

# Nubeva Technologies Ltd.

(formerly Sherpa Holdings Corp.)

## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (this “**MD&A**”) is dated December 12, 2018 and is intended to assist the reader in understanding the results of operations and financial condition of Nubeva Technologies Ltd. (“**Nubeva**” or the “**Company**”). This MD&A should be read in conjunction with the following information that can be obtained from [www.sedar.com](http://www.sedar.com):

- (i) the Company’s audited consolidated financial statements for the year ended April 30, 2018 and accompanying notes;
- (ii) The Company’s management discussion and analysis for the year ended April 30, 2018;
- (iii) the Company’s unaudited condensed interim consolidated financial statements for the three and six months ended October 31, 2018;
- (iv) The Filing Statement of the Company dated the 26<sup>th</sup> day of February 2018.

The consolidated financial statements of Nubeva have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

Nubeva’s reporting currency is United States Dollars and its functional currency is Canadian Dollars. The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The Company has the following wholly owned operating subsidiaries:

Subsidiary	Operating location	Functional currency
Nubeva, Inc.	San Jose, California	United States Dollars
Nubeva PTY Ltd.	Sydney, NSW Australia	Australian Dollars
CBR Project PTE Ltd.	Singapore	United States Dollars

## CAUTION ON FORWARD-LOOKING INFORMATION

This MD&A contains certain “forward-looking information” and “forward-looking statements” (collectively “**forward-looking statements**”) within the meaning of applicable Canadian securities legislation. When we discuss our strategy, plans, outlook, future financial and operating performance, financing plans, growth in cash flow and other events and developments that have not yet happened, we are making forward-looking statements. All statements in this MD&A that address events or developments that we expect to occur in the future are forward-looking statements, including the following:

- the development and capabilities of Nubeva (as defined herein) to provide the security platform and services;
- our plan to expand operations by adding additional customers;
- our expectations in relation to working capital;
- our expectations in relation to our future financial needs;

Forward-looking statements are statements that are not historical facts and are generally, although not always, identified by words such as “expect”, “plan”, “anticipate”, “project”, “target”, “potential”, “schedule”, “forecast”, “budget”, “estimate”, “intend” or “believe” and similar expressions or their negative connotations, or that events or conditions “will”, “would”, “may”, “could”, “should” or “might” occur. All

such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Forward-looking statements necessarily involve assumptions, risks and uncertainties, certain of which are beyond the Company's control, including the following:

- our dependence on suppliers and customers;
- our untested business model;
- our ability to attract customers;
- the competitive nature of the cloud-based security market;
- our ability to manage our growth;
- exchange rate risks;
- risk related to the volatility and market for digital currencies;
- regulatory risks;
- our future operations;
- our dependence on key personnel;
- dilution to present and prospective shareholders;
- the lack of a market for our securities; and
- our share price.

As we are entering into a new business segment, future operations are uncertain and there is a risk that there will be a limited market for our services.

The Company assumes no responsibility to revise forward looking statements to reflect new information, subsequent events or changes in circumstances, except as required by applicable securities laws.

## **1. Description of the Business**

The Company's registered and records office is located at 789 West Pender Street, Suite 1080, Vancouver, BC Canada V6C 1H2.

Nubeva Technologies Ltd. (formerly Sherpa Holdings Corp.) was incorporated on February 3, 2017 under the Business Corporation Act of British Columbia as a capital pool company ("CPC"). The Capital Pool System was set up by the TSX to provide private companies with an alternative method to go public.

Nubeva, Inc. was incorporated under the laws of the State of Delaware on March 30, 2016. Nubeva Inc.'s wholly owned subsidiary, Nubeva Pty Ltd. was incorporated under the laws of New South Wales, Australia on April 20, 2016. Nubeva is based in San Jose, California and its principal activity is the development and commercialization of software to accelerate migration to the public clouds by empowering organizations to extend and run their visibility and security controls inside public cloud platforms including Azure and AWS. IT and Security teams use Nubeva's software to restore and enhance cloud visibility, and to virtualize their security systems, to monitor and protect cloud applications and workloads, hybrid datacenters, and remote site, users, and devices.

Effective February 28, 2018 the Company completed a reverse acquisition transaction ("**RTO**") under which the Company acquired 100% of the shares of Nubeva, Inc. in exchange for shares of the Company, resulting in former shareholders of Nubeva, Inc. excluding those holding shares pursuant to the Brokered Financing that closed in connection with the transaction, holding 97% of the shares of the Company upon closing the RTO transaction. Nubeva, Inc. is the accounting acquirer and this management discussion and analysis is based on the results of Nubeva, Inc. as the accounting acquirer.

Immediately prior to closing, the Company consolidated its common stock at a ratio of one (1) post-consolidation common share for each five (5) pre-consolidation common shares and changed its name to Nubeva Technologies Ltd. Effective at the opening, on March 7, 2018, the common shares of Nubeva Technologies Ltd. resumed trading under the new name on the TSX Venture Exchange under the symbol NVBA. The Company is classified as a technology company. A description of the Transaction can be found in the Company's filing statement, audited consolidated financial statements for the years ended April 30, 2018 and 2017, and in its annual management discussion and analysis for the year ended April 30, 2018 found on [www.sedar.com](http://www.sedar.com).

On April 24, 2018 Nubeva incorporated CBR Project Pte Ltd. ("CBR Project"), a wholly owned subsidiary of Nubeva Technologies Ltd. located in Singapore, to create a new, international cybersecurity ecosystem marketplace of security providers, researchers, support resources and ultimately customers (the "**CBR Network**") built on a foundation of the Company's security solutions. Due to a weakening on the ICO market and due to a complex and uncertain regulatory environment, effective November 26, 2018 CBR Project commenced dissolution activities.

## **2. Business Model**

Nubeva Technologies Ltd. has developed Stratus Edge, a Software-as-a-Service (SaaS) solution that enables organizations to run best-of-breed cybersecurity in public cloud environments. In September 2018 Nubeva released Nubeva Prisms, a Stratus Edge solution to provide subscribers with enhanced visibility and control over network traffic in the public cloud and simplified automation and operation that is essential to run top-tier security technologies and services in the cloud easily and affordably. With Nubeva, organizations can leverage existing policies, technologies and operations and accelerate their move to the cloud with confidence.

In conjunction with the release of Nubeva Prisms, Nubeva has advanced its sales and marketing plans to include a highly structured digital marketing campaign, to leverage its existing resources to rapidly expand its business in North America, offering better, affordable security solutions at scale. In addition, Nubeva intends to increase alliance partnerships and reseller channels to form a highly networked system to deliver services to enterprises of all sizes.

## **3. Overall Performance**

### Operations for the Three and Six Months Ended October 31, 2018

In the first quarter of 2019 Nubeva focused on the development of its user interface and business model. In September 2018 the Company released Nubeva Prisms, a SaaS solution to provide visibility in the public cloud. When companies migrate to the public clouds, they lose real-time access into their networks. The impact is that the critical tools they depend upon to monitor security, networks and applications cannot function, and therefore, businesses face increased exposure to cyberattacks and limited diagnostics to their infrastructures. Nubeva Prisms is a breakthrough solution that restores network access and control inside public clouds, allowing customers to utilize their strategic tools and close their security and visibility gaps. In particular:

- a. As of the end of the most recent quarter Nubeva reported customer engagement increased to 57 subscribers for Nubeva Prisms, over 20 subscribers at the end of the preceding quarter. At the date of this MD&A, Nubeva had 94 subscribers showing a significant increase in customer traction. Subscribers represent small corporations to larger enterprises at varying stages of deployment into their cloud, representing a truly scalable solution for a large market segment. Subscriber revenue potential is based on size of customer cloud environment and can range from several thousand to multimillion-dollar annual contract value if fully deployed.

- b. In September 2018 Microsoft showcased Nubeva Prisms at its annual Azure Cloud conference, Re-Invent, demonstrating customer use cases and related features from Microsoft that Prisms enhances. Nubeva Prisms is available today for Microsoft Azure and Amazon AWS cloud environments. Prisms scales from small to extremely large environments with industry leading functionality and multiple pricing options supporting pilots, small projects, and very large cloud operations.
- c. The Company continued testing to ensure the stability of its platform and to measure performance. In this quarter, further competitive analysis was performed on all known cloud-based security and visibility competitors. The Company determined that no known product had better performance than those tested in the previous quarter. The result shows that The Company's processing speed advantage of over 3 times better holds true across all options available in the market today.

In March 2018 Nubeva entered into an agreement with the Security Advisor Alliance (SAA), a US-based nonprofit of Chief Information Security Officers (CISOs), to help build and operate its secure communications and membership management systems in the cloud. In July 2018 the Company entered into a sponsorship agreement under which SAA will market Nubeva's services to its member base and provide Nubeva with a channel in the Alliance Community Platform.

#### Token Pre-sales

Prior to the most recent quarter ended October 31, 2018 CBR Project had raised US\$ 3.77 million in token presales, known as future token interests ("FTI's"), the consideration of which was received \$700,000 in cash and \$3,067,632 in digital currencies. Proceeds from presales in the amount of \$2,081,586 were used to fund costs associated with the token offering and to purchase from Nubeva a limited purpose open source license for its Blockchain Routing IP software in connection with the development of the token network.

Subsequent to October 31, 2018, under the terms of the FTI agreements, CBR Project unwound FTI's effective November 26, 2018 by distributing the remaining assets of CBR Project on a pro rata basis to the purchasers. The remaining assets were comprised of tokens of other issuers with a market value estimated at US \$815,000, after giving effect to market value fluctuations of digital currency held by CBR Project as a result of the token presales. It is expected that the cancellation of the ICO and dissolution of CBR Project, which will be reported in the Company's third quarter, will result in a gain primarily due to the write off of deferred revenue. It is anticipated that this gain will be offset by losses due to fluctuations the market value of the digital currency held by the Company as a result of the FTI's.

The token network was being developed to provide cybersecurity technology outside of North America. CBR Project's cancellation of the token offering, and the reimbursement of presales, which was refunded in digital currency, did not affect Nubeva's cash position. CBR Project was terminated due to the broad based and continued softening of the ICO marketplace, compounded by a complex and changing regulatory environment. Management plans to continue to focus on delivering its products to a North American market and expand internationally in due course.

#### Financing

On December 21, 2017 the Nubeva, Inc. completed a brokered financing of subscription receipts for gross proceeds of CAD \$10,100,020.20 that converted into common shares of the Company at a price of CAD \$.775 per share upon completion of the RTO transaction on February 28, 2018.

On October 15, 2018, the Company completed a private placement and swap transaction whereby Randy Chou, the CEO of the Company, sold 5,161,290 common shares of his personal holdings under the facilities of the TSX Venture Exchange, at a price of CAD\$0.775 per share on October 12, 2018 and subscribed for

1,935,483 restricted voting common shares of the Company at a price of CAD\$0.775 per share, for gross proceeds to the Company of CAD\$1,500,000 on October 15, 2018. The restricted voting common shares are subject to a four-month hold. The net proceeds after share issuance cost was \$959,156. Immediately prior to closing the private placement and swap, Mr. Chou converted 164,516 Restricted Voting Shares into common shares.

#### 4. Future Plans and Outlook

##### Trends

Market trends affecting the Company's products and services have not changed materially from those reported in its annual management discussion and analysis.

According to MarketsandMarkets, the cybersecurity market (which includes Identity and Access Management (IAM), Encryption, Data Loss Prevention (DLP), Unified Threat Management (UTM), Antivirus/Anti-Malware, Firewall, Intrusion Detection Systems/Intrusion Prevention Systems (IDS/IPS), Disaster Recovery, Distributed Denial-of-Service (DDOS) Mitigation, and Security Information and Event Management (SIEM)) is expected to grow from \$138B in 2017 to \$232B by 2022 (for a CAGR of 11.0%). In the calendar quarter from July to September alone, the fall in funding raised via ICOs was 48%. Funding raised in September fell by more than 78% compared with May and 57% of ICO projects were not able to raise more than US\$ 100,000. Further, only 4% of all announced ICO's were listed on exchanges.

Subsequent to the quarter ended October 31, 2018 the Company announced its plans to dissolve CBR Project due to the weak market for ICO's and due to the complex and uncertain regulatory environment.

The Company received token pre-sales in US Dollars, bitcoin and other digital currencies. Digital currency prices are highly volatile and difficult to predict. The Company reported a fair value gain on digital currencies, which include tokens, for the quarter ended October 31, 2018 of \$169,229, compared with a loss for the preceding quarter of \$97,766. Changes in the market value of such digital currencies could have a material impact on the Company's results.

##### Plans

Nubeva is planning to perform the following activities during the year ending April 30, 2019:

Plans	Progress to October 31, 2018
(a) continue the development of the Stratus Edge software to provide new feature sets and applications.	New feature sets and applications have been developed and commercialized with the release of Nubeva Prisms. The Company continues ongoing development work.
(b) complete the Chevron Catalyst program requirement	Completed during the first quarter
(c) continue the development of the StratusEdge software to provide new feature sets and applications.	New feature sets and applications have been developed and commercialized with the release of Nubeva Prisms. The Company continues ongoing development work.
(d) complete the Chevron Catalyst program requirement	Completed during the first quarter

## 5. Summary of Quarterly Results

Quarterly results for the three and six months ended October 31, 2018 and 2017 are as follows:

<b>Income Statement Data</b>	<b>Three Months ended October 31, 2018</b>	<b>Three Months ended October 31, 2017</b>	<b>Six Months ended October 31, 2018</b>	<b>Six Months ended October 31, 2017</b>
Revenue	\$ 226,875	\$ 115,000	\$ 1,951,655	\$ 115,000
Expenses	1,076,788	490,652	2,296,658	779,772
Other items	164,875	(8,354)	74,921	(6,606)
<b>Net loss from continuing operations</b>	<b>(685,038)</b>	<b>(384,006)</b>	<b>(270,082)</b>	<b>(671,378)</b>
Other comprehensive loss	(51,056)	5,021	(75,386)	3,095
Comprehensive loss for the period	\$ (736,094)	\$ (378,985)	\$ (345,468)	\$ (668,283)
<b>Gain (loss) per share – basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares</b>	<b>53,148,567</b>	<b>40,017,500</b>	<b>52,965,110</b>	<b>40,035,000</b>

### Revenue and Gross Margin

Nubeva commenced earning revenues in August 2017. Revenue for the three and six months ended October 31, 2018 and 2017 are as follows:

	<b>Three Months ended October 31, 2018</b>	<b>Three Months ended October 31, 2017</b>	<b>Six Months ended October 31, 2018</b>	<b>Six Months ended October 31, 2017</b>
Subscriptions	\$ 41,500	\$ -	\$ 109,750	\$ -
Software and services <sup>(1)</sup>	185,375	115,000	1,881,376	115,000
<b>Totals</b>	<b>\$ 226,875</b>	<b>\$ 115,000</b>	<b>\$ 1,991,126</b>	<b>\$ 115,000</b>

<sup>(1)</sup> For the six months ended October 31, 2018, software and services revenue of \$1,381,905 was received in digital currencies.

Nubeva's costs related to the revenue from subscriptions are expensed in the period in which they are incurred as software development costs as they are not reliably measurable.

Software and services revenues for the quarter ended October 31, 2018 were comprised of token-presale revenues, which represent the non-refundable portion of token pre-sales received. Token pre-sale revenues were realized from deferred revenue and were previously received in cash, Bitcoin and other tokens. Software and services revenues for the same quarter of the prior year was comprised of software development and customization work for subscribers. During the three months ended October 31, 2018, research and development costs of \$271,000, general and administrative costs of \$47,990 and sales and marketing costs of \$31,804 related to setting up CBR Project and developing CBR Project's token network.

During the six months ended October 31, 2018, 2% (October 31, 2017 – 100%) of Nubeva’s revenues were derived from sales to customers in the United States. 98% of revenues were earned from outside Canada and the United States from the Company’s new operating segment as it commenced the development of CBR Network.

### Expenses

Expenses for the three months ended October 31, 2018 exceeded expenses of the comparable period of the prior year as Nubeva increased its software development personnel to software development initiatives and as Nubeva commenced building a sales and marketing team. Further, the Company recognised ongoing costs related to its public listing and also related to the launch of CBR Project. During the next two quarters the Company expects that expenses will continue to increase as the Company increases in sales and marketing activities with respect to the launch of Nubeva Prisms. The Company also expects that expenses relating to CBR project will not continue as the project is abandoned.

#### (i) General and Administrative

General and administrative expense increased over the comparable period primarily due to increased personnel costs and ongoing costs associated with the Company’s public listing following its February 28, 2018 reverse takeover transaction.

#### (ii) Research and development Expense

Research and development increased by 36% over the prior comparable quarter. 73% of the increase is due to increased personnel costs as the company increased its development activities; and 27% is mainly due to services contracts entered into to develop the Company’s CBR Network.

#### (iii) Sales and Marketing Expense

Sales and marketing activities increased by 215% over the comparable period of the prior year. Sales and marketing activities commenced in the comparable quarter of fiscal 2018 with the commercialization of the Company’ StratusEdge software. The increase reflects the Company’s increased focus on sales and marketing in accordance with its plans and expects to continue to expand its activities to support the release of Nubeva Prisms.

#### (iv) Stock based compensation expense

Stock based compensation expense for the three and six months ended October 31, 2018 increased over the prior comparable quarter, primarily due to the issuance of additional stock options to new employees and to directors.

The Company’s shareholders have approved a new stock-based compensation program comprised of incentive stock options and Restricted Stock Units (“RSU’s”). Stock options and RSU’s are used to align the goals of the Company employees and Management with other equity stakeholders of the Company. The RSU Plan was recommended by management as a compensation component to allow the Company to attract and retain key employees.

## Summary of Financial Position

The Company's financial position as at October 31, 2018 compared with the Company's financial position as at April 30, 2018 is as follows:

<b>Balance Sheet Data</b>	<b>31-Oct-18</b>	<b>30-Apr-18</b>
Current and total assets	\$ 10,010,058	\$ 7,805,392
Current liabilities	\$ 2,070,766	\$ 699,987
Accumulated deficit	\$ (5,941,099)	\$ (5,671,017)
Total Equity	\$ 7,939,292	\$ 7,105,405

### (i) Current and Total Assets

Assets as at October 31, 2018 increased by \$2,204,666 over the year ended April 30, 2018 due in part to the issuance of common shares on October 15, 2018 for net proceeds of \$959,156 and in part to the receipt of digital currencies as consideration for token presales related to CBR Project during the first quarter of 2019.

Current liabilities increased by \$1,370,779 to \$2,070,766 over current liabilities at April 30, 2018. The increase is mainly due to an increase in deferred revenue, during the first quarter of 2019, related to token presales.

## Quarterly Highlights

For the quarter ended:

	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017	July 31, 2017	April 30, 2017	January 31, 2017
Revenue	\$ 226,875	\$1,724,780	\$469,388	\$123,125	\$115,000	\$ -	\$ -	\$ -
Total Expenses	1,076,788	1,219,870	1,662,040	523,720	496,458	289,120	436,229	195,160
Net income (loss) from operations	(685,038)	414,956	(1,192,652)	(400,595)	(381,458)	(287,372)	(436,229)	(195,160)
Listing Expense	-	-	(1,130,319)	-	-	-	-	-
Loss on extinguishment of debt	-	-	(1,451,152)	-	-	-	-	-
Other comprehensive gain (loss)	(51,056)	24,330	(40,157)	(374)	5,021	(1,926)	(1,273)	90
<b>Net Comprehensive Income (Loss)</b>	<b>\$(736,094)</b>	<b>\$390,626</b>	<b>\$(3,900,031)</b>	<b>\$(400,969)</b>	<b>\$(376,437)</b>	<b>\$(289,298)</b>	<b>\$(437,502)</b>	<b>\$(195,070)</b>

During the quarters ended October 31, 2018, July 31, 2018 and April 30, 2018, 82%, 93% and 64% respectively of revenue was recognized from token pre-sales of its wholly owned subsidiary, CBR Project.

Revenues recognized represent the non-refundable portion of revenues received. Revenues for the most recent quarter ended October 31, 2018 were comprised of token-presale revenues of \$185,375. Token pre-sale revenues during the past three quarters were received \$1,681,905 in digital currencies and \$700,000 in cash.

During the three months ended October 31, 2018, research and development costs of \$271,000, general administrative costs of \$47,990 and sales and marketing costs of \$31,804 related to setting up CBR Project and developing CBR Project's token network. CBR Project commenced operations in the quarter ended April 30, 2018 with revenue from token pre-sales of \$300,263 and expenses related to the development of the token network of \$535,841. In the preceding quarter ended July 31, 2018 token presale revenues were \$1,596,530 and costs related to development of the token network were \$202,945.

Nubeva earned revenue during last five quarters under customization contracts with customers. Revenue from customization contracts is recognized as Nubeva customizes software for a customer's applications, delivers the software and as the software is tested and approved by the Customer. Nubeva also earned revenues from the provision of licenses and related services. Nubeva's costs related to the revenue are expensed in the period in which they are incurred as software development costs as they are not reliably measurable.

During the quarter ended October 31, 2018 expenses from Nubeva's cloud-based security business were \$725,994 compared with expenses of \$980,018 for the preceding quarter. The higher costs for the preceding two quarters were due to additional travel and consulting costs associated with the Company's public listing and capital transactions. It is anticipated that expenses related to the Company's core business will grow in subsequent quarters as the Company continues to work towards its plans to develop its business and build its customer base.

There are no known trends or seasonal impacts on the Company's business although it is anticipated that seasonal trends will develop as the Company grows. Seasonal trends will be mitigated in part due to the planned global nature of the Company's business.

## 6. Use of Proceeds

The Company raised \$7,885,097 from the issuance of common shares in connection with the RTO Transaction set out in paragraph 3. The following table sets the actual capital available upon closing the RTO transaction together with the private placement on February 28, 2018.

	Estimated available capital	Actual available capital on closing
Proceeds of offering, net of Issue costs and RTO closing costs	\$ 7,260,190	\$ 7,013,881
Working capital immediately prior to closing	638,880	788,328
<b>Net available capital</b>	<b>\$ 7,899,070</b>	<b>\$ 7,802,209</b>

The following table sets out the estimated use of proceeds stated as at February 28, 2018 and the actual use of proceeds to October 31, 2018.

	Estimated use of proceeds to August 31, 2019	Actual use of proceeds to October 31, 2018
Engineering and design	\$ 2,150,000	\$ 1,521,567
Sales and marketing	2,200,000	867,609
Operations and administration	2,450,000	786,482
General working capital	1,099,070	309,426
<b>Use of proceeds</b>	<b>\$ 7,899,070</b>	<b>\$ 3,485,084</b>

## 7. Liquidity and Capital Resources

Until Nubeva earns an operating surplus, it is reliant on its ability to raise capital in order to settle its debts as they come due. At October 31, 2018, Nubeva had a working capital surplus of \$7,978,763 (April 30, 2018 – \$7,105,405). Nubeva has no long-term commitments.

As at October 31, 2018, Nubeva had cash of \$6,648,859, a decrease of \$852,487 compared to cash at April 30, 2018 of \$7,501,346. The Company used \$1,740,508 cash for operations during the six months ended October 31, 2018. On October 15, 2018, the Company completed a private placement and swap transaction whereby Randy Chou, the CEO of the Company, sold 5,161,290 common shares of his personal holdings at a price of CAD\$0.775 per share on October 12, 2018 and subscribed for 1,935,483 restricted voting common shares of the Company at a price of CAD\$0.775 per share, for gross proceeds to the Company of CAD\$1,500,000 on October 15, 2018. The net proceeds after share issuance cost was \$959,156.

The Company received \$794 for exercise of stock options and \$4,849 for the exercise of warrants.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in these financial statements, at October 31, 2018, Nubeva has an accumulated deficit of \$5,901,628 (April 30, 2018: \$5,671,017) and negative cash flows from operating activities of \$1,740,508 (April 30, 2018 - \$1,941,972). The Company had a working capital surplus of \$7,978,763 (April 30, 2018 - \$7,105,405). The available working capital as at October 31, 2018 is estimated to be adequate to finance Nubeva's planned operations over the next 12 months.

## 8. Related Party Transactions

The Company incurred the following transactions with directors, officers and companies that are controlled by directors of the Company, during the period ended:

	Six Months ended October 31, 2018	Six Months Ended October 31, 2017
Salary	\$ 369,988	\$ 234,944
Bonus	47,910	-
Board services	30,000	-
Share-based compensation	199,801	2,192
	<b>\$ 647,699</b>	<b>\$ 237,136</b>

During the six months ended October 31, 2018 the Company entered into a token pre-sale agreement for which it accepted tokens in the amount of \$3,000,000 as consideration. The tokens, which are traded on the Ethereum network and quoted in Ethereum, are valued at \$3,075,543 on October 31, 2018. The CEO of token issuer is related to an officer and director of the Company.

On October 15, 2018, the Company completed a private placement whereby Randy Chou, the CEO of the Company subscribed for 1,935,483 restricted voting common shares of the Company at a price of CAD\$0.775 per share, for gross proceeds to the Company of CAD\$1,500,000 on October 15, 2018. Mr. Chou converted 164,516 Restricted Voting Shares into common shares in connection with the transaction.

## **9. Off-Balance Sheet Arrangements**

As at October 31, 2018, Nubeva did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Nubeva, including, and without limitation, such considerations as liquidity and capital resources.

## **10. Significant Accounting Policies**

### *Basis of Consolidation*

The consolidated financial statements include the accounts of Nubeva and its wholly owned subsidiary, Nubeva Pty Ltd. All inter-company accounts and transactions have been eliminated in preparing the consolidated financial statements.

### *Revenue Recognition*

The Company primarily derives revenue from the provision of cloud-based security software and services, as well as professional services associated with customizing its products. Software revenue includes licenses derived from software and software services.

The Company adopted IFRS 15 - Revenue from Contracts with Customers as of May 1, 2017, prior to its required adoption date of for reporting periods beginning on or after January 1, 2018. IFRS 15 provides a single principle-based framework to be applied to all contracts with customers. Revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when a customer has the ability to direct the use of and obtain the benefits of the good or service. The framework has five steps for determination of revenue recognition:

- (1) There is a contract with a customer and it is probable that future economic benefits will flow to the Company;
- (2) The contractual performance obligations have been met by the Company;
- (3) The transaction price is determined;
- (4) The transaction price is allocated to performance obligations in the contract. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price; and
- (5) A performance obligation has been satisfied by transferring the contracted service to a customer.

We generate revenue from several sources:

- i Subscriptions. Sales of subscriptions to access our cloud platform, together with related support services to our customers. Customers are not granted the right to take control of our cloud software, but

they are provided with access to our cloud platform over a period of time. Revenue is generally recognized over the contractual period on a straight-line basis. The typical subscription and support term is one year, non-cancellable and is payable in advance.

- ii Software and services. Revenue from software and services arrangements is recognized over the contract term, commencing when the software is available for use. Revenue for software licenses with no further obligations to the Company are recognized upon transfer of the software.
- iii Professional and customization services. Revenue from professional and customization services is recognized as earned, based on performance according to specific terms of the contract or on the basis of the percentage of completion method where the revenue is reconcilable to services performed as a proportion of total services to be completed.
- iv Multiple services. Contracts with customers that contain multiple services consisting of (i) subscription and support services and (ii) professional and other services that are distinct and accounted for separately. The transaction price is allocated to the separate performance obligations on a relative SSP basis. We determine SSP based on our overall pricing objectives, taking into consideration the type of subscription and support services and professional and other services, the geographical region of the customer and the number of users.
- v Token sales and token pre-sales. The Company enters into agreements to issue tokens that are expected to trade on a token network outside Canada and the United States. Revenue from such contracts is recognized at such time that the consideration has been received and a benefit has been provided to the purchaser.

Foreseeable losses, if any, are recognized in the year or period in which the loss is determined. Payment received in advance of revenue recognition is recorded as deferred revenue.

#### *Research and Development*

Nubeva engages in research and development activities. Research costs are expensed as incurred. Product development costs are expensed in the period incurred unless the costs meet the criteria for deferral and amortization.

Nubeva is eligible to receive tax credits from its eligible research and development expenditures. Nubeva records the anticipated tax credits as a reduction in the costs to which they apply, at such time that the amount of tax credits is estimable, and their receipt is reasonably assured. As at April 30, 2018, Nubeva had estimated tax credits receivable of \$148,133 which it collected during the six months ended October 31, 2018. The Company has not estimated tax credits for the six months ended October 31, 2018.

#### *Share-Based Payments*

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed in profit or loss. The corresponding amount is recorded to share-based payment reserve. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

### *Provisions*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is presented in profit or loss net of any reimbursement. Provisions are discounted using a current risk-free pre-tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### *Foreign Currencies*

Nubeva's reporting and functional currency is United States Dollars. The functional currency of Nubeva's Australian subsidiary, Nubeva Pty, is Australian Dollars.

For the purposes of presenting consolidated financial statements, the assets and liabilities of Nubeva's Australian operations are translated into United States Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significant during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

### *Digital Currency*

Digital currency is measured at fair value on the statement of financial position, with value changes recognised in profit or loss.

### *Earnings or Loss per Share*

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the treasury share method whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

### *Financial Instruments*

Effective May 1, 2018 the Company adopted IFRS 9 – Financial Instruments.

## **11. Accounting Standards and Amendments Issued but Not Yet Adopted**

The standards and interpretations that are issued up to the date of issuance of the Company's financial statements but were not effective during the year ended April 30, 2018 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. None of these are expected to have a material effect on the financial statements of the Company and the Company does not anticipate early adoption.

IFRS 16                      Leases (ii)  
Effective for annual periods beginning on or after January 1, 2019

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial instruments.

### *Comprehensive Income or Loss*

Nubeva reports comprehensive income or loss in its consolidated financial statements. In addition to items included in net income or loss, comprehensive income or loss includes items charged or credited directly to stockholders' equity, such as foreign currency translation adjustments.

## **12. Share Capital**

As at the date of this MD&A the company had the following outstanding securities:

- (i) 39,972,268 common shares issued and fully paid;
- (ii) 14,770,967 Restricted Voting Common Shares issued and fully paid;
- (iii) 4,861,419 stock options with a weighted average exercise price of CAD \$0.23;
- (iv) 36,476 broker compensation warrants with an exercise price of CAD\$0.78 per share, expiring February 28, 2020; and
- (v) 292,338 share purchase warrants with an exercise price of CAD\$0.62 per share, expiring February 28, 2019;

Pursuant to the RTO, 13,000,000 Restricted Voting Common Shares and 20,696,775 common shares were subject to escrow conditions. The escrowed shares are to be released in four equal installments, the first upon closing of the RTO and the remainder every six months thereafter. At October 31, 2018, there were 16,848,388 common shares in escrow (April 30, 2018 – 25,272,582), which included 6,500,000 Restricted Voting Common shares and 10,348,388 common shares.

## **13. Risk Factors**

Risk factors have not changed since the Company's annual management discussion and analysis which can be found on [www.sedar.com](http://www.sedar.com), with the exception of the following risks and risks relating to CBR Project:

### *Liquidity Risk*

Liquidity risk is the risk that Nubeva will not be able to meet its financial obligations as they fall due. Nubeva's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Nubeva's reputation. Nubeva manages liquidity risk by closely monitoring changing conditions in its investees, participating in the day to day management and by forecasting cash flows from operations and anticipated investing and financing activities. As at October 31 the Company had a cash balance of \$6,648,859 (April 30, 2018 - \$7,501,346) to settle current liabilities of \$2,031,295 (April 30, 2018 - \$699,987).

### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's sales are in US Dollars and although the majority of its operating expenses are denominated

in US Dollars, a portion of general and administrative costs are denominated in Canadian Dollars and a portion of Research and Development costs are denominated in Australian Dollars exposing the Company to foreign exchange risk. The Company monitors its exposure to foreign exchange risk and converts any surplus funds to US Dollars to provide a natural hedge. The Company has not used any formal hedge arrangements.

As at October 31, 2018 and April 30, 2018, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies, converted to US Dollars at the prevailing rate at the end of each of the reporting periods:

Based on the above net exposures, as at October 31, 2018, a 10% change in the Canadian Dollar to the US Dollar exchange rate would impact the Company's net loss by \$109,014 and a 10% change in the Australian Dollar to the US Dollar exchange rate would impact the Company's net loss by \$11,434.

	October 31, 2018		April 30, 2018	
	Australian Dollars	Canadian Dollars	Australian Dollars	Canadian Dollars
Cash	\$ 191,052	\$ 1,111,790	\$ 309,456	\$ 692,534
Accounts receivable	59,213	28,915	5,040	708
Income tax receivable	-	-	148,133	-
Accounts payable and accrued liabilities	(135,927)	(50,561)	(91,313)	(46,326)
Total	\$ 114,338	\$ 1,090,144	\$ 371,316	\$ 646,916

#### *Risk due to Cancellation of Token Offering*

Subsequent to October 31, 2018, under the terms of the FTI agreements, CBR Project commenced the unwinding the Token Offering by distributing the remaining assets of CBR Project, comprised of digital currency, on a pro rata basis to the purchasers. Although the cancellation of the Token Offering is expected to result in a gain due to the write off of deferred revenue, the gain is expected to be offset by a decline in the market value of digital currencies related to the FTI's. The Company may not recover all of its costs, and its business could be materially adversely affected due to the cancellation of the Token Offering.

#### *Digital Currencies Risk*

Nubeva accepts digital currencies such as Bitcoin or service tokens as payment for its Token pre-sales. Prices of digital currencies are volatile and are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A 10% change in the value of the Company's digital currencies would impact the Company's net gain or loss by \$309,623. At October 31, 2018, the tokens received as consideration, which trade in Ethereum ("ETH"), had a market value of ETH 0.00051277. In the month subsequent to October 31, 2018 the tokens had a low trade price of ETH 0.00035795 and a high trade price of ETH 0.00044159. During the same period ETH, which had a market value of US\$ 199.93 at October 31, 2018, had a low trade price of US\$95.26 and a high trade price of US\$112.42. Bitcoin ("BTC") received as consideration had value of US\$6,334 at October 31, 2018 and during the subsequent month had a low trade price of US\$ 3,593 and a high trade price of US\$6,593. A decline in the market prices for digital currencies could result in a material fair value loss on digital currencies, negatively impacting the Company's financial results. The Company may not be able to liquidate its inventory of digital currency at its desired price if required.

Nubeva may hold some or all of the company's cyber-currency assets in wallets directly controlled by the company or through third party custodian services. Such wallets may be susceptible to cyber-attacks and/or

mishandling which could cause the loss of funds. Nubeva may hold some or all of the company's cyber-currency assets in wallets directly controlled by the company or through third party custodian services. Such wallets may be susceptible to cyber-attacks and/or mishandling which could cause the loss of funds.

## **Commitments**

### *Premises Lease*

Nubeva's facilities in San Jose, CA and in Sydney, Australia are rented under short-term leases. Nubeva has no material commitments.