

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

## **OPTIVA INC.**

Three months ended March 31, 2023 and 2022  
(Unaudited)

# OPTIVA INC.

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

	March 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,921	\$ 18,386
Trade accounts and other receivables (note 3)	8,818	7,535
Unbilled revenue	15,228	17,821
Prepaid expenses	2,061	1,938
Income taxes receivable	3,936	3,820
Other assets	589	610
Total current assets	43,553	50,110
Restricted cash	1,170	1,948
Property and equipment	1,243	1,221
Deferred income taxes	379	376
Long-term unbilled revenue	378	332
Intangible assets	-	360
Goodwill	32,271	32,271
Total assets	\$ 78,994	\$ 86,618
<b>Liabilities and Shareholders' Equity (Deficit)</b>		
Current liabilities:		
Trade payables	\$ 2,904	\$ 3,147
Accrued liabilities	7,546	11,624
Income taxes payable	4,324	4,365
Deferred revenue	1,604	1,995
Total current liabilities	16,378	21,131
Deferred revenue	239	403
Other liabilities	2,307	2,302
Pension and other long-term employment benefit plans	298	713
Debentures (note 5)	87,908	87,716
Series A Warrant (note 4(b))	-	-
Standby Warrant (note 4(b))	-	-
Deferred income taxes	438	433
Total liabilities	107,568	112,698
Shareholders' equity (deficit):		
Share capital	270,560	270,560
Contributed surplus	16,223	15,941
Deficit	(319,406)	(316,630)
Accumulated other comprehensive income (loss)	4,049	4,049
Total shareholders' equity (deficit)	(28,574)	(26,080)
Total liabilities and shareholders' equity (deficit)	\$ 78,994	\$ 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 March 31,	
	2023	2022
Revenue (note 8):		
Support and subscription	\$ 8,439	\$ 10,299
Software licenses, services and other	4,212	5,837
	<u>12,651</u>	<u>16,136</u>
Cost of revenue	<u>3,984</u>	<u>4,071</u>
Gross profit	8,667	12,065
Operating expenses:		
Sales and marketing	2,519	2,819
General and administrative	2,478	3,174
Research and development	3,359	2,854
	<u>8,356</u>	<u>8,847</u>
Income from operations	311	3,218
Foreign exchange loss	(290)	(49)
Finance income	135	86
Finance costs (note 5)	<u>(2,365)</u>	<u>(1,175)</u>
Income (loss) before income taxes	(2,209)	2,080
Income tax expense (recovery) (note 6):		
Current	571	185
Deferred	(4)	58
	<u>567</u>	<u>243</u>
Total net income (loss) and comprehensive income (loss)	<u>\$ (2,776)</u>	<u>\$ 1,837</u>
Income (loss) per common share (note 4(c)):		
Basic	\$ (0.45)	\$ 0.30
Diluted	(0.45)	0.30
Weighted average number of common shares (note 4(c)):		
Basic	6,178	6,178
Diluted	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)

Three months ended March 31, 2023 and 2022  
(Unaudited)

	Share capital		Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive (loss)	Total shareholders' equity (deficit)
	Number Outstanding (note 4)	Amount					
Balance, December 31, 2022	6,178	\$ 270,560	\$ –	\$ 15,941	\$ (316,630)	\$ 4,049	\$ (26,080)
Net loss for the period	–	–	–	–	(2,776)	–	(2,776)
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	282	–	–	282
<b>Balance, March 31, 2023</b>	<b>6,178</b>	<b>\$ 270,560</b>	<b>\$ –</b>	<b>\$ 16,223</b>	<b>\$ (319,406)</b>	<b>\$ 4,049</b>	<b>\$ (28,574)</b>
Balance, December 31, 2021	6,178	\$ 270,560	\$ –	\$ 14,172	\$ (317,339)	\$ (2,456)	\$ (35,064)
Net income for the period	–	–	–	–	1,837	–	1,837
Share-based compensation (note 4(d)(i)&(ii))	–	–	–	397	–	–	397
<b>Balance, March 31, 2022</b>	<b>6,178</b>	<b>\$ 270,560</b>	<b>\$ –</b>	<b>\$ 14,569</b>	<b>\$ (315,502)</b>	<b>\$ (2,456)</b>	<b>\$ (32,830)</b>

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# OPTIVA INC.

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

	Three months ended March 31,	
	2023	2022
Cash provided by (used in):		
Operating activities:		
Income (loss) for the period	\$ (2,776)	\$ 1,837
Adjustments for:		
Depreciation of property and equipment	157	92
Amortization of intangible assets	361	361
Finance income	(135)	(86)
Finance costs	2,365	1,175
Pension	(426)	(1,113)
Income tax expense (note 6)	567	243
Unrealized foreign exchange (gain) / loss	(57)	(511)
Share-based compensation (note 4(d))	197	149
Change in non-cash operating working capital (note 7)	(1,328)	(540)
	(1,075)	1,607
Interest paid	(6)	(11)
Interest received	111	32
Promissory note paid	-	(2,000)
Income taxes (paid) received	(742)	319
	(1,712)	(53)
Financing activities:		
Interest paid on debentures	(4,424)	(4,424)
	(4,424)	(4,424)
Investing activities:		
Purchase of property and equipment	(178)	(108)
Decrease (Increase) in restricted cash	778	(8)
	600	(116)
Effect of foreign exchange rate changes on cash and cash equivalents	71	205
Decrease in cash and cash equivalents	(5,465)	(4,388)
Cash and cash equivalents, beginning of period	18,386	29,587
Cash and cash equivalents, end of period	\$ 12,921	\$ 25,199

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 months ended March 31, 2023 and 2022  
(Unaudited)

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## **Reporting Entity**

Optiva Inc. (the "Company" or "Optiva"), through its predecessors, commenced operations on March 29, 1999. The Company was incorporated under the Canada Business Corporations Act on November 1, 2006. The Company's registered head office is located at 100 King Street West, Suite 3400, Toronto, Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange under ticker symbol — TSX: OPT.

Optiva monetizes today's digital world for communications service providers. The Company's portfolio of monetization and subscriber management solutions includes real-time billing, charging, policy, and customer care modules and is available on premise, cloud-based, or as Software-as-a-Service ("SaaS"). With a central focus on driving customer success, Optiva's products power growth and innovation for operators globally. The Company's software products allow communication service providers to monetize various markets, including consumer, enterprise, wholesale, and the expanding SaaS and cloud ecosystems. Optiva's software supports the introduction of new revenue streams and innovative tariffs, payment solutions, data services, and advanced customer care and subscriber self-care functionality. Optiva is the parent of the wholly owned operating subsidiary, Optiva Canada Inc., and its various subsidiaries.

### **1. Basis of preparation:**

#### (a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all the information required for annual consolidated financial statements. These condensed consolidated interim financial statements for the three months ended March 31, 2023 were authorized for issuance by the Board of Directors of the Company on May 10, 2023.

# OPTIVA INC.

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

Three months ended March 31, 2023 and 2022  
(Unaudited)

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## 1. Basis of preparation (continued):

### (b) Judgments and estimates:

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 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.

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. The Company continues to evaluate the situation and monitoring any impacts or potential impacts on its business and recorded amounts of assets and liabilities. 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.

## 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.

# OPTIVA INC.

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

Three months ended March 31, 2023 and 2022  
(Unaudited)

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## 2. Significant accounting policies (continued):

(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 (loss).

## 3. Trade accounts and other receivables:

	March 31, 2023	December 31, 2022
Trade receivables, net of allowance for doubtful accounts	\$ 6,111	\$ 4,681
Other receivables (a)	2,707	2,854
	<u>\$ 8,818</u>	<u>\$ 7,535</u>

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



# OPTIVA INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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Three months ended March 31, 2023 and 2022  
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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 have been exercised as at 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 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, 2023 and 2022, is as follows:

	Three months ended March 31,	
	2023	2022
Basic weighted average		
number of common shares outstanding	6,178	6,178
Effect of dilutive securities	-	-
Diluted weighted average		
number of common shares outstanding	6,178	6,178

The total number of stock options that were excluded from the calculation for the three months ended March 31, 2023 was 380,000 (three months ended March 31, 2022 – 357,087), 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, 2023 were nil (three months ended March 31, 2022 – 975,712) as their inclusion would be anti-dilutive.

# OPTIVA INC.

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

Three months ended March 31, 2023 and 2022  
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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 months ended March 31, 2023 was an expense of \$197 (three months ended March 31, 2022 – expense of \$149).

### (i) Stock options:

The table below is a summary of the stock option plans for the three months ended March 31, 2023:

	CAD options	
	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2022	380,000	\$ 38.06
Granted	-	-
Forfeited	-	-
Outstanding, March 31, 2023	380,000	\$ 38.06

The share-based compensation expense relating to the vesting of granted stock options during the three months ended March 31, 2023 was \$261 (three months ended March 31, 2022 – \$392).

# OPTIVA INC.

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

Three months ended March 31, 2023 and 2022  
(Unaudited)

## 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, 2023:

RSU & PSU	
Outstanding, December 31, 2022	14,318
Forfeited	-
Granted	-
Outstanding, March 31, 2023	14,318

There were nil RSUs granted during the three months ended March 31, 2023 (three months ended March 31, 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 months ended March 31, 2023 was \$21 (three months ended March 31, 2021 – \$5).

### (iii) Deferred share unit plan:

The table below is a summary of the deferred share units ("DSU") for the three months ended March 31, 2023:

DSU	
Outstanding, December 31, 2022	106,644
Granted	3,824
Outstanding, March 31, 2023	110,468

During the three months ended March 31, 2023, the Company recorded a compensation recovery of \$85 (three months ended March 31, 2022 – compensation recovery of \$248).

# OPTIVA INC.

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

	March 31, 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	(2,092)	(2,284)
Long-term portion of loans and borrowings	\$ 87,908	\$ 87,716

As at March 31, 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 months ended March 31, 2023, \$192 of deferred financing fees was amortized (March 31, 2022 - \$172).

For the three months ended March 31, 2023, interest expense of \$2,164 (March 31, 2022 - \$2,164) 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 months ended March 31, 2023 mainly includes \$128 (three months ended March 31, 2022 - \$38) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$443 (three months ended March 31, 2022 - \$148) of foreign withholding taxes. The Company's deferred tax recovery of \$4 (three months ended March 31, 2022 – expense of \$58) consists primarily of changes in temporary differences recognized during the current period.

# OPTIVA INC.

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

Three months ended March 31, 2023 and 2022  
(Unaudited)

## 7. Change in non-cash operating working capital:

The change in non-cash working capital for the three months ended March 31, 2023 is as follows:

	Three months ended March 31,	
	2023	2022
Trade accounts and other receivables	\$ (1,259)	\$ (1,896)
Unbilled revenue	2,547	(1,104)
Prepaid expenses	(122)	1,218
Other assets	21	266
Trade payables	(244)	(564)
Accrued liabilities and other liabilities	(1,731)	302
Income taxes receivable/payable	14	(77)
Deferred revenue	(554)	1,315
	<u>\$ (1,328)</u>	<u>\$ (540)</u>

## 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 months ended March 31 is as follows:

	Three months ended March 31,	
	2023	2022
Revenue by region:		
Europe, Middle East and Africa	\$ 6,035	\$ 9,135
North America, Latin America and Caribbean	4,339	4,529
Asia and Pacific Rim	2,277	2,472
	<u>\$ 12,651</u>	<u>\$ 16,136</u>

# OPTIVA INC.

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

Three months ended March 31, 2023 and 2022  
(Unaudited)

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## 8. Segment Reporting (continued):

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

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	Three months ended March 31,	
	2023	2022
Revenue by type:		
Support and subscription	\$ 8,439	\$ 10,299
Software and services	4,122	5,784
Third-party software and hardware	90	53
	\$ 12,651	\$ 16,136

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