

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

## **OPTIVA INC.**

Three months ended March 31, 2022 and 2021  
(Unaudited)

# OPTIVA INC.

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

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 25,198,880	\$ 29,586,926
Trade accounts and other receivables (note 3)	9,153,606	7,203,145
Unbilled revenue	9,476,260	8,209,036
Prepaid expenses	1,826,331	3,044,329
Income taxes receivable	4,175,768	4,361,968
Other assets	549,472	822,592
<b>Total current assets</b>	<b>50,380,317</b>	<b>53,227,996</b>
Restricted cash	800,535	791,971
Property and equipment	898,363	883,168
Deferred income taxes	375,247	431,472
Other assets	379,479	372,194
Long-term unbilled revenue	2,715,443	2,878,032
Intangible assets	1,443,269	1,804,430
Goodwill	32,271,078	32,271,078
<b>Total assets</b>	<b>\$ 89,263,731</b>	<b>\$ 92,660,341</b>
<b>Liabilities and Shareholders' Deficit</b>		
Current liabilities:		
Trade payables	\$ 1,519,301	\$ 2,083,634
Accrued liabilities	8,784,213	12,904,992
Provisions (note 11)	4,200,000	4,200,000
Income taxes payable	3,709,173	3,467,897
Deferred revenue	5,291,210	3,995,143
<b>Total current liabilities</b>	<b>23,503,897</b>	<b>26,651,666</b>
Deferred revenue	170,648	151,306
Other liabilities	1,967,760	2,095,612
Pension and other long-term employment benefit plans	8,045,062	9,422,877
Debentures (note 5)	87,161,837	86,989,976
Series A Warrant (note 4(b) / note 8)	441,565	1,495,025
Standby Warrant (note 4(b) / note 8)	70,300	172,550
Deferred income taxes	732,971	745,745
<b>Total liabilities</b>	<b>122,094,040</b>	<b>127,724,757</b>
Shareholders' deficit:		
Share capital	270,559,551	270,559,551
Contributed surplus	14,568,831	14,171,732
Deficit	(315,502,206)	(317,339,214)
Accumulated other comprehensive loss	(2,456,485)	(2,456,485)
<b>Total shareholders' deficit</b>	<b>(32,830,309)</b>	<b>(35,064,416)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 89,263,731</b>	<b>\$ 92,660,341</b>

Guarantees and contingent liabilities (note 10)  
Related party transactions (note 12)

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

# OPTIVA INC.

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

	Three months ended March 31,	
	2022	2021
Revenue (note 9):		
Support and subscription	\$ 10,298,918	\$ 12,787,675
Software licenses, services and other	5,837,100	3,303,408
	<u>16,136,018</u>	<u>16,091,083</u>
Cost of revenue	4,070,865	3,674,948
Gross profit	12,065,153	12,416,135
Operating expenses:		
Sales and marketing	2,818,863	1,787,168
General and administrative	3,173,635	4,458,089
Research and development	2,854,462	516,770
	<u>8,846,960</u>	<u>6,762,027</u>
Income from operations	3,218,193	5,654,108
Foreign exchange gain (loss)	(49,100)	307,328
Finance income	86,247	71,694
Finance (costs) recovery (note 4 and 5)	(1,174,944)	11,193,469
Income before income taxes	2,080,396	17,226,599
Income tax expense (recovery) (note 6):		
Current	185,310	565,922
Deferred	58,078	(37,694)
	<u>243,388</u>	<u>528,228</u>
Total net income and comprehensive income	<u>\$ 1,837,008</u>	<u>\$ 16,698,371</u>
Income per common voting share (note 4(c)):		
Basic	\$ 0.30	\$ 3.14
Diluted	0.30	3.01
Weighted average number of common voting shares (note 4(c)):		
Basic	6,177,581	5,316,057
Diluted	6,177,581	5,543,600

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)

Three months ended March 31, 2022 and 2021  
(Unaudited)

	Share capital		Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive (loss)	Total shareholders' equity (deficit)
	Number Outstanding (note 4)	Amount					
Balance, December 31, 2021	6,177,581	\$ 270,559,551	\$ –	\$ 14,171,732	\$ (317,339,214)	\$ (2,456,485)	\$ (35,064,416)
Income for the period	–	–	–	–	1,837,008	–	1,837,008
Share-based compensation (note 4(d)(i))	–	–	–	397,099	–	–	397,099
<b>Balance, March 31, 2022</b>	<b>6,177,581</b>	<b>\$ 270,559,551</b>	<b>\$ –</b>	<b>\$ 14,568,831</b>	<b>\$ (315,502,206)</b>	<b>\$ (2,456,485)</b>	<b>\$ (32,830,309)</b>
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	–	–	–	–	16,698,371	–	16,698,371
Share-based compensation (Note 4 (d))	–	–	–	518,878	–	–	518,878
Transfer to liability (Note 4 (b))	–	–	(997,500)	–	–	–	(997,500)
<b>Balance, March 31, 2021</b>	<b>5,316,057</b>	<b>\$ 250,904,013</b>	<b>\$ –</b>	<b>\$ 11,925,692</b>	<b>\$ (319,143,878)</b>	<b>\$ (6,898,136)</b>	<b>\$ (63,212,309)</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 U.S. dollars)  
(Unaudited)

	Three months ended March 31,	
	2022	2021
Cash used in:		
Operating activities:		
Income for the period	\$ 1,837,008	\$ 16,698,371
Adjustments for:		
Depreciation of property and equipment	91,978	—
Amortization of intangible assets	361,161	362,763
Finance income	(86,247)	(71,694)
Finance costs (recovery)	1,174,944	(11,193,469)
Pension	(1,112,899)	(937,134)
Income tax expense (note 6)	243,388	528,228
Unrealized foreign exchange (gain) / loss	(510,737)	(657,610)
Share-based compensation (note 4(d))	149,315	722,598
Change in provisions (note 11)	—	(1,332,345)
Change in non-cash operating working capital (note 7)	(540,492)	(5,743,267)
	1,607,419	(1,623,559)
Interest paid	(11,363)	(38,319)
Interest received	31,818	1,587
Promissory note paid (note 12)	(2,000,000)	—
Income taxes received (paid)	319,212	(1,691,380)
	(52,914)	(3,351,671)
Financing activities:		
Payment of interest on loans and borrowings	(4,423,562)	(4,412,723)
	(4,423,562)	(4,412,723)
Investing activities:		
Purchase of property and equipment	(107,534)	—
Increase in restricted cash	(8,564)	(47,499)
	(116,098)	(47,499)
Effect of foreign exchange rate changes on cash and cash equivalents	204,528	112,158
Decrease in cash and cash equivalents	(4,388,046)	(7,699,735)
Cash and cash equivalents, beginning of period	29,586,926	17,663,998
Cash and cash equivalents, end of period	\$ 25,198,880	\$ 9,964,263

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 U.S. dollars)

Three months ended March 31, 2022 and 2021  
(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 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 months ended March 31, 2022 were authorized for issuance by the Board of Directors of the Company on May 10, 2022.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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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 2021 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.

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.

In February 2022 Russian forces entered the Ukraine and an armed conflict commenced. It is uncertain how long the conflict, economic sanctions and market instability will continue and whether the conflict will escalate further. These current geopolitical tensions, together with international sanctions being imposed by many countries, may adversely affect global

# OPTIVA INC.

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

Three months ended March 31, 2022 and 2021  
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## 1. Basis of preparation (continued):

supply chains, consumer spending, customer advertising spending and our financial results. Management continues to evaluate these events closely to manage risk to the Company.

## 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 2021 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.

### (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.



# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

### 3. Trade accounts and other receivables:

	March 31, 2022	December 31, 2021
Trade receivables, net of allowance for doubtful accounts	\$ 6,410,263	\$ 4,169,413
Other receivables (a)	2,743,343	3,033,732
	<u>\$ 9,153,606</u>	<u>\$ 7,203,145</u>

(a) At March 31, 2022 and December 31, 2021, 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) Series A Warrant and Standby Warrant:

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.

As part of the Financing Transaction, the Company had 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 \$1,053,460 during the three months ended March 31, 2022 (three months ended March 31, 2021 – decrease of \$12,959,962) is recorded in finance (costs) recovery in the condensed consolidated interim statements of comprehensive income.

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

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 4. Share Capital (continued):

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 \$102,250 during the three months ended March 31, 2022 (three months ended March 31, 2021 – decrease of \$680,350) is recorded in finance (costs) recovery in the condensed consolidated interim statements of comprehensive income.

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 March 31, 2022 (three months ended March 31, 2021 – none).

### (c) Income per share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted income per common share for the three months ended March 31, 2022 and 2021, is as follows:

	Three months ended March 31,	
	2022	2021
Basic weighted average		
number of common shares outstanding	6,177,581	5,316,057
Effect of dilutive securities	-	227,543
Diluted weighted average		
number of common shares outstanding	6,177,581	5,543,600

The total number of stock options that were excluded from the calculation for the three months ended March 31, 2022 was 357,087 (three months ended March 31, 2021 – 357,251), 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

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

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## 4. Share Capital (continued):

months ended March 31, 2022 were 975,712 (three months ended March 31, 2021 – 754,832) as their inclusion would be anti-dilutive.

### (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 months ended March 31, 2022 was an expense of \$149,315 (three months ended March 31, 2021 – expense of \$722,598).

### (i) Stock options:

The table below is a summary of the stock option plans for the three months ended March 31, 2022:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2021	357,087	\$ 41.52
Granted	-	-
Forfeited	-	-
Outstanding, March 31, 2022	357,087	\$ 41.52

The share-based compensation expense relating to the vesting of granted stock options during the three months ended March 31, 2022 was \$391,721 (three months ended March 31, 2021 – \$518,878).

# OPTIVA INC.

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

Three months ended March 31, 2022 and 2021  
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## 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 three months ended March 31, 2022:

RSU & PSU	
Outstanding, December 31, 2021	-
Forfeited	-
Granted	14,318
Outstanding, March 31, 2022	14,318

There were 14,318 RSUs granted during the three months ended March 31, 2022 (three months ended March 31, 2021 – nil). 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 months ended March 31, 2022 was \$5,378 (three months ended March 31, 2021 – nil).

### (iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the three months ended March 31, 2022:

DSU	
Outstanding, December 31, 2021	69,214
Granted	2,614
Outstanding, March 31, 2022	71,828

During the three months ended March 31, 2022, the Company recorded a compensation recovery of \$247,784 (three months ended March 31, 2021 – compensation expense of \$203,720).

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

## 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.

	March 31, 2022	December 31, 2021
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	(2,838,163)	(3,010,024)
<b>Long-term portion of loans and borrowings</b>	<b>\$ 87,161,837</b>	<b>\$ 86,989,976</b>

As at March 31, 2022, \$90,000,000 (December 31, 2021 - \$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 months ended March 31, 2022, \$171,861 of deferred financing fees was amortized (March 31, 2021 - \$154,149).

For the three months ended March 31, 2022, interest expense of \$2,163,699 (March 31, 2021 - \$2,163,699) was incurred in connection with the Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income.

## 6. Income tax expense:

The Company's current income tax expense for the three months ended March 31, 2022 mainly includes \$37,689 (three months ended March 31, 2021 - \$185,991) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$147,621 (three months ended March 31, 2021 - \$379,931) of foreign withholding taxes. The Company's deferred tax expense of \$58,078 (three months ended March 31, 2021 – recovery of \$37,694) consists primarily of changes in temporary differences recognized during the current period.

# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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Three months ended March 31, 2022 and 2021  
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## 7. Change in non-cash operating working capital:

The change in non-cash working capital for the three months ended March 31, 2022 is as follows:

	Three months ended March 31,	
	2022	2021
Trade accounts and other receivables	\$ (1,896,032)	\$ (4,748,403)
Unbilled revenue	(1,104,635)	1,800,465
Prepaid expenses	1,217,998	302,653
Other assets	265,835	(475,329)
Trade payables	(564,333)	(2,646,606)
Accrued liabilities and other liabilities	302,312	241,690
Income taxes receivable/payable	(77,046)	(111,125)
Deferred revenue	1,315,409	(106,612)
	<u>\$ (540,492)</u>	<u>\$ (5,743,267)</u>

## 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.

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Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 8. Financial instruments and capital management (continued):

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

	March 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Series A Warrant classified as liability (Level 2)	441,565	441,565	1,495,025	1,495,025
Standby Warrant Classified as liability (Level 2)	70,300	70,300	172,550	172,550

There were no transfers of financial assets between levels during the three months ended March 31, 2022 and 2021.

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.

## 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.

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

Three months ended March 31, 2022 and 2021  
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## 9. Segment Reporting (continued):

Revenue is attributed to geographic locations, based on the location of the external customer. The Company's revenue by geographic area for the three months ended March 31 is as follows:

	Three months ended March 31,	
	2022	2021
Revenue by region:		
Europe, Middle East and Africa	\$ 9,134,722	\$ 7,268,948
North America, Latin America and Caribbean	4,529,290	4,707,493
Asia and Pacific Rim	2,472,006	4,114,642
	<u>\$ 16,136,018</u>	<u>\$ 16,091,083</u>

The Company's revenue by type for the three months ended March 31 is as follows:

	Three months ended March 31,	
	2022	2021
Revenue by type:		
Support and subscription	\$ 10,298,918	\$ 12,787,675
Software and services	5,783,773	3,302,065
Third-party software and hardware	53,327	1,344
	<u>\$ 16,136,018</u>	<u>\$ 16,091,083</u>

## 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



# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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(Unaudited)

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## 10. Guarantees and contingent liabilities (continued):

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 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 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.

## 11. Provisions:

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	Total
Balance, December 31, 2021	\$ 4,200,000
Cash payments	—
Release of provision	—
Foreign exchange	—
<b>Balance, March 31, 2022</b>	<b>\$ 4,200,000</b>
Current	\$ 4,200,000
Non-current	—
<b>Balance, March 31, 2022</b>	<b>\$ 4,200,000</b>
Current	\$ 4,200,000
Non-current	—
<b>Balance, December 31, 2021</b>	<b>\$ 4,200,000</b>

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The balance at March 31, 2022 in provisions includes estimated costs to settle contractual disputes. 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.

# OPTIVA INC.

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

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 11. Provisions (continued):

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 exceed the Company's best estimate of the provision at March 31, 2022.

## 12. 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 months ended March 31, 2022, the Company has incurred \$nil costs associated with services provided by Crossover (three months ended March 31, 2021 – \$585,779). 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.

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 was twelve months from date of the agreement. The promissory note was paid in full in February 2022.

The forgiveness of \$2,054,503 was credited to research and development expenses in the condensed consolidated interim statements of comprehensive income in the three-month period ended March 31, 2021.