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

OPTIVA INC.

Three and nine months ended September 30, 2021 and 2020
(Unaudited)

OPTIVA INC.

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

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 32,031,896	$ 17,663,998
Trade accounts and other receivables (note 3)	9,241,414	7,868,501
Unbilled revenue	6,310,487	4,086,395
Prepaid expenses	3,053,180	2,752,304
Income taxes receivable	4,316,147	4,281,673
Other assets	747,621	222,101
Total current assets	55,700,745	36,874,972
Restricted cash	791,372	625,692
Property and equipment	847,517	–
Long-term unbilled revenue	2,940,041	3,520,177
Deferred income taxes	351,336	208,237
Other assets	107,353	624,134
Intangible assets	2,539,464	3,255,482
Goodwill	32,271,078	32,271,078
Total assets	$ 95,548,906	$ 77,379,772
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	$ 4,296,734	$ 8,811,407
Accrued liabilities	9,719,033	9,677,245
Provisions (note 11)	4,200,000	5,555,373
Income taxes payable	5,661,702	4,932,157
Deferred revenue	4,301,164	4,894,195
Total current liabilities	28,178,633	33,870,377
Deferred revenue	487,312	661,837
Other liabilities	1,822,907	2,797,836
Pension and other long-term employment benefit plans (note 12)	10,918,925	15,582,459
Debentures (note 5)	86,818,996	86,338,367
Series A Warrant (note 4(d)) / note 8)	768,340	16,662,808
Standby Warrant (note 4(d)) / note 8)	92,550	–
Deferred income taxes	769,379	898,146
Total liabilities	129,857,042	156,811,830
Shareholders' deficit:		
Share capital	269,992,761	250,904,013
Standby Warrant (note 4(d))	–	997,500
Contributed surplus	13,389,540	11,406,814
Deficit	(314,029,337)	(335,842,249)
Accumulated other comprehensive loss (note 12)	(3,661,100)	(6,898,136)
Total shareholders' deficit	(34,308,136)	(79,432,058)
Total liabilities and shareholders' deficit	$ 95,548,906	$ 77,379,772

Guarantees and contingent liabilities (note 10)
Related party transactions (note 13)

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 U.S. dollars, except per share and share amounts)
(Unaudited)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue (note 9):				
Support and subscription	$11,411,812	$ 14,077,343	$ 35,681,432	$ 44,030,708
Software licenses, services and other	5,253,879	4,726,877	13,386,078	13,742,981
	16,665,691	18,804,220	49,067,510	57,773,689
Cost of revenue	3,491,639	4,649,294	10,765,379	15,124,936
Gross profit	13,174,052	14,154,926	38,302,131	42,648,753
Operating expenses:				
Sales and marketing	1,788,771	1,581,100	5,502,413	6,272,788
General and administrative	2,990,055	8,288,092	11,983,848	23,893,409
Research and development	3,412,594	2,255,154	7,171,172	22,863,069
Restructuring costs (note 11(a))	–	59,440	–	202,162
	8,191,420	12,183,786	24,657,433	52,231,428
Income (loss) from operations	4,982,632	1,971,140	13,644,698	(10,582,675)
Foreign exchange gain / (loss)	109,584	282,702	635,219	(1,899,005)
Finance income	328,765	173,251	471,360	250,074
Finance (cost) recovery (note 4 and 5)	(804,557)	(29,660,877)	9,500,031	(28,282,767)
Income (loss) before income taxes	4,616,424	(27,233,784)	24,251,308	(40,514,373)
Income taxes (recovery) (note 6):				
Current	922,152	2,100,108	2,691,270	2,795,866
Deferred	(88,730)	(112,909)	(252,874)	(120,360)
	833,422	1,987,199	2,438,396	2,675,506
Net income (loss)	$ 3,783,002	$ (29,220,983)	$ 21,812,912	$ (43,189,879)
Other comprehensive income:				
Items that will not be reclassified to net income:				
Actuarial gain (loss) on pension and non-pension post-employment benefit plans, net of income tax expense of nil (note 12):	3,237,036	(3,560,350)	3,237,036	(3,560,350)
Total comprehensive income (loss)	$ 7,020,038	$ (32,781,333)	$ 25,049,948	$ (46,750,229)
Income (loss) per common share (note 4(e)):				
Basic	$ 0.62	$ (5.50)	$ 3.73	$ (8.12)
Diluted	0.61	(5.50)	3.68	(8.12)
Weighted average number of common shares (note 4(e)):				
Basic	6,150,557	5,315,757	5,850,993	5,315,903
Diluted	6,159,307	5,315,757	5,926,567	5,315,903

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

OPTIVA INC.

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

Nine months ended September 30, 2021 and 2020
(Unaudited)

	Share capital						
	Number Outstanding (note 4)	Amount	Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity (deficit)
Balance, December 31, 2020	5,316,057	$ 250,904,013	$ 997,500	$ 11,406,814	$ (335,842,249)	$ (6,898,136)	$ (79,432,058)
Income for the period	–	–	–	–	21,812,912	–	21,812,912
Issue of share capital (private placement) (note 4(b))	834,500	19,088,748	–	–	–	–	19,088,748
Share-based compensation (note 4(f)(i))	–	–	–	1,982,726	–	–	1,982,726
Transfer to liability (note 4(d))	–	–	(997,500)	–	–	–	(997,500)
Defined benefit plan actuarial gain (note 12)	–	–	–	–	–	3,237,036	3,237,036
Balance, September 30, 2021	6,150,557	$ 269,992,761	$ –	$ 13,389,540	$ (314,029,337)	$ (3,661,100)	$ (34,308,136)
Balance, December 31, 2019	5,315,757	$ 250,893,223	$ 997,500	$ 11,291,632	$ (294,322,038)	$ (4,481,196)	$ (35,620,879)
(Loss) for the period	–	–	–	–	(43,189,879)	–	(43,189,879)
Defined benefit plan actuarial loss (note 12)	–	–	–	–	–	(3,560,350)	(3,560,350)
Issue of shares under RSU	300	10,790	–	(10,790)	–	–	–
Balance, September 30, 2020	5,316,057	$ 250,904,013	$ 997,500	$ 11,280,842	$ (337,511,917)	$ (8,041,546)	$ (82,371,108)

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 U.S. dollars)
(Unaudited)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	$ 3,783,002	$ (29,220,983)	$ 21,812,912	$ (43,189,879)
Adjustments for:				
Depreciation of property and equipment	65,161	–	83,601	–
Amortization of intangible assets	362,763	2,188,032	1,088,289	7,140,553
Finance (income)	(328,765)	(173,251)	(471,360)	(250,074)
Finance costs (recovery)	804,557	29,660,877	(9,500,031)	28,282,767
Pension	9,015	100,932	(709,033)	109,323
Income tax expense (note 6)	833,422	1,987,199	2,438,396	2,675,506
Unrealized foreign exchange loss (gain)	40,961	(11,484)	(409,081)	(1,055,526)
Share-based compensation (note 4(f))	490,144	1,421,022	1,905,976	535,890
Change in provisions (note 11)	–	(258,968)	(1,355,373)	2,098,172
Change in non-cash operating working capital (note 7)	(1,018,447)	(5,505,549)	(7,004,459)	1,561,903
	5,041,813	187,827	7,879,837	(2,091,365)
Interest paid	(40,297)	(7,656)	(93,054)	(34,070)
Interest received	8,656	6,020	18,625	75,934
Income taxes received (paid)	206,465	(1,584,095)	(1,857,734)	(3,229,262)
	5,216,637	(1,397,904)	5,947,674	(5,278,763)
Financing activities:				
Payment of dividends (note 4(c))	–	(11,378,719)	–	(13,588,145)
Issue of share capital (note 4(b))	–	–	19,088,748	–
Payment of interest on loans and borrowings	(4,351,439)	–	(8,764,162)	–
Redemption of preferred shares (note 4(c))	–	(80,000,000)	–	(80,000,000)
Transaction costs on debentures (note 5)	–	(3,315,583)	–	(3,315,583)
Issuance of debentures (note 5)	–	90,000,000	–	90,000,000
	(4,351,439)	(4,694,302)	10,324,586	(6,903,728)
Investing activities:				
Purchase of property and equipment	(665,636)	–	(931,118)	–
Purchase of software	(372,271)	–	(372,271)	–
(Increase) / Decrease in restricted cash	(253,885)	57,647	(165,680)	261,165
	(1,291,792)	57,647	(1,469,069)	261,165
Effect of foreign exchange rate changes on cash and cash equivalents	(476,654)	223,160	(435,293)	788,793
Increase (decrease) in cash and cash equivalents	(903,248)	(5,811,399)	14,367,898	(11,132,533)
Cash and cash equivalents, beginning of period	32,935,144	26,426,859	17,663,998	31,747,993
Cash and cash equivalents, end of period	$ 32,031,896	$ 20,615,460	$ 32,031,896	$ 20,615,460

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

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 International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all the information required for full annual consolidated financial statements. These condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 were authorized for issuance by the Board of Directors of the Company on November 10, 2021.

(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 2020 annual consolidated financial statements and described in these condensed consolidated interim financial statements.

1. Basis of preparation (continued):

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.

The Company continues to monitor the evolution of the novel coronavirus ("COVID-19") situation. The extent to which the COVID-19 pandemic may impact the Company's business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence, such as the spread and severity of the disease, the duration of the outbreak including any possible resurgence, and actions taken by authorities to control the spread of the virus, the impact of the pandemic on spending, and the ability or willingness of suppliers and vendors to provide products and services.

Any of these developments, and others, could have a material adverse effect on the Company's business, affairs, operations, results of operations, financial condition, liquidity, availability of credit and foreign exchange exposure. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements could change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of non-current assets and a change in the expected credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts on its business.

2. Significant 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 2020 annual financial statements, including the notes thereto.

2. Significant accounting policies (continued):

(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.

(c) Functional currency:

The condensed consolidated interim financial statements are presented in U.S. dollars, which is the Company's functional currency.

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:

	September 30, 2021	December 31, 2020
Trade receivables, net of allowance for doubtful accounts	$ 5,896,379	$ 4,747,743
Other receivables (a)	3,345,035	3,120,758
	$ 9,241,414	$ 7,868,501

(a) At September 30, 2021 and December 31, 2020, the other receivables balance mainly includes amounts relating to indirect taxes receivable.

4. Share Capital:

(a) Authorized:

Unlimited Preferred Shares, issuable in series
Unlimited Common Shares

(b) Private Placement:

On April 9, 2021, the Company closed a private placement of its common shares (the "Offering"). A total of 834,500 Shares were issued by the Company at a price of CDN$30.00 per Share for aggregate gross proceeds of $19,882,797 (CDN$25,035,000). All Shares issued under the Offering are subject to a hold period of four months and one day from the date of issuance of the Shares. The Offering and listing of the Shares was approved by the Toronto Stock Exchange (the "TSX").

Transaction costs directly associated with this issuance of shares of $794,049 (CAD $999,810) have been recognized as a reduction of the proceeds.

(c) Series A Preferred Shares:

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares (the "Preferred Shares") and a warrant ("the "Series A Warrant") (collectively the "Financing Transaction") to ESW Holdings, Inc. (formerly known as Wave Systems Corp.) (the "Investor"), an affiliate of ESW Capital LLC ("ESW Capital").

On July 20, 2020, the Company fully redeemed all of the Preferred Shares including all accrued and unpaid dividends thereon, beneficially owned or controlled by ESW Capital and its affiliates, in accordance with the terms of the Preferred Shares. The aggregate redemption price in respect of the Preferred Shares was $91,378,719. This included the face amount of $80,000,000 and accrued dividends of $11,378,719.

(d) Series A Warrant and Standby Warrant:

As part of the Financing Transaction, the Company issued a Series A Warrant that entitles the Investor to subscribe for 925,712 Common Shares at $34.00 per share. The Series A Warrant is being classified as a liability and measured at its estimated fair value. The decrease in fair value of the warrant liability of $1,518,168 during the three months ended September 30, 2021 (three months ended September 30, 2020 – increase of $5,554,270) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss). The decrease in fair value of the warrant liability of $15,894,468 during the nine months

4. Share Capital (continued):

ended September 30, 2021 (nine months ended September 30, 2020 – decrease of $1,388,568) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss).

Upon closing of a rights offering of its Common Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Common Shares at $25.00 per share (the "Standby Warrant"). The fair value of the Standby Warrant, classified as equity upon issuance at September 6, 2017, was $997,500.

On March 11, 2021, the Company completed a transaction with ESW Capital whereby ESW Capital agreed to sell all of the Optiva common shares it owned in a private sale. ESW Capital also agreed to terminate all of its related party agreements with Optiva and to waive certain provisions of the Series A and Standby Warrants held directly or indirectly by ESW Capital (the "Separation Agreement"). In connection with amendments to certain provisions of the Standby Warrant, this instrument is now classified as a financial liability and measured at its estimated fair value. The decrease in fair value of the warrant liability of $128,550 during the three months ended September 30, 2021 (three months ended September 30, 2020 – $nil) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss). The decrease in fair value of the warrant liability of $904,950 during the nine months ended September 30, 2021 (nine months ended September 30, 2020 – $nil) is recorded in finance costs (recovery) in the condensed consolidated interim statements of comprehensive income (loss).

Under the Separation Agreement, any unexercised portion of the Series A Warrant and the Standby Warrant expires on March 1, 2023. No Series A or Standby Warrants have been exercised as at September 30, 2021 (nine months ended September 30, 2020 – none).

(Expressed in U.S. dollars)

4. Share Capital (continued):

(e) Income (loss) per share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted income (loss) per common share for the three and nine months ended September 30, 2021 and 2020, is as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Basic weighted average number of common shares outstanding	6,150,557	5,315,757	5,850,993	5,315,903
Effect of dilutive securities	8,750	–	75,574	–
Diluted weighted average number of common shares outstanding	6,159,307	5,315,757	5,926,567	5,315,903

The total number of stock options that were excluded from the calculation for the three and nine months ended September 30, 2021 were 363,726, as their inclusion would be anti-dilutive. The total number of shares issuable under the Series A Warrant and the Standby Warrant, that were excluded from the calculation for the three and nine months ended September 30, 2021 were 41,750 and 900,137 respectively, as their inclusion would be anti-dilutive.

Due to the loss for the three and nine months ended September 30, 2020, all stock options, the Series A Warrant and the Standby Warrant, were excluded from the calculation of diluted loss per common share as their inclusion would be anti-dilutive. The total number of stock options that were excluded from the calculation for the three and nine months ended September 30, 2020 were 25,588. The Series A Warrant and the Standby Warrant are equivalent to 925,712 and 50,000 Common Shares respectively, all of which were excluded from the calculation for the three and nine months ended September 30, 2020.

(Expressed in U.S. dollars)

4. Share Capital (continued):

(f) Share-based compensation:

The share-based compensation relating to the Company's stock options, deferred share unit plan and share unit plan during the three and nine months ended September 30, 2021 was an expense of $490,144 and $1,905,976 (three and nine months ended September 30, 2020 – expense of $1,421,022 and $535,890).

(i) Stock options:

The table below is a summary of the stock option plans for the nine months ended September 30, 2021:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2020	270,239	$ 51.20
Granted	100,000	32.45
Forfeited	(6,513)	165.90
Outstanding, September 30, 2021	363,726	$ 43.96

The share-based compensation relating to the Company's stock options during the three and nine months ended September 30, 2021 was $746,932 and $1,982,726 respectively (three and nine months ended September 30, 2020 – $nil and $nil, respectively).

(Expressed in U.S. dollars)

4. Share Capital (continued):

(ii) Share unit plan:

The table below is a summary of the restricted share units ("RSU") and performance share units ("PSU") for the nine months ended September 30, 2021:

RSU & PSU	
Outstanding, December 31, 2020	–
Granted	–
Forfeited	–
Outstanding, September 30, 2021	–

There were no shares issued from treasury during the nine months ended September 30, 2021 (nine months ended September 30, 2020 – 300). The share-based compensation relating to the Company's share unit plan during the nine months ended September 30, 2021 was a $nil (nine months ended September 30, 2020 – recovery of $150,132).

(iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the nine months ended September 30, 2021:

DSU	
Outstanding, December 31, 2020	74,135
Granted	24,634
Exercised	(30,504)
Forfeited	(1,216)
Outstanding, September 30, 2021	67,049

During the three and nine months ended September 30, 2021, the Company recorded compensation cost recovery of $256,788 and $76,750, respectively (three and nine months ended September 30, 2020 – expense of $1,421,022 and $686,022)

(Expressed in U.S. dollars)

5. Debentures:

On July 20, 2020, the Company closed a $90,000,000 financing (the "Debenture Financing") of 9.75% secured PIK toggle debentures due 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.

	September 30, 2021	December 31, 2020
Debenture financing, bearing interest at 9.75%, per annum, payable semi-annually, maturing July 20, 2025	$ 90,000,000	$ 90,000,000
Less unamortized deferred financing costs	(3,181,004)	(3,661,633)
Long-term portion of loans and borrowings	$ 86,818,996	$ 86,338,367

As at September 30, 2021, $90,000,000 (December 31, 2020 - $90,000,000) 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 incurred $3,933,723 of transaction costs 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 nine months ended September 30, 2021, $166,357 and $480,629 of deferred financing fees were amortized (three and nine months ended September 30, 2020 - $127,938 and $127,938).

For the three and nine months ended September 30, 2021, interest expense of $2,211,781 and $6,563,219 (three and nine months ended September 30, 2020 - $1,706,918 and $1,706,918) 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 nine months ended September 30, 2021 mainly includes $1,290,661 (nine months ended September 30, 2020 - $1,458,337) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $1,400,609 (nine months ended September 30, 2020 - $1,337,529) of foreign withholding taxes. The Company's deferred tax recovery of $252,874 (nine months ended September 30, 2020 – recovery of $120,360) consists primarily of changes in temporary differences recognized during the current period.

(Expressed in U.S. dollars)

7. Change in non-cash operating working capital:

The change in non-cash working capital for the three and nine months ended September 30, 2021 and 2020 is as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Trade accounts and other receivables	$ 499,514	$ (2,216,232)	$ (920,178)	$ (1,761,150)
Unbilled revenue	(1,073,218)	(106,849)	(1,643,956)	780,087
Prepaid expenses	225,391	(192,578)	(300,876)	28,188
Other assets	(16,822)	967,403	(8,739)	(534,444)
Inventories	–	6,917	–	473,201
Trade payables	1,154,281	5,039,636	(4,514,674)	6,157,075
Accrued liabilities and other liabilities	276,833	(4,146,303)	1,289,985	(3,612,427)
Income taxes receivable/payable	(42,803)	214,072	(138,465)	231,343
Deferred revenue	(2,041,623)	(5,071,615)	(767,556)	(199,968)
	$ (1,018,447)	$ (5,505,549)	$ (7,004,459)	$ 1,561,903

8. Financial instruments and capital management:

The Company has adopted a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;

- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and

- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e., unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

(Expressed in U.S. dollars)

8. Financial instruments and capital management (continued):

Financial assets and liabilities measured at fair value are summarized below:

	September 30, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Series A Warrant classified as liability (Level 2)	$ 768,340	$ 768,340	$ 16,662,808	$ 16,662,808
Standby Warrant classified as liability (Level 2)	92,550	92,550	–	–

There were no transfers of financial assets between levels during the nine months ended September 30, 2021 and 2020.

The Company’s financial instruments are classified as financial assets and financial liabilities at fair value through profit or loss or as financial assets and financial liabilities measured at amortized cost.

The carrying values of cash and cash equivalents, restricted cash, trade accounts and other receivables, trade payables, accrued liabilities, provisions and other liabilities approximate fair values because of the short-term nature of these financial instruments. The carrying value of debentures approximate their fair values because the interest rates approximate the market interest rates for similar debts.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

(Expressed in U.S. dollars)

9. 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 nine months ended September 30 is as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Europe, Middle East and Africa	$ 8,877,477	$ 8,344,626	$ 23,017,528	$ 25,220,019
North America, Latin America and Caribbean	4,334,884	5,690,245	15,110,309	18,326,174
Asia and Pacific Rim	3,453,331	4,769,349	10,939,674	14,227,496
	$ 16,665,692	$ 18,804,220	$ 49,067,511	$ 57,773,689

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue by type:				
Support and subscription	$ 11,411,812	$ 14,077,343	$ 35,681,432	$ 44,030,708
Software and services	4,994,404	4,601,464	13,120,459	13,095,233
Third-party software and hardware	259,475	125,413	265,619	647,748
	$ 16,665,691	$ 18,804,220	$ 49,067,510	$ 57,773,689

10. Guarantees and contingent liabilities:

The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees.

In the normal course of operations, the Company is subject to claims from time to time, relating to labour, customers and other. The Company vigorously defends itself against such claims and reviews the probability of outcome that may result in an outflow of its cash or other resources as at each consolidated statement of financial position date. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

The Company is defending certain claims related to terminated employees, customer and other contract terminations and intellectual property matters. Where an outflow of resources is considered probable, a provision has been recognized in the condensed consolidated interim statements of financial position as the best estimate of the probable costs that the Company will incur associated with the claims. The charges are recorded in restructuring costs where employee related and in general and administrative expense on the consolidated statement of comprehensive income (loss) for other claims. Although liability is not admitted, if a defense against these matters are unsuccessful, the Company may incur additional costs associated with the claims.

(Expressed in U.S. dollars)

11. Provisions:

	Restructuring (a)		Other (b)		Total	
Balance, December 31, 2020	$	41,648	$	5,513,725	$	5,555,373
Cash payments		(42,843)		–		(42,843)
Release of provision		–		(1,313,725)		(1,313,725)
Foreign exchange		1,195		–		1,195
Balance, September 30, 2021	$	–		4,200,000	$	4,200,000
Current					$	4,200,000
Non-current						–
Balance, September 30, 2021					$	4,200,000
Current					$	5,555,373
Non-current						–
Balance, December 31, 2020					$	5,555,373

(a) During the three and nine months ended September 30, 2021, $nil of restructuring costs related to closure of facilities and entity simplification were recorded (three and nine months ended September 30, 2020 - $59,440 and $202,162 related to closure of facilities and entity simplification).

For the nine months ended September 30, 2021, an amount of $42,843 has been paid.

(b) The balance at September 30, 2021 in other provision includes estimated costs to settle contractual disputes. During the nine months ended September 30, 2021, the Company revised its previously recorded provision related to an intellectual property claim. Management's provision reflects changes in the status of the claims, expected outcomes and costs to settle, if any. Estimates are preliminary and subject to adjustment based on changes in facts and circumstances, such changes could be material.

Although liability is not admitted, if a defense against any of these matters is unsuccessful, the Company may incur additional costs associated with the claims that may significantly exceed the Company's best estimate of the provision at September 30, 2021.

(Expressed in U.S. dollars)

12. Pension and other long-term employment benefit plans

The Company's subsidiaries in Germany have certain pension and post-employment benefit plans, including a cash balance plan that provides benefits on retirement, disability and death, as well as other post-employment benefit schemes. The plan assets are held in a separate Contractual Trust Arrangement with Deutsche Pensions Treuhand GmbH. The German pension plans operate under the legal framework of the German Company Pension Law and under the German Labour Law.

The Company has assessed the valuation for pension and non-pension post-employment benefits. Pension fund assets are invested primarily in fixed income and equity securities. The Company's pension funds do not invest directly in the Company's shares, but may invest indirectly, as a result of the inclusion of the Company's shares in certain market investment funds. These plan assets are maintained in segregated accounts by a custodian that is independent from the fund managers. The Company believes that the counterparty credit risk is low.

During the quarter ended September 30, 2021, the German pension plan assets were remeasured under the projected unit credit method. The resulting remeasurement resulted in a gain to other comprehensive income of $3,237,036 (2020 – loss of $3,560,350). The determination of the value of the liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as, the discount rates) and demographic variables (such as, mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows. The following are the principal actuarial assumptions:

	2021	2020
	Germany	Germany
Discount rate	1.20%	1.00%
Future salary increases	0.00%	0.00%
Future pension increases	0.00%	0.00%

12. Pension and other long-term employment benefit plans (continued):

Assumptions regarding future mortality are based on published statistics and mortality tables based on statistical information available in the various countries. In Germany, the Heubeck RT 2018G mortality tables were used. The calculation of the pension liabilities at September 30, 2021 and 2020 in Germany is based on a discount rate determined using the Mercer Yield Curve approach for an average duration of 15 years.

13. Related Party Transactions:

In September 2017, the Company entered into long term service agreements with Crossover Markets Inc. ("Crossover") and DevFactory FZ-LLC ("DevFactory"), (collectively the “Service Agreements”) who provide cross functional and specialized technical services. Each of Crossover and DevFactory is an affiliate of ESW Capital.

On March 11, 2021 the Company completed a transaction with ESW Capital, whereby ESW Capital agreed to sell all of its common shares of Optiva in a private sale. As part of the transaction, ESW Capital also agreed to terminate all of its related party agreements (the “Separation Agreement”) with Optiva.

Crossover provided Optiva with access to skilled temporary employees. These resources provided a variety of services, including HR, operations, finance, and support functions, at any global location for pricing agreed to in the Crossover service agreement. During the three and nine months ended September 30, 2021, the Company has incurred $nil and $585,779 of costs associated with services provided by Crossover (three and nine months ended September 30, 2020 – $3,262,723 and $11,606,508). The costs have been recorded in cost of revenue or operating expenses in accordance with the department of the contract resource in the condensed consolidated interim statements of comprehensive income (loss).

DevFactory provided certain technology services to Optiva as per agreed statements of work. Effective June 30, 2019, the Service Agreement between Optiva and DevFactory was assigned to GTeam FZ-LLC as part of in internal reorganization by DevFactory. GTeam FZ-LLC is also fully owned by ESW Capital. On September 1, 2019, Gteam FZ-LLC changed its name to DevFactory Innovations FZ-LLC. The technology services include source code analysis, code cleanup service and various other technical services related to Optiva’s software solutions. During the three and nine months ended September 30, 2021, the Company has incurred $nil and $nil of costs associated with services provided by DevFactory (three and nine months ended September 30, 2020 – $nil and $16,407,620). The costs have been recorded in cost of revenue and research and development expenses in accordance with the nature of the expenditure in the condensed consolidated interim statements of comprehensive income (loss).

13. Related Party Transactions (continued):

In connection with the termination of the DevFactory Agreements, the Company delivered to DevFactory a promissory note in the principal amount of $2,000,000 that was accepted as full and complete satisfaction of the $4,054,503 owing by the Company to DevFactory under the DevFactory Agreements. The maturity date of the promissory note is twelve months from date of the agreement.

The forgiveness of $2,054,503 was credited to research and development expenses in the condensed consolidated interim statements of comprehensive income (loss) in the nine-month period ended September 30, 2021.

Amounts owing to Crossover and DevFactory as of September 30, 2021 aggregated to $2,000,000 (December 31, 2020 - $4,967,164) and are included in both accrued liabilities and trade payables in the condensed consolidated interim statement of financial position at the respective period ends.