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

OPTIVA INC.

Three months ended March 31, 2021 and 2020
(Unaudited)

OPTIVA INC.

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

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 9,964,263	$ 17,663,998
Trade accounts and other receivables (note 3)	12,687,011	7,868,501
Unbilled revenue	2,536,842	4,086,395
Prepaid expenses	2,449,651	2,752,304
Income taxes receivable	4,813,289	4,281,673
Other assets	717,439	222,101
Total current assets	33,168,495	36,874,972
Restricted cash	673,191	625,692
Long-term unbilled revenue	3,269,265	3,520,177
Deferred income taxes	242,920	208,237
Other assets	604,125	624,134
Intangible assets	2,892,719	3,255,482
Goodwill	32,271,078	32,271,078
Total assets	$ 73,121,793	$ 77,379,772
Liabilities and Shareholders' Deficit		
Current liabilities:		
Trade payables	$ 6,164,801	$ 8,811,407
Accrued liabilities	8,502,155	9,677,245
Provisions (note 11)	4,223,028	5,555,373
Income taxes payable	4,227,190	4,932,157
Deferred revenue	4,874,189	4,894,195
Total current liabilities	27,991,363	33,870,377
Deferred revenue	575,231	661,837
Other liabilities	2,223,708	2,797,836
Pension and other long-term employment benefit plans	14,157,326	15,582,459
Debentures (note 5)	86,492,516	86,338,367
Series A Warrant (note 4(c) / note 8)	3,702,846	16,662,808
Standby Warrant (note 4(c) / note 8)	317,150	–
Deferred income taxes	873,962	898,146
Total liabilities	136,334,102	156,811,830
Shareholders' deficit:		
Share capital	250,904,013	250,904,013
Standby Warrant (note 4(c))	–	997,500
Contributed surplus	11,925,692	11,406,814
Deficit	(319,143,878)	(335,842,249)
Accumulated other comprehensive loss	(6,898,136)	(6,898,136)
Total shareholders' deficit	(63,212,309)	(79,432,058)
Total liabilities and shareholders' deficit	$ 73,121,793	$ 77,379,772

Guarantees and contingent liabilities (note 10)
Related party transactions (note 12)
Subsequent event (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 share amounts)
(Unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenue (note 9):		
Support and subscription	$ 12,787,675	$ 15,115,811
Software licenses, services and other	3,303,408	3,920,935
	16,091,083	19,036,746
Cost of revenue	3,674,948	5,354,176
Gross profit	12,416,135	13,682,570
Operating expenses:		
Sales and marketing	1,787,168	3,023,462
General and administrative	4,458,089	5,464,180
Research and development	516,770	11,924,124
Restructuring costs (note 11(a))	–	116,284
	6,762,027	20,528,050
Income (loss) from operations	5,654,108	(6,845,480)
Foreign exchange gain (loss)	307,328	(1,883,340)
Finance income	71,694	85,736
Finance recovery (note 4 and 5)	11,193,469	9,762,938
Income before income taxes	17,226,599	1,119,854
Income tax expense (recovery) (note 6):		
Current	565,922	309,187
Deferred	(37,694)	3,018
	528,228	312,205
Total net income and comprehensive income	$ 16,698,371	$ 807,649
Income per subordinate voting share (note 4(d)):		
Basic	$ 3.14	$ 0.15
Diluted	3.01	0.14
Weighted average number of subordinate voting shares (note 4(d):		
Basic	5,316,057	5,315,757
Diluted	5,543,600	5,632,065

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, 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	–	–	–	–	16,698,371	–	16,698,371
Share-based compensation (Note 4 (e))	–	–	–	518,878	–	–	518,878
Transfer to liability (Note 4 (c))	–	–	(997,500)	–	–	–	(997,500)
Balance, March 31, 2021	5,316,057	$ 250,904,013	$ –	$ 11,925,692	$ (319,143,878)	$ (6,898,136)	$ (63,212,309)
Balance, December 31, 2019	5,315,757	$ 250,893,223	$ 997,500	$ 11,291,632	$ (294,322,038)	$ (4,481,196)	$ (35,620,879)
Income for the period	–	–	–	–	807,649	–	807,649
Balance, March 31, 2020	5,315,757	$ 250,893,223	$ 997,500	$ 11,291,632	$ (293,514,389)	$ (4,481,196)	$ (34,813,230)

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, 2021	2020
Cash used in:		
Operating activities:		
Income for the period	$ 16,698,371	$ 807,649
Adjustments for:		
Amortization of intangible assets	362,763	2,488,329
Finance income	(71,694)	(85,736)
Finance recovery	(11,193,469)	(9,762,938)
Pension	(937,134)	4,222
Income tax expense (note 6)	528,228	312,205
Unrealized foreign exchange gain	(657,610)	(794,533)
Share-based compensation (note 4(e))	722,598	(1,244,048)
Change in provisions (note 11)	(1,332,345)	(450,501)
Change in non-cash operating working capital (note 7)	(5,743,267)	9,419,643
	(1,623,559)	694,292
Interest paid	(38,319)	(22,417)
Interest received	1,587	54,779
Income taxes paid	(1,691,380)	(966,408)
	(3,351,671)	(239,754)
Financing activities:		
Payment of dividends (note 4(b))	–	(2,209,426)
Payment of interest on loans and borrowings	(4,412,723)	–
	(4,412,723)	(2,209,426)
Investing activities:		
Increase / (decrease) in restricted cash	(47,499)	30,694
	(47,499)	30,694
Effect of foreign exchange rate changes on cash and cash equivalents	112,158	35,786
(Decrease) in cash and cash equivalents	(7,699,735)	(2,382,700)
Cash and cash equivalents, beginning of period	17,663,998	31,747,993
Cash and cash equivalents, end of period	$ 9,964,263	$ 29,365,293

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 months ended March 31, 2021 were authorized for issuance by the Board of Directors of the Company on May 11, 2021.

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 2020 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.

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.

(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 significant 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:

	March 31, 2021	December 31, 2020
Trade receivables, net of allowance for doubtful accounts	$ 9,687,292	$ 4,747,743
Other receivables (a)	2,999,719	3,120,758
	$ 12,687,011	$ 7,868,501

(a) At March 31, 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 Subordinate Voting Shares

(b) Series A Preferred Shares and Subordinate Voting 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.

(c) 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 Subordinate Voting Shares at $34.00 per share. 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 $12,959,962 during the three months ended March 31, 2021 (three months ended March 31, 2020 – decrease of $12,497,107) is recorded in finance recovery in the condensed consolidated interim statements of comprehensive income (loss).

Upon closing of a rights offering of its Subordinate Voting Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Subordinate Voting 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.

(Expressed in U.S. dollars)

4. Share Capital (continued):

On March 11, 2021, the Company completed a transaction with ESW Capital whereby ESW Capital agreed to sell all of the Optiva subordinate voting shares it owns 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 $680,350 during the three months ended March 31, 2021 (three months ended March 31, 2020 – $nil) is recorded in finance 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 March 31, 2021 (three months ended March 31, 2020 – none).

(d) 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, 2021 and 2020, is as follows:

	Three months ended March 31, 2021	2020
Basic weighted average number of common shares outstanding	5,316,057	5,315,757
Effect of dilutive securities	227,543	316,308
Diluted weighted average number of common shares outstanding	5,543,600	5,632,065

The total number of stock options that were excluded from the calculation for the three months ended March 31, 2021 was 357,251 (three months ended March 31, 2020 – 26,889), 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 months ended March 31, 2021 were 754,832 (three months ended March 31, 2020 – 659,403) as their inclusion would be anti-dilutive.

(Expressed in U.S. dollars)

4. Share Capital (continued):

(e) 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 months ended March 31, 2021 was an expense of 722,598 (three months ended March 31, 2020 – recovery of $1,244,048).

(i) Stock options:

The table below is a summary of the stock option plans for the three months ended March 31, 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	(6,325)	165.90
Outstanding, March 31, 2021	363,914	$ 44.06

The share-based compensation relating to the Company's stock options during the three months ended March 31, 2021 was $518,878 (three months ended March 31, 2020 – $nil).

(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 three months ended March 31, 2021:

RSU & PSU	
Outstanding, December 31, 2020	-
Forfeited	-
Granted	-
Outstanding, March 31, 2021	-

There were no shares issued from treasury during the three months ended March 31, 2021 (three months ended March 31, 2020 – nil). The share-based compensation relating to the Company's share unit plan during the three months ended March 31, 2021 was a $nil (three months ended March 31, 2020 – recovery of $265,123).

(iii) Deferred share unit plan:

DSU	
Outstanding, December 31, 2020	74,135
Granted	13,443
Exercised	(20,453)
Forfeited	(1,216)
Outstanding, March 31, 2021	65,909

During the three months ended March 31, 2021, the Company recorded compensation cost of $203,720 (three months ended March 31, 2020 – recovery of $978,925).

(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.

	March 31, 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	(3,507,484)	(3,661,633)
Long-term portion of loans and borrowings	$ 86,492,516	$ 86,338,367

As at March 31, 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. As of March 31, 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, 2021, $154,149 of deferred financing fees was amortized (March 31, 2020 - $nil).

For the three months ended March 31, 2021, interest expense of $2,163,699 (March 30, 2020 - $nil) in connection with Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income (loss).

6. Income tax expense:

The Company's current income tax expense for the three months ended March 31, 2021 mainly includes $185,991 (three months ended March 31, 2020 - $226,068) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $379,931 (three months ended March 31, 2020 - $83,119) of foreign withholding taxes. The Company's deferred tax recovery of $37,694 (three months ended March 31, 2020 – expense of $3,018) 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 months ended March 31, 2021 is as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Trade accounts and other receivables	$ (4,748,403)	$ 739,639
Unbilled revenue	1,800,465	(360,352)
Prepaid expenses	302,653	758,919
Other assets	(475,329)	(226,668)
Inventories	-	110,681
Trade payables	(2,646,606)	5,139,304
Accrued liabilities and other liabilities	241,690	(1,926,212)
Income taxes receivable/payable	(111,125)	64,728
Deferred revenue	(106,612)	5,119,604
	$ (5,743,267)	$ 9,419,643

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:

	March 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Series Warrant classified as liability (Level 2)	3,702,846	3,702,846	16,662,808	16,662,808
Standby Warrant Classified as liability (Level 2)	317,150	317,150	-	-

There were no transfers of financial assets between levels during the three months ended March 31, 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, 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 values 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 months ended March 31 is as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenue by region:		
Europe, Middle East and Africa	$ 7,268,948	$ 8,260,606
North America, Latin America and Caribbean	4,707,493	6,137,804
Asia and Pacific Rim	4,114,642	4,638,336
	$ 16,091,083	$ 19,036,746

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenue by type:		
Support and subscription	$ 12,787,675	$ 15,115,811
Software and services	3,302,065	3,580,106
Third-party software and hardware	1,344	340,829
	$ 16,091,083	$ 19,036,746

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		(18,849)		–		(18,849)
Release of provision		–		(1,313,725)		(1,313,725)
Foreign exchange		229		–		229
Balance, March 31, 2021	$	23,028		4,200,000	$	4,223,028
Current					$	4,223,028
Non-current						–
Balance, March 31, 2021					$	4,223,028
Current					$	5,555,373
Non-current						–
Balance, December 31, 2020					$	5,555,373

(a) During the three months ended March 31, 2021, $nil of restructuring charges related to closure of facilities and entity simplification were recorded (three months ended March 31, 2020 - $116,284).

For the three months ended March 31, 2021, an amount of $18,849 has been paid and an additional amount of $23,028 is estimated as payable within one year.

(b) The balance at March 31, 2021 in other provision includes estimated costs to settle contractual disputes. During the three months ended March 31, 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 exceed the Company's best estimate of the provision at March 31, 2021.

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 subordinate voting 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 provide 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, 2021, the Company has incurred $585,779 of costs associated with services provided by Crossover (three months ended March 31, 2020 – $4,022,388). 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). The Crossover agreement was terminated as part of the Separation Agreement with ESW Capital.

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 months ended March 31, 2021, the Company has incurred $nil of costs associated with services provided by DevFactory (three months ended March 31, 2020 – $10,037,917). 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).

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.

12. Related Party Transactions (continued):

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 three-month period ended March 31, 2021.

Amounts owing to Crossover and DevFactory as of March 31, 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.

13. Subsequent Event:

Subsequent to March 31, 2021, the Company closed a private placement of subordinate voting shares (the “Offering”) on April 8, 2021. 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 $19,880,092 (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”).