OPTIVA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

DATED: November 6, 2019

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") covers the results of operations, financial condition and cash flows of Optiva Inc. (the "Company" or "Optiva") for the three and twelve months ended September 30, 2019. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and twelve months ended September 30, 2019 and the audited consolidated financial statements for the fiscal year ended September 30, 2018, which we prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties". The consolidated financial statements and the MD&A have been reviewed by Optiva's Audit Committee and approved by its Board of Directors.

On December 12, 2018, the Board of Directors approved a change in the Company's fiscal year end from September 30 to December 31. The change is to better align the Company's fiscal year end with its business operations. The change in the year end has been filed with the regulators. The Company's next fiscal reporting period will be for the fifteen months ending December 31, 2019.

Unless otherwise indicated, all dollar amounts are expressed in U.S. Dollars. In this document, "we," "us," "our," "Company" and "Optiva" all refer to Optiva Inc. collectively with its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements use such words as "may", "will", "expect", "continue", "believe", "plan", "intend", "would", "could", "should", "anticipate" and other similar terminology. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements and could have a material adverse effect on the Company, its business, results from operations and financial condition, including, but not limited to, the risk factors discussed under the "Risks and Uncertainties" section of this MD&A, and those described in the "Risk Factors" section of the Company's most recently filed Annual Information Form. Although the forward-looking statements contained in this document are based upon what we believe are reasonable assumptions, we cannot assure investors that our actual results will be consistent with these forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by securities law.

RISKS AND UNCERTAINTIES

- The Company's strategy depends on its ability to realize the benefits of its Restructuring and Strategic Plan. The Company may continue to generate losses while it executes on its strategy of investing all of its expected earnings otherwise generated in cloud innovation. Unanticipated declines in revenue or increases in expenses or liabilities in the near term, and lack of customer adoption of cloud products in the longer term, may result in the Company not being able to satisfy its financial obligations without further financing.
- Failure of our solutions could expose the Company to significant liabilities. The Company's solutions are critical to our customers' ability to deliver and monetize services on their networks. If the Company fails to successfully deploy its solutions or if customers experience system outages caused by our software, the Company may be exposed to significant liabilities associated with unplanned remediation costs, penalties and claims for damages.
- The Company faces intense competition from several competitors and if it does not compete effectively with these competitors, its revenue may not grow and could decline. Many of the Company's competitors and potential competitors have significantly greater financial, technical, marketing or service resources than the Company. The Company's relatively small size and recent operating history may be considered negatively by prospective end-users.
- The Company's ability to recruit and retain personnel is crucial to its ability to develop, market, sell and support its products and services.
- The Company's quarterly revenue and operating results can be difficult to predict and can fluctuate substantially, which may harm its results of operations.
- The Company is exposed to credit risk related to accounts receivable from customers and unbilled revenue related to on-going customer projects. If customers fail to make payment in respect of amounts owing to the Company to an extent that is in excess of the Company's estimated default rates, the Company's business, financial condition and results of operation could be materially adversely affected.
- A substantial portion of the Company's revenue and expenses are transacted in currencies other than the Company's functional currency of U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and these currencies may have a material adverse effect on the Company's business, financial condition and operating results.
- The Company has entered into long term contracts with related parties, and will be purchasing significant development services and accessing skilled resources from these parties that are critical to the future success of the Company. The Company may not be able to fulfill its contractual obligations with its customers or may be exposed to significant operational and financial risks should these related parties experience disruption in their operations, go out of business or choose not to work with the Company.

OVERVIEW

Optiva Inc. is the leader in providing communication service providers ("CSPs") worldwide with cloud-native revenue management software on the public cloud. Operators and Mobile Virtual Network Operators ("MVNOs") can integrate our best-of-breed charging engine into a BSS stack or deploy our fully managed, end-to-end, SaaS-based platform. Optiva solutions offer unmatched speed, scale, security and savings. Our market knowledge, analytical insights and unique Customer Success Program ensure telecoms are equipped to achieve their strategic business goals.

Established in 1999, Optiva Inc. is on the Toronto Stock Exchange (TSX: OPT). For more information, visit www.optiva.com.

The Company derives its revenue from three main geographic areas namely:

1. APAC – Asia and Pacific Rim
2. Americas – North America, Latin America and Caribbean
3. EMEA – Europe, Middle East and Africa

Optiva's award-winning cloud-enabled real-time converged charging, billing, and customer care platform delivers the benefits of a flexible, end-to-end software platform, including real-time charging, billing, product catalog, order management, policy management and customer care for any digital services of a CSP. Optiva's product family supports any type of CSP from tier 1 to tier 4, in the cloud or on-premise. It enables a digital customer journey delivering innovative end user services from real-time offering towards digital guide self-management of customer interaction.

Optiva supports the telecommunication industry with the following market solutions:

- **Highly Scalable Convergent Charging** – Optiva's charging solution is a full cloud-enabled platform for private and public cloud. It monetizes any type of transaction and enables a smooth transition from traditional telco business to Digital CSP as single monetization platform. The solution runs most efficiently with Google Cloud Platform ("GCP") and scales with Google Spanner above 500k transactions per second ("TPS"). Kubernetes and the customization framework enables fast adaptation to the market and new use cases, with the shortest time to market and lowest total cost of ownership ("TCO") in the world. Today, Optiva's scalable solution is supporting more than 200 million subscribers at a single customer and enables operators to launch and monetize their 4G and 5G networks and deliver advanced data services, including Voice over LTE ("VoLTE"), M2M, IoT, cloud services and Over the Top offerings

- **Policy Management** – Optiva's Policy Management solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for users, and offer personalized services and differentiated, service-specific charging. Optiva's Policy Management solution is key to supporting operator data monetization strategies for real-time applications, such as video streaming, interactive gaming and VoLTE.

- **Optiva BSS Platform** – Optiva BSS Platform provides a fully managed, end-to-end, cloud-native converged billing solution on the public cloud. For CSPs, including Mobile Network

Operators (“MNOs”), Mobile Virtual Network Enablers (“MVNEs”), and MVNOs, Optiva BSS Platform, re-architected to be cloud-native and made available on the public cloud, is Optiva’s new entry into the SaaS market. The multi-tenant platform allows customers the freedom to focus on their business, not on deploying and managing enterprise software. Customers can design marketing plans, load subscribers, and deploy their services — without having to install software on premise. With Optiva BSS Platform, customers can run on the public cloud: customer care, product catalog, unified rating and charging, customer self-care, payments and voucher management, billing and collections, order handling, policy control, dealer care, and wholesale settlement. Public cloud offers rapid, unlimited scale with capability for worldwide reach without the costs and complexities of bare metal or virtualized enterprise software deployments. Customers also benefit from a worry-free SaaS model, pay-as-you-grow pricing, lowest TCO with up to 80% savings, and rapid deployment capabilities. Public cloud deployment is 100% containerized, Kubernetes-based and Oracle-free. Deployment, upgrades, testing, and configuration management are automated, using a continuous integration and deployment pipeline.

- **Wholesale Settlement** – Optiva’s Wholesale Settlement is a cloud-based solution that provides operators with greater visibility into network transactions to achieve converged settlement and accurate interconnect billing. Optiva’s solution helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, roaming, MVNO, franchise management, and content settlement software solution.

- **E-Payments –** Optiva’s e-payment solutions strengthens a customer’s ability to monetize services with the provision of different payment methods, including voucher and voucher-less payment and top-up solutions. Optiva’s solution allows service providers to offer end users the most convenient payment solutions in their market.

Investment in Cloud Innovation Initiatives

For the twelve months ended September 30, 2019, the Company spent approximately $9.8 million (2018 – $14.0 million) on Cloud Innovation initiatives recorded as research and development expense in the condensed consolidated interim statements of comprehensive income (loss). The life-to-date total spend on Cloud Innovation initiative has been approximately $23.8 million. The Company plans to spend up to another $76.2 million on Cloud Innovation, including the Company’s move to public cloud-based solutions and its partnership with Google, for a total estimated investment of approximately $100.0 million. The Company is considering raising additional capital to accelerate its investment in the cloud strategy. Completion of any financing is dependent upon terms that are acceptable to the Company, obtaining necessary regulatory approvals, and under certain circumstances, consent from the preferred shareholder may be required.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information of Optiva for the periods indicated. Each investor should read the following information in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the consolidated financial statements.

Q4 Fiscal 2019 Highlights	**Three Months Ended**		**Twelve Months Ended**	
($ US Thousands, except per share information)	**September 30,**		**September 30,**	
(Unaudited)	**2019**	**2018**	**2019**	**2018**
Revenue	23,124	27,298	100,353	121,627
Net income (loss)	(963)	(14,369)	3,123	(92,592)
Earnings (loss) Per Share	$(0.18)	$(2.75)	$ 0.59	$(17.69)
Cash generated from (used in) operating activities	1,232	(14,156)	707	(61,011)
Total cash, including restricted cash	37,677	39,683	37,677	39,683

The results for three and twelve months ended September 30, 2019 includes the impact of IFRS 15 as explained in the Accounting Changes section included later in this MD&A. The comparative information is not restated.

Consolidated Statements of Comprehensive Income (Loss) (all amounts in thousands of US$, except per share amounts)	**Three Months Ended September 30,**		**Twelve Months Ended September 30,**	
(unaudited)	**2019**	**2018**	**2019**	**2018**
Revenue				
Support and subscription	16,595	19,795	72,875	84,747
Software, services and other	6,529	7,503	27,478	36,880
Total Revenue	**23,124**	**27,298**	**100,353**	**121,627**
Cost of revenue	8,065	8,878	33,687	50,712
Gross profit	**15,059**	**18,420**	**66,666**	**70,915**
Operating expenses				
Sales and marketing	2,257	2,374	10,827	11,332
General and administrative	4,647	6,523	18,825	31,076
Research and development	8,155	14,105	26,987	61,515
Restructuring costs (recovery)	(3,710)	992	(1,819)	51,775
Total Operating Expenses	**11,349**	**23,994**	**54,820**	**155,698**
Income (loss) from operations	**3,710**	**(5,574)**	**11,846**	**(84,783)**
Foreign exchange gain (loss)	(385)	(1,975)	122	(318)
Finance income	119	253	479	524
Finance costs	(1,795)	(4,925)	(4,037)	(2,572)
Income (loss) before income taxes	**1,649**	**(12,221)**	**8,410**	**(87,149)**
Income tax expense	2,612	2,148	5,287	5,443
Net Income (loss) for the period	**(963)**	**(14,369)**	**3,123**	**(92,592)**
Earnings (loss) per common share				
Basic	$ (0.18)	$ (2.75)	$ 0.59	$ (17.69)
Diluted	$ (0.18)	$ (2.75)	$ 0.55	$ (17.69)
Weighted average number of common shares (thousands)				
Basic	5,316	5,233	5,272	5,233
Diluted	5,316	5,233	5,642	5,233

The results for three and twelve months ended September 30, 2019 includes the impact of IFRS 15 as explained in the Accounting Changes section included later in this MD&A.

Statement of Financial Position Data *$US Thousands (unaudited)*	As at September 30, 2019	As at September 30, 2018	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	37,677	39,683	(2,006)	(5%)
Trade Accounts, Other Receivables and Unbilled Revenue	23,009	29,394	(6,385)	(22%)
Goodwill and Intangible Assets	45,650	50,316	(4,666)	(9%)
Total Assets	116,112	130,762	(14,650)	(11%)
Trade Payable and Accrued Liabilities	21,567	34,401	(12,834)	(37%)
Deferred Revenue	11,236	14,959	(3,723)	(25%)
Provisions	4,738	13,317	(8,579)	(64%)
Other long-term liabilities	17,109	18,293	(1,184)	(6%)
Preferred Shares and Series A Warrant	81,205	79,617	1,588	2%
Total Liabilities	137,407	161,087	(23,680)	(15%)
Shareholders' Deficit	(21,295)	(30,326)	9,031	(30%)

CURRENT PERIOD OPERATING RESULTS

Revenue

Revenue for three and twelve months ended September 30, 2019 includes the impact of IFRS 15 as explained in the Accounting Changes section included later in this MD&A.

The following tables set forth the Company's revenues by type and as a percentage of total revenue for the periods indicated:

$US Thousands	**Three Months Ended September 30,**		**Twelve Months Ended September 30,**	
(unaudited)	**2019**	**2018**	**2019**	**2018**
Support and Subscription	16,595	19,795	72,875	84,747
Software and Services	6,483	7,200	26,494	33,553
Third Party Software and Hardware	46	303	984	3,327
Total	**23,124**	**27,298**	**100,353**	**121,627**

Percentage of Total Revenue	**Three Months Ended September 30,**		**Twelve Months Ended September 30,**	
(unaudited)	**2019**	**2018**	**2019**	**2018**
Support and Subscription	72%	73%	73%	70%
Software and Services	28%	26%	26%	27%
Third Party Software and Hardware	0%	1%	1%	3%
Total	**100%**	**100%**	**100%**	**100%**

The Company recognizes revenue from the sale of software licenses, including initial perpetual licenses, term licenses, capacity increases and/or upgrades; professional services; third party hardware and software components and customer support contracts.
For the three-month period ended September 30, 2019, the Company's revenues have declined by $4.2 million from the previous year's comparative period to $23.1 million. The change by revenue type for the quarter ended September 30, 2019 is as follows: $3.2 million decrease in support and subscription revenue, $0.7 million decrease in software and services revenue and $0.3 million decrease in third party software and hardware revenue.

For the twelve-month period ended September 30, 2019, the Company's revenues have declined by $21.3 million from the previous year's comparative period to $100.4 million. The change by revenue type for the twelve months ended September 30, 2019 is as follows: $11.9 million decrease in support and subscription revenue, $7.1 million decrease in software and services revenue and $2.3 million decrease in third party software and hardware revenue.

Support and Subscription Revenue

Support and subscription revenue consists of revenue from our customer support and maintenance contracts, and term-based software licensing. The term of these agreements typically commences on successful completion of acceptance testing of the software deployment with customers initially entering into these contracts for a period of one or more years and then renewing for similar periods thereafter.

Support and subscription revenue for the three-month period ended September 30, 2019 was $16.6 million, or 72% of total revenue, compared to $19.8 million, or 73% of total revenue, for the same period last year. For the twelve-month period ended September 30, 2019, the Company's support and subscription decreased to $72.9 million, or 73% of total revenue, compared to $84.7 million or 70% of total revenue for the same period last year. The decrease in support and subscription revenue compared to same period last year is mainly due to the discontinuation of support to customers who had previously notified us of their exit.

Software and Services Revenue

Software and services revenue consists of fees earned from the on-premise licensing, except for term based licenses which are recorded as subscription, and deployment of software products to our customers as well as the revenues resulting from consulting and training service contracts related to the software products.

Software and services revenue for the three-month period ended September 30, 2019 decreased to $6.5 million, or 28% of total revenue, compared to $7.2 million, or 26% of total revenue for the same period last year. For the twelve-month period ended September 30, 2019, the Company's software and services revenue decreased to $26.5 million, or 26% of total revenue, compared to $33.6 million, or 27% of total revenue for the same period last year. The decline is mainly due to fewer software implementations compared to the same period last year.

Effective October 1, 2018 the Company adopted the new revenue standard, IFRS 15, as explained in the Accounting Changes section below. The impact of IFRS 15 on Software and Services revenue in the three and twelve months ended September 30, 2019 was $0.3 million decrease and $0.3 million decrease respectively, in revenue that would have been otherwise recognized in this quarter.

Third Party Software and Hardware Revenue

Third party software and hardware revenue consists of revenue from the sale of other vendors' software and hardware components as part of Optiva's solutions, including server platforms, database software and other ancillary components.

Third party software and hardware revenue for the three-month period ended September 30, 2019 decreased to less than $0.1 million, compared to $0.3 million, for the same period last year.

For the twelve-month period ended September 30, 2019, the Company's third party software and hardware revenue decreased to $1.0 million, or 1% of total revenue, compared to $3.3 million, or 3% of total revenue, for the same period last year. In the comparative period last year, there was a specific hardware delivery ordered by a customer in the Asia and Pacific Rim region. Management continues its initiative to minimize the sale of third party software and hardware components, which have minimal contribution to overall profitability.

Revenue by Geography

Revenue is attributed to geographic locations based on the location of the customer. The following tables set forth revenues by main geographic area and as a percentage of total revenue for the periods indicated:

$US Thousands (unaudited)	**Three Months Ended September 30,**		**Twelve Months Ended September 30,**	
	2019	**2018**	**2019**	**2018**
Asia and Pacific Rim	4,584	8,536	24,280	37,203
North America, Latin America and Caribbean	4,817	6,055	23,116	25,706
Europe, Middle East and Africa	13,723	12,707	52,957	58,718
Total	**23,124**	**27,298**	**100,353**	**121,627**

Percentage of Total Revenue (unaudited)	**Three Months Ended September 30,**		**Twelve Months Ended September 30,**	
	2019	**2018**	**2019**	**2018**
Asia and Pacific Rim	20%	31%	24%	31%
North America, Latin America and Caribbean	21%	22%	23%	21%
Europe, Middle East and Africa	59%	47%	53%	48%
Total	**100%**	**100%**	**100%**	**100%**

For the three-month period ended September 30, 2019, revenue from the APAC region was $4.6 million, or 20% of total revenue, compared to $8.5 million, or 31% of total revenue, for the same comparable period in fiscal 2018. For the twelve-month period ended September 30, 2019, revenue from the APAC region was $24.3 million, or 24% of total revenue, compared to $37.2 million, or 31% of total revenue, for the same comparable period in fiscal 2018. This decrease is mainly a result of lower software and services, support and subscriptions revenue and third party software and hardware revenue in the region.

For the three-month period ended September 30, 2019, revenue from the Americas region decreased to $4.8 million, or 21% of total revenue, compared to $6.1 million, or 22% of total revenue, for the same comparable period in fiscal 2018. For the twelve-month period ended September 30, 2019, revenue from the Americas region decreased to $23.1 million, or 23% of total revenue, compared to $25.7 million, or 21% of total revenue, for the same comparable period in fiscal 2018. The decrease in revenue is mainly a result of lower support revenue due to loss of certain customers.

For the three-month period ended September 30, 2019, revenue from the EMEA region increased to $13.7 million, or 59% of total revenue, compared to $12.7 million, or 47% of total revenue, for the same comparable period in fiscal 2018. The increase in revenue during the three months ended September 30, 2019 is mainly a result of higher software and services revenue slightly offset by lower support revenue due to loss of certain customers, compared to the same period last year. For the twelve-month period ended September 30, 2019, revenue from the EMEA region decreased to $53.0 million, or 53% of total revenue, compared to $58.7 million, or 48% of total revenue, for the same comparable period in fiscal 2018. The decrease in revenue during the twelve months ended September 30, 2019 is mainly a result of lower support and subscription revenue in the region due to loss of certain customers compared to same period last year and lower third party software and hardware, slightly offset by higher software and services revenue.

Cost of Revenue and Gross Margin

Cost of revenue consists of cross functional personnel costs providing professional services to implement and provide post sales technical support for our solutions, and the costs of third party hardware and software components sold as part of Optiva's solutions. In addition, cost of revenue includes an allocation of certain direct and indirect costs attributable to these activities and expected losses on any contracts when it is probable that the total contract costs will exceed contract revenues. Personnel levels are determined based on expected revenue and support demand levels therefore gross margin as a percentage of revenue can vary significantly from quarter to quarter. The Company has significant flexibility to scale its personnel levels as revenue and support demand levels change to address any expected sustained changes in demand for the Company's products and services.

For the three months ended September 30, 2019, cost of revenue decreased to $8.1 million from $8.9 million incurred for the same comparable period in 2018. The gross margin for the quarter has decreased to 65% in the three months ended September 30, 2019 compared to 67% in the three months ended September 30, 2018.

For the twelve months ended September 30, 2019, cost of revenue decreased to $33.7 million from $50.7 million incurred for the same comparable period in 2018. The gross margin has increased to 66% in the twelve months ended September 30, 2019 compared to 58% in the twelve months ended September 30, 2018.

During the twelve months ended September 30, 2018, the Company identified certain customer contracts where it was probable that the total cost to complete the contracts would exceed the contract revenue.

During the twelve months ended September 30, 2019, one of the contracts was assessed to no longer be onerous due to an amendment made in the contract with the customer. The estimated remaining revenue to be earned on this contract is expected to exceed the costs of completing the contract, resulting in the reversal of the loss provision. The reversal of $1.5 million in the twelve months ended September 30, 2019 (2018 – recognition of loss provision of $7.6 million) has been recorded against the cost of revenue in the condensed consolidated interim statements of comprehensive income (loss) where the provision was initially recorded. Excluding the impact of the provisions, the gross margin as a percentage of revenue would have been 65% for both, the twelve months ended September 30, 2019 and twelve months ended September 30, 2018.

Depreciation and amortization and stock-based compensation included in cost of revenue for the three and twelve months ended September 30, 2019 was $nil and a recovery of $0.1 million respectively (2018 - $0.1 million and $0.8 million).

Operating Expenses

Total operating expenses in the three months ended September 30, 2019 decreased to $11.3 million as compared to $24.0 million in the same period last year. Excluding depreciation, amortization and restructuring costs, total operating costs in the quarter ended September 30, 2019 decreased to $13.8 million, or 60% of total revenue, compared to $21.5 million, or 79% of total revenue, for the same period last year. The decrease in overall operating expenses (excluding depreciation, amortization and restructuring costs) is mainly attributable to lower general and administrative costs and lower research and development costs, as further explained below by function.

Total operating expenses in the twelve months ended September 30, 2019 decreased to $54.8 million as compared to $155.7 million in the same period last year. Excluding depreciation, amortization and restructuring costs, total operating costs in the twelve months ending September 30, 2019 decreased to $51.8 million, or 52% of total revenue, compared to $93.9 million, or 77% of total revenue, for the same period last year. The decrease in overall operating expenses (excluding depreciation, amortization and restructuring costs) is mainly attributable to lower general and administrative costs and lower research and development costs, as further explained below by function.

The following tables set forth total operating expenses by function and as a percentage of total revenue for the periods indicated:

$US Thousands (unaudited)	Three Months Ended September 30, 2019	2018	Twelve Months Ended September 30, 2019	2018
Sales and Marketing	2,257	2,374	10,827	11,332
General and Administrative	4,647	6,523	18,825	31,076
Research and Development	8,155	14,105	26,987	61,515
Restructuring Costs	(3,710)	992	(1,819)	51,775
Total Operating Expenses	**11,349**	**23,994**	**54,820**	**155,698**
Excluding Amortization and Depreciation	*10,140*	*22,487*	*49,988*	*145,706*

Percentage of Total Revenue (unaudited)	Three Months Ended September 30, 2019	2018	Twelve Months Ended September 30, 2019	2018
Sales and Marketing	10%	9%	11%	9%
General and Administrative	20%	24%	19%	26%
Research and Development	35%	51%	27%	50%
Restructuring Costs	-16%	4%	-2%	43%
Total Operating Expenses	**49%**	**88%**	**55%**	**128%**
Excluding Amortization and Depreciation	*44%*	*82%*	*50%*	*120%*

Depreciation and amortization and stock-based compensation by function included in operating expenses for the three and twelve months ended September 30 was as follows:

$US Thousands (unaudited)	Three Months Ended Sep 30, 2019	2018	Twelve Months Ended Sep 30, 2019	2018
Sales and Marketing	-	5	(9)	(180)
General and Administrative	1,612	1,787	6,285	11,326
Research and Development	46	134	142	827
Total Operating Expenses	**1,658**	**1,926**	**6,418**	**11,973**

Sales and Marketing Expenses

Sales and Marketing (“S&M”) expenses consist primarily of salaries, variable compensation costs and other personnel costs, travel, advertising, marketing and conference costs plus the allocation of certain overhead costs to support the Company’s sales and marketing activities.

For the three-month period ended September 30, 2019, S&M expenditures decreased marginally to $2.3 million, or 10% of total revenue, compared to $2.4 million, or 9% of total revenue, for the comparable period last year.

For the twelve-month period ended September 30, 2019, S&M expenditures decreased to $10.8 million, or 11% of total revenue, compared to $11.3 million, or 9% of total revenue, for the comparable period last year. The decrease is mainly due to lower headcount and related costs and the impact of other cost optimization initiatives offset by more initiatives to promote cloud, a larger presence in Mobile World Congress 2019 and other trade conferences and related products.

General and Administrative Expenses

General and administrative ("G&A") expenses include personnel costs, professional fees, depreciation and share-based compensation costs associated with the Company's corporate leadership, compliance and support activities such as finance, human resources, information technology, legal and tax.

For the three-month period ended September 30, 2019, G&A expenditures decreased to $4.6 million, or 20% of total revenue, from $6.5 million, or 24% of total revenue, in fiscal 2018. For the twelve-month period ended September 30, 2019, G&A expenditures decreased to $18.8 million, or 19% of total revenue, from $31.1 million, or 26% of total revenue, in fiscal 2018. The decrease was mainly due to lower headcount and related costs, lower legal and professional fees, lower computer infrastructure costs, and lower facilities cost including depreciation due to closure of various office locations.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of personnel costs associated with product management, improvement of code quality and the development and testing of new products. R&D includes cost of technical services provided by DevFactory, a related party, as explained in the Related Party Transactions section below.

For the three-month period ended September 30, 2019, R&D expenditures decreased to $8.2 million, or 35% of total revenue, from $14.1 million, or 51% of total revenue, in the same prior year quarter. For the twelve-month period ended September 30, 2019, R&D expenditures decreased to $27.0 million, or 27% of total revenue, from $61.5 million, or 50% of total revenue, in the same prior year period. The decrease is primarily due to lower headcount and related costs incurred under the Company's cost structure optimization plan, and lower DevFactory spend on R&D activities. In the comparative period in fiscal 2018, the Company expended significant efforts in R&D that resulted in an improvement in code quality. This resulted in higher efficiencies in project deployments and support and ultimately achieving better results in Customer Success metrics. The Company's spend on R&D activities, including those on account of Cloud innovation is discretionary and is managed with its stated objective of ensuring its operations remain cash flow break even. Consequently, the R&D spend is generally expected to vary by quarter, and sometimes this can be significant.

As previously announced, the Company commenced its planned spend of approximately $100 million associated with Cloud innovation, that includes specific projects involving research and development activities. The Company has spent $3.0 million and $9.8 million in the three and twelve months ended September 30, 2019 respectively (2018 - $2.8 million and $14.0 million) in Cloud related projects.

Restructuring Costs

In November 2017, the Company had finalized the restructuring plan and commenced implementing a reduction in workforce globally and vacating premises in multiple locations. The Company has completed the workforce reduction associated with this plan and has reduced its personnel levels (including contractors) by 882 since September 30, 2017 to 407 personnel as at September 30, 2019. The Company has also vacated its office premises in almost all jurisdictions, and maintains offices only in those jurisdictions where it is required by statute.

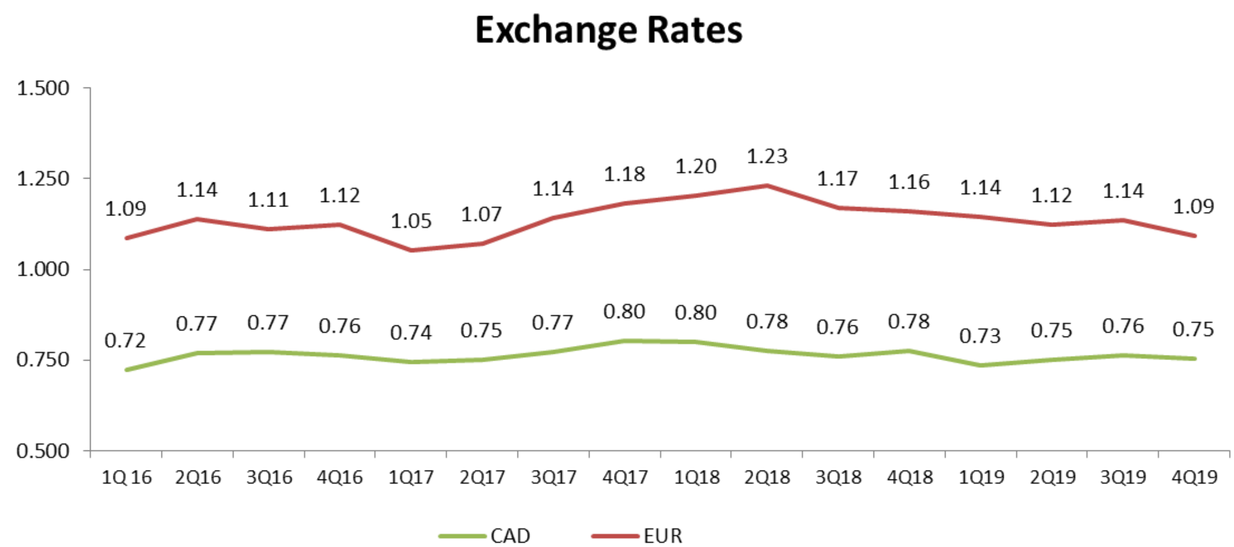
During the three months and twelve months ended September 30, 2019, restructuring charges related to employee and lease terminations of $0.1 million and $2.0 million respectively (2018 - $1.0 million and $51.8 million) were recorded. During the twelve months ended September 30, 2019, $3.8 million (2018 – nil) of restructuring provision was released, as full and final settlements with claimants were made.

For the twelve months ended September 30, 2019, an amount of $5.0 million has been paid and an additional amount of $2.1 million is estimated as payable within one year. The balance of the restructuring provision of $0.2 million, classified as long-term, is payable over two years and has been discounted to its present value.

The Company has closed 4 of its subsidiaries as of September 30, 2019 as part of the legal entity reorganization. The Company's remaining restructuring activities under this plan primarily involve the winding up of 32 subsidiaries which will bring the total number of legal entities including Optiva Inc. down to 9 from 43 at the outset of this restructuring. The legal entity wind up is dependent upon completion of local statutory requirements including obtaining tax clearance prior to wind up, and may take several years to complete. The cost of the legal entity reorganization may exceed the Company's estimates due to uncertainties associated with tax and other statutory audits in multiple jurisdictions. The legal entity reorganization plan is expected to make our operations and back-office cost efficient and reduce risks associated with operating in multiple jurisdictions.

Foreign Exchange Gain/Loss

We operate internationally and have foreign currency risks related to our revenue, operating expenses, monetary assets, monetary liabilities and cash denominated in currencies other than the U.S. Dollar, which is our functional currency. Consequently, movements in the foreign currencies in which we transact have and could significantly affect current and future net earnings. Currently, we do not use derivative instruments to hedge such currency risks. The graph below displays the change in rates of our significant currencies relative to the U.S. Dollar.



Source: Bank of Canada

The Company has monetary assets and liabilities in a number of currencies, the most significant of which are denominated in Euro and the Canadian Dollar. For the three months ended September 30, 2019, the Company had a foreign currency exchange loss of $0.4 million, compared to a foreign currency exchange loss of $2.0 million in the comparable period last year. For the twelve months ended September 30, 2019, the Company had a foreign currency exchange gain of $0.1 million, compared to a foreign currency exchange loss of $0.3 million in the comparable period last year. The U.S. Dollar strengthened against the Euro during the three and twelve months ending September 30, 2019. The foreign exchange gain during the twelve months ending September 30, 2019 was mainly due to the higher Euro denominated liabilities in comparison to the assets.

A change in foreign exchange rates as at September 30, 2019 of 10% would result in a gain or loss of approximately $1.7 million arising from the translation of the Company's foreign currency denominated monetary assets and liabilities as at September 30, 2019. This foreign currency gain or loss arising from translation would be recorded in the condensed consolidated interim statements of comprehensive loss.

Income Taxes

The Company's operations are global, and the income tax provision is determined in each of the jurisdictions in which the Company conducts its business. The Company's current income tax expense for the twelve months ended September 30, 2019 mainly includes $2.4 million (2018 - $2.2 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $2.8 million (2018 - $3.2 million) of foreign withholding taxes. The Company's deferred tax expense of $0.1 million (2018 – expense of $0.1 million) consists primarily of changes in temporary differences recognized during the current period.

SUMMARY OF EARNINGS RESULTS

All financial results are in thousands, unless otherwise stated, with the exception of per share amounts. The table below provides summarized information for our eight most recently completed quarters:

$US Thousands, except share and per share amounts (Unaudited)	4Q 19 (1)	3Q 19 (1)	2Q 19 (1)	1Q 19 (1)	4Q 18	3Q 18	2Q 18	1Q 18 (2)
Revenue	$23,124	$24,670	$24,942	$27,617	$27,298	$32,034	$27,895	$34,400
Net Income (loss)	$(963)	$ 3,069	$ 479	$ 538	$(14,369)	$(3,540)	$(10,228)	$(64,454)
Earnings (loss) per Share	$(0.18)	$ 0.58	$ 0.09	$ 0.10	$(2.75)	$(0.68)	$(1.95)	$(12.32)
Diluted Earnings (loss) per Share	$(0.18)	$ 0.54	$ 0.08	$ 0.10	$(2.75)	$(0.68)	$(1.95)	$(12.32)
Weighted average shares outstanding – Basic (thousands)	5,316	5,305	5,243	5,233	5,233	5,233	5,233	5,233
Weighted average shares outstanding - Diluted (thousands)	5,316	5,636	5,633	5,646	5,233	5,233	5,233	5,233

(1) Adoption of IFRS 15 revenue acccounting standard

(2) Increase in net loss due to significant charge taken for restructuring

LIQUIDITY AND CAPITAL RESOURCES

The Company’s objective in managing capital resources is to ensure sufficient liquidity to drive its organic growth, fund operations and implement its strategic plan, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company currently funds its operations and capital expenditure requirements through cash flows generated by operating activities, proceeds from the issuance of equity instruments (including common shares, warrants and preferred shares) and cash on hand. The Company believes its restructuring activities are substantially complete and expects cash flow from operations to fund its operations, including its investment in the Cloud strategy. The Company is considering raising additional capital to accelerate its investment in the Cloud strategy as discussed above on page 5.

The Company operates in several jurisdictions, some of which impose currency remittance restrictions and income tax withholdings, which impacts the timing and amount of cash which can be repatriated from these countries.

Key Balance Sheet Amounts and Liquidity Ratios *$US Thousands, except ratios and metrics (unaudited)*	As at September 30, 2019	As at September 30, 2018	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	37,677	39,683	(2,006)	(5%)
Trade Accounts Receivable	8,680	13,094	(4,414)	(34%)
Working capital	24,446	16,407	8,039	49%
Days sales outstanding in trade accounts receivable (days)	40	53	(13)	(25%)
Days sales outstanding in unbilled revenue (days)	49	49	-	0%

The Company uses working capital, days sales outstanding (DSO) in trade accounts receivable and DSO in unbilled revenue as measures to enhance comparisons between periods. Management believes these DSO measures to be important indicators of the Company's ability to convert trade receivables and unbilled revenue into cash. A lower DSO indicates a more efficient cash collection process and delivery and customer acceptance process. These terms do not have a standardized meaning under IFRS and are unlikely to be comparable to similarly titled measures reported by other issuers. The calculation of each of these items is more fully described below.

Days sales outstanding ("DSO") - The Company has calculated DSO based on annualized year to date revenue and the average of the beginning and ending accounts receivable balance for the year to date period being reported.

Days sales outstanding in unbilled revenue - The Company has calculated days sales in unbilled revenue based on annualized year to date revenue and the average of the beginning and ending unbilled revenue balance for the year to date period being reported.

Cash and restricted cash declined by $2.0 million to $37.7 million at September 30, 2019, compared to September 30, 2018, primarily as a result of $5.0 million in restructuring related payments, payment of dividends of $2.0 million and investment in cloud initiatives, offset by declines in cost of revenue, non-cloud research and development and general and administrative costs relative to fiscal 2018.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased by $8.0 million to $24.4 million at September 30, 2019 from $16.4 million at September 30, 2018.

The table below outlines a summary of cash inflows (outflows) by activity.

Statement of Cash Flows Summary *($ US Thousands)* *(Unaudited)*	Three months ended September 30, 2019	2018	Twelve months ended September 30, 2019	2018
Cash inflows and (outflows) by activity:				
Operating activities	1,232	(14,156)	707	(61,011)
Investing activities	366	70	2,491	1,030
Financing activities	-	(2,000)	(2,000)	(11,641)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(498)	(2,354)	(780)	(3,095)
Net cash inflows (outflows)	1,100	(18,440)	418	(74,717)
Cash and cash equivalents, beginning of period	35,493	54,615	36,175	110,892
Cash and cash equivalents, end of period	36,593	36,175	36,593	36,175
Cash (including Restricted Cash), end of period	37,677	39,683	37,677	39,683

Cash from Operating Activities

Net cash generated by operating activities was $1.2 million in the three months ended September 30, 2019, compared to use of cash of $14.2 million in the same period last year. Net cash generated by operating activities was $0.7 million in the twelve months ended September 30, 2019, compared to use of cash of $61.0 million in the same period last year. Cash generated by operating activities in the three months ended September 30, 2019 mainly relates to operating income and cash generated by working capital, offset by restructuring payments made during the period. Cash generated by operating activities in the twelve months ended September 30, 2019 mainly relates to the operating income during the period, offset by restructuring payments made and cash used in working capital.

Cash used for Investing Activities

In the three months ended September 30, 2019, there was $0.4 million of cash generated by investing activities, compared to cash generated of $0.1 million during the same period in fiscal 2018. Cash generated by investing activities during twelve month ended September 30, 2019 was $2.5 million, compared to cash generated of $1.0 million during the same period in fiscal 2018. The source of cash mainly relates to the release of restricted cash.

Cash from Financing Activities

In the three months ended September 30, 2019, net cash consumed by financing activities was $nil, compared to cash used of $2.0 million during the same period in fiscal 2018. For the twelve months ended September 30, 2019, cash used by financing activities was $2.0 million compared to cash used of $11.6 million during the same period in fiscal 2018. The use of cash for both periods relate to the dividends paid on the preferred shares.

MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of 100% customer success, fund research and development leading to innovative and market leading products and implement its strategic plan that will help towards increasing shareholder value, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is currently composed of Preferred Shares and Series A Warrant (classified as liability), Subordinated Voting Shares and Standby Warrant (classified as equity). The Company's primary uses of capital are financing its operations including restructuring, increases in working capital, capital expenditures, payment of preferred share dividends and acquisitions, when approved by the Board of Directors. The Company currently funds these requirements from cash flows from operations and cash raised through past share issuances.

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's Days Sales Outstanding in Trade Accounts Receivable ("DSO") is at 40 days as of September 30, 2019 compared to 53 days as of September 30, 2018. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company also maintains credit insurance in certain jurisdictions. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 120 days. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts as soon as the account is determined not to be fully collectible.

The allowance for doubtful accounts as at September 30, 2019 was $2.1 million, compared to $2.1 million as at September 30, 2018. Estimates for allowance for doubtful accounts are determined based on an evaluation of collectability by customer and project at each consolidated statement of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

The Company's other receivables mainly include amounts relating to indirect taxes receivable.

UNBILLED AND DEFERRED REVENUE

Unbilled revenue represents revenue that has been earned but not billed. Deferred revenue represents amounts that have been billed and collected in accordance with the terms of the contract but where the criteria for revenue recognition have not been met. Optiva operates in an industry where contract prices are fixed and payments are often based on billing milestones. All services provided from inception of the contracted arrangement are recoverable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, collection of cash and the recognition of revenue result in either unbilled revenue or deferred revenue.

Revenue in a typical implementation project is earned as progress is made in project delivery. This earned revenue results in unbilled revenue until the customer is invoiced upon reaching a contractual milestone and/or receipt of customer acceptance. Delays in the completion of a billing milestone do not indicate that the contract is on hold or that the customer is unwilling to pay its contracted fee. Most billing milestones are set at completion of a major phase of the project or when the projects are complete and in production.

Unbilled revenue decreased by $2.1 million to $12.3 million at September 30, 2019, as compared to $14.4 million as at September 30, 2018. Effective October 1, 2018 the Company adopted the new revenue standard, IFRS 15, as explained in the Accounting Changes section below. The impact of IFRS 15 on unbilled revenue on the opening balance as of October 1, 2018 was an increase of $3.2 million.

Deferred revenue decreased to $11.2 million at September 30, 2019, as compared to $15.0 million at September 30, 2018. The impact of IFRS 15 on deferred revenue on the opening balance as of October 1, 2018 was a decrease of $1.7 million. The decrease in deferred revenue is mainly attributable to the revenue recognized during the twelve months ending September 30, 2019 and the IFRS 15 adjustment to the opening balance.

OTHER PROVISION

Other provision includes an intellectual property claim, terminated contracts and loss provisions related to certain customer contracts where it was probable that the total costs to complete these contracts will exceed the contract revenue.

During the twelve months ended September 30, 2019, the Company amended one of its existing customer loss contracts and settled a disputed contract termination. On review of the estimated costs to complete the revised scope of the customer contract, the Company determined the contract revenue was expected to exceed the contract costs and hence the provision was reversed. The reversal of the contract loss provision, and the subsequent settlement of a disputed contract termination, aggregating to $2.0 million, has been recorded as a recovery in the condensed consolidated interim statements of comprehensive income (loss) where the provision was initially recorded.

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 September 30, 2019.

OUTSTANDING SHARE DATA

The number of subordinate voting shares outstanding as at September 30, 2019 is 5,315,757 (September 30, 2018 – 5,233,047). During the twelve months ended September 30, 2019, there were 82,710 shares issued from treasury under the restricted share unit plan ("RSU"). In addition, at September 30, 2019, there were 27,891 (September 30, 2018 – 51,775) stock options outstanding with exercise prices ranging from CAD $149.50 to CAD $315.00 per share.

SHARE CAPITAL

(a) Series A Preferred Shares and Subordinate Voting Shares :

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares (the "Preferred Shares") of the Company and a warrant ("the "Series A Warrant") (collectively the "Financing Transaction") to the ESW Holdings, Inc. (formerly known as Wave Systems Corp.) (the "Investor"), an affiliate of ESW Capital LLC ("ESW Capital"). The Investor, as the holder of the Preferred Shares, is entitled to elect a number of directors that will be a majority of the Board of Directors, with the holders of the Common Shares being entitled to elect the balance of the directors, which resulted in the Common Shares becoming "restricted securities" under applicable securities laws and the TSX Company Manual, on January 26, 2017. The Preferred Shares are redeemable any time at the option of the Company and redeemable at the option of the Investor any time after 10 years of issuance. The holders of the Preferred Shares are entitled to dividends, payable quarterly at the rate of 10% per annum of the issue price. Provided that to the extent such dividends are not declared and paid, dividends shall accrue and compound monthly at the rate of 10%.

During the three months ended September 30, 2019, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to \$2.6 million (2018 - \$2.4 million). During the twelve months ended September 30, 2019, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to \$10.1 million (2018 - \$9.8 million). These charges are included in finance costs in the condensed consolidated interim statements of comprehensive income (loss). During the three months ended September 30, 2019, there were no dividends paid (2018 – cumulative dividends of \$2.0 million were paid). During the twelve months ended September 30, 2019, cumulative dividends in amount of \$2.0 million were paid (2018 - \$11.6 million). The amount of accrued dividends have been included in the Preferred Shares on the condensed consolidated interim statements of financial position.

(b) 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. The Series A Warrant is being classified as a liability because it contains an adjustment provision if the Company issues Subordinate Voting Shares or securities exchangeable for or convertible into Subordinate Voting Shares at a price per share less than the Series A Warrant exercise price. The decrease in fair value of the warrant liability of \$0.9 million during the three months ended September 30, 2019 (2018 – increase of \$2.3 million) is recorded in finance costs in the condensed consolidated interim statements of comprehensive income (loss). The decrease in fair value of the warrant liability of \$6.5 million during the twelve months ended September 30, 2019 (2018 – \$7.9 million) is recorded in finance costs in the condensed consolidated interim statements of comprehensive income (loss). Any unexercised Series A Warrant expires on

January 25, 2027. No Series A Warrant was exercised as at September 30, 2019 (September 30, 2018 – none).

Upon closing of the Rights Offering on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Subordinated 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 $1.0 million. The Standby Warrant expires on September 5, 2027. No warrants were exercised as at March 31, 2019 (September 30, 2018 – none).

(c) Share-based Compensation

The share-based compensation relating to the Company's stock options, deferred share unit plan and under the share unit plan during the three and twelve months ended September 30, 2019 was an expense of $0.5 million and $1.5 million (2018 – $0.5 million and $2.8 million). During the twelve months ended September 30, 2019, there were 16,805 deferred share units ("DSUs") granted (September 30, 2018 – 14,200). In addition, there were 18,240 restricted share units ("RSU's") settled in cash and 28,567 restricted share units ("RSU's") settled in shares during the twelve months ended September 30, 2019. There were 65,971 shares granted under the share unit plan in the twelve months ended September 30, 2019 that were accounted as cash-settled compensation.

RELATED PARTY TRANSACTIONS

Related Party Service Agreements

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. The Service Agreements can be terminated by either party with 30 days written notice. The Service Agreements were negotiated and approved by the Special Committee of the Board of Directors. The contracted rates with these related parties are priced as agreed to by the parties and are to be settled in cash on normal payment terms upon receipt of invoices. The Company has not offered any security to these vendors.

Crossover provides 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 and twelve months ended September 30, 2019, the Company has incurred $5.0 million and $22.8 million of costs associated with services provided by Crossover (2018 – $6.7 million and $28.0 million). 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).

DevFactory provides certain technology services to Optiva as per agreed statements of work. Effective April 25, 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. The technology services include source code analysis, code cleanup service and various other technical services related to Optiva's software solutions. During the three and twelve months ended September 30, 2019, the Company has incurred $6.3 million and $19.5 million of costs associated with services provided by DevFactory (2018 – $7.8 million and $31.7 million). 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).

Amounts owing to Crossover and DevFactory as of September 30, 2019 aggregated to $13.6 million (September 30, 2018 - $18.8 million) and are included in both trade payables and accrued liabilities in the condensed consolidated interim statement of financial position at the respective period ends.

Effective June 30, 2019, the Service Agreement between Optiva and DevFactory was assigned as is to GTeam FZ-LLC as part of an internal reorganization. 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.

In the normal course of business, the Company retained certain contractors with specialized skills and knowledge to assist the Company in its operations. These contractors are retained from other entities controlled by ESW Capital. The costs of these contractors are $nil million and $0.1 million for the three and twelve months ended September 30, 2019 respectively (2018 – $nil and $0.3 million) and have been recorded in general and administrative expense in the condensed consolidated interim statements of comprehensive income (loss). Amounts owing to these entities as of September 30, 2019 aggregated to $nil (September 30, 2018 - $0.3 million). They are included in accrued liabilities in the condensed consolidated interim statement of financial position at September 30, 2018.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified and passed to its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Controls over Financial Reporting

There have been no changes to the Company’s internal controls over financial reporting during the three and twelve months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting Changes

(i) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

Effective October 1, 2018 the Company adopted IFRS 15 using the cumulative effect method which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at October 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18, IAS 11 and related interpretations.

Adoption of IFRS 15 has had no impact on the accounting for the Company’s professional services, third party goods and services and legacy post-contract support contracts on previously delivered perpetual licenses. Adoption has impacted certain customer arrangements containing software licenses for which the customer has the right to pay for the software as it increases its capacity usage over a fixed term.

The Company has certain license arrangements where the customer has the right to increase its licensed capacity within stated capacity thresholds over a fixed time period, subject to a contractual minimum license requirement. Prior to adopting IFRS 15, revenue was recognized based on customer usage and billed as such incremental capacity was delivered. Under IFRS 15, the Company considers these license to be perpetual in nature. The performance obligation containing the license is fully transferred at the time of customer acceptance of the license, and therefore the transaction price allocated to the minimum license commitment is recognized at that time. For these contracts, this results in earlier recognition of license revenue. In addition, where payment terms related to these licenses extend beyond a period of one year, the Company has determined that a significant financing component exists. The value of these financing components was assessed using an appropriate interest rate and best estimate of the value and timing of the remaining payments over the expected term of the agreement.

Prior to adopting IFRS 15, the Company reported unbilled revenue and deferred revenue balances in its consolidated balance sheet on the basis of the individual performance obligations within each customer arrangement. Under IFRS 15, the status of the contract must be presented on a net basis as either unbilled or deferred revenue to reflect the nature of the net underlying rights and performance obligations at the contract level on the statement of financial position. Where a contract is combined for accounting purposes with one or more other contracts, the net contract balance position must be determined and reported at the aggregate level for all combined contracts.

The Company reviewed the tax implications of adjustments made at adoption and determined that these resulted in an increase in deferred tax liabilities as a result of transferring revenue to the prior period. This increase is fully offset by recognition of previously unrecorded deferred tax assets of equal value and therefore no adjustment is required.

New and expanded annual disclosure requirements on revenue, performance obligations, and contract balances are also expected to be significant and require changes to processes to accumulate and report aggregated data requirements.

(ii) IFRS 9, Financial Instruments ("IFRS 9"):

Effective October 1, 2018, the Company adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of financial assets as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39, Financial Instruments: recognition and measurement (“IAS 39”). This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39.
All financial assets that are within the scope of IFRS 9 are required to be measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The new standard also includes a new expected credit loss model for calculating impairment on financial assets, replacing the incurred loss model under IAS 39. The new impairment model applies to financial assets at amortized cost and contract assets. Furthermore, IFRS 9 also introduces new hedge accounting requirements aligning more closely with an entity's risk management objectives and strategies.

Cash and cash equivalents, restricted cash, trade and other receivables that were classified as loans and receivables under IAS 39, respectively, are now classified as financial assets measured at amortized cost. Trade payables, accrued liabilities provisions, long-term liabilities and preferred shares were classified as other financial liabilities under IAS 39, respectively, are now classified as financial liabilities measured at amortized cost. Series A warrant that was classified as financial liability at fair value through profit or loss under IAS 39, continues to be recognized as a financial liability at fair value through profit or loss under IFRS 9. There is no change to the initial measurement of the Company's financial assets. The adoption of IFRS 9 did not have any material impact on the condensed consolidated interim financial statements.

New accounting pronouncements

The IASB has issued new standards and amendments to existing standards. These changes in accounting are not yet effective at September 30, 2018 and could have an impact on future periods.

(i) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace

IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company will adopt the standard effective January 1, 2020. However, management has assessed the extent of the impact of adoption of this standard and interpretations on the consolidated financial statements of the Company and does not expect them to have any significant impacts.

PATENT PORTFOLIO

As part of Optiva's commitment to R&D to maintain its position as a key industry innovator in the real-time BSS software space, the Company currently has a portfolio of 14 filed and 114 granted patents. To date Optiva has not initiated any action with respect to assertions and/or claims of patent infringement.

ADDITIONAL INFORMATION

Additional information, including the quarterly and annual consolidated financial statements, annual information form, management proxy circular and other disclosure documents may be examined by accessing the SEDAR website at www.sedar.com.