

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

OPTIVA INC.

As at and for the three and six months ended June 30, 2023 and 2022
(Unaudited)

OPTIVA INC.

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

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,182	\$ 18,386
Trade accounts and other receivables (note 3)	8,396	7,535
Unbilled revenue	14,823	17,821
Prepaid expenses	2,090	1,938
Income taxes receivable	3,923	3,820
Other assets	627	610
Total current assets	42,041	50,110
Restricted cash	775	1,948
Property and equipment	1,108	1,221
Deferred income taxes	330	376
Long-term unbilled revenue	387	332
Intangible assets	-	360
Goodwill	32,271	32,271
Total assets	\$ 76,912	\$ 86,618
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Trade payables	\$ 2,058	\$ 3,147
Accrued liabilities	9,290	11,624
Income taxes payable	4,358	4,365
Deferred revenue	1,782	1,995
Total current liabilities	17,488	21,131
Deferred revenue	220	403
Other liabilities	1,672	2,302
Pension and other long-term employment benefit plans	91	713
Debentures (note 5)	88,107	87,716
Deferred income taxes	440	433
Total liabilities	108,018	112,698
Shareholders' equity (deficit):		
Share capital	270,560	270,560
Contributed surplus	14,985	15,941
Deficit	(320,700)	(316,630)
Accumulated other comprehensive income (loss)	4,049	4,049
Total shareholders' equity (deficit)	(31,106)	(26,080)
Total liabilities and shareholders' equity (deficit)	\$ 76,912	\$ 86,618

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

OPTIVA INC.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue (note 8):				
Support and subscription	\$ 7,547	\$ 9,660	\$ 15,985	\$ 19,958
Software licenses, services and other	3,544	5,738	7,756	11,576
	11,091	15,398	23,741	31,534
Cost of revenue	3,894	4,456	7,877	8,527
Gross profit	7,197	10,942	15,864	23,007
Operating expenses:				
Sales and marketing	2,745	2,015	5,264	4,834
General and administrative	8	3,062	2,486	6,236
Research and development	2,874	3,210	6,233	6,064
	5,627	8,287	13,983	17,134
Income from operations	1,570	2,655	1,881	5,873
Foreign exchange loss	(119)	(488)	(409)	(537)
Finance income	102	73	237	159
Finance costs (note 5)	(2,392)	(2,238)	(4,757)	(3,413)
Income (loss) before income taxes	(839)	2	(3,048)	2,082
Income taxes (recovery) (note 6):				
Current	408	510	979	695
Deferred	47	(16)	43	42
	455	494	1,022	737
Total net income (loss) and comprehensive income (loss)	\$ (1,294)	\$ (492)	\$ (4,070)	\$ 1,345
Income (loss) per common share (note 4(c)):				
Basic	\$ (0.21)	\$ (0.08)	\$ (0.66)	\$ 0.22
Diluted	(0.21)	(0.08)	(0.66)	0.22
Weighted average number of common shares (thousands) (note 4(c)):				
Basic	6,178	6,178	6,178	6,178
Diluted	6,178	6,178	6,178	6,178

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

OPTIVA INC.

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

Six months ended June 30, 2023 and 2022
(Unaudited)

	Share capital		Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive (loss)	Total shareholders' equity (deficit)
	Number Outstanding (thousands) (note 4)	Amount					
Balance, December 31, 2022	6,178	\$ 270,560	\$ –	\$ 15,941	\$ (316,630)	\$ 4,049	\$ (26,080)
Net loss for the period	–	–	–	–	(4,070)	–	(4,070)
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	(956)	–	–	(956)
Balance, June 30, 2023	6,178	\$ 270,560	\$ –	\$ 14,985	\$ (320,700)	\$ 4,049	\$ (31,106)
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)&(ii))	–	–	–	831	–	–	831
Balance, June 30, 2022	6,178	\$ 270,560	\$ –	\$ 15,003	\$ (315,994)	\$ (2,456)	\$ (32,887)

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OPTIVA INC.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	\$ (1,294)	\$ (492)	\$ (4,070)	\$ 1,345
Adjustments for:				
Depreciation of property and equipment	166	144	323	236
Amortization of intangible assets	–	361	361	722
Finance income	(102)	(73)	(237)	(159)
Finance costs	2,392	2,238	4,757	3,413
Pension	(216)	(592)	(642)	(1,705)
Income tax expense (note 6)	455	494	1,022	737
Unrealized foreign exchange gain	46	(834)	(11)	(1,344)
Share-based compensation (note 4(d))	(2,055)	560	(1,858)	709
Change in non-cash operating working capital (note 7)	(175)	(1,131)	(1,503)	(1,671)
	(783)	675	(1,858)	2,283
Interest paid	–	(11)	(6)	(22)
Interest received	81	27	192	59
Promissory note paid	–	–	–	(2,000)
Income taxes (paid) received	(363)	(282)	(1,105)	37
	(1,065)	409	(2,777)	357
Financing activities:				
Payment of interest on loans and borrowings	–	–	(4,424)	(4,424)
	–	–	(4,424)	(4,424)
Investing activities:				
Purchase of property and equipment	(22)	(416)	(200)	(524)
Decrease in restricted cash	395	23	1,173	15
	373	(393)	973	(509)
Effect of foreign exchange rate changes on cash and cash equivalents	(47)	381	24	585
Increase (decrease) in cash and cash equivalents	(739)	397	(6,204)	(3,991)
Cash and cash equivalents, beginning of period	12,921	25,199	18,386	29,587
Cash and cash equivalents, end of period	\$ 12,182	\$ 25,596	\$ 12,182	\$ 25,596

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

OPTIVA INC.

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

Three and six months ended June 30, 2023 and 2022
(Unaudited)

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 annual consolidated financial statements. These condensed consolidated interim financial statements for the three and six months ended June 30, 2023 were authorized for issuance by the Board of Directors of the Company on August 14, 2023.

OPTIVA INC.

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

Three and six months ended June 30, 2023 and 2022
(Unaudited)

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 2022 annual consolidated financial statements and described in these condensed consolidated interim financial statements.

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

2. 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 2022 annual financial statements, including the notes thereto.

(b) Basis of consolidation:

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

OPTIVA INC.

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

Three and six months ended June 30, 2023 and 2022
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2. Significant accounting policies (continued):

(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:

	June 30, 2023	December 31, 2022
Trade receivables, net of allowance for doubtful accounts	\$ 5,864	\$ 4,681
Other receivables (a)	2,532	2,854
	<u>\$ 8,396</u>	<u>\$ 7,535</u>

(a) At June 30, 2023 and December 31, 2022, the other receivables balance mainly includes amounts relating to indirect taxes receivable.

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

(a) Authorized:

Unlimited Preferred Shares, issuable in series
Unlimited Common Shares

(b) Series A Warrant and Standby Warrant:

Under the separation agreement entered into with the warrant holder, any unexercised portion of the Series A Warrant and the Standby Warrant expired on March 1, 2023. No Series A or Standby Warrants were exercised through March 31, 2023 (three months ended March 31, 2022 – none). On March 1, 2023 all Series A Warrants and Standby Warrants expired, unexercised.

(c) Income (loss) 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 June 30, 2023 and 2022, is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Basic weighted average number of common shares outstanding	6,178	6,178	6,178	6,178
Effect of dilutive securities	–	–	–	–
Diluted weighted average number of common shares outstanding	6,178	6,178	6,178	6,178

The total number of stock options that were excluded from the calculation for the three and six months ended June 30, 2023 was 130 (three and six months ended June 30, 2022 – 357), as their inclusion would be anti-dilutive. The total number of vested restricted share units ("RSU") that were excluded from the calculation for three and six months ended June 30, 2023 were 5 (three and six months ended June 30, 2022 – nil). 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, 2023 were nil because they expired (three and six months ended June 30, 2022 – 976) and their inclusion would be anti-dilutive.

OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
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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, 2023 was a recovery of \$2,055 and \$1,858, respectively (three and six months ended June 30, 2022 – expense of \$560 and \$709, respectively).

(i) Stock options:

The table below is a summary of the stock option plans for the six months ended June 30, 2023:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2022	380,000	\$ 38.06
Granted	-	-
Forfeited	(250,000)	42.02
Outstanding, June 30, 2023	130,000	\$ 30.44

The share-based compensation expense relating to the vesting of granted stock options during the three and six months ended June 30, 2023 was a recovery of \$1,233 and \$972, respectively (three and six months ended June 30, 2022 – \$411 and \$803, respectively). The recovery for the three and six months ended June 30, 2023 was due to previously granted options that were forfeited on departure of a senior executive in the period.

OPTIVA INC.

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

Three and six months ended June 30, 2023 and 2022
(Unaudited)

4. Share Capital (continued):

(ii) Share unit plan:

The table below is a summary of the RSU and performance share units ("PSU") for the six months ended June 30, 2023:

RSU & PSU	
Outstanding, December 31, 2022	14,318
Forfeited	(20,735)
Granted	11,190
Outstanding, June 30, 2023	4,773

There were 11,190 RSUs granted during the six months ended June 30, 2023 (six months ended June 30, 2022 – 14,318). 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, 2023 was a recovery of \$5 and expense of \$16, respectively (three and six months ended June 30, 2022 – \$23 and \$28, respectively). The recovery for the three months ended June 30, 2023 was due to previously granted RSUs that were forfeited on departure of a senior executive in the period.

(iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the six months ended June 30, 2023:

DSU	
Outstanding, December 31, 2022	106,644
Granted	13,687
Outstanding, June 30, 2023	120,331

OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
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Three and six months ended June 30, 2023 and 2022
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4. Share Capital (continued):

During the three and six months ended June 30, 2023, the Company recorded a compensation cost recovery of \$817 and \$902, respectively (three and six months ended June 30, 2022 – compensation expense of \$126 and recovery of \$122, respectively).

5. Debentures:

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

	June 30, 2023	December 31, 2022
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	(1,893)	(2,284)
Long-term portion of loans and borrowings	\$ 88,107	\$ 87,716

As at June 30, 2023, \$90,000 (December 31, 2022 - \$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, 2023, \$199 and \$391, respectively, of deferred financing fees was amortized (three and six months ended June 30, 2022 - \$178 and \$350, respectively).

For the three and six months ended June 30, 2023, interest expense of \$2,188 and \$4,351, respectively (three and six months ended June 30, 2022 - \$2,188 and \$4,351, respectively) was incurred in connection with the Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income (loss).

OPTIVA INC.

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

Three and six months ended June 30, 2023 and 2022
(Unaudited)

6. Income tax expense:

The Company's current income tax expense for the three and six months ended June 30, 2023 mainly includes \$60 and \$188 (three and six months ended June 30, 2022 - \$101 and \$139) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$348 and \$791 (three and six months ended June 30, 2022 - \$409 and \$556) of foreign withholding taxes. The Company's deferred tax expense of \$47 and \$43 for the three and six months ended June 30, 2023 (three and six months ended June 30, 2022 – recovery of \$16 and expense of \$42) 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, 2023 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Trade accounts and other receivables	\$ 444	\$ (1,426)	\$ (815)	\$ (3,322)
Unbilled revenue	395	(1,801)	2,942	(2,906)
Prepaid expenses	(30)	300	(152)	1,518
Other assets	(38)	(24)	(17)	242
Trade payables	(845)	1,306	(1,089)	743
Accrued liabilities and other liabilities	(261)	(261)	(1,992)	41
Income taxes receivable/payable	2	(25)	16	(102)
Deferred revenue	158	800	(396)	2,115
	\$ (175)	\$ (1,131)	\$ (1,503)	\$ (1,671)

OPTIVA INC.

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

Three and six months ended June 30, 2023 and 2022
(Unaudited)

8. Segment Reporting:

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

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

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	2023	2022	2022	
Europe, Middle East and Africa	\$ 5,440	\$ 7,604	\$ 11,546	\$ 16,739		
North America, Latin America and Caribbean	3,955	5,029	8,293	9,558		
Asia and Pacific Rim	1,696	2,765	3,902	5,237		
	\$ 11,091	\$ 15,398	\$ 23,741	\$ 31,534		

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,		
	2023	2022	2023	2022	2022	
Revenue by type:						
Support and subscription	\$ 7,547	\$ 9,659	\$ 15,985	\$ 19,958		
Software and services	3,442	5,721	7,564	11,504		
Third-party software and hardware	102	18	192	72		
	\$ 11,091	\$ 15,398	\$ 23,741	\$ 31,534		