

# Nubeva Technologies Ltd.

## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (this “**MD&A**”) is dated December 13, 2019 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, 2019 and accompanying notes;
- (ii) The Company’s management discussion and analysis for the year ended April 30, 2019; and
- (iii) the Company’s unaudited condensed interim consolidated financial statements for the three and six months ended October 31, 2019.

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.(1)	Singapore	United States Dollars

(1) Operations for CBR Project PTE Ltd. have been discontinued.

## 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;
- 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 the Company operates in a new and emerging 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. 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. the common shares of Nubeva Technologies Ltd. resumed trading under the new name on the TSX Venture Exchange under the symbol NVBA.

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.

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 discontinued operations.

## 2. Core Business

Nubeva develops Software-as-a-Service (“SaaS”) solutions that enable enterprises to run cybersecurity in the cloud. The Company’s focus is security through visibility of network traffic in public clouds such as Amazon AWS, Microsoft Azure, and Google GCP. As more and more organizations migrate mission critical applications to the cloud, Nubeva enables monitoring and inspection of critical data in motion over cloud communication connections to detect intrusions, malware, ransomware, data leakage and exfiltration and a myriad of other threats and to enable regulatory compliance and operations troubleshooting and support. Nubeva Prisms, the Company’s flagship product, enhances basic cloud capabilities allowing companies to capture, filter, process and distribute copies of production network traffic to multiple tools and systems, without affecting application performance, with ease, simplicity and automation. Nubeva Prisms provides the ability to decrypt that traffic allowing tools to perform deep packet inspection at scale for the latest and most advanced level of encryption standards. Nubeva Prisms enables organizations to aggressively adopt the cloud and embrace the latest encryption for security without sacrificing essential visibility and control.

## 3. Overall Performance

During the three and six months ended October 31, 2019 and to the date of this MD&A, Nubeva achieved the following milestones:

### Product Development

- **In November 2019** Nubeva released new cloud formation templates that enable open source monitoring and analytics tools to see fully decrypted packet traffic in public and private clouds when paired with Nubeva TLS Decrypt. The free-to-use Nubeva Cloud Tool templates launch a cloud-ready, scalable, resilient and AWS Well-Architected environment that includes the commonly used open source network monitoring solutions Moloch, Suricata, Zeek, Wireshark and ntop.
- **In September 2019** Nubeva announced network decryption support of container and Kubernetes workloads hosting encrypted applications in public and private clouds.
- **In August 2019** Nubeva expanded its next-generation TLS Decryption solution to support Windows Channel as well as expanded Linux flavors and to support private and hybrid cloud deployments in addition to public cloud.
- **In June 2019** Nubeva launched its TLS decryption solution and announced its availability on Amazon Web Services (AWS) to work with Amazon Virtual Private Cloud (Amazon VPC) traffic mirroring. Also, in June 2019, Nubeva filed provisional patent 62/864411 with respect to this proprietary software.
- **In May 2019** Nubeva launched its NetFlow (IPFIX) service. During the quarter ended July 31, 2019 the Company determined that its partner would continue to release and support Netflow.

## Relationships

- **In June 2019** Nubeva Prisms Decryption became available on Amazon Web Services (AWS) to work with Amazon Virtual Private Cloud (Amazon VPC) traffic mirroring, announced at AWS re:Inforce 2019 on June 25 in Boston. Amazon VPC traffic mirroring allows end users to gain insight into the network traffic across their Amazon VPC infrastructure for content inspection and threat monitoring. With this feature customers can copy network traffic in their Amazon VPC's and send it to their security and monitoring tools.
- **In June 2019** Nubeva was named an Advanced Technology Partner in the Amazon Web Services (AWS) Partner Network (APN). Those in the APN assist customers to better design, architect, secure, migrate and manage cloud solutions on AWS.
- **In May 2019** the Company entered into a technology agreement with Flowmon to create a solution that allows for cloud traffic visibility and enhances cloud infrastructure into the monitoring ecosystem. With this agreement in place, Flowmon customers can get mirrored traffic or NetFlow (IPFIX) telemetry data, extending FlowMon's capabilities to the public cloud.

## Awards

- **In October, 2019** Nubeva received the 2019 Stratus Award from the Business Intelligence Group. The Business Intelligence Group identifies the companies, products and people offering unique solutions that take advantage of cloud technologies. Nubeva was recognized as the Stratus Award "Cloud Disruptor" for its SSL/TLS decryption solution for enterprises that need full packet level visibility of cloud network traffic to better detect and respond to cyber security threats, and to support and troubleshoot encrypted applications.
- **In September, 2019** Nubeva received a 451 Firestarter award from leading technology research and advisory firm 451 Research. The award recognizes Nubeva's innovative contribution to the technology industry with its TLS Decrypt solution.

## 4. Future Plans and Outlook

### Industry Trends

Economic and industry factors are substantially unchanged from the Company's Management Discussion and Analysis for the year ended April 30, 2019.

### Plans

Nubeva is planning to perform the following activities during the year ending April 30, 2020:

Plans	Progress to October 31, 2019
(a) Continue development of Nubeva's cloud visibility solutions to enhance current product offerings and to add complementary features and services to Nubeva Prisms.	The Company has released complementary feature during the first two quarters and continued to develop current product offerings and services.

Plans (continued)	Progress to October 31, 2019
(b) Implement an intellectual property plan to ensure the protection of Nubeva's proprietary software.	Patent filed during the first quarter of F2020. Plan is under development.
(c) Expand sales capabilities to including: <ul style="list-style-type: none"> <li>(i) Enhance Direct Marketing and Brand Awareness Programs</li> <li>(ii) Expand Alliance Partner Programs (companies whose products, markets or selling opportunities are enhanced because of Prisms)</li> <li>(iii) Grow Cloud Provider and Platform Relationship and Programs (e.g. AWS, Azure, Google)</li> <li>(iv) Expand Reseller Channel</li> <li>(v) Reduce Friction of Testing, Piloting, Buying and Implementation of Prisms Solutions</li> </ul>	The Company continues to build and develop sales capabilities.

## 5. Summary of Quarterly Results

Quarterly results for the three and six months ended October 31, 2019 and 2018 are as follows:

Income Statement Data	Three Months ended October 31, 2019	Three Months ended October 31, 2018 <sup>(1)</sup>	Six Months ended October 31, 2019	Six Months ended October 31, 2018 <sup>(1)</sup>
Revenue	\$ 38,511	\$ 104,520	\$ 77,667	\$ 809,750
Expenses	997,749	797,530	1,938,390	1,793,453
Other items	11,660	5,988	41,912	43,466
<b>Net loss from continuing operations</b>	<b>(947,578)</b>	<b>(687,022)</b>	<b>(1,818,811)</b>	<b>(940,237)</b>
Net gain (loss) from discontinued operations	-	(27,697)	-	610,155
Other comprehensive gain (loss)	(6,092)	(51,056)	(5,658)	(75,386)
<b>Comprehensive income (loss) for the period</b>	<b>\$ (953,670)</b>	<b>\$ (765,775)</b>	<b>\$ (1,824,469)</b>	<b>\$ (405,468)</b>
Gain per share, discontinued operations – basic and diluted	\$ -	\$ -	\$ -	\$ 0.01
Loss per share – basic and diluted, continuing operations	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of common shares	55,816,623	53,148,567	55,759,834	52,964,110

(1) Results from discontinued operations have been reclassified.

## Revenue and Gross Margin

Revenue for the three and six months ended October 31, 2019 and 2018 is as follows:

	Three Months ended October 31, 2019	Three Months ended October 31, 2018 <sup>(1)</sup>	Six Months ended October 31, 2019	Six Months ended October 31, 2018 <sup>(1)</sup>
Subscriptions	\$ 38,511	\$ 12,000	\$ 88,917	\$ 12,000
Software and services	-	92,520	-	797,750
Totals	\$ 38,511	\$ 104,520	\$ 88,917	\$ 809,750

<sup>(1)</sup> Results from discontinued operation have been reclassified

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.

During the three months ended October 31, 2019 Nubeva derived 100% of its revenues from sales to customers in the United States. For the same quarter last year 11.4% of revenues were from sales to customers within the United States and the balance is from customers outside North America.

### Expenses

Expenses for the three months ended October 31, 2019 increased by 25.1% over the same quarter last year due to increases in sales and marketing expense and research and development expenses, offset by a reduction in administrative expense.

#### (i) General and Administrative

General and administrative expense decreased by 32.5% over the same quarter last year, due 49.4% to a reduction on overhead costs, 27.9% due to an increase on personnel costs.

#### (ii) Research and development Expense

The Company's research and development expense of \$341,777 for the most recent quarter was reported net of refundable tax credits of \$78,971. Total research and development expense, before refundable tax credits, increased 59.4% over the same quarter last year due primarily to an increase in personnel costs, offset by slightly lower operating costs.

#### (iii) Sales and Marketing Expense

Sales and marketing costs increased by 58.6% over the same quarter last year, due to an increase in marketing activities. Personnel costs increased by 116.1% and sales and other marketing expenses increased by 53.8%. Sales and marketing costs increased 8% over the first quarter of fiscal 2020.

#### (iv) Stock based compensation expense

Stock based compensation decreased from the same quarter of last year. These non-cash expenditures are a function of the implementation of the methodology used for calculating share based payment values, and a direct result of stock options vested.

## Discontinued Operations

During the prior year quarter ended January 31, 2019 the Company discontinued operations of its Singapore subsidiary, CBR Project Pte. Ltd. Prior year operations for the three and six months ended October 31, 2018 have been adjusted on the statement of comprehensive income and loss to reclassify the results of the discontinued operation into one line. The discontinued operation had no operations during the six months ended October 31, 2019. Operating results of the discontinued operation are as follows:

<b>Operating information:</b>	<b>Three Months ended October 31, 2018</b>	<b>Six Months ended October 31, 2018</b>
Revenue	122,355	1,081,905
Expenses	(301,681)	(525,613)
Fair value gain on digital currencies	151,629	53,863
Net income (loss) from discontinued operations	(27,697)	610,155
Cash provided by (used for) operating activities of discontinued operations:	(309,492)	2,747

## 6. Summary of Financial Position

The Company's financial position as at October 31, 2019 compared with the Company's financial position as at April 30, 2019 is as follows:

<b>Balance Sheet Data</b>	<b>31-Oct-19</b>	<b>30-Apr-19</b>
Current and total assets	\$ 3,694,417	\$ 5,498,011
Current and total liabilities	\$ 408,120	\$ 536,759
Accumulated deficit	\$ (10,995,421)	\$ (9,176,892)

Assets as at October 31, 2019 decreased by \$1,803,594 from assets as April 30, 2019 due mainly to a decrease in cash and money market investments of \$1,649,864 over the six month period, due to cash used in operating activities. Current liabilities decreased by \$128,639 over current liabilities at April 30, 2019, due mainly to the settlement of bonuses accrued at April 30, 2019.

## 7. Quarterly Highlights

For the quarters ended:

	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018 <sup>(1)</sup>	July 31, 2018 <sup>(1)</sup>	April 30, 2018 <sup>(1)</sup>	January 31, 2018
Revenue	\$ 38,511	\$ 39,156	\$ 36,628	\$ -	\$ 104,520	\$705,230	\$469,388	\$123,125
Total Expenses	997,749	940,641	668,753	1,114,879	797,530	995,923	1,134,193	523,720
Listing Expense	-	-	-	-	-	-	(1,130,319)	-
Loss on extinguishment of debt	-	-	-	-	-	-	(1,451,152)	-
Fair value gain (loss) on digital currencies	(2,901)	15,505	9,365	(1,332,701)	-	-	-	-
Gain on wind-up of discontinued operations	-	-	11,667	870,134	-	-	-	-
Income (Loss) from discontinued operations	-	-	(28,943)	(995,717)	(27,697)	637,852	(527,847)	-
Other gain (loss)	8,469	14,747	(86,050)	(11,211)	5,988	37,478	(125,908)	(374)
<b>Net Comprehensive Income (Loss)</b>	<b>\$ (953,670)</b>	<b>\$(870,799)</b>	<b>\$(668,200)</b>	<b>\$(2,584,374)</b>	<b>\$(714,719)</b>	<b>\$384,637</b>	<b>\$(3,900,031)</b>	<b>\$(400,969)</b>

<sup>(1)</sup>Results from discontinued operations have been reclassified

Revenue for the most recent quarter was generated from subscriptions which continued from the previous quarter. At October 31, 2019 the Company had contracts for future revenue in the amount of \$76,257. Sales reported for previous quarters were derived primarily from software licenses and related services. The Company anticipates future sales will be generated primarily from TLS Decrypt.

Total expenses for the most recent quarter were \$1,076,720 before refundable tax credits of \$78,971 relating to the quarter. Total expenses for the preceding quarter were \$1,023,181 before refundable tax credits of \$82,540. After eliminating the effect of tax credits, operating expenses decreased from the preceding quarter by 5%.

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.

## 8. 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, 2019.

	Estimated use of proceeds to August 31, 2019	Actual use of proceeds to October 31, 2019
Engineering and design	\$ 2,150,000	\$ 2,946,652
Sales and marketing	2,200,000	2,309,844
Operations and administration	2,450,000	1,101,457
General working capital	1,099,070	432,269
<b>Use of proceeds</b>	<b>\$ 7,899,070</b>	<b>\$ 6,790,222</b>

## 9. 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, 2019, Nubeva had a working capital surplus of \$3,286,297 (April 30, 2019 – \$4,961,252). Nubeva has no long-term commitments.

As at October 31, 2019, Nubeva had cash and money market instruments of \$3,126,800, a decrease of \$1,649,864 compared to cash and money market instruments at April 30, 2019 of \$4,776,664. The Company used \$1,645,862 of cash for operations during the six months ended October 31, 2019.

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, 2019, Nubeva has an accumulated deficit of \$10,995,421 (April 30, 2019: \$9,176,892) and negative cash flows from operating activities of \$1,645,862 (April 30, 2019 - \$1,158,223). The available working capital as at October 31, 2019 is estimated to be adequate to finance Nubeva's planned operations over the next three quarters.

## 10. 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, 2019	Six months ended October 31, 2018
Salary	\$ 307,5445	\$ 369,988
Bonus	-	47,910
Consulting	115,592	-
Board services	30,000	30,0000
Share-based compensation	62,664	199,801
	\$ 515,801	\$ 647,699

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 were traded on the Ethereum, were valued at \$3,075,543 on October 31, 2018 and were subsequently written off when they ceased trading. The CEO of token issuer was 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.

## 11. Off-Balance Sheet Arrangements

As at October 31, 2019, 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.

## 12. 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. During the nine months ended January 31, 2019 the Company entered into agreements to issue tokens that were expected to trade on a token network outside Canada and the United States. Revenue from such contracts was recognized at such time that the consideration had been received and a benefit had been provided to the purchaser. Effective November 26, 2018 the Company cancelled the token network project.

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. During the quarter ended October 31, 2019 the Company collected tax credits receivable in the amount of \$249,849. As at October 31, 2019 the Company had estimated tax credits receivable of \$412,030.

### *Share-Based Payments*

On August 30, 2019 the Company's shareholders amended its compensation plans to increase the number of common shares reserved for issuance under all share compensation arrangements to 11,100,000 from 10,550,000, comprised of up to 7,500,000 common shares pursuant to the Company's Fixed Stock Option Plan and up to 3,600,000 common shares pursuant to the Company's Restricted Share Unit Plan.

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.

RSU's are equity settled only and may be granted to directors, consultants, officers and employees of the Company. Compensation expense is recognized based on the share price of the Company's common shares on the grant date multiplied by the number of RSUs expected to vest and recognized ratably over the vesting period, with a corresponding credit to contributed surplus. Upon settlement of RSUs contributed surplus is reallocated to equity. Adjustments to the number of RSUs expected to vest are recognized in the current period.

### *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.

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

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 statements.

## **14. Share Capital**

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

- (i) 55,934,568 common shares issued and fully paid;
- (ii) 4,364,119 stock options with a weighted average exercise price of CAD \$0.28;
- (iii) 416,589 restricted share units granted at a price of \$0.41; and
- (iv) 36,476 broker compensation warrants with an exercise price of CAD\$0.78 per share, expiring February 28, 2020.

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 were to be released in four equal installments, the first upon closing of the RTO and the remainder every six months thereafter. At the date of this MD&A, all of the shares held in escrow have been released.

## 15. 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):

### *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, 2019 the Company had a cash balance of \$3,126,800 (April 30, 2019 - \$4,776,664 ) to settle current liabilities of \$408,120 (April 30, 2019 - \$536,759).

### *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 January 31, 2019 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:

	October 31, 2019		April 30, 2019	
	Australian Dollars	Canadian Dollars	Australian Dollars	Canadian Dollars
Cash	\$ 58,362	\$ 34,176	\$ 29,230	\$ 114,199
Accounts receivable and prepaid	18,520	26,339	5,394	12,521
Income tax receivable	282,067	-	513,261	-
Accounts payable and accrued liabilities	(124,561)	(97,176)	(152,230)	(85,740)
<b>Total</b>	<b>\$ 234,388</b>	<b>\$ (36,661)</b>	<b>\$ 395,655</b>	<b>\$ 40,980</b>

Based on the above net exposures, as at October 31, 2019, a 10% change in the Canadian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$3,666 and a 10% change in the Australian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$23,439.

## **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.