0.03)
Diluted		$ 0.02	$ (0.03)
Weighted average number of shares outstanding - basic		**31,490,672**	26,043,383
Weighted average number of shares outstanding - diluted		**31,545,175**	26,043,383

The accompanying notes are an integral part of these Condensed 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 Deficit	Total Shareholders' Equity
At January 1, 2017		**29,077,435**	**$ 6,778,066**	**$ 472,654**	**$ (6,444,590)**	**$ 806,130**
Net income (loss)		**-**	**-**	**-**	**778,493**	**778,493**
Issuance of common shares, net	**4 (a)**	**2,000,000**	**260,000**	**-**	**-**	**260,000**
Warrants exercised	**15 (b)**	**1,706,877**	**263,051**	**(58,222)**	**-**	**204,829**
Share based compensation	**15 (c)**	**-**	**-**	**67,062**	**-**	**67,062**
Options exercised	**15 (c)**	**24,000**	**4,656**	**(1,776)**	**-**	**2,880**
Conversion of convertible note	**22 (e)**	**2,500,000**	**308,800**	**(17,781)**	**-**	**291,019**
		35,308,312	**7,614,573**	**461,937**	**(5,666,097)**	**2,410,413**
Less: common shares held by Wegener		**(2,000,000)**	**(260,000)**	**-**	**-**	**(260,000)**
At December 31, 2017		**33,308,312**	**$ 7,354,573**	**$ 461,937**	**$ (5,666,097)**	**$ 2,150,413**

	NOTES	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
At January 1, 2016		**22,387,993**	**$ 6,056,729**	**$ -**	**$ (5,648,920)**	**$ 407,809**
Net income (loss)		-	-	-	(795,670)	(795,670)
Issuance of common shares, net	**4 (b)**	6,689,342	721,337	-	-	721,337
Issuance of warrants	**15 (b)**	-	-	454,873	-	454,873
Issuance of convertible note	**22 (e)**			17,781		17,781
At December 31, 2016		**29,077,335**	**$ 6,778,066**	**$ 472,654**	**$ (6,444,590)**	**$ 806,130**

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

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

	NOTES	Twelve Months Ended December 31, 2017	2016
OPERATING ACTIVITIES			
Net income (loss)		**$ 778,493**	$ (795,670)
Add items not requiring an outlay of cash:			
Amortization of equipment and intangible assets		**380,454**	196,943
Loss on disposal of equipment		**-**	11,760
Inventory impairment charge (recovery)		**(7,177)**	80,666
Unrealized loss on Wegener options	**10**	**32,225**	23,056
Share based compensation	**15 (c)**	**67,062**	-
Finance costs	**18 (b)**	**109,207**	143,619
Changes in non-cash working capital items	**21**	**1,273,550**	(1,265,659)
Finance costs paid		**(118,073)**	(95,195)
Net cash provided by (applied to) operating activities		**2,515,741**	(1,700,480)
INVESTING ACTIVITIES			
Purchase of Wegener, net of assumed cash	**4 (a)**	**65,578**	-
Purchase of IDC, net of assumed cash	**4 (b)**	**-**	(50,882)
Purchase of equipment		**(1,052)**	(72,926)
Net cash provided by (applied to) investing activities		**64,526**	(123,808)
FINANCING ACTIVITIES			
Repayments on bank borrowings	**13 (a)**	**(2,189,672)**	(1,719,010)
Proceeds from bank borrowings	**13 (a)**	**80,000**	3,273,682
Repayments on Crocus loan	**13 (c)**	**(107,155)**	(120,000)
Proceeds from WEDC repayable contribution	**13 (d)**	**120,233**	64,296
Exercise of warrants	**15 (b)**	**204,829**	-
Exercise of stock options	**15 (c)**	**2,880**	-
Proceeds from IMT promissory notes	**22 (d)**	**-**	1,062,888
Repayments on IMT promissory notes	**22 (d)**	**(111,953)**	(45,035)
Foreign exchange gain on financing activities		**(39,237)**	(5,071)
Net cash provided by (applied to) financing activities		**(2,040,075)**	2,511,750
Net increase in cash		**540,192**	687,462
Cash, beginning of period		**1,264,594**	577,132
CASH, end of period		**$ 1,804,786**	$ 1,264,594

The accompanying notes are an integral part of these Condensed 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 April 30, 2018, 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: at fair value through profit or loss, loans and receivables, and available for sale. We determine the classification of Novra's financial assets at initial recognition, depending on the purpose for which the financial assets were acquired.

i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term i.e. held for trading purposes. It also includes derivative financial instruments for trading not designated as hedges under IFRS. Financial assets in this category are recognized initially and subsequently at fair value. Initial transaction costs and the subsequent change in fair value are recorded in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets under this category includes cash as well as trade and other receivables, and notes receivable. These are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, these assets are measured at amortized cost using the effective interest method, net any impairment provision.

Assets in this category are included as current assets if maturities are less than 12 months; otherwise they are classified as non-current.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Purchases and sales of these financial assets are recognized on the trade-date i.e. the date on which Novra commits to the purchase or to sell the assets. These assets are measured at fair value plus transaction costs at inception and remeasured at each reporting period with the change in fair value (including the effect of changes in foreign exchange rates) recognized in accumulated other comprehensive income within shareholders' equity. Interest and dividend income on these assets are recognized when earned and included in net earnings. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are reclassified to gains (losses) from investment securities in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Assets in this category are included as non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

b) Impairment of financial assets

At each reporting date, management assesses whether there is objective evidence that a financial asset is impaired. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty, default or delinquency in payment, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, we recognize an impairment loss, as follows:

i) Financial assets carried at amortized cost

The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the financial asset is reduced by this amount either directly or indirectly through the use of an allowance account.

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.

ii) Available-for-sale financial assets

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss). This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.

Impairment losses on available-for-sale equity instruments are not reversed.

c) Derivative financial instruments and hedging activities

Derivatives are recognized at fair value on the date Novra enters into the derivative contract and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

In 2017 and 2016, Novra did not designate any derivatives as a hedging instrument for achieving hedge accounting as defined under IFRS. As such, the change in fair value of a non-designated derivative is recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss).

The fair value of a non-designated derivative is classified as current other assets or accrued liabilities when the contract's maturity is less than 12 months; otherwise it is presented as non-current.

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.

e) *Financial liabilities at amortized cost*

Financial liabilities at amortized cost include trade and other payables, accrued liabilities, borrowings customer deposits, loan payable, advances from related parties and promissory notes from related party. These are initially recognized at the amount required to be paid, less a discount to reduce the payables to fair value.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

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, harmonized and goods sales tax recoverable, and accrued investment tax credits.

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 3 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.

Convertible Note

Convertible note issued by Novra is known as a compound financial instrument as it can be converted to Novra's common shares at the option of the holder, and the number of common shares to be issued does not vary with changes in their fair value.

The liability component of a convertible note is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the convertible note as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

After initial recognition, the liability component of a convertible note instrument is measured at amortized cost using the effective interest method. The equity component of a convertible note instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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, net of associated investment tax credits (ITCs) realized. 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.

ITCs, which are earned as a result of qualifying research and development expenditures, are recognized when the expenditures are made and their realization is reasonably assured. The ITCs are presented net of the research and development expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss).

Leases

Leases that transfer substantially all of the benefits and risks of ownership of the leased assets to Novra are capitalized by recording the present value of future minimum payments under the lease as a capital asset and a liability in the Consolidated Statements of Financial Position. Assets recorded under finance leases are amortized using the rates consistent with those used by the Corporation for similar assets.

For leases, which are classified as operating leases, lease payments are recognized as an expense on a straight-line basis over the lease term.

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 carryforwards. 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 makes fixed contributions to Group RSP, subject to a minimum contribution by the employee. 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.

Recently Issued Accounting Standards Not Yet Adopted

IFRS 15 Revenue from Contracts with Customers

In April 2014, the IASB released IFRS 15, *Revenue from Contracts with Customers*, ("IFRS 15"), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This new standard specifies how and when companies will recognize revenue as well as requiring such entities to provide users of financial information with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 applies to annual reporting periods beginning on or after January 1, 2018. The adoption of this standard will not have a material impact on Novra's Consolidated Financial Statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. The classification under IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. IFRS 9 is to be applied retrospectively for annual reporting periods beginning on or after January 1, 2018. Early application is permitted. The adoption of this standard will not have a material impact on Novra's Consolidated Financial Statements.

IFRS 16 Leases

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

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 Nova'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 IDC's intangible assets required significant management judgment.

4) Impairment of Non-Financial Assets

At December 31, 2017, Novra's intangible assets were $3.3 million (see Note 12).

The market capitalization of Novra's common stock listed on the TSX-V was $4.6 million at December 31, 2017 and $8.8 million on April 15, 2018, or $2.3 million and $6.5 million, respectively, greater than the carrying value of Novra's net assets on December 31, 2017. Further, IDC was profitable for 2017, generated healthy operating cash flows and the business fundamentals remain positive for the next twelve months. Accordingly, management has concluded there was no impairment on the intangible assets at December 31, 2017.

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

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 December 31, 2019 in for the form of cash and/or common shares of Novra.

Management believes this acquisition will further diversify 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.

Consideration Transferred:

Under the terms of the Wegener Acquisition, we issued 2,000,000 voting common shares to Wegener and in return we received 14,000,000 common shares, 51.6% of Wegener's total outstanding and issued common shares at December 31, 2017. The total purchase consideration was valued at $260 thousand, based on Novra's closing stock price on December 29, 2017.

The net cash outflow as at the closing of the acquisition was as follows:

Cash acquired	$	65
Consideration paid in cash		-
Net cash inflow	**$**	**65**

The purchase price allocation was as follows:

Net assets acquired	$	260
Goodwill		-
Total purchase price	$	260

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

Net Assets Acquired:

The following identifiable assets and liabilities were subject to management's best estimates and assumptions after taking into consideration all relevant information available. The purchase price allocation to the net assets acquired was as follows:

Current assets		
Cash	$	66
Trade and other receivables		230
Inventories		733
Prepayments		341
		1,370
Non-current assets		
Equipment		50
Intangible assets acquired		2,870
Total assets acquired	**$**	**4,290**
Current liabilities		
Trade and other payables	$	801
Accrued liabilities		225
Provisions		28
Deferred revenue - current		486
Customer deposits		159
		1,699
Non-current liabilities		
Note payable due to Novra [1]		125
Line of credit		2,054
Deferred revenue - non-current		152
		2,331
Total liabilities assumed	**$**	**4,030**
NET ASSETS ACQUIRED	**$**	**260**

(1) Eliminated on consolidation.

Intangible Assets:

Intangible assets of $2.9 million 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 12).

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

There was no assumed goodwill on this acquisition.

Acquisition-related Costs:

Novra has incurred costs totaling $20 thousand related to the acquisition of Wegener. These costs were recorded in general and administrative expenses during 2017.

Impact of Wegener's Results to Novra:

If the acquisition had occurred on January 1, 2017, management estimates that Novra's proforma consolidated revenue would have been $14.3 million and net income of $687 thousand for 2017. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2017.

b) 100% Acquisition of International Datacasting Corporation

On June 15, 2016, we completed the merger (acquisition) transaction with IDC. Management believes this Merger will enable Novra to further diversify its revenue base with complimentary products, become a dominant global media broadcast technology provider, and position itself well for the pending infrastructure renewal within the industry with new and cost-effective solutions.

Consideration Transferred:

Under the terms of the Merger, Novra acquired 100% of the issued and outstanding common shares of IDC for total purchase consideration of $1.9 million.

The following table summarizes the acquisition-date fair value of each major class of consideration transferred.

Cash	$	669
6,689,342 of Novra common shares		736
13,336,145 of Novra warrants		455
Total consideration transferred	$	1,860

The fair value of the Novra common shares was based on Novra's closing stock price on June 15, 2016. For estimating the fair value of Novra's warrants, we used the Black-Scholes valuation model (see Note 16(b)).

The net cash outflow as at the closing of the merger was as follows:

Consideration paid in cash	$	669
Less: cash balances acquired		(618)
Net cash outflow on acquisition	$	51

The cash consideration was financed through an unsecured promissory note received from a related party on June 9, 2016 (see Note 22(d)).

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

Net Assets Acquired:

The following identifiable assets and liabilities were subject to management's best estimates and assumptions after taking into consideration all relevant information available. The purchase price allocation to the net assets acquired was as follows:

Current assets		
Cash	$	618
Trade and other receivables		243
Inventories		907
Notes receivable		118
Current taxes recoverable		4
Prepaid expenses		116
		2,006
Non-current assets		
Equipment		143
Intangible assets acquired		940
Total assets acquired	**$**	**3,089**
Current liabilities		
Amounts payable and accrued liabilities	$	284
Customer deposits		126
Deferred revenue - current		572
Provisions		53
		1,035
Non-current liabilities		
Deferred revenue - non-current		194
Total liabilities assumed	**$**	**1,229**
NET ASSETS ACQUIRED	**$**	**1,860**

Intangible Assets:

Intangible assets of $940 thousand relate to assumed technology assets and will be amortized on a straight-line basis over their estimated useful lives of three years.

There was no assumed goodwill on this acquisition as the entire purchase consideration was allocated to identifiable and intangible net assets.

Acquisition-related Costs:

Novra has incurred costs totaling $158 thousand related to the acquisition of IDC. These costs were recorded in general and administrative expenses during 2016, with the exception of $15 thousand associated with the issuance of common stock and warrants which were reflected net of the equity proceeds.

Impact of IDC's Results to Novra:

For the post-acquisition period in 2016, IDC contributed revenue of $3.6 million and $339 thousand in net income to Novra's consolidated results. If the acquisition had occurred on January 1, 2016, management estimates that Novra's proforma consolidated revenue would have been $6.9 million and net loss of $1.8 million for 2016. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2016.

5. Financial Risk Management

Financial Risk Management Objectives and Policies

In the normal course of business, we are exposed to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk and credit risk of non-performance by counter parties. These financial risks are subject to normal credit standards, financial controls, risk management as well as monitoring procedures. From time to time, we may use derivative financial instruments to hedge certain risk exposures.

Financial risk factors

a) Market risk

Market risk is the risk that changes in market prices will affect Novra's earnings or the value of its holdings of financial instruments.

i) Foreign exchange risk

Foreign exchange risk is the risk to Novra's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of those rates.

We operate internationally and therefore we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

We do not currently have a formal hedging program to mitigate Novra's exposure to foreign currency risk; however, management may speculate on the foreign currency trend and enter into derivative financial instruments. Unrealized gains or losses on outstanding foreign currency derivative contracts (e.g. futures, forwards, swaps) are reflected in the

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

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, 2017 we had the following outstanding foreign currency derivative contracts (2016- none).

Type	Notional	Currency	Maturity	Equivalent Canadian $	Fair value
Forward contracts:					
Sell	300	USD	January 17, 2018	$ 385	$ 9
Buy	100	USD	January 17, 2018	$ 127	$ (2)
Zero-cost options:					
Collar option	500	USD	January 17, 2018	$ 629	$ 1
Leveraged collar option	1,000	USD	January 17, 2018	$ 1,258	$ (1)
Total (included in Prepayments and other)					**$ 7**

At December 31, 2017, 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 insignificant, net of the above derivative contracts.

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 22(d)) is subject to variable interest rates. In 2017 and 2016, 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 continuously 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 13) at all times 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.

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

Payment due:	Total	Within 1 year	1 to 3 years	3 to 5 years
Borrowings (Note 13)	**$ 2,512**	$ 109	$ 349	$ 2,054
Operating leases (Note 24)	**1,488**	615	733	140
Purchase commitments (Note 24)	**207**	69	138	-
Trade payables and other payables	**545**	545	-	-
Total third party contractual obligations	**4,752**	1,338	1,220	2,194
Promissory notes from related party (Note 22)	**1,017**	736	215	66
Advances from related parties (Note 22)	**418**	418	-	-
Total contractual obligations	**$ 6,187**	**$ 2,492**	**$ 1,435**	**$ 2,260**

At December 31, 2017, Novra's financial assets of $3.6 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, accounts receivable and notes 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:

	2017	2016
Cash	**$ 1,805**	$ 1,265
Restricted non-redeemable GIC	**200**	200
Trade receivables	**1,459**	2,727
Notes receivable	**-**	134
	$ 3,464	$ 4,326

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 includes the following at December 31st:

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

		2017		2016
Trade accounts receivable	$	1,487	$	2,756
Less: allowance for doubtful accounts		(28)		(29)
Net trade accounts receivable		1,459		2,727
Tax credits and grants receivable		19		12
VAT/HST and other receivables		61		65
Total trade and other receivables	$	1,539	$	2,804

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

			2017		2016
Current		$	922	$	2,262
Past due:	Less than 30 days		141		13
	31-60		15		12
	61-90		367		212
	Greater than 90 days		14		228
		$	1,459	$	2,727

At December 31, 2017, four customers accounted for 68% of the total trade receivables. At December 31, 2016, three customers accounted for 80% of the total trade receivables, one of them being Wegener with 22% (see Note 4a).

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

		2017		2016
Start of the year	$	29	$	-
Provision for impairment		(1)		29
Receivables written off during the year as uncollectable		(1)		-
Provision reversed due to subsequent collections		-		-
End of year	$	27	$	29

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.

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

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:

	2017		2016	
Borrowings (drawn)	**$**	**2,512**	$	2,571
Promissory notes from related party		**1,017**		1,172
Convertible note from related party		**-**		285
Shareholders' equity		**2,150**		806
Total capital resources	**$**	**5,679**	$	4,834

7. Inventories

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

	2017		2016	
Finished goods	**$**	**823**	$	1,310
Raw materials		**1,977**		2,127
Work-in-progress		**223**		43
Provision		**(1,213)**		(1,321)
	$	**1,810**	$	2,159

The cost of inventories charged to cost of sales in 2017 was $3.6 million (2016 - $2.3 million), including an impairment recovery $7 thousand in 2017 as a result of selling previously impaired slow-moving and obsolete inventory (2016 - $81 thousand impairment charge).

8. Notes Receivable

During 2014, we entered an unsecured promissory note of $100 thousand USD with Wegener Communications Inc. (see Note 4). This note was originally due on September 23, 2015 and was further extended to December 31, 2017. The promissory note with Wegener was unsecured and bears interest at 4% per annum.

As a result of the Wegener Acquisition, we no longer include this promissory note in our Consolidated Statements Financial Position as it is eliminated on consolidation.

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

9. 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, 2017	Loans 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	$ 1,805	$ -	$ -	**$ 1,805**				**$ 1,805**
Restricted non-redeemable GIC	200	-	-	**200**				**200**
Trade and other receivables	1,539	-	-	**1,539**				**1,539**
Notes receivable	-	-	-	**-**				**-**
Prepayments and other:	59	-	-	**59**				**59**
Current tax receivable	2	-	-	**2**				**2**
Total current financial assets	3,605	-	-	**3,605**	-	-	-	**3,605**
Non-current financial assets:	-	-	-	**-**				**-**
Total financial assets	**$ 3,605**	**$ -**	**$ -**	**$ 3,605**	**$ -**	**$ -**	**$ -**	**$ 3,605**
Financial liabilities not measured at fair value:								
Current financial liabilities:								
Trade and other payables	$ -	$ 765	$ -	**$ 765**				**$ 765**
Borrowings	-	109	-	**109**				**109**
Customer deposits	-	259	-	**259**				**259**
Advances from related parties	-	418	-	**418**				**418**
Promissory notes from related party	-	736	-	**736**				**736**
Total current financial liabilities	-	2,287	-	**2,287**	-	-	-	**2,287**
Non-current financial liabilities:								
Borrowings	-	2,403	-	**2,403**				**2,369**
Promissory notes from related party	-	281	-	**281**				**236**
Total non-current financial liabilities	-	2,684	-	**2,684**	-	-	-	**2,605**
Total financial liabilities	**$ -**	**$ 4,971**	**$ -**	**$ 4,971**	**$ -**	**$ -**	**$ -**	**$ 4,892**

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

	Carrying Amount				Fair Value			
At December 31, 2016	Loans 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	$ -	$ -	$ 32	$ 32	$ -	$ 32	$ -	$ 32
Financial assets not measured at fair value:								
Current financial assets:								
Cash	$ 1,265	$ -	$ -	$ 1,265				$ 1,265
Restricted non-redeemable GIC	200	-	-	200				200
Trade and other receivables	2,804	-	-	2,804				2,804
Notes receivable	134	-	-	134				134
Prepayments(deposits only)	472			472				472
Current tax receivable	4	-	-	4				4
Total current financial assets	4,879	-	32	4,911	-	32	-	4,911
Non-current financial assets:	-	-	-	-				-
Total financial assets	**$ 4,879**	**$ -**	**$ 32**	**$ 4,911**	**$ -**	**$ 32**	**$ -**	**$ 4,911**
Financial liabilities not measured at fair value:								
Current financial liabilities:								
Trade and other payables	$ -	$ 634	$ -	$ 634				$ 634
Borrowings	-	2,130	-	2,130				2,130
Loan payable	-	104	-	104				104
Customer deposits	-	119	-	119				119
Advances from related parties	-	371	-	371				371
Promissory notes from related party	-	531	-	531				531
Total current financial liabilities	-	3,889	-	3,889	-	-	-	3,889
Non-current financial liabilities:								
Loan payable	-	273	-	273				273
Promissory notes from related party	-	641	-	641				558
Convertible note	-	285	-	285				285
Repayable government contribution	-	64	-	64				58
Total non-current financial liabilities	-	1,263	-	1,263	-	-	-	1,174
Total financial liabilities	**$ -**	**$ 5,152**	**$ -**	**$ 5,152**	**$ -**	**$ -**	**$ -**	**$ 5,063**

Financial instruments measured at fair value

We estimated the fair value of Novra's derivative financial instrument by using the Black-Scholes Option Pricing model. Refer to Note 9 for significant inputs used in this valuation model. Due to the use of significant observable market inputs in this valuation model, the fair value of the Wegener options is classified as Level 2 within the fair value measurement hierarchy.

Financial instruments not measured at fair value

The carrying amounts of trade and other receivables, note receivable, 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 13 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:* While the Canadian interest environment has increased in 2017 vs. 2016, Novra's credit worthiness has improved due to stronger balance sheet and operating performance. Accordingly, the overall financing cost would not have changed significantly at December 31, 2017, 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.

- *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, 2017.

- *Convertible note:* This financial instrument was issued on December 1, 2016 (see Note 22(e)) and was initially recorded at fair value based on the use of a discounted cash flow model, with the discount rate based on the market yield for a high yield bond index fund. There was no significant change in the market yield for the same high yield bond index fund at December 31, 2016 and therefore the estimated fair value of the convertible note approximates its carrying value.

10. Derivative Financial Instrument

On September 16, 2013, we entered a strategic agreement with Wegener Corporation ("Wegener"), a publicly traded US based communications technology company, in which we agreed to acquire Wegener subject to due diligence and restructuring (see Note 4(a)).

As part of this strategic agreement, we agreed to become a low margin supplier to Wegener's subsidiary, Wegener Communications Inc., in return for receiving 15 million stock options to purchase Wegener common shares at $0.03 USD each ("Wegener options"), for a total consideration of $450 thousand USD. This stock option agreement was set to expire on September 30, 2014 but was subsequently extended to March 31, 2018. We initially recorded the Wegener options at fair value in the amount of $257 thousand, using the Black-Scholes option pricing model. These options were revalued at each reporting date, with the change reported as unrealized loss on Wegener options in the Consolidated Statements of Operations and Comprehensive Income (Loss).

As a result of the Wegener Acquisition, we wrote-off the remaining carrying value of the Wegener options at December 31, 2017.

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

11. Equipment

The following is a breakdown of the total carrying value of equipment at December 31, 2017.

	Machinery and testing equipment	Computer equipment	Furniture and fixtures	Total
Cost				
January 1, 2017	$ 343	$ 31	$ 30	**$ 404**
Additions	1	-	-	**1**
Acquired from Wegener (see Note 4 (a))	40	10	-	**50**
Disposals	-	-	-	**-**
December 31, 2017	$ 384	$ 41	$ 30	**$ 455**
Accumulated Amortization				
January 1, 2017	$ 166	$ 14	$ 21	**$ 201**
Amortization	52	11	4	**67**
Disposals	-	-	-	**-**
December 31, 2017	$ 218	$ 25	$ 25	**$ 268**
Net carrying values	**$ 166**	**$ 16**	**$ 5**	**$ 187**

The following is a breakdown of the total carrying value of equipment at December 31, 2016.

	Machinery and testing equipment	Computer equipment	Furniture and fixtures	Total
Cost				
January 1, 2016	$ 248	$ 102	$ 35	$ 385
Additions	73	-	-	73
Acquired from IDC (see Note 4(b))	116	17	10	143
Disposals	(94)	(88)	(15)	(197)
December 31, 2016	$ 343	$ 31	$ 30	$ 404
Accumulated Amortization				
January 1, 2016	$ 231	$ 95	$ 33	$ 359
Amortization	19	6	2	27
Disposals	(84)	(87)	(14)	(185)
December 31, 2016	$ 166	$ 14	$ 21	$ 201
Net carrying values	$ 177	$ 17	$ 9	$ 203

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

12. Intangible Assets

The following is a breakdown of the carrying value of the total intangible assets at December 31, 2017.

	Acquired Technology	Customer Relationships	Total
Cost			
January 1, 2017	$ 940	$ -	**$ 940**
Acquired from Wegener (see Note 4(a))	871	2,000	**2,871**
December 31, 2017	$ 1,811	$ 2,000	**$ 3,811**
Accumulated Amortization			
Amortization period	*3 - 5 years*	*5 years*	
January 1, 2017	$ 170	$ -	**$ 170**
Amortization for the year	313	-	**313**
December 31, 2017	$ 483	$ -	**$ 483**
Net carrying values	**$ 1,328**	**$ 2,000**	**$ 3,328**

The following is a breakdown of the carrying value of the total intangible assets at December 31, 2016.

	Acquired Technology
Cost	
January 1, 2016	$ -
Acquired from IDC (see Note 4(b))	940
December 31, 2016	$ 940
Accumulated Amortization	
Amortization period	*3 years*
January 1, 2016	$ -
Amortization for the year	170
December 31, 2016	$ 170
Net carrying value	$ 770

The amortization of the acquired technology was recorded as part of our R&D expenses in the Consolidated Statements of Operations for 2017 and 2016.

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

13. Borrowings

The following is a breakdown of our total borrowings with third parties at December 31st:

	2017	2016
Bank borrowings	**$ -**	$ 2,130
Revolving line of credit with the Chymiak Trust	**2,054**	-
Crocus loan	**273**	377
WEDC repayable contribution	**185**	64
Total borrowings	**2,512**	2,571
Less: current portion	**(109)**	(2,234)
Total borrowings - noncurrent	**$ 2,403**	$ 337

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 September 2016. 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). Further, we have entered a cash collateral agreement in which we assigned $200 thousand non-redeemable GIC in favor of RBC.

The following is a breakdown of the RBC Credit Facilities:

Revolving Demand Facility:

A revolving demand facility up to $350 thousand, which is margined based on 75% of unencumbered accounts receivable that are less than 90 days outstanding, excluding inter-company receivables, plus 50% of unencumbered inventories up to a maximum of $150 thousand.

Pre-Shipment Financing:

i) Revolving Demand Facility: Up to $495 thousand to finance eligible pre-shipment costs in relation to multiple export contracts as insured by EDC.

ii) Non-Revolving Demand Facility: Up to $1.45 million USD to finance 90% of eligible pre-shipment costs in connection with a large radio network contract awarded to Novra in July 2016. The borrowings are repayable in full on or before April 30, 2017, subject to repayments equal to any advance or partial repayment received from our customer.

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

The following table shows the movement for the above credit facilities during 2017:

	Balance at January 1 2017	Additional Borrowings	Interest	Foreign Exchange	Repayments	Balance at December 31 2017	Interest Rate	Maturity
Revolving Demand Facility (for general use)	$ 300	$ 80	$ 1	$ -	$ (381)	**$ -**	Royal Bank Prime + 0.50%	None; Due on demand
Revolving Demand Facility (for pre-shipment financing)	368	-	2	-	(370)	-	Royal Bank Prime + 0.75%	None; Due on demand
Non-Revolving Demand Facility (for pre-shipment financing of a large contract)	1,462	-	9	(20)	(1,451)	-	Royal Bank US Base Rate + 1.05%	Terminated during Q1 2017
	$ 2,130	$ 80	$ 12	$ (20)	$ (2,202)	**$ -**		

Credit Card:

We also have corporate Visa credit cards available for use up to a maximum limit of $41 thousand in Canadian currency and US currency. At December 31, 2017, our Visa credit card liability was nil (2016- nil).

Foreign Exchange Forward Contracts:

We may also enter foreign exchange forward contracts with RBC, up to a predetermined notional amount which varies based on the use of the above credit facilities. Refer to Note 9.

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 Financial Position at December 31, 2017, 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, 2017.

The loan facility provides a maximum credit limit of US$1,328 million excluding any accrued unpaid interest and bears interest at 8% per annum. Additional borrowings are at the sole discretion of the Trust. All principal and interest shall be payable in U.S. dollars or, upon mutual agreement of the parties decided in good faith at the time payment is due, other good and valuable consideration. 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.

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

Immediately prior to the entering a term sheet with Wegener to acquire a 51.6% acquisition on November 27, 2017 (see Note 4), $1,712 remained outstanding under the loan facility and $2,867 in accrued and unpaid interest.

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 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.
   - The interest rate shall be revised to the current U.S. Prime Rate + 2% and accrued quarterly.

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 Financial Position at December 31, 2017.
   - 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, 2017, the remaining principal of the Crocus loan will be repaid as follows:

2018	$	109
2019		114
2020		50
	$	273

Crocus also holds 3,666,660 common shares of Novra or approximately 11% of total issued and outstanding common shares at December 31, 2017, excluding the 2,000,000 common shares held by Wegener as part the 51% acquisition.

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

d) WEDC repayable contribution

On June 5, 2015, Novra entered a contribution agreement with Western Economic Diversification ("WEDC"). Under this agreement, Novra is eligible to receive a repayable contribution not exceeding $447.5 thousand towards the commercialization of two new innovative technology-based products.

On February 23, 2017, the WEDC contribution agreement was amended to delay the repayment of the WEDC contributions by one year such that the 59 consecutive monthly installments of $7.4 thousand and one final instalment of $10.9 thousand, assuming all $447.5 thousand in potential contributions are collected, shall commence on April 1, 2019 and end on March 1, 2024. Further the amount of funding by WEDC may not exceed the following amounts in WEDC's fiscal year ending March 31st:

Year	Amount
2016	$64
2017	$150
2018	$233

The contributions are subject to interest at the average bank rate plus 3% if any payments are late.

During 2017 we received $120 thousand from WEDC (2016 - $64).

14. 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 2017 and 2016.

	2017	2016
At January 1st	**$ 56**	**$ -**
Assumption of Wegener's product warranty provision (see Note 4(a))	**28**	-
Assumption of IDC's product warranty provision (see Note 4(b))	**-**	53
Additional provision	**20**	20
Payments during the year	**(26)**	(17)
At December 31st	**$ 78**	$ 56

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

15. 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:

		2017	2016
Authorized:			
Unlimited	Class "A" Common voting shares		
Unlimited	Class "B" Common non-voting shares		
Unlimited	Class "C" Preferred shares, redeemable and retractable at $1,000		
Issued:			
33,308,312 (2016: 29,077,435)			
Class "A" common voting shares		**$ 7,355**	$ 6,778

In 2017, we issued 4,230,877 shares due to the following events:

- 1,706,877 warrants were exercised at $0.12 each. All remaining outstanding warrants have expired on June 15, 2017.
- IMT elected to convert its $300,000 convertible note for 2,500,000 common shares of Novra at $0.12 each (see Note 22(e)).
- 24,000 options were exercised at $0.12 each by one director during the third quarter.

In 2016, we issued 6,689,342 common shares with a value of $721 thousand as part of the merger with IDC, net of $15 thousand of related issuance costs (see Note 4).

b) Warrants

On June 15, 2016, 13,336,145 warrants with a value of $455 thousand were issued as part of the merger with IDC (see Note 4) and are reported under contributed surplus in the Consolidated Statements of Changes in Shareholders' Equity. The warrants provided the right to purchase one common share at $0.12 each. The warrants were valued on the issuance date using the Black-Scholes pricing model based on the following key inputs:

Expected life	1 year
Volatility	86%
Risk free interest rate	0.59%
Dividend yield	Nil
Closing stock price	$0.11
Exercise price of warrant	$0.12

In 2017, 1,706,877 warrants were exercised at $0.12 each. All remaining outstanding warrants have expired on June 15, 2017, one year after their issuance on June 15, 2016.

In 2016, 100 warrants were exercised.

c) 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 1,500,000 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.

In connection with the employment agreement entered with the CFO during the second quarter of 2017, the Board of Directors approved the grant of 300,000 stock options, exercisable at $0.12 each and subject to a five-year vesting period starting with 20% on December 31, 2017, and 20% annually thereafter.

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 2017:

	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	-	$ -
Granted	1,800,000	$ 0.12
Exercised	(24,000)	$ 0.12
Forfeited	(32,000)	$ 0.12
Expired	(4,000)	$ 0.12
Outstanding, end of year	1,740,000	$ 0.12

At December 31, 2017, the remaining stock option pool for future grants was 1,160,000.

The following table summarizes information about the stock options outstanding at December 31, 2017:

# of Options Outstanding	Grant Date	Expiry Date	Fair Value at Grant Date	# of Options Exercisable	Exercise Price
1,440,000	11-May-17	10-May-24	$ 0.07	564,000	$ 0.12
300,000	28-Jun-17	28-Jun-24	$ 0.06	60,000	$ 0.12
1,740,000				624,000	

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	28-Jun-17
Expected life, in years	3.5 years	3.5 years
Volatility	80%	85%
Risk free interest rate	0.60%	0.94%
Anticipated forfeiture	0 to 10%	0%
Dividend yield	0%	0%
Closing stock price at grant date	0.13	0.11

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

16. 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.

	2017	2016
Net income (loss)	$ 779	$ (796)
Weighted average number of common shares	31,491	26,043
Basic EPS	$ 0.02	$ (0.03)

b) Diluted EPS

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

	2017	2016
Net income (loss)	$ 779	$ (796)
Weighted average number of common shares:		
Weighted average number of common shares	31,491	26,043
Adjustment for:		
- Stock options	54	-
Weighted average number of common shares for diluted EPS	31,545	26,043
Diluted EPS	$ 0.02	$ (0.03)

For the year ended December 31, 2017, 1,116,000 options were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

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

17. 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 (see Note 19(d)).

	2017	2016
R&D expenses	$ 1,817	$ 1,294
Investment tax credits	(14)	(4)
R&D expenses, net	$ 1,803	$ 1,290

18. Finance Income and Finance Costs

a) Finance income

The following table provides a breakdown of total finance income.

	2017	2016
Interest income:		
- Note receivable	$ 5	$ 5
- Restricted non-redeemable GIC	2	2
	$ 7	$ 7

b) Finance costs

The following table provides a breakdown of total finance costs.

	2017	2016
Interest expense:		
- Unsecured promissory notes (see Note 22(d))	$ 57	$ 58
- Crocus loan (see Note 13)	16	20
- Convertible note (see Note 22(e))	13	3
- Bank borrowings (see Note 13)	12	29
Fees on bank borrowings and promissory notes	11	34
	$ 109	$ 144

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

19. 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:

	2017	2016
Income (loss) before income taxes	**$ 778**	$ (796)
Statutory income tax rate	**27.0%**	27.0%
Tax provision based on combined Canadian federal and provincial rates	**210**	(215)
Increase (decrease) resulting from:		
Origination and reversal of temporary differences	**79**	189
Non-deductible amounts and other permanent differences	**27**	41
Income tax rate difference	**(10)**	(3)
Utilization of tax credits	**(648)**	(107)
Other	**342**	95
Income tax recovery (expense)	**$ -**	$ -
Effective income tax rate	**0.0%**	0.0%

b) Investment Tax Credits

At December 31, 2017, Novra's federal and provincial investment tax credits ("ITCs") available to reduce future Canadian federal and provincial taxes payable were $5.2 million and $0.5 million respectively.

The ITCs will expire as follows:

	Federal ITCs	**Provincial ITCs**
2018	$ -	$ -
2019	162	-
2020	118	-
2021	42	-
2022 and after	4,970	505
Total	**$ 5,292**	**$ 505**

c) Loss Carry Forwards

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 $26.8 million.

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

Further, at December 31, 2017, Novra has approximately $10.2 million of cumulative net operating losses that can be carried forward over 20 years, which will begin to expire in 2027.

d) Unrecognized net deferred tax assets

The tax effect of the temporary differences that give rise to unrecognized net deferred tax assets at December 31st are presented below:

	2017	2016
SR&ED pool	$ 7,089	$ 7,068
Investment tax credits	4,418	4,733
Non-capital loss carry forwards	2,725	2,584
Net capital loss carry forwards	-	-
Eligible capital property	312	266
Capital assets	203	184
Other	(190)	(227)
Unrecognized net deferred tax assets	**$ 14,557**	14,608

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.

20. Segmented Information

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

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

	2017	2016
Americas ex-Canada (1)	**$ 4,822**	$ 2,383
Canada	**2,994**	1,773
EMEA (2)	**1,213**	368
APAC (3)	**504**	518
	$ 9,533	$ 5,042

(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.

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

For 2017, two customers accounted for more than 10% of Novra's total revenues each, at a combined total of 40% (2016– three customers accounted for 48%).

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

	2017	2016
Canada	$ 136	$ 203
United States	50	
	$ 186	$ 203

21. Supplemental Cash Flow and Other Disclosures

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

	2017	2016
Trade and other receivables	$ 912	$ (1,716)
Inventories	1,089	(801)
Notes receivable	-	122
Current tax assets	2	-
Prepayments and other	390	(375)
Amounts payable including advances	(523)	998
Customer deposits	(19)	(7)
Deferred revenue	(572)	511
Warranty provision	(6)	3
Total	$ 1,273	$ (1,265)

Non-cash transactions in 2017:

- The issue of Novra's common shares as consideration for the acquisition of Wegener (see Note 4(a)), which these were eliminated on consolidation.

Non-cash transactions in 2016:

- The issue of Novra's common shares and warrants as consideration for the acquisition of IDC (see Note 4(b)).
- The transfer of $181 thousand from amount payable to unsecured promissory note from IMT (see Note 22(d))
- The issue of $300 thousand convertible note for the partial settlement of unsecured promissory note from IMT (see Note 22(e)).

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

22. 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 18% (President & CEO has direct and indirect ownership of 16%) of the total outstanding and issued common shares of Novra at December 31, 2017.

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

	2017	2016
Salaries and employee benefits	**$ 346**	$ 280
Share-based compensation	**32**	-
Directors' fees	**8**	8
Total	**$ 386**	$ 288

b) Transactions with other related parties

	2017	2016
Sale of goods and services		
InfoMagnetics Technologies Inc.("IMT") (1)	**$ (7)**	$ (6)
Purchase of goods and services		
InfoMagnetics Technologies Inc.("IMT") (1)	**-**	14
The Exchange Global Server Centre Inc. (2)	**9**	9
Interest on unsecured promissory notes		
IMT	**57**	58
Interest on convertible note		
IMT	**13**	3
	$ 72	$ 78

(1) Novra's President & CEO has a controlling interest in IMT.
(2) 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, 2017	December 31, 2016
Key management and directors (see part (a))	**351**	351
IMT	**66**	20
The Exchange Global Server Centre Inc.	**1**	-
	$ 418	$ 371

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

At December 31, 2017, $316 thousand (2016: $325 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 (1)	4% Fixed $381k	2017	2016
At January 1	$ 263	$ 513	$ 396	**$ 1,172**	$ 253
Loans received	-	-	-	**-**	1,063
Transfer from advances	-	-	-	**-**	181
Partial settlement via convertible note (see part (d))	-	-	-	**-**	(300)
Loan repayments	-	(112)	-	**(112)**	(45)
Foreign exchange movement	-	(28)	-	**(28)**	(25)
Interest charged	10	32	15	**57**	58
Interest paid	-	(50)	(22)	**(72)**	(13)
At December 31	$ 273	$ 355	$ 389	**$ 1,017**	$ 1,172
Maturity Dates:	Jan 2, 2018	Nov 1, 2022	Dec 31, 2018		

The following table shows the presentation of the above total IMT loans on Novra's Consolidated Statements of Financial Position at 2017 and 2016:

	2017	2016
Current portion	**$ 736**	$ 531
Non-current portion	**281**	641
Total	**$ 1,017**	$ 1,172

The following is a summary of loan transactions with IMT during 2017 and 2016.

- 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 further extended to August 31, 2016 and December 1, 2016. On November 28, 2016, both parties agreed to further extend the maturity date to January 2, 2018 and maintain the fixed interest rate of 4% per annum (see Note 25(a)). As of December 31, 2017, the remaining balance of the promissory note plus accrued interest was $273 thousand (2016 - $263 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, 5.05% at December 31, 2016, and 5.80% at December 31, 2017. As of December 31, 2017, the remaining balance of the promissory note plus accrued interest was $283 thousand USD(2016 - $382 thousand USD).

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

- On June 9, 2016, Novra entered a $681 thousand unsecured promissory, in exchange for receiving cash of $500 thousand and a credit note of $181 thousand against the amount payable to IMT. The cash proceeds were used to fund the acquisition of IDC (see Note 4). This note bears interest at 4% per annum and matured on December 1, 2016. As disclosed in part (e) of this note, $300 thousand was settled as part of issuing a convertible note to IMT on December 1, 2016. Further, Novra and IMT have agreed to further extend the maturity date for the remaining balance to June 30, 2017 and maintain the fixed interest rate of 4% per annum. 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. The unsecured promissory note dated June 30, 2017, bears interest at 4% per annum and will mature on December 31, 2018. At December 31, 2017, the remaining balance of the unsecured promissory note plus accrued interest was $389 thousand (2016 - $395 thousand).

e) Convertible Note due to IMT:

	December 31, 2017	December 31, 2016
Issuance of convertible note to IMT	**$ 300**	$ 300
Amount reclassed as equity	**(18)**	(18)
Unwind discount adjustment	**15**	3
Payment of interest	**(6)**	-
Conversion of note to common shares	**(291)**	-
Carrying value of convertible note	**$ -**	$ 285

On November 28, 2016, Novra's Board of Directors approved to enter a $300 thousand unsecured convertible promissory note ("Convertible Note") with IMT effective December 1, 2016, as partial settlement of the $681 thousand unsecured promissory note. Under this Convertible Note, IMT may at its sole discretion elect to partially or fully convert the debt to Novra's equity at a conversion rate of $0.12 per Novra's common share. Such conversion may take place anytime after June 15, 2017 and if fully converted would result in the issuance of 2,500,000 common shares or 8.6% of total outstanding common shares at December 31, 2016. The Convertible Note bears a fixed interest rate of 4% per annum and matures on January 2, 2018.

In accordance with IFRS (see Note 2), we have recorded the estimated fair value of the equity component (i.e. call option feature) of the Convertible Note as part of contributed surplus in Novra's shareholders' equity, which amounted to $18 thousand. At December 31, 2016, the carrying value of the Convertible Note, including accrued interest, was $285 thousand.

On June 16, 2017, IMT elected to fully convert its convertible note to 2,500,000 common shares of Novra (see Note 15(a)).

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

23. Operating Expenditures

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

2017	**General and administrative**	**Sales and marketing**	**Research and development**	**Total**
Personnel expenditures	$ 493	$ 884	$ 1,192	$ 2,569
Other operating expenditures	278	390	276	944
Depreciation and amortization	2	3	335	340
	$ 773	**$ 1,277**	**$ 1,803**	**$ 3,853**

2016	General and administrative	Sales and marketing	Research and development	Total
Personnel expenditures	$ 348	$ 334	$ 921	$ 1,603
Other operating expenditures	534	256	184	974
Depreciation and amortization	1	2	185	188
	$ 883	$ 592	$ 1,290	$ 2,765

24. Commitments and Contingent Liabilities

a) Lease commitments

We lease office space for our head office and subsidiaries. We had no significant operating leases for equipment. At December 31, 2017, Novra's future minimum payments under non-cancellable operating leases were as follows:

2018	615
2019	482
2020	122
2021	129
2022 and thereafter	140
Total	**$ 1,488**

The above table reflects a new lease agreement for our head office executed in November 2017, commencing on February 1, 2018 for a five term. As IMT and Novra are joint tenants for this new lease (i.e. sharing the floor space), we have included the full lease payment in the above table, reflecting the joint liability exposure. However, we expect that IMT will cover at least 50% of the monthly lease payments.

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, 2017, we had $207 thousand of purchase commitments of which $69 thousand is due within one year. At December 31, 2016, we had $498 thousand of purchase commitments of which $477 thousand is due within one year.

25. Subsequent Events

a) Unsecured Promissory Note with IMT

On January 2, 2018, we entered a new $250 thousand unsecured promissory note with IMT ("Unsecured IMT Note") to replace the matured $250 thousand unsecured promissory note. During the first quarter of 2018, we have paid the accrued interest of $23 thousand on the matured note. The Unsecured IMT Note bears interest at the Bank of Canada prime rate plus 4% per annum, compounded quarterly, and is due on demand.

b) CEO 2018 Remuneration and Performance Bonus

On February 9, 2018, we announced that our Board of Directors approved to set the CEO's annual base salary to $200 thousand for 2018 as well as a $1.3 million performance bonus in the event any one of the following events are triggered:

1) Termination of the CEO's employment.
2) Change of control as defined by TSX Policy 1.1.
3) Change of management as defined by TSX Policy 1.1.
4) Any shareholder or group of shareholders operating in tandem acquiring 20% or more of Novra's voting shares.
5) Any action that the Board deems hostile takeover of Novra.
6) Any action that the Board deems as a hostile action to control the Board.
7) Novra being acquired by another company.
8) Market capitalization reaches $10 million.

At his sole discretion, the CEO has the option to receive the performance bonus in any one or combination of the following three forms:

- Accrued liability, in which case the performance bonus may not be immediately paid out.
- Immediate payment.
- Any part of the bonus can be converted to Novra shares, at a value of the current market price less a 25% discount, subject to TSX approval. This option is not available if the trigger condition is #7 above.

c) Material Digital Signage Network with a Major U.S. National Bank

On February 20, 2018, we announced that we won a large order for our digital signage solution, entailing shipment of 1,700 S300 DVB-S2 satellite receivers for a national in-branch signage network, which delivers content to approximately 2,000 bank locations across the United States. The majority of this order was shipped during the first quarter of 2018 and will account for more than 10% of our total revenue for the quarter.

d) Major Radio Orders

During the first quarter of 2018, we won two orders from a major international broadcaster for a combined value of $3.2 million. The orders are for an ongoing network upgrade as well as a technology refresh of satellite uplink infrastructure. Both orders are scheduled for delivery in the third and fourth quarter of 2018.