FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Date of Report August 14, 1998

NOVATEL INC.

Commission File No. 0-29004

1120 - 68th Avenue N.E., Calgary, Alberta, Canada T2E 8S5
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ✓ Form 40-F_____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes_____ No ✓

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-N/A.

A copy of the Registrant's Quarterly Report (including financial statements) for the three and six months ended July 4, 1998 is furnished herewith and is incorporated by reference into the following Registration Statements:

Registration Statement on Form S-8 #333-6500
Registration Statement on Form S-8 #333-6502
Registration Statement on Form S-8 #333-9216

As of August 14, 1998, there were 7,674,040 Common Shares outstanding.

This Report Consists of 24 Sequentially Numbered Pages

Exhibit Index Appears on Page 4

EXHIBITS

The following exhibit is filed as part of this Form 6-K:

(1) the Quarterly Report (including financial statements) of NovAtel Inc. for the three and six months ended July 4, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOVATEL INC.

Date: August 14, 1998

By: /s/ WERNER GARTNER
Name: Werner Gartner
Title: Executive Vice President and Chief Financial Officer

EXHIBITS

Exhibit No.	Document	Page No.
1.	the Quarterly Report (including financial statements) of NovAtel Inc. for the three and six months ended July 4, 1998.	5

NOVATEL INC.

Quarterly Report

For the Three and Six Months Ended July 4, 1998

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The dollar amounts presented in this Quarterly Report are in Canadian currency unless otherwise noted (CDN $1 = US $0.6605 on August 4, 1998), and are presented in accordance with accounting principles generally accepted in Canada. To the Company's knowledge there is no material difference between Canadian and U.S. generally accepted accounting principles ("GAAP") which would bear upon its financial statements and, more particularly, income applicable to equity share and retained earnings, except as disclosed in Note 24 of Notes to Consolidated Financial Statements for the fiscal year end December 31, 1997 filed as part of Form 20-F with the Securities and Exchange Commission and in Note 9 of Notes to Consolidated Financial Statements contained in this report.

Certain statements in this report constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company's industry, to differ materially from the anticipated results, performance or achievements expressed or implied by such forward looking statements. Such factors include, but are not limited to, certification and market acceptance of the Company's new products, impact and timing of large orders, pricing pressures in the market and other competitive factors and maintaining technological leadership, together with the other risks and uncertainties described in Management's Discussion and Analysis of Financial Condition and Results of Operations herein and in the Company's other filings with the United States Securities and Exchange Commission.

CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands)

	July 4, 1998	December 31, 1997
ASSETS (Note 1)		
Current assets:		
Cash and term deposits	$ 6,004	$10,732
Accounts receivable	7,328	4,892
Inventories (Note 2)	2,220	2,066
Prepaid expenses and deposits	702	131
Total current assets	16,254	17,821
Capital assets	11,683	10,610
Intangible assets (Note 7)	3,639	3,948
Deferred development costs (Note 3)	123	---
Total assets	$31,699	$32,379
LIABILITIES AND SHAREHOLDERS' EQUITY (Note 1)		
Current liabilities:		
Accounts payable and accrued liabilities	$5,461	$7,246
Provision for future warranty costs	97	60
Deferred gain on sale/leaseback of capital assets – current portion	42	---
Capital lease obligation – current portion (Note 6)	338	---
Total current liabilities	5,938	7,306
Deferred gain on sale/leaseback of capital assets – long term portion	101	---
Capital lease obligation – long term portion (Note 6)	1,101	---
Total liabilities	7,140	7,306
Shareholders' equity:		
Capital stock (Note 4)	35,602	35,559
Deficit	(11,043)	(10,486)
Total shareholders’ equity	24,559	25,073
Total liabilities and shareholders’ equity	$31,699	$32,379

See accompanying notes to the consolidated financial statements.

NOVATEL INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Revenues				
Product sales	$ 5,705	$ 6,585	$10,418	$11,988
NRE fees	39	74	91	77
Total revenues	5,744	6,659	10,509	12,065
Cost of sales				
Cost of product sales	2,351	1,905	4,617	3,694
Cost of NRE	16	28	41	30
Total cost of sales	2,367	1,933	4,658	3,724
Gross profit	3,377	4,726	5,851	8,341
Operating expenses:				
Research and development	2,098	1,465	3,987	2,865
Selling and marketing	1,027	766	1,988	1,511
General and administration	955	975	1,824	1,802
Total operating expenses	4,080	3,206	7,799	6,178
Operating income (loss)	(703)	1,520	(1,948)	2,163
Interest income	66	66	125	73
Other income	27	25	39	75
Income (loss) from continuing operations	(610)	1,611	(1,784)	2,311
Income from discontinued operations (Note 8)	7	5	1,227	33
Income (loss)	$ (603)	$ 1,616	$ (557)	$ 2,344
Income (loss) per share (basic) (Note 9)				
Continuing operations	$(0.08)	$ 0.21	$(0.23)	$ 0.32
Discontinued operations	0.00	0.00	0.16	0.01
Income (loss) per share	$(0.08)	$ 0.21	$(0.07)	$ 0.33
Weighted average shares outstanding (basic) (Note 4)	7,674	7,670	7,673	7,159
Income (loss) per share (fully diluted) (Note 9)				
Continuing operations	$(0.08)	$ 0.20	$(0.23)	$ 0.31
Discontinued operations	0.00	0.00	0.16	0.01
Income (loss) per share	$ (0.08)	$ 0.20	$(0.07)	$ 0.32
Weighted average shares outstanding (fully diluted) (Note 4)	8,633	8,331	8,623	7,668

See accompanying notes to the consolidated financial statements.

NOVATEL INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited, in thousands)

	Common Shares			Total Shareholders'
	Number	**Amount**	**Deficit**	**Equity**
Balance December 31, 1997...	7,670	$35,559	$(10,486)	$25,073
Common Shares issued..........	4	43	---	43
Loss......................................	---	---	(557)	(557)
Balance July 4, 1998.............	7,674	$35,602	$ (11,043)	$24,559

See accompanying notes to the consolidated financial statements.

NOVATEL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Six Months Ended July 4, 1998	Six Months Ended June 28, 1997
Operating activities:		
Income (loss) from continuing operations	$ (1,784)	$ 2,311
Income from discontinued operations	1,227	33
Add charges and credits to operations not involving an outlay of cash:		
Amortization	1,123	608
(Gain)/loss on disposal of capital assets	(186)	243
Deferred gain on sale/leaseback of capital assets.	143	---
Gain on sale of equity investment in NovAtel Wireless, Inc.	---	(483)
Net change in non-cash working capital related to operations (Note 5)	(4,909)	(5,630)
Cash used in operating activities	(4,386)	(2,918)
Financing activities:		
Proceeds from initial public offering	---	22,050
Issuance of shares (Note 4)	43	---
Decrease in bank advances	---	(9,610)
Increase (decrease) in capital lease obligations	1,439	(31)
Decrease in deferred charges	---	707
Decrease in mortgage payable	---	(88)
Cash provided by financing activities	1,482	13,028
(Decrease) increase in cash before investing activities	(2,904)	10,110
Investing activities:		
Purchase of capital and intangible assets	(3,406)	(6,312)
Proceeds on disposal of capital assets	1,705	355
Proceeds on divestitures.	---	483
Deferred development costs.	(123)	---
Cash used in investing activities	(1,824)	(5,474)
(Decrease) increase in cash and term deposits	(4,728)	4,636
Cash and term deposits, beginning of period	10,732	61
Cash and term deposits, end of period	$ 6,004	$ 4,697
Cash and term deposits consisted of:		
Cash	$ 1,504	$ 1,697
Cash equivalents (term deposits with original maturities of 90 days or less)	---	1,500
Cash and cash equivalents	1,504	3,197
Term deposits (original maturities of greater than 90 days)	4,500	1,500
	$ 6,004	$ 4,697

See accompanying notes to the consolidated financial statements

NOVATEL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited, in thousands, except per share data)

Note 1 Basis of Presentation

The consolidated financial statements for the three and six month periods ended July 4, 1998 and June 28, 1997 presented in this Quarterly Report are prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP), are stated in Canadian dollars and are unaudited. The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim period presented. The adjustments are of a normal recurring nature. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 1997 filed on Form 20-F with the Securities and Exchange Commission.

Note 2 Inventories

	July 4, 1998	December 31, 1997
Raw materials and components....	$ 745	$ 465
Work-in-progress........................	37	57
Finished goods............................	1,438	1,544
	$ 2,220	$ 2,066

Note 3 Deferred Development Costs

In the six month period ended July 4, 1998, the Company deferred $123 of development costs, related to the development of a certified aviation GPS receiver, in accordance with Canadian generally accepted accounting principles. No development costs were deferred during 1997 (see Note 9).

Note 4 Capital Stock

	July 4, 1998		December 31, 1997	
	Number Authorized	Number Issued	Number Authorized	Number Issued
Common Shares	Unlimited	7,674	Unlimited	7,670

Under the Company's Employee Stock Option Plan and Directors Stock Option Plan, the following options were outstanding as of July 4, 1998:

Option Plan	Date of Grant	Number of Options	Exercise Price (US $)	Vesting Period	% Vested per Year	Expiry Date
Employee	Feb. 7, 1997	567,280	$7.50	3 years	40/30/30	Feb. 6, 2007
Employee	July 1, 1997	95,500	$7.50	4 years	25/25/25/25	June 30, 2007
Employee	July 1, 1997	80,500 *	$7.50	4 years	25/25/25/25	June 30, 2007
Employee	Aug. 12, 1997	5,150	$7.50	3 years	40/30/30	Aug. 11, 2007
Employee	Oct. 2, 1997	7,125	$10.75	4 years	25/25/25/25	Oct. 1, 2007
Employee	Oct. 6, 1997	5,250	$11.25	4 years	25/25/25/25	Oct. 5, 2007
Employee	Jan. 19, 1998	102,071 *	$8.00	4 years	25/25/25/25	Jan. 18, 2008
Employee	Jan. 21, 1998	10,000	$8.156	3 years	36/32/32	Jan. 20, 2008
Employee	Mar. 16, 1998	5,000	$9.125	4 years	25/25/25/25	Mar. 15, 2008
		877,876				
Directors	Feb. 7, 1997	7,400	$7.50	4 years	25/25/25/25	Feb. 6, 2007
Directors	Mar. 20, 1997	42,600	$7.50	4 years	25/25/25/25	Mar. 19, 2007
Directors	May 29, 1998	40,000	$7.50	4 years	25/25/25/25	May 28, 2008
Total options		967,876				

* Conditionally granted, subject to shareholder approval (shareholder approval granted July 27, 1998).

Note 5 Consolidated Statements of Cash Flows

The net changes in non-cash working capital related to operations include:

	Six Months Ended	
	July 4, 1998	June 28, 1997
Increase in accounts receivable	$ (2,436)	$ (1,229)
(Increase) decrease in inventories	(154)	286
Increase in prepaid expenses and deposits................................	(571)	(78)
Decrease in accounts payable and accrued liabilities	(1,785)	(4,472)
(Decrease) in customer deposits..	---	(141)
Increase (decrease) in provision for future warranty costs..........	37	4
Net change in non-cash working capital related to operations	$ (4,909)	$ (5,630)

Note 6 Commitments and Contingencies

a) On January 30, 1998, the Company entered into sale/leaseback arrangements in which capital assets, comprised mainly of furniture and computer equipment, were sold to the Hongkong Bank of Canada for proceeds of $1,664 resulting in a gain of $175. At the same time, the Company entered into lease agreements with terms of between 39 and 65 months and with aggregate lease payments of $1,929. The leases are accounted for as capital leases. The gain on the original sale was deferred and will be amortized over the terms of the respective leases.

b) In April 1998, Telexel, a former major shareholder of the Company, paid approximately $5,500 to the Province of Alberta as deferred consideration for the acquisition of the Company. As a result, the Company's only continuing obligations to the Province of Alberta relate to providing information in the Company's possession that may be required to support certain litigation affecting the Company that is the responsibility of the Province of Alberta.

c) On November 3, 1995, the Company sold its Wireless Access Products division and its manufacturing operations in Calgary to Harris Canada, Inc. (Harris). The Company believes that the net gain on the divestiture is expected to be approximately $1,700, after consulting fees and restructuring costs, subject to post-closing adjustments, warranties and indemnification provisions. The purchase price is subject to an adjustment based on a post-closing audit of the balance sheet of the divested operations. Harris has claimed a purchase price adjustment of $3,320. As there can be no assurance as to how this matter will be resolved, the Company has provided for Harris' claim.

d) The Company is subject to legal proceedings and other claims which arise in the ordinary course of its business. The Company has sought legal advice on these matters. In the opinion of management, adequate provisions have been established as required; therefore the ultimate liability with respect to the resolution of these actions is not expected to materially affect the financial position or results of operations of the Company.

Note 7 Change of Control

On April 6, 1998, Telexel and Deutsche Effekten-und Wechsel-Beteilungsgesellschaft AG reached agreement to sell 4,475 shares to Canadian Marconi Company (Canadian Marconi). The transaction, which closed on April 17, 1998, gives Canadian Marconi approximately 58.3% of the outstanding common shares of the Company. The Company believes that Canadian Marconi's share acquisition will not have a material effect on the Company's financial position or reported results of operations as at July 4, 1998, with the possible exception of the following:

a) <u>Income taxes</u>

The Company has determined that Canadian Marconi's acquisition of a majority of the common shares of the Company would constitute acquisition-of-control of the Company for Canadian income tax purposes. Accordingly, the availability of certain of the Company's Canadian income tax losses, research and development costs, depreciation deductible for tax purposes, and investment tax credits may be subject to limitation. Further, the net operating loss carryforwards for U.S. tax purposes may also be subject to limitations due to the Canadian Marconi share acquisition. As the Company has not recognized the income tax benefit of the above-noted items, there would be no differences in the Company's financial position or reported results of operations for the period ended July 4, 1998, should availability of these items be subject to limitation.

b) <u>Intangible assets</u>

As at July 4, 1998, intangible assets included $1,112 related to the Company's settlement agreement with Trimble Navigation Limited (Trimble). This settlement agreement with Trimble includes a provision that Trimble may, at its sole option, terminate rights granted thereunder, including licenses, should the Company undergo a change in control. The share acquisition by Canadian Marconi Company would constitute a change of control for purposes of the settlement agreement. However, the Company has received no notice of termination from Trimble and believes that Trimble will not terminate these licenses and rights. Accordingly, the Company has determined that there has been no impairment of these intangible assets as a result of this transaction.

Note 8 Discontinued Operations

The discontinued operations include the results for the Wireless Access Products (WAP) division and its manufacturing operations and the Personal Communications Products (PCP) division. The gain from discontinued operations for the following periods is as set forth below.

	Discontinued Operations			
	Three months ended		Six months ended	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Revenues	$ ---	$ ---	$ 512	$ ---
Cost of sales	---	---	---	---
Research and development expense	---	---	---	---
Selling and marketing expense	(7)	---	(7)	---
General and administration expense	---	(5)	2	---
Other (income) expense	---	---	---	250
Income (loss) before gain on divestiture	7	5	517	(250)
Gain on divestiture	---	---	710	283
Gain from discontinued operations	$ 7	$ 5	$ 1,227	$ 33

The gain from discontinued operations of $1,227 for the six month period ended July 4, 1998 relates primarily to the sale of residual inventory, which had been held until a third party initiated production of a new product, and to the recognition of the final installment payment of US$500 due from the purchaser of the Company's former PCP division.

Note 9 Difference Between Canadian and United States Generally Accepted Accounting Principles

As described in Note 24 to the Consolidated Financial Statements for the year ended December 31, 1997, filed on Form 20-F with the Securities and Exchange Commission, there are potentially significant differences between Canadian and United States generally accepted accounting principles that may affect the financial position and results of operations reported by the Company. During the period ended July 4, 1998, there were no differences between Canadian GAAP and United States generally accepted accounting principles (U.S. GAAP) which would have a material effect on the amounts reported in the accompanying financial statements, with the exception of $123 of development costs which have been capitalized under Canadian GAAP, but which would have been expensed under U.S. GAAP.

Income (loss) per share as computed under Canadian and U.S. principles for the following periods is as set forth below:

Three Months Ended	Income (loss) per Share			
	Canadian GAAP		U.S. GAAP	
	Basic		Basic	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Continuing operations	$(0.08)	$0.21	$(0.09)	$0.21
Discontinued operations	0.00	0.00	0.00	0.00
Income (loss) per share	$(0.08)	$0.21	$(0.09)	$0.21
	Fully Diluted		Diluted	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Continuing operations	$(0.08)	$0.20	$(0.09)	$0.21
Discontinued operations	0.00	0.00	0.00	0.00
Income (loss) per share	$(0.08)	$0.20	$(0.09)	$0.21

Six Months Ended				
	Basic		Basic	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Continuing operations	$(0.23)	$0.32	$(0.25)	$0.32
Discontinued operations	0.16	0.01	0.16	0.01
Income (loss) per share	$(0.07)	$0.33	$(0.09)	$0.33
	Fully Diluted		Diluted	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Continuing operations	$(0.23)	$0.31	$(0.25)	$0.32
Discontinued operations	0.16	0.01	0.16	0.01
Income (loss) per share	$(0.07)	$0.32	$(0.09)	$0.33

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STATEMENT OF OPERATIONS DATA (1)
(unaudited, in **Canadian $** thousands, except per share data)

	Three Months Ended			Six Months Ended		
	July 4, 1998	**June 28, 1997**	**% Change**	**July 4, 1998**	**June 28, 1997**	**% Change**
Revenues						
Product sales	$ 5,705	$6,585	(13%)	$10,418	$11,988	(13%)
NRE fees	39	74	(47%)	91	77	18%
Total revenues	5,744	6,659	(14%)	10,509	12,065	(13%)
Cost of sales						
Cost of product sales	2,351	1,905	23%	4,617	3,694	25%
Cost of NRE fees	16	28	(43%)	41	30	37%
Total cost of sales	2,367	1,933	22%	4,658	3,724	25%
Gross profit	3,377	4,726	(29%)	5,851	8,341	(30%)
Operating expenses:						
Research and development	2,098	1,465	43%	3,987	2,865	39%
Selling and marketing	1,027	766	34%	1,988	1,511	32%
General and administration	955	975	(2%)	1,824	1,802	1%
Total operating expenses	4,080	3,206	27%	7,799	6,178	26%
Operating income (loss)	(703)	1,520	N/A	(1,948)	2,163	N/A
Interest income	66	66	0%	125	73	71%
Other income	27	25	8%	39	75	(48%)
Income (loss) from continuing operations	(610)	1,611	N/A	(1,784)	2,311	N/A
Income from discontinued operations	7	5	40%	1,227	33	>100%
Income (loss)	$ (603)	$1,616	N/A	$ (557)	$2,344	N/A
Income (loss) per share (basic)						
Continuing operations	$ (0.08)	$ 0.21		$ (0.23)	$ 0.32	
Discontinued operations	0.00	0.00		0.16	0.01	
Income (loss) per share	$ (0.08)	$ 0.21		$ (0.07)	$ 0.33	
Weighted average shares outstanding (basic)	7,674	7,670		7,673	7,159	
Income (loss) per share (fully diluted)						
Continuing operations	$ (0.08)	$ 0.20		$ (0.23)	$ 0.31	
Discontinued operations	0.00	0.00		0.16	0.01	
Income (loss) per share	$ (0.08)	$ 0.20		$ (0.07)	$ 0.32	
Weighted average shares outstanding (fully diluted)	8,633	8,331		8,623	7,668	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STATEMENT OF OPERATIONS DATA (1)
(unaudited, in **U.S. $** thousands, except per share data)

	Three Months Ended			Six Months Ended		
	July 4, 1998	**June 28, 1997**	**% Change**	**July 4, 1998**	**June 28, 1997**	**% Change**
Revenues						
Product sales	$ 3,768	$4,349	(13%)	$6,881	$7,918	(13%)
NRE fees	26	49	(47%)	60	51	18%
Total revenues	3,794	4,398	(14%)	6,941	7,969	(13%)
Cost of sales						
Cost of product sales	1,553	1,258	23%	3,050	2,440	25%
Cost of NRE fees	10	18	(43%)	27	20	37%
Total cost of sales	1,563	1,276	22%	3,076	2,460	25%
Gross profit	2,231	3,122	(29%)	3,865	5,509	(30%)
Operating expenses:						
Research and development	1,386	968	43%	2,634	1,892	39%
Selling and marketing	678	506	34%	1,313	998	32%
General and administration	631	644	(2%)	1,205	1,190	1%
Total operating expenses	2,695	2,118	27%	5,152	4,080	26%
Operating income (loss)	(464)	1,004	N/A	(1,287)	1,429	N/A
Interest income (expense)	44	44	0%	83	48	71%
Other income	17	16	8%	26	49	(48%)
Income (loss) from continuing operations	(403)	1,064	N/A	(1,178)	1,526	N/A
Income from discontinued operations	5	3	40%	810	22	>100%
Income (loss)	$ (398)	$1,067	N/A	$ (368)	$1,548	N/A
Income (loss) per share (basic)						
Continuing operations	$ (0.05)	$ 0.14		$ (0.15)	$ 0.21	
Discontinued operations	0.00	0.00		0.10	0.01	
Income (loss) per share	$ (0.05)	$ 0.14		$ (0.05)	$ 0.22	
Weighted average shares outstanding (basic)	7,674	7,670		7,673	7,159	
Income (loss) per share (fully diluted)						
Continuing operations	$ (0.05)	$ 0.13		$ (0.15)	$ 0.20	
Discontinued operations	0.00	0.00		0.10	0.01	
Income (loss) per share	$ (0.05)	$ 0.13		$ (0.05)	$ 0.21	
Weighted average shares outstanding (fully diluted)	8,633	8,331		8,623	7,668	

	December 31, 1997	July 4, 1998	US $ Equivalent July 4, 1998(2)
Balance Sheet Data (1):			
(**Canadian $,** thousands)			
Working capital	$ 10,515	$ 10,316	$ 6,814
Total assets	32,379	31,699	20,937
Long-term liabilities	---	1,202	794
Total shareholders' equity	25,073	24,559	16,221

(1) i) Based upon the Company's accounting policies, a reconciliation of the selected consolidated financial data with U.S. GAAP produces no differences from the selected consolidated financial data prepared in accordance with Canadian GAAP except that $123 of development costs, which have been deferred under Canadian GAAP, would have been expensed under U.S. GAAP. Income (loss) per share as computed under Canadian and U.S. principles is as set forth below:

Three Months Ended	Income (loss) per Share			
	Canadian GAAP		U.S. GAAP	
	Basic		Basic	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Continuing operations	$(0.08)	$0.21	$(0.09)	$0.21
Discontinued operations	0.00	0.00	0.00	0.00
Income (loss) per share	$(0.08)	$0.21	$(0.09)	$0.21
	Fully Diluted		Diluted	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Continuing operations	$(0.08)	$0.20	$(0.09)	$0.21
Discontinued operations	0.00	0.00	0.00	0.00
Income (loss) per share	$(0.08)	$0.20	$(0.09)	$0.21

Six Months Ended				
	Basic		Basic	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Continuing operations	$(0.23)	$0.32	$(0.25)	$0.32
Discontinued operations	0.16	0.01	0.16	0.01
Income (loss) per share	$(0.07)	$0.33	$(0.09)	$0.33
	Fully Diluted		Diluted	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Continuing operations	$(0.23)	$0.31	$(0.25)	$0.32
Discontinued operations	0.16	0.01	0.16	0.01
Income (loss) per share	$(0.07)	$0.32	$(0.09)	$0.33

ii) In the future, additional differences may occur between the Company's application of Canadian GAAP and an application under U.S. GAAP.

(2) Canadian dollar amounts have been translated into U.S. dollars solely for the convenience of the reader at the rate of US $0.6605 per CDN $1.00 which was the exchange rate as of August 4, 1998. These translations are not necessarily representative of the amounts that would have been reported if the Company had historically reported its financial statements in U.S. dollars. In addition, the rates utilized are not necessarily indicative of the rates in effect at any other time.

Revenues. Total revenues include product sales and non-recurring engineering ("NRE") fees. Product sales revenues consist primarily of sales of original equipment manufacturer ("OEM") boards, end-user products, software, software upgrades and Wide Area Augmentation System ("WAAS") receivers. Total revenues for continuing operations for the three month and six month periods ended July 4, 1998 were $5.7 million and $10.5 million respectively compared to $6.7 million and $12.1 million in the comparable periods in the prior year. This represents a decrease of 14% for the second quarter 1998 over the second quarter 1997 and a decrease of 13% for the first six months 1998 over the first six months 1997. Included in second quarter 1998 revenues were sales of $0.5 million in manufacturing components to the Company's subcontract manufacturers. Accordingly, regular product sales and NRE revenues for the second quarter 1998 were $5.2 million, a decrease of 21% over the same period in the prior year. The decline in revenues for the second quarter can be attributed to several factors. Sales to OEM customers were $1.9 million in the second quarter 1998 compared to $2.3 million in the second quarter 1997, a decrease of 18% as a result of price reductions due to competitive pressures and product mix. Survey/mapping sales were $2.0 million for the second quarter 1998 compared to $2.8 million for the second quarter 1997, a decrease of 27%. This decline is almost entirely attributable to fewer sales to Nikon Inc. ("Nikon US") and Carl Zeiss Jena GmbH ("Zeiss"). Zeiss experienced another very slow quarter due to a softness in its markets, particularly Germany. Sales to Zeiss were 87% lower in the second quarter 1998 compared to the second quarter 1997. Shipments to Nikon US in the second quarter 1998 were 79% below the level of a year ago, a time when Nikon US was fulfilling minimum purchase obligations to fill the Nikon US distribution pipeline. Although sales to Nikon US were lower than a year ago, the Company is encouraged that sales have shown strong growth since the beginning of 1998. In addition sales to Nikon Japan are expected in the third quarter 1998 given Japanese regulatory acceptance of the NovAtel developed survey product to be sold in Japan. The lower sales to Nikon US and Zeiss were in part offset by additional surveying/mapping sales to third parties.

Aviation revenues in the second quarter 1998 were $1.3 million compared to $1.6 million in the second quarter 1997, a decrease of 18%. The Company currently has no commitments for future sales of its products in any further implementations of the WAAS program. The FAA recently announced that it has merged phases 2 and 3 of the WAAS program into a new phase E. This will push out potential deliveries of any additional WAAS receivers by the Company into 1999 and onwards. The Company recently announced that it has received a purchase order of $3.2 million to supply 24 Multi-Functional Transport Satellite (MTSAT) based Augmentation System (MSAS) receivers subsystems and 2 Navigation Earth Station (NES) receiver subsystems for the Japanese MSAS program. The MSAS program is the equivalent of the WAAS program initially fielded by the FAA in the United States. MSAS and NES receivers are substantially the same as those supplied by NovAtel to the WAAS program. The receiver subsystems will be delivered through NovAtel's Japanese dealer, DX Antenna Co., Ltd. located in Tokyo, Japan. DX Antenna will provide local support and translation services to NEC Corporation, the prime contractor for the MSAS program. Deliveries of $0.6 million were made in the second quarter 1998 and the balance of $2.6 million is scheduled for the third quarter 1998. These deliveries are the first part of a multi-stage program for the MSAS network. The Company currently has no commitments for deliveries beyond the third quarter this year but anticipates continued involvement in the MSAS program as it evolves.

The decrease in revenues for the comparable six month period is attributable to lower sales in each product group. Survey/mapping sales were $3.4 million in the first six months of 1998 compared to $5.0 million in the first six months of 1997, a decrease of 32%. The primary reason for this decrease is the lower sales to Nikon US and Zeiss referred to above for the lower sales in the second quarter 1998. Sales to OEM customers were $3.4 million in the first six months of 1998 compared to $4.5 million in the first six months of 1997, a decrease of 24% as a result of price reductions due to competitive pressures and product mix. Aviation revenues were $2.5 million in the first six months of 1998 compared with $2.6 million in the first six months of 1997, a decrease of 4%.

While survey sales were down from second quarter 1997 to second quarter 1998, they increased from $1.3 million in the first quarter 1998 to $2.0 million in the second quarter 1998, an increase of 54%. OEM sales were $1.9 million in the second quarter 1998 compared to $1.6 million in the first quarter 1998, an increase of 21%.

The Company has recently opened offices in the United States and Europe to support plans for continued market expansion and provide enhanced customer and dealer services.

The Company has signed an Agreement to distribute Canadian Marconi’s Allstar and Superstar GPS products which broadens the OEM product range offered by the Company by providing access to a lower cost GPS source. The addition of these lower priced receivers to the Company’s product line allows the Company to attract new customers and to become a one stop supplier of a full range of GPS OEM products.

NRE fees consist of revenues from development contracts. NRE fees decreased from $74,000 in the second quarter of 1997 to $39,000 in the second quarter of 1998. The second quarter 1998 NRE revenues reflect that there are currently no significant development programs being funded by outside parties. The Company does not expect to generate significant NRE fees in the future.

In the second quarter of 1998, the Company derived approximately 39% of its total revenues from the sale of its products to countries outside the United States and Canada, compared with 31% for the second quarter 1997. The Company expects the Asian economic situation to continue to hinder growth of its sales to Asia, other than those sales to Japan for the MSAS program. Sales to Asia and Australia accounted for 31% of total revenues in the second quarter 1998.

Gross Profit. Gross profit as a percentage of total revenues decreased from 71% in the second quarter 1997 to 59% in the second quarter 1998 and decreased to 56% for the first six months 1998 from 69% for the first six months 1997. The decreases were due primarily to two factors: the first being the sale of $1.2 million of manufacturing components to the Company’s subcontract manufacturers in the first six months 1998, at minimal margin, and the second being the impact of relatively fixed test, integration and procurement costs on a lower revenue base. Excluding these two factors, gross profit on regular product shipments in the second quarter 1998 would have been 66% as compared to 71% in the second quarter 1997 or 66% in the first six months of 1998 as compared to 69% in the first six months of 1997. The Company believes that the increasing percentage of revenues derived from sales of end user products and competitive price pressure increases in the market will continue to adversely affect gross margins.

Research and Development. Research and development expenses consist primarily of engineering personnel expenses, contracted research and development expenses, facilities and equipment costs. Research and development expenses increased 43% from $1.5 million in the second quarter 1997 to $2.1 million in the second quarter 1998 and increased as a percentage of total revenues from 22% to 37%. The half-year trends are similar with research and development expenses increasing to $4.0 million in the first six months of 1998 from $2.9 million in the first six months of 1997 and increasing as a percentage of revenues to 38% from 24%. These increased costs are primarily related to an increased number of personnel required for new product development initiatives and decreased revenues. To December 31, 1997, the Company had charged all research and development costs to operations as incurred. In the six month period ended July 4, 1998, the Company deferred development costs of $123,000 related to the development of a certified aviation GPS receiver. The Company believes that significant investments in research and development are required to maintain its technological leadership and compete in its business. The Company currently expects that research and development expenses will increase in absolute dollars in fiscal year 1998 over the prior fiscal year as a result of product development efforts which will require higher staffing levels and salary increases for engineering personnel.

Selling and Marketing. Selling and marketing expenses consist primarily of personnel related costs as well as expenses for advertising and promotion, trade shows, facilities and other expenses related to the sales of the Company's products. Selling and marketing expenses increased 34% from $766,000 in the second quarter of 1997 to $1.0 million in the second quarter of 1998 and increased as a percentage of total revenues from 12% to 18%. Sales and marketing expenses for the first six months of 1998 increased to $2.0 million compared to $1.5 million for the first six months of 1998 and increased as a percentage of revenues to 19% from 13%. These increased costs reflect greater product promotional efforts and an increased number of personnel to establish a stronger market presence. The Company believes that selling and marketing expenses will continue to grow in dollars to support the Company's increased sales and marketing efforts, primarily in connection with sales of end-user products.

General and Administration. General and administration expenses consist primarily of salaries of administrative personnel, corporate overhead and facilities expenses. General and administrative expenses decreased by 2% from $975,000 in the second quarter 1997 to $955,000 in the second quarter 1998 but increased as a percentage of total revenues from 15% to 17% due to lower revenues. These expenses remained relatively constant between the first six months of 1998 and the first six months of 1997 but increased as a percentage of revenues to 17% from 15% due to lower revenues.

Interest Income. The Company earned a net interest income of $66,000 in the second quarter 1998, equivalent with the interest income earned in the comparable period in 1997. Net interest income increased to $125,000 for the first six months of 1998 compared with $73,000 for the first six months of 1997. The Company's cash deposits not required for operations are invested in short term interest bearing instruments.

Other Income. Other income consists primarily of foreign currency exchange income and miscellaneous items. Other income increased to $27,000 in the second quarter 1998 from $25,000 in the second quarter 1997 but decreased to $39,000 in the first six months 1998 from $75,000 in the first six months 1997.

Discontinued Operations. The Company had a gain from discontinued operations of $1.2 million in the first six months of 1998. The gain arose primarily from the sale of $0.5 million of residual inventory which had been held until a third party initiated production of a new product and the recognition of US$0.5 million of the final installment payment due from the purchaser of the Company's former Personal Communications Products (PCP) division.

TAXES

The Company has not recorded a provision for income taxes due to previously incurred losses, credits and costs. As of July 4, 1998, losses which can be carried forward, investment tax credits, depreciation and research and development costs, may be available to reduce future taxable income. The Company has determined that Canadian Marconi's acquisition of a majority of the Common Shares of the Company would constitute acquisition-of-control of the Company for Canadian income tax purposes. Accordingly, the availability of certain of the Company's Canadian income tax losses, research and developments costs, depreciation deductible for tax purposes, and investment tax credits may be subject to limitation. Further, the net operating loss carryforwards available for U.S. tax purposes may also be subject to limitations due to the Canadian Marconi acquisition. The ultimate availability and amount of these losses, credits and costs may be dependent upon the final resolution of future Revenue Canada, Taxation and Internal Revenue Service audits.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended July 4, 1998, cash used in operations was $4.4 million, compared to $2.9 million in the same period of 1997. In the six months ended July 4, 1998, cash used in operations consisted primarily of an increase in non-cash working capital of $4.9 million attributable to lower payables of $1.8 million and higher receivables, which included the US$500,000 final installment payment due from the purchaser of the Company's former PCP division, the $1.8 million loss from continuing operations partially offset by the $1.2 million gain from discontinued operations.

For the first six months of 1998, cash provided by financing activities was $1.5 million compared to $13.0 million in the prior year. On January 30, 1998, the Company entered into sale/leaseback arrangements in which capital assets, comprised mainly of furniture and computer equipment, were sold to the Hongkong Bank of Canada for proceeds of $1.7 million resulting in a gain of $175,000. At the same time, the Company entered into lease agreements with terms of between 39 and 65 months and with aggregate lease payments of $1.9 million. The leases are accounted for as capital leases. The balance of the cash provided by financing activities arose from the exercise of stock options.

In February 1997, the Company raised $22.1 million, net of offering costs, from its initial public offering of 2,470,000 Common Shares. The Company repaid all advances and borrowings under its lines of credit with the Hongkong Bank of Canada using proceeds of the public offering and operating cash. The Company intends to use the remaining proceeds for general corporate purposes, including additions to working capital and future acquisitions. The Company has no present plans, agreements or commitments, and is not currently engaged in any negotiations with respect to future acquisitions, however, the Company is considering and reviewing certain opportunities that could result in an acquisition.

In the first six months of 1998, the Company used $1.8 million cash in investing activities mainly on net expenditures of capital assets. Cash used in investing activities in the first six months 1997 was $5.5 million.

As of July 4, 1998, the Company had cash and cash equivalents of $6.0 million. The Company has a credit agreement with the Hongkong Bank of Canada whereby the Company can borrow up to $1.0 million for day-to-day operating requirements and US $1.0 million to support the margin requirement related to the purchase of foreign exchange contracts. On June 23, 1998, the Company entered into a credit arrangement with The Toronto Dominion Bank under which the Company can borrow up to $650,000 for day to day operations. The credit line also supports the margin requirement related to the purchase of up to US$2.5 million of foreign exchange contracts. The lines of credit are payable on demand and are secured by certain of the Company’s assets.

The Company believes that its existing cash, cash equivalents, short term investments, available line of credit and anticipated cash generated from operations will be sufficient to satisfy its anticipated cash requirements for at least the next twelve months.

EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES

Most of the Company’s revenues (over 95% in the first half of 1998) are earned in currencies other than the Canadian dollar, principally the US dollar. A substantial portion of the Company’s expenses, however, have been and will continue to be incurred in Canadian dollars. Accordingly, fluctuations in exchange rates between the US dollar and other foreign currencies and the Canadian dollar could materially affect the Company’s results of operations. The Company uses foreign currency options and forward foreign currency contracts to reduce its exposure to fluctuations in the US dollar. In January 1998, the Company purchased foreign currency options to sell US$5.0 million between October 30 and December 31, 1998 at a rate of $0.6993. These contracts represent approximately 90% of anticipated net US dollar operating cash flows during the period. Derivative financial instruments are not used for speculative purposes. There can be no assurance that the Company will be successful in such hedging activities.

LEGAL PROCEEDINGS

In June 1998, the Company received a written notice from the lawyers for Western Atlas International, Inc. (“Western Atlas”) alleging patent infringement of two of their patents relating to the Company’s products. No formal claim has been brought by Western Atlas. The Company’s patent attorneys are currently reviewing this matter.

OTHER RISK FACTORS

NovAtel operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control. A discussion of some of these risks and the possible impact of these factors on future results from operations can be found in the Risk Factors section part of Form 20-F for the fiscal year ended December 31, 1997 filed with the Securities and Exchange Commission.

OTHER INFORMATION

Submission of Matters to a Vote of Security Holders

The annual meeting of shareholders of the Company was held in Calgary, Alberta, Canada on July 27, 1998.

An election of Directors was held with the following individuals be elected to the Company's Board of Directors:

	Votes	
Name	For	Withheld
Howard L. Beck	6,173,895	23,850
Richard D. Orman	6,173,895	23,850
Horst J. Pudwill	6,173,895	23,850
Joel A. Schleicher	6,173,745	24,000
Pascal E. Spothelfer	6,173,895	23,850
William I.M. Turner, Jr.	6,173,745	24,000
Gregory A. Yeldon	6,173,895	23,850

Other matters voted upon at the meeting and the results of the voting with respect to each such matter were as follows:

1) Ratification of the appointment of Arthur Andersen & Co as the auditors of the Company (6,190,295 For and 7,000 Withheld);

2) Approval of the amendment of the NovAtel Inc. Employee Stock Option Plan to increase the number of Shares authorized for issuance thereunder by 250,000 (5,583,323 For and 608, 972 Withheld).

Year 2000 and GPS Week Rollover

Issues involving the Year 2000 are the result of some computer systems and software that were designed to recognize dates using only the last two digits of a year. These programs were designed and developed without considering the impact of the upcoming change in the century. GPS suppliers are experiencing a similar issue arising from GPS week rollover. The GPS system contains a field called a week number. At the end of each GPS cycle the receiver is required to reset the week number to zero to navigate and correctly display and use time. This reset will next occur on August 21, 1999. GPS receivers were not designed to automatically reset the week number to zero.

The Company is currently addressing Year 2000 compliance for its products, internal operating systems, suppliers and vendors. The Company has developed a plan to ensure all internal systems are compliant with the Year 2000. The major business system software used by the Company has been certified as compliant and testing by the Company to confirm the compliance has been completed. The Company is surveying outside vendors and suppliers to ensure that they are Year 2000 compliant or that contingency plans are in place to address potential issues that may arise.

The Company recently issued for its customers a statement describing compliance of the Company's products to Year 2000 and GPS Week Rollover. Newer products were found to be Year 2000 compliant but some minor deficiencies were noted for older products. Most products were found to be subject to minor deficiencies with respect to GPS week rollover.

While the Company believes its planning efforts are adequate to address its Year 2000 concerns, there can be no guarantee that the systems of other companies on which the Company's systems and operations rely upon will be properly converted on a timely basis and will not have a material effect on the Company. The cost of Year 2000 initiatives has not been and is not expected to be material to the Company's results of operations or financial position.

Board Committees

On July 27, 1998, the Board of Directors reconstituted its committees as follows:

a) Audit and Finance Committee: Richard Orman, Joel Schleicher, Gregory Yeldon

b) Compensation and Operations Committee: Richard Orman, William Turner, Jr., Howard Beck

President and Chief Executive Officer

The Company recently announced that its President and Chief Executive Officer, Pascal E. Spothelfer, has advised the Board of Directors of his intention to leave to pursue other career opportunities. Mr. Spothelfer will remain for the period of time required to ensure a proper transition of the operations. An announcement of the future governance of NovAtel is expected within the next few weeks.