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

OPTIVA INC.

As at and for the three and six months ended June 30, 2022 and 2021
(Unaudited)

OPTIVA INC.

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

		June 30, 2022		December 31, 2021
Assets				
Current assets:				
Cash and cash equivalents	$	25,596	$	29,587
Trade accounts and other receivables (note 3)		10,625		7,203
Unbilled revenue		11,519		8,209
Prepaid expenses		1,527		3,044
Income taxes receivable		4,035		4,362
Other assets		952		823
Total current assets		54,254		53,228
Restricted cash		777		792
Property and equipment		1,171		883
Deferred income taxes		376		432
Other assets		–		372
Long-term unbilled revenue		2,474		2,878
Intangible assets		1,082		1,804
Goodwill		32,271		32,271
Total assets	$	92,405	$	92,660
Liabilities and Shareholders' Deficit				
Current liabilities:				
Trade payables	$	2,828	$	2,083
Accrued liabilities		10,788		12,905
Provisions (note 11)		4,200		4,200
Income taxes payable		3,770		3,468
Deferred revenue		5,003		3,995
Total current liabilities		26,589		26,651
Deferred revenue		1,259		151
Other liabilities		2,025		2,096
Pension and other long-term employment benefit plans		7,034		9,423
Debentures (note 5)		87,340		86,990
Series A Warrant (note 4(b) / note 8)		279		1,495
Standby Warrant (note 4(b) / note 8)		58		172
Deferred income taxes		708		746
Total liabilities		125,292		127,724
Shareholders' deficit:				
Share capital		270,560		270,560
Contributed surplus		15,003		14,172
Deficit		(315,994)		(317,339)
Accumulated other comprehensive loss		(2,456)		(2,457)
Total shareholders' deficit		(32,887)		(35,064)
Total liabilities and shareholders' deficit	$	92,405	$	92,660

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 (Loss)
(Expressed in thousands of U.S. dollars, except share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue (note 9):				
Support and subscription	$ 9,660	$ 11,482	$ 19,958	$ 24,270
Software licenses, services and other	5,738	4,829	11,576	8,132
	15,398	16,311	31,534	32,402
Cost of revenue	4,456	3,599	8,527	7,274
Gross profit	10,942	12,712	23,007	25,128
Operating expenses:				
Sales and marketing	2,015	1,926	4,834	3,713
General and administrative	3,062	4,536	6,236	8,994
Research and development	3,210	3,242	6,064	3,759
	8,287	9,704	17,134	16,466
Income (loss) from operations	2,655	3,008	5,873	8,662
Foreign exchange gain / (loss)	(488)	218	(537)	525
Finance income	73	71	159	143
Finance (cost) recovery (note 4 and 5)	(2,238)	(889)	(3,413)	10,305
Income before income taxes	2	2,408	2,082	19,635
Income taxes (recovery) (note 6):				
Current	510	1,204	695	1,769
Deferred	(16)	(126)	42	(164)
	494	1,077	737	1,605
Total comprehensive income (loss)	$ (492)	$ 1,331	$ 1,345	$ 18,030
Income (loss) per common share (note 4(c)):				
Basic	$ (0.08)	$ 0.22	$ 0.22	$ 3.16
Diluted	(0.08)	0.22	0.22	3.16
Weighted average number of common shares (thousands) (note 4(c)):				
Basic	6,178	6,076	6,178	5,699
Diluted	6,178	6,076	6,178	5,699

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 thousands of U.S. dollars, except share amounts)

Six months ended June 30, 2022 and 2021
(Unaudited)

	Share capital						
	Number Outstanding (thousands) (note 4)	Amount	Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive (loss)	Total shareholders' equity (deficit)
Balance, December 31, 2021	6,178	$ 270,560	$ –	$ 14,172	$ (317,339)	$ (2,456)	$ (35,063)
Income for the period	–	–	–	–	1,345	–	1,345
Share-based compensation (note 4(d)(i))	–	–	–	831	–	–	831
Balance, June 30, 2022	6,178	$ 270,560	$ –	$ 15,003	$ (315,994)	$ (2,456)	$ (32,887)
Balance, December 31, 2020	5,316	$ 250,904	$ 998	$ 11,407	$ (335,842)	$ (6,898)	$ (79,431)
Income for the period	–	–	–	–	18,030	–	18,030
Share-based compensation (Note 4 (d))	–	–	–	1,236	–	–	1,236
Issue of share capital (private placement)	835	19,089	–	–	–	–	19,089
Transfer to liability (Note 4 (b))	–	–	(998)	–	–	–	(998)
Balance, June 30, 2021	6,151	$ 269,993	$ –	$ 12,643	$ (317,812)	$ (6,898)	$ (42,074)

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 June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	$ (492)	$ 1,331	$ 1,345	$ 18,030
Adjustments for:				
Depreciation of property and equipment	144	18	236	18
Amortization of intangible assets	361	363	722	726
Finance income	(73)	(71)	(159)	(143)
Finance costs (recovery)	2,238	889	3,413	(10,305)
Pension	(592)	219	(1,705)	(718)
Income tax expense (note 6)	494	1,077	737	1,605
Unrealized foreign exchange (gain) / loss	(834)	209	(1,344)	(450)
Share-based compensation (note 4(d))	560	693	709	1,416
Change in provisions (note 11)	–	(23)	–	(1,355)
Change in non-cash operating working capital (note 7)	(1,131)	(243)	(1,671)	(5,986)
	675	4,462	2,283	2,838
Interest paid	(11)	(14)	(22)	(53)
Interest received	27	8	59	10
Promissory note paid (note 12)	–	–	(2,000)	–
Income taxes (paid) received	(282)	(373)	37	(2,064)
	409	4,083	357	731
Financing activities:				
Issue of share capital (note 4(b))	–	19,089	–	19,089
Payment of interest on loans and borrowings	–	–	(4,424)	(4,413)
	–	19,089	(4,424)	14,676
Investing activities:				
Purchase of property and equipment	(416)	(265)	(524)	(265)
Decrease in restricted cash	23	135	15	88
	(393)	(130)	(509)	(177)
Effect of foreign exchange rate changes on cash and cash equivalents	381	(71)	585	41
Increase (decrease) in cash and cash equivalents	397	22,971	(3,991)	15,271
Cash and cash equivalents, beginning of period	25,199	9,964	29,587	17,664
Cash and cash equivalents, end of period	$ 25,596	$ 32,935	$ 25,596	$ 32,935

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 as at and for the three and six months ended June 30, 2022 were authorized for issuance by the Board of Directors of the Company on August 9, 2022.

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.

(Expressed in thousands of U.S. dollars, except share amounts)

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.

3. Trade accounts and other receivables:

	June 30, 2022	December 31, 2021
Trade receivables, net of allowance for doubtful accounts	$ 7,861	$ 4,169
Other receivables (a)	2,764	3,034
	$ 10,625	$ 7,203

(a) At June 30, 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 $162 during the three months ended June 30, 2022 (three months ended June 30, 2021 – decrease of $1,416) 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 $1,216 during the six months ended June 30, 2022 (six months ended June 30, 2021 – decrease of $14,376) 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 $998.

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 $12

4. Share Capital (continued):

during the three months ended June 30, 2022 (three months ended June 30, 2021 – decrease of $96) and the decrease in fair value of the warrant liability of $114 during the six months ended June 30, 2022 (six months ended June 30, 2021 – $776) 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 June 30, 2022 (six months ended June 30, 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 and six months ended June 30, 2022 and 2021, is as follows (number of shares in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Basic weighted average number of common shares outstanding	6,178	6,076	6,178	5,699
Effect of dilutive securities	–	52	–	145
Diluted weighted average number of common shares outstanding	6,178	6,128	6,178	5,844

The total number of stock options that were excluded from the calculation for the three and six months ended June 30, 2022 was 357 (three and six months ended June 30, 2021 – 364), 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 six months ended June 30, 2022 were 976 (three and six months ended June 30, 2021 – 924 and 831) as their inclusion would be anti-dilutive.

(Expressed in thousands of U.S. dollars, except share amounts)

4. Share Capital (continued):

(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, 2022 was an expense of $560 and $709 (three and six months ended June 30, 2021 – expense of $693 and $1,416).

(i) Stock options:

The table below is a summary of the stock option plans for the three and six months ended June 30, 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, June 30, 2022	357,087	$ 41.52

The share-based compensation expense relating to the vesting of granted stock options during the three and six months ended June 30, 2022 was $411 and $803 (three and six months ended June 30, 2021 – $717 and $1,236).

(Expressed in thousands of U.S. dollars, except share amounts)

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 six months ended June 30, 2022:

RSU & PSU	
Outstanding, December 31, 2021	-
Forfeited	-
Granted	14,318
Outstanding, June 30, 2022	14,318

There were 14,318 RSUs granted during the six months ended June 30, 2022 (six months ended June 30, 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 and six months ended June 30, 2022 was $23 and $28, respectively (three and six months ended June 30, 2021 – $nil and $nil, respectively).

(iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the six months ended June 30, 2022:

DSU	
Outstanding, December 31, 2021	69,214
Granted	5,099
Exercised	-
Forfeited	-
Outstanding, June 30, 2022	74,313

(Expressed in thousands of U.S. dollars, except share amounts)

4. Share Capital (continued):

During the three and six months ended June 30, 2022, the Company recorded a compensation cost expense of $126 and recovery of $122 (three and six months ended June 30, 2021 – compensation cost recovery of $24 and expense of $180).

5. Debentures:

On July 20, 2020, the Company closed a $90,000 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.

		June 30, 2022		December 31, 2021
Debenture financing, bearing interest at 9.75%, per annum, payable semi-annually, maturing July 20, 2025	$	90,000	$	90,000
Less unamortized deferred financing costs		(2,660)		(3,010)
Long-term portion of loans and borrowings	$	87,340	$	86,990

As at June 30, 2022, $90,000 (December 31, 2021 - $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 incurred $3,933 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 six months ended June 30, 2022, $178 and $350 of deferred financing fees was amortized (three and six months ended June 30, 2021 - $160 and $314).

For the three and six months ended June 30, 2022, interest expense of $2,188 and $4,351 (three and six months ended June 30, 2021 - $2,188 and $4,351) was incurred in connection with the Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income.

(Expressed in thousands of U.S. dollars, except share amounts)

6. Income tax expense:

The Company's current income tax expense for the three and six months ended June 30, 2022 mainly includes $101 and $139 (three and six months ended June 30, 2021 - $639 and $824) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $409 and $556 (three and six months ended June 30, 2021 - $565 and $945) of foreign withholding taxes. The Company's deferred tax recovery of $16 and expense of $42 for the three and six months ended June 30, 2022 (three and six months ended June 30, 2021 – recovery of $126 and $164) consists primarily of changes in temporary differences recognized during the current period.

7. Change in non-cash operating working capital:

The change in non-cash working capital for the three and six months ended June 30, 2022 is as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Trade accounts and other receivables	$ (1,426)	$ 3,329	$ (3,322)	$ (1,420)
Unbilled revenue	(1,801)	(2,371)	(2,906)	(571)
Prepaid expenses	300	(829)	1,518	(526)
Other assets	(24)	483	242	8
Trade payables	1,306	(3,022)	743	(5,669)
Accrued liabilities and other liabilities	(261)	771	41	1,014
Income taxes receivable/payable	(25)	15	(102)	(96)
Deferred revenue	800	1,381	2,115	1,274
	$ (1,131)	$ (243)	$ (1,671)	$ (5,986)

(Expressed in thousands of U.S. dollars, except share amounts)

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.

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

	June 30, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Series A Warrant classified as liability (Level 2)	$ 279	$ 279	$ 1,495	$ 1,495
Standby Warrant Classified as liability (Level 2)	58	58	172	172

There were no transfers of financial assets between levels during the six months ended June 30, 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.

(Expressed in thousands of U.S. dollars, except share amounts)

8. Financial instruments and capital management (continued):

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.

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, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Europe, Middle East and Africa	$ 7,604	$ 6,871	$ 16,739	$ 14,140
North America, Latin America and Caribbean	5,029	6,068	9,558	10,775
Asia and Pacific Rim	2,765	3,372	5,237	7,486
	$ 15,398	$ 16,311	$ 31,534	$ 32,401

(Expressed in thousands of U.S. dollars, except share amounts)

9. Segment Reporting (continued):

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue by type:				
Support and subscription	$ 9,659	$ 11,482	$ 19,958	$ 24,269
Software and services	5,721	4,824	11,504	8,126
Third-party software and hardware	18	5	72	6
	$ 15,398	$ 16,311	$ 31,534	$ 32,401

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 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.

(Expressed in thousands of U.S. dollars, except share amounts)

11. Provisions:

		Total
Balance, December 31, 2021	$	4,200
Cash payments		–
Release of provision		–
Foreign exchange		–
Balance, June 30, 2022	$	4,200
Current	$	4,200
Non-current		–
Balance, June 30, 2022	$	4,200
Current	$	4,200
Non-current		–
Balance, December 31, 2021	$	4,200

The balance at June 30, 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.

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 June 30, 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.

12. Related Party Transactions (continued):

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 six months ended June 30, 2022, the Company has incurred $nil and $nil costs associated with services provided by Crossover (three and six months ended June 30, 2021 – $nil and $586). 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 that was accepted as full and complete satisfaction of the $4,054 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 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.