

Condensed Consolidated Interim Financial Statements  
(Expressed in U.S. dollars)

## **OPTIVA INC.**

As at and for the three and six months ended June 30, 2024 and 2023  
(Unaudited)

# OPTIVA INC.

Condensed Consolidated Interim Statements of Financial Position  
(Expressed in thousands of U.S. dollars)  
(Unaudited)

	June 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 16,336	\$ 19,642
Trade accounts and other receivables (note 3)	6,511	7,504
Unbilled revenue	12,327	14,362
Prepaid expenses	1,961	2,185
Income taxes receivable	1,374	3,633
Other assets	826	480
Total current assets	39,335	47,806
Restricted cash	785	793
Property and equipment	1,012	963
Deferred income taxes	428	383
Other Assets	1,931	1,371
Long-term unbilled revenue	567	727
Pension and other long-term employment benefit plans	738	—
Goodwill	32,271	32,271
Total assets	\$ 77,067	\$ 84,314
<b>Liabilities and Shareholders' Equity (Deficit)</b>		
Current liabilities:		
Trade payables	\$ 2,005	\$ 2,256
Accrued liabilities	14,049	11,919
Income taxes payable	4,432	4,299
Deferred revenue	1,961	1,555
Total current liabilities	22,447	20,029
Deferred revenue	265	206
Other liabilities	2,906	1,702
Pension and other long-term employment benefit plans	—	132
Debentures (note 5)	102,001	101,348
Deferred income taxes	133	185
Total liabilities	127,752	123,602
Shareholders' equity (deficit):		
Share capital	270,746	270,610
Contributed surplus	15,217	15,117
Deficit	(340,518)	(328,885)
Accumulated other comprehensive income (loss)	3,870	3870
Total shareholders' equity (deficit)	(50,685)	(39,288)
Total liabilities and shareholders' equity (deficit)	\$ 77,067	\$ 84,314

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# OPTIVA INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)  
 (Expressed in thousands U.S. dollars, except per share and share amounts)  
 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue (note 8):				
Support and subscription	\$ 7,432	\$ 7,547	\$ 14,762	\$ 15,985
Software licenses, services and other	3,961	3,544	8,335	7,756
	11,393	11,091	23,097	23,741
Cost of revenue	5,028	3,894	9,916	7,877
Gross profit	6,365	7,197	13,181	15,864
Operating expenses:				
Sales and marketing	2,508	2,745	5,264	5,264
General and administrative	2,626	8	5,643	2,486
Research and development	3,690	2,874	7,728	6,233
	8,824	5,627	18,635	13,983
(Loss) income from operations	(2,459)	1,570	(5,454)	1,881
Foreign exchange loss	(86)	(119)	(248)	(409)
Finance income	132	102	325	237
Finance costs (note 5)	(2,845)	(2,392)	(5,674)	(4,757)
Loss before income taxes	(5,258)	(839)	(11,051)	(3,048)
Income taxes (recovery) (note 6):				
Current	385	408	679	979
Deferred	(42)	47	(97)	43
	343	455	582	1,022
<b>Total net loss and Comprehensive loss</b>	<b>\$ (5,601)</b>	<b>\$ (1,294)</b>	<b>\$ (11,633)</b>	<b>\$ (4,070)</b>
Loss per common share (note 4(c)):				
Basic	\$ (0.90)	\$ (0.21)	\$ (1.88)	\$ (0.66)
Diluted	(0.90)	(0.21)	(1.88)	(0.66)
Weighted average number of common shares (thousands) (note 4(c)):				
Basic	6,212	6,178	6,196	6,178
Diluted	6,212	6,178	6,196	6,178

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# OPTIVA INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)  
(Expressed in thousands of U.S. dollars)

Six months ended June 30, 2024 and 2023  
(Unaudited)

	Share capital		Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders'
	Number Outstanding (thousands) equity (deficit) (note 4)	Amount					
Balance, December 31, 2023	6,180	\$ 270,610	\$ –	\$ 15,117	\$ (328,885)	\$ 3,870	\$ (39,288)
Net loss for the period	–	–	–	–	(11,633)	–	(11,633)
Issue of share capital under Deferred Share Units	33	136					136
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	100	–	–	100
<b>Balance, June 30, 2024</b>	<b>6,213</b>	<b>\$ 270,746</b>	<b>\$ –</b>	<b>\$ 15,217</b>	<b>\$ (340,518)</b>	<b>\$ 3,870</b>	<b>\$ (50,685)</b>
Balance, December 31, 2022	6,178	\$ 270,560	\$ –	\$ 15,941	\$ (316,630)	\$ 4,049	\$ (26,080)
Net loss for the period	–	–	–	–	(4,070)	–	(4,070)
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	(956)	–	–	(956)
<b>Balance, June 30, 2023</b>	<b>6,178</b>	<b>\$ 270,560</b>	<b>\$ –</b>	<b>\$ 14,985</b>	<b>\$ (320,700)</b>	<b>\$ 4,049</b>	<b>\$ (31,106)</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# OPTIVA INC.

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in thousands of U.S. dollars)  
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (5,601)	\$ (1,294)	\$ (11,633)	\$ (4,070)
Adjustments for:				
Depreciation of property and equipment	153	166	332	323
Amortization of intangible assets	–	–	–	361
Finance income	(132)	(102)	(325)	(237)
Finance costs	2,845	2,392	5,674	4,757
Pension	(777)	(216)	(864)	(642)
Income tax expense (note 6)	343	455	582	1,022
Unrealized foreign exchange gain	(60)	46	(374)	(11)
Share-based compensation (note 4(d))	593	(2,055)	1,100	(1,858)
Change in non-cash operating working capital (note 7)	5,651	(175)	5,351	(1,503)
	3,015	(783)	(157)	(1,858)
Interest paid	(6)	–	(6)	(6)
Interest received	114	81	286	192
Income taxes received (paid)	2,090	(363)	1,654	(1,105)
	5,213	(1,065)	1,777	(2,777)
Financing activities:				
Payment of interest on debentures	–	–	(5,086)	(4,424)
	–	–	(5,086)	(4,424)
Investing activities:				
Purchase of property and equipment	(181)	(22)	(381)	(200)
Decrease in restricted cash	(1)	395	8	1,173
	(182)	373	(373)	973
Effect of foreign exchange rate changes on cash and cash equivalents				
	62	(47)	376	24
Increase (decrease) in cash and cash equivalents	5,093	(739)	(3,306)	(6,204)
Cash and cash equivalents, beginning of period	11,243	12,921	19,642	18,386
Cash and cash equivalents, end of period	\$ 16,336	\$ 12,182	\$ 16,336	\$ 12,182

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

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## **Reporting Entity**

Optiva Inc. (the "Company" or "Optiva"), through its predecessors, commenced operations on March 29, 1999. The Company was incorporated under the Canada Business Corporations Act on November 1, 2006. The Company's registered head office is located at 100 King Street West, Suite 3400, Toronto, Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange under ticker symbol — TSX: OPT.

Optiva monetizes today's digital world for communications service providers. The Company's portfolio of monetization and subscriber management solutions includes real-time billing, charging, policy, and customer care modules and is available on premise, cloud-based, or as Software-as-a-Service ("SaaS"). With a central focus on driving customer success, Optiva's products power growth and innovation for operators globally. The Company's software products allow communication service providers to monetize various markets, including consumer, enterprise, wholesale, and the expanding SaaS and cloud ecosystems. Optiva's software supports the introduction of new revenue streams and innovative tariffs, payment solutions, data services, and advanced customer care and subscriber self-care functionality. Optiva is the parent of the wholly owned operating subsidiary, Optiva Canada Inc., and its various subsidiaries.

### **1. Basis of preparation:**

#### (a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all the information required for annual consolidated financial statements. These condensed consolidated interim financial statements for the three and six months ended June 30, 2024 were authorized for issuance by the Board of Directors of the Company on August 8, 2024.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

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## 1. Basis of preparation (continued):

### (b) Judgments and estimates:

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2023 annual consolidated financial statements and described in these condensed consolidated interim financial statements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

## 2. Material accounting policies:

### (a) Basis of measurement and presentation:

The notes presented in these condensed consolidated interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year end and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the 2023 annual financial statements, including the notes thereto.

### (b) Basis of consolidation:

The condensed consolidated interim financial statements include the financial statements of the Company, Optiva Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

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## 2. Material accounting policies (continued):

(c) Functional currency:

The condensed consolidated interim financial statements are presented in thousands of U.S. dollars, which is the Company's functional currency, unless otherwise noted and per unit amounts.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency are translated at the period-end exchange rates. Foreign exchange gains and losses are recognized in the condensed consolidated interim statements of comprehensive income (loss).

## 3. Trade accounts and other receivables:

	June 30, 2024	December 31, 2023
Trade receivables, net of allowance for doubtful accounts	\$ 5,413	\$ 6,412
Other receivables (a)	1,098	1,092
	<u>\$ 6,511</u>	<u>\$ 7,504</u>

(a) At June 30, 2024 and December 31, 2023, the other receivables balance mainly includes amounts relating to indirect taxes receivable.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

## 4. Share Capital:

(a) Authorized:

Unlimited Preferred Shares, issuable in series  
Unlimited Common Shares

(b) Loss per share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted loss per common share for the three and six months ended June 30, 2024 and 2023, is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Basic weighted average number of common shares outstanding	6,212	6,178	6,196	6,178
Effect of dilutive securities	–	–	–	–
Diluted weighted average number of common shares outstanding	6,212	6,178	6,196	6,178

The total number of stock options that were excluded from the calculation for the three and six months ended June 30, 2024 was 130,000 (three and six months ended June 30, 2023 – 130,000), as their inclusion would be anti-dilutive. The total number of vested restricted share units ("RSU") that were excluded from the calculation for three and six months ended June 30, 2024 were nil (three and six months ended June 30, 2023 – 5,000).

(d) Share-based compensation:

The net share-based compensation expense relating to the Company's stock options, deferred share unit plan and share unit plan during the three and six months ended June 30, 2024 was an expense of \$593 and \$1,100, respectively (three and six months ended June 30, 2023 – recovery of \$2,055 and \$1,858, respectively).

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

## 4. Share Capital (continued):

### (i) Stock options:

The table below is a summary of the stock option plans for the six months ended June 30, 2024:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2023	130,000	\$ 30.44
Granted	–	–
Forfeited	–	–
Outstanding, June 30, 2024	130,000	\$ 30.44

The share-based compensation expense relating to the vesting of granted stock options during the three and six months ended June 30, 2024 was an expense of \$51 and \$100, respectively (three and six months ended June 30, 2023 – recovery of \$1,233 and \$972, respectively). The recovery for the three and six months ended June 30, 2023 was due to previously granted options that were forfeited on departure of a senior executive in the period.

### (ii) Share unit plan:

There were nil RSUs granted during the six months ended June 30, 2024 (six months ended June 30, 2023 – 11,190). The fair value of RSUs granted were established based on the fair value of the underlying stock on the grant date. The share-based compensation expense relating to the Company's share unit plan during the three and six months ended June 30, 2024 was nil and nil, respectively (three and six months ended June 30, 2023 – recovery of \$5 and expense of \$16, respectively).

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

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## 4. Share Capital (continued):

(iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the six months ended June 30, 2024:

DSU	
Outstanding, December 31, 2023	247,310
Granted	73,697
Exercised	(32,657)
Outstanding, June 30, 2024	288,350

During the three and six months ended June 30, 2024, the Company recorded a compensation expense of \$542 and \$1,000, respectively (three and six months ended June 30, 2023 – cost recovery of \$817 and \$902, respectively). During the six months ended June 30, 2024, there were 32,657 shares issued under the deferred share unit plan as a result of exercise of DSU's on resignation of a former director.

## 5. Debentures:

On July 20, 2020, the Company closed a \$90,000 financing (the "Debenture Financing") of 9.75% secured PIK toggle debentures due July 2025 (the "Debentures"). The Debentures are guaranteed by certain of the Company's subsidiaries and constitute senior secured obligations of the Company. The net proceeds from the Debenture Financing were used towards the redemption of all the Series A Preferred shares and accrued dividends. The Debenture Financing was completed on a private placement basis pursuant to certain prospectus exemptions.

On September 29, 2023, the Company issued an additional \$13,500 financing of 9.75% secured PIK toggle debentures due July 2025. The Debenture Financing was completed on a private placement basis pursuant to certain prospectus exemptions. Optiva is using the net proceeds from the financing for general working capital purposes.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

## 5. Debentures (continued):

	June 30, 2024	December 31, 2023
Debenture financing, bearing interest at 9.75%, per annum, payable semi-annually, maturing July 20, 2025	\$ 103,500	\$ 103,500
Less unamortized deferred financing costs	(1,499)	(2,152)
<b>Long-term portion of loans and borrowings</b>	<b>\$ 102,001</b>	<b>\$ 101,348</b>

As at June 30, 2024, \$103,500 (December 31, 2023 - \$90,000) is outstanding and interest computed on a 365-day (or 366-day, as applicable) basis, payable semi-annually on July 20 and January 20 of each year commencing on January 20, 2021. The Company has incurred a total of \$4,709 of transaction costs to date and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the Debentures. During the three and six months ended June 30, 2024, \$331 and \$653, respectively, of deferred financing fees was amortized (three and six months ended June 30, 2023 - \$199 and \$391, respectively).

For the three and six months ended June 30, 2024, interest expense of \$2,509 and \$5,018, respectively (three and six months ended June 30, 2023 - \$2,188 and \$4,351, respectively) was incurred in connection with the Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income (loss).

## 6. Income tax expense:

The Company's current income tax expense for the three and six months ended June 30, 2024 mainly includes \$98 and \$210 (three and six months ended June 30, 2023 - \$60 and \$188) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$287 and \$469 (three and six months ended June 30, 2023 - \$348 and \$791) of foreign withholding taxes. The Company's deferred tax recovery of \$42 and \$97 for the three and six months ended June 30, 2024 (three and six months ended June 30, 2023 – expense of \$47 and \$43) consists primarily of changes in temporary differences recognized during the current period.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

## 7. Change in non-cash operating working capital:

The change in non-cash working capital for the three and six months ended June 30, 2024 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Trade accounts and other receivables	\$ 2,319	\$ 444	\$ 1,033	\$ (815)
Unbilled revenue	1,847	395	2,196	2,942
Prepaid expenses	28	(30)	224	(152)
Other assets	(832)	(38)	(906)	(17)
Trade payables	380	(845)	(254)	(1,089)
Accrued liabilities and other liabilities	1,860	(261)	2,534	(1,992)
Income taxes receivable/payable	70	2	59	16
Deferred revenue	(21)	158	465	(396)
	\$ 5,651	\$ (175)	\$ 5,351	\$ (1,503)

## 8. Segment Reporting:

The Company has determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware.

Revenue is attributed to geographic locations, based on the location of the external customer. The Company's revenue by geographic area for the three and six months ended June 30 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Europe, Middle East and Africa	\$ 5,223	\$ 5,440	\$ 11,123	\$ 11,546
North America, Latin America and Caribbean	4,311	3,955	8,437	8,293
Asia and Pacific Rim	1,859	1,696	3,537	3,902
	\$ 11,393	\$ 11,091	\$ 23,097	\$ 23,741

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in thousand of U.S. dollars)

Three and six months ended June 30, 2024 and 2023  
(Unaudited)

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## 8. Segment Reporting (continued):

The Company's revenue by type for the three and six months ended June 30 is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenue by type:				
Support and subscription	\$ 7,432	\$ 7,547	\$ 14,762	\$ 15,985
Software and services	3,844	3,442	7,949	7,564
Third-party software and hardware	117	102	386	192
	\$ 11,393	\$ 11,091	\$ 23,097	\$ 23,741