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

OPTIVA INC.

As at and for the three and nine months ended September 30, 2024 and 2023
(Unaudited)

OPTIVA INC.

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

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 12,289	$ 19,642
Trade accounts and other receivables (note 3)	5,913	7,504
Unbilled revenue	10,915	14,362
Prepaid expenses	1,566	2,185
Income taxes receivable	871	3,633
Other assets	1,008	480
Total current assets	32,562	47,806
Restricted cash	542	793
Property and equipment	886	963
Deferred income taxes	447	383
Other Assets	2,558	1,371
Long-term unbilled revenue	554	727
Pension and other long-term employment benefit plans	2,645	–
Goodwill	32,271	32,271
Total assets	$ 72,465	$ 84,314
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Trade payables	$ 1,775	$ 2,256
Accrued liabilities	11,398	11,919
Income taxes payable	3,943	4,299
Deferred revenue	2,673	1,555
Debentures (note 5)	102,346	–
Total current liabilities	122,135	20,029
Deferred revenue	147	206
Other liabilities	2,305	1,702
Pension and other long-term employment benefit plans	–	132
Debentures (note 5)	–	101,348
Deferred income taxes	136	185
Total liabilities	124,723	123,602
Shareholders' equity (deficit):		
Share capital	270,746	270,610
Contributed surplus	15,266	15,117
Deficit	(343,872)	(328,885)
Accumulated other comprehensive income (loss)	5,602	3,870
Total shareholders' equity (deficit)	(52,258)	(39,288)
Total liabilities and shareholders' equity (deficit)	$ 72,465	$ 84,314

Going concern (note 1(b))
Guarantees and contingent liabilities (note 10)

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 September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenue (note 8):				
Support and subscription	$ 7,858	$ 7,948	$ 22,620	$ 23,933
Software licenses, services and other	4,118	3,776	12,453	11,532
	11,976	11,724	35,073	35,465
Cost of revenue	4,977	4,544	14,893	12,420
Gross profit	6,999	7,180	20,180	23,045
Operating expenses:				
Sales and marketing	2,078	2,259	7,342	7,523
General and administrative	1,487	2,187	7,130	4,673
Research and development	3,653	3,747	11,381	9,980
	7,218	8,193	25,853	22,176
Income (loss) from operations	(219)	(1,013)	(5,673)	869
Foreign exchange loss	(43)	(233)	(291)	(643)
Other income	-	498	-	498
Finance income	135	79	460	316
Finance costs (note 5)	(2,872)	(2,433)	(8,546)	(7,190)
Loss before income taxes	(2,999)	(3,102)	(14,050)	(6,150)
Income taxes (recovery) (note 6):				
Current	369	1,190	1,048	2,169
Deferred	(14)	(116)	(111)	(73)
	355	1,074	937	2,096
Net loss	$ (3,354)	$ (4,176)	$ (14,987)	$ (8,246)
Other comprehensive income:				
Items that will not be reclassified to net income:				
Actuarial gain on pension and non-pension post-employment benefit plans, net of income tax expense of nil (note 9):	1,732	965	1,732	965
Total comprehensive loss	$ (1,622)	$ (3,211)	$ (13,255)	$ (7,281)
Net loss per common share (note 4(c)):				
Basic	$ (0.54)	$ (0.68)	$ (2.42)	$ (1.33)
Diluted	(0.54)	(0.68)	(2.42)	(1.33)
Weighted average number of common shares (thousands) (note 4(c)):				
Basic	6,213	6,179	6,202	6,178
Diluted	6,213	6,179	6,202	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)

Nine months ended September 30, 2024 and 2023
(Unaudited)

	Share capital						
	Number Outstanding (thousands) equity (deficit) (note 4)	Amount	Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders'
Balance, December 31, 2023	6,180	$ 270,610	$ –	$ 15,117	$ (328,885)	$ 3,870	$ (39,288)
Net loss for the period	–	–	–	–	(14,987)	–	(14,987)
Issue of share capital under Deferred Share Units	33	136					136
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	149	–	–	149
Defined benefit plan actuarial gain (note 9)						1,732	1,732
Balance, September 30, 2024	6,213	$ 270,746	$ –	$ 15,266	$ (343,872)	$ 5,602	$ (52,258)
Balance, December 31, 2022	6,178	$ 270,560	$ –	$ 15,941	$ (316,630)	$ 4,049	$ (26,080)
Net loss for the period	–	–	–	–	(8,246)	–	(8,246)
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	(864)	–	–	(864)
Restricted share units vested and exercised	3	50	–	(50)	–	–	–
Defined benefit plan actuarial gain (note 9)	–	–	–	–	–	965	965
Balance, September 30, 2023	6,181	$ 270,610	$ –	$ 15,027	$ (324,876)	$ 5,014	$ (34,225)

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 September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash provided by (used in):				
Operating activities:				
Income (loss) for the period	$ (3,354)	$ (4,176)	$ (14,987)	$ (8,246)
Adjustments for:				
Depreciation of property and equipment	125	159	457	482
Amortization of intangible assets	–	–	–	361
Finance income	(135)	(79)	(460)	(316)
Finance costs	2,872	2,433	8,546	7,190
Pension	(164)	(66)	(1,028)	(708)
Income tax expense (note 6)	355	1,074	937	2,096
Unrealized foreign exchange loss (gain)	(13)	(38)	(387)	(49)
Share-based compensation (note 4(d))	(501)	48	599	(1,810)
Change in non-cash operating working capital (note 7)	1,853	1,692	7,204	189
	1,038	1,047	881	(811)
Interest paid	(2)	(5)	(8)	(11)
Interest received	116	55	402	247
Income taxes (paid) received	(434)	(716)	1,220	(1,821)
	718	381	2,495	(2,396)
Financing activities:				
Issuance of Debentures (note 5)	–	13,500	–	13,500
Transaction costs on debentures (note 5)	–	(776)	–	(776)
Interest paid on Debentures	(5,018)	(4,351)	(10,104)	(8,775)
	(5,018)	8,373	(10,104)	3,949
Investing activities:				
Purchase of property and equipment	–	(45)	(381)	(245)
Decrease (increase) in restricted cash	244	10	252	1,183
	244	(35)	(129)	938
Effect of foreign exchange rate changes on cash and cash equivalents	9	11	385	35
Increase (decrease) in cash and cash equivalents	(4,047)	8,730	(7,353)	2,526
Cash and cash equivalents, beginning of period	16,336	12,182	19,642	18,386
Cash and cash equivalents, end of period	$ 12,289	$ 20,912	$ 12,289	$ 20,912

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 and going concern:

(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 IFRS Accounting 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 nine months ended September 30, 2024 were authorized for issuance by the Board of Directors of the Company on November 7, 2024.

1. Basis of preparation (continued):

(b) Going concern:

These consolidated financial statements have been prepared using the going concern basis of preparation which assumes that the Company will realize its assets and settle its liabilities in the normal course of business.

For the three months and nine months ended September 30, 2024, the Company had a net loss of $3,354 and $14,987 (three months and nine months ended September 30, 2023 – net loss of $4,176 and $8,246), respectively, and a total comprehensive loss of $1,622 and $13,255 (three months and nine months ended September 30, 2023 – net loss of $3,211 and $7,281), respectively. The Company also had a working capital deficit (current assets less current liabilities) of $89,573 as at September 30, 2024 (December 31, 2023 – working capital of $27,777), reflecting the reclassification of 9.75% secured PIK toggle debentures due July 20, 2025 (the "Debentures"), from non-current to current liabilities (note 5). The Debentures in the amount of $103,500 as of September 30, 2024, have a maturity date of July 20, 2025.

Based on the cash balance of $12,289 as of September 30, 2024 and forecasted cash flows from operations to the Debentures maturity date on July 20, 2025, the Company expects to have insufficient cash to meet its obligations upon maturity of the Debentures in July 2025. The Company's board of directors has formed a Special Committee that is in active discussions with key Debenture holders regarding refinancing options. The Company's ability to continue its operations is dependent upon its ability to refinance this debt or implement other financial alternatives including other sources of financing through debt or equity, however there is no assurance that this will be successful. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate, and these adjustments could be material.

(c) 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

1. Basis of preparation (continued):

expenses, consistent with those disclosed in the 2023 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. Material 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 2023 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 thousands of U.S. dollars, which is the Company's functional currency, unless otherwise noted and per unit amounts.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency are translated at the period-end exchange rates. Foreign exchange gains and losses are recognized in the condensed consolidated interim statements of comprehensive income (loss).

3. Trade accounts and other receivables:

	September 30, 2024	December 31, 2023
Trade receivables, net of allowance for doubtful accounts	$ 4,967	$ 6,412
Other receivables (a)	946	1,092
	$ 5,913	$ 7,504

(a) At September 30, 2024 and December 31, 2023, 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) Loss per share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted loss per common share for the three and nine months ended September 30, 2024 and 2023, is as follows (in thousands):

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Basic weighted average number of common shares outstanding	6,213	6,179	6,202	6,178
Effect of dilutive securities	–	–	–	–
Diluted weighted average number of common shares outstanding	6,213	6,179	6,202	6,178

The total number of stock options that were excluded from the calculation for the three and nine months ended September 30, 2024 was 130,000 (three and nine months ended September 30, 2023 – 130,000), 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

(Expressed in thousand of U.S. dollars)

4. Share Capital (continued):

nine months ended September 30, 2024 were nil (three and nine months ended September 30, 2023 – nil and 5,000, respectively).

(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 nine months ended September 30, 2024 was a recovery of $501 and an expense of $599, respectively (three and nine months ended September 30, 2023 was an expense of $48 and a recovery of $1,810, respectively).

(i) Stock options:

The table below is a summary of the stock option plans for the nine months ended September 30, 2024:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2023	130,000	$ 30.44
Granted	–	–
Forfeited	–	–
Outstanding, September 30, 2024	130,000	$ 30.44

The share-based compensation expense relating to the vesting of granted stock options during the three and nine months ended September 30, 2024 was an expense of $49 and $149, respectively (three and nine months ended September 30, 2023 - expense of $92 and a recovery of $880, respectively). The recovery for the nine months ended September 30, 2023 was due to previously granted options that were forfeited on departure of a senior executive in the period.

(ii) Share unit plan:

There were nil RSUs granted during the three and nine months ended September 30, 2024 (nine months ended September 30, 2023 – 11,190). The fair value of RSUs granted were established based on the fair value of the underlying stock on the grant date. The

(Expressed in thousand of U.S. dollars)

4. Share Capital (continued):

share-based compensation expense relating to the Company's share unit plan during the three and nine months ended September 30, 2024 was nil (three and nine months ended September 30, 2023 – was nil and of $16, respectively).

(iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the nine months ended September 30, 2024:

DSU	
Outstanding, December 31, 2023	247,310
Granted	82,945
Exercised	(32,657)
Outstanding, September 30, 2024	297,598

During the three and nine months ended September 30, 2024, the Company recorded a compensation recovery of $550 and an expense of $450, respectively (three and nine months ended September 30, 2023 – cost recovery of $44 and $946, respectively). During the nine months ended September 30, 2024, there were 32,657 shares issued under the deferred share unit plan as a result of exercise of DSU's on resignation of a former director.

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.

On September 29, 2023, the Company issued an additional $13,500 financing of 9.75% secured PIK toggle debentures due July 2025. The Debenture Financing was completed on a private placement basis pursuant to certain prospectus exemptions. Optiva is using the net proceeds from the financing for general working capital purposes.

(Expressed in thousand of U.S. dollars)

5. Debentures (continued):

	September 30, 2024	December 31, 2023
Debenture financing, bearing interest at 9.75%, per annum, payable semi-annually, maturing July 20, 2025	$ 103,500	$ 103,500
Less unamortized deferred financing costs	(1,154)	(2,152)
Debentures	$ 102,346	$ 101,348
Current	$ 102,346	$ –
Non-current	–	101,348
Debentures	$ 102,346	$ 101,348

As at September 30, 2024, $103,500 (December 31, 2023 - $103,500) 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 has incurred a total of $4,709 of transaction costs to date and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the Debentures. During the three and nine months ended September 30, 2024, $344 and $998, respectively, of deferred financing fees was amortized (three and nine months ended September 30, 2023 - $208 and $599, respectively).

For the three and nine months ended September 30, 2024, interest expense of $2,528 and $7,548, respectively (three and nine months ended September 30, 2023 - $2,215 and $6,567, respectively) was incurred in connection with the Debenture Financing has been recognized in the condensed consolidated interim statements of comprehensive income (loss).

6. Income tax expense:

The Company's current income tax expense for the three and nine months ended September 30, 2024 mainly includes $126 and $336 (three and nine months ended September 30, 2023 - $494 and $682) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $243 and $712 (three and nine months ended September 30, 2023 - $696 and $1,487) of foreign withholding taxes. The Company's deferred tax recovery of $14 and $111 for the three and nine months ended September 30, 2024 (three and nine months ended September 30, 2023 – tax recovery of $116 and $73) consists primarily of changes in temporary differences recognized during the current period.

(Expressed in thousand of U.S. dollars)

7. Change in non-cash operating working capital:

The change in non-cash working capital for the three and nine months ended September 30, 2024 is as follows:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Trade accounts and other receivables	$ 616	$ 1,211	$ 1,649	$ 396
Unbilled revenue	1,424	(858)	3,620	2,084
Prepaid expenses	395	347	619	195
Other assets	(809)	(70)	(1,715)	(87)
Trade payables	(231)	(778)	(485)	(1,867)
Accrued liabilities and other liabilities	(215)	1,086	2,319	(906)
Income taxes receivable/payable	79	(39)	138	(23)
Deferred revenue	594	793	1,059	397
	$ 1,853	$ 1,692	$ 7,204	$ 189

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 nine months ended September 30 is as follows:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Europe, Middle East and Africa	$ 6,201	$ 5,697	$ 17,324	$ 17,243
North America, Latin America and Caribbean	4,232	4,382	12,669	12,676
Asia and Pacific Rim	1,543	1,645	5,080	5,546
	$ 11,976	$ 11,724	$ 35,073	$ 35,465

(Expressed in thousand of U.S. dollars)

8. Segment Reporting (continued):

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenue by type:				
Support and subscription	$ 7,858	$ 7,948	$ 22,620	$ 23,933
Software and services	3,968	3,693	11,917	11,257
Third-party software and hardware	150	83	536	275
	$ 11,976	$ 11,724	$ 35,073	$ 35,465

9. Pension and other long-term employment benefit plans

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

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

During the quarter ended September 30, 2024, the German pension plans were remeasured under the projected unit credit method. The resulting remeasurement resulted in a gain to other comprehensive income of $1,732 (2023 – gain of $965). The determination of the value of the liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as the discount rates) and demographic variables (such as mortality).

(Expressed in thousand of U.S. dollars)

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

The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows. The following are the principal actuarial assumptions:

	2024	2023
	Germany	Germany
Discount rate	3.40%	4.50%
Future salary increases	0.00%	0.00%
Future pension increases	0.00%	0.00%

Assumptions regarding future mortality are based on published statistics and mortality tables, in Germany, the Heubeck RT 2018G mortality tables were used. The calculation of the pension liabilities at September 30, 2024 and 2023 in Germany is based on a discount rate determined using the Mercer Yield Curve approach for an average duration of 10 years.

10. Guarantees and contingent liabilities:

From time to time, 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 matters. 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. Where an outflow of resources is considered probable, a provision is 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 claim. 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.