

# Nubeva Technologies Ltd.

## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (this “**MD&A**”) is dated July 29, 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 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;
- 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. History 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.

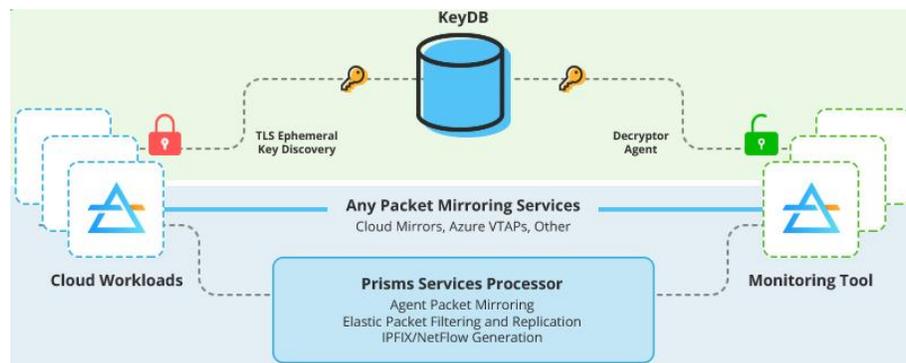
Effective February 28, 2018 the Company completed a reverse acquisition transaction ("**RTO**") under which the Company acquired 100% of the shares of Nubeva, Inc. in exchange for shares of the Company, resulting in former shareholders of Nubeva, Inc. excluding those holding shares pursuant to the Brokered 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 discontinued operations.

## 2. Core Business

Nubeva develops Software-as-a-Service (“SaaS”) solutions that enable enterprises to run cybersecurity in the cloud. Today 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.



### Nubeva Prisms SSL/TLS decryption

Nubeva Prisms decrypts cloud traffic and enables security teams to more deeply and precisely monitor network traffic and data in motion for threats. One of the prime recommendations throughout IT is to encrypt everything. Today over 70% of cloud network traffic is encrypted for the purpose of security. This security comes at a cost, and that cost is the ability for organizations to monitor what is actually happening. When traffic is encrypted, one can see that a conversation happened, but not the details of what was discussed. And the details are vital as threats and hackers often exist and operate inside the data of what looks like good traffic. Further, recent standards have elevated encryption capabilities and traditional methods for decryption are becoming obsolete leaving many organizations blind to their operations. Nubeva’s patent-pending solution, launched in June 2019, provides an enterprise-class service for network traffic decryption, and thus, re-enabling security. Prisms presents a breakthrough approach to decrypting traffic, supporting all advanced encryption protocols and ciphers at internet and cloud scale. Prism’s architecture re-activates lost capabilities in the private cloud due to new standards and cloud computing architecture and enables previously unavailable capabilities in public clouds. Prisms enables security and application analytics tools to monitor traffic in the cloud that they would otherwise not be able to monitor easily or perhaps at all.

Management believes this is a breakthrough in decryption technology that can revolutionize the space and be a key value driver for the Company.

Prisms Services Processor:

There is a mature market for solutions in private datacenters to capture, process and distribute copies of production network traffic to security and analytics tools. However, in the public cloud this ability is limited. Prisms provides cloud packet brokering function for the public cloud to enhance the basic and nascent function provided by the cloud providers themselves. Prisms' abilities include:

- Packet Capture: the ability to acquire copies of production traffic from production workloads including bare metal (single computer), virtual machines and container systems (computers which are isolated but run applications in a shared operating system). While clouds have begun to offer this capability, Prisms augments cloud offerings by providing captures where cloud options are not available or don't make sense operationally or economically.
- Processing: the ability to aggregate traffic from multiple sources, filter and slice traffic so that only the right traffic is inspected. Processing also includes the ability to generate Netflow (aka IPFIX) metadata on traffic, which is a widely used industry standard in private network monitoring but is not offered in public cloud. Netflow/IPFIX are network protocols designed to collect IP traffic information, enabling enterprises to determine the source and destination of traffic and to analyze traffic to identify, for example, the cause of congestion or to detect intrusion.
- Distribution: to one or many tools and systems so that the right traffic is sent to the right tools at the right time.

These capabilities are offered via two technologies:

- Agent Packet Mirroring  
Packets are collections of data that are transmitted from an origin to a destination over the internet. Nubeva has developed and delivers state-of-the-art agent software that is loaded and run on production servers and system. This software is capable of mirroring copies of production traffic in and out of that system and forwarding it to tools for processing.
- Nubeva Prisms Elastic Packet Processor (EPP)  
Prisms EPP is a cloud-native packet processor service that customers deploy into their cloud accounts. The EPP creates a network packet processing service for traffic aggregation, filtering, Netflow/IPFIX generation, and distribution to multiple tools. The EPP, built on cloud platform elastic container services, represents an industry innovation, delivering customers virtually infinite processing capacity, thereby eliminating overhead and the challenges of managing discrete systems and applications. The EPP allows customers to create and run their own cloud packet processing service inside their own cloud environments.

Nubeva SaaS solutions are relatively new to the market, with decryption being made commercially available in June 2019. Presently Nubeva offers free trials of its solutions as it builds market awareness. Nubeva is planning the following methods of expanding its customer base:

- Direct sales to enterprises by Nubeva's highly skilled sales and marketing team;
- Marketplace sales through AWS and Amazon; and
- Reseller agreements.

Nubeva's primary market is North America, however in the future it anticipates expanding into Europe and Asia.

### 3. Overall Performance

#### Operations for the Year Ended April 30, 2019

During the year ended April 30, 2019 the Company introduced Nubeva Prisms, its SaaS solution to provide visibility in the public cloud. Nubeva determined that cloud visibility features of its 2018 Stratus Edge platform are highly valuable to enterprises operating in or migrating to the public cloud. The Company has shifted its development and market focus to Nubeva Prisms, which offers a highly scalable business model with significant market demand.

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.

During the year ended April 30, 2019 to the date of this MD&A, Nubeva achieved the following milestones:

#### **Product Development**

- **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.
- **In April 2019** Nubeva launched Nubeva Prisms Services Processor, a cloud-native packet processor featuring elastic packet processing (EPP) functionality – a high-performance container delivery service that auto scales to filter and multiplex cloud packet traffic between sources and destinations.
- **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 engineered to work with and enhance Microsoft VTAPs. By consuming VTAP feeds then processing, refining and replicating that traffic, Nubeva Prisms automatically creates finely-filtered feeds for tool sets with unlimited elastic scalability. Together, VTAPs and Nubeva Prisms provide tool vendors and customers with unprecedented visibility and control of their cloud network traffic. Nubeva Prisms is available today for Microsoft Azure and Amazon AWS cloud environments.

#### **Market**

- Nubeva reported customer engagement increased to 200 subscribers for Nubeva Prisms at the end of the fiscal year, and 277 subscribers by the date of this MD&A, 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.

- In the second quarter of 2019 the Company performed competitive analysis on all known cloud-based security and visibility competitors. The Company determined that no known product had better performance than those tested. 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.

## **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.
- **In April 2019** Nubeva entered into an agreement with Garland Technologies, a provider of network access products that offer full packet visibility for complex data center environments to over 3,000 customers. Under the agreement Garland will introduce Nubeva Prisms to its customers and market the joint solution to new customers as they migrate apps and resources to the cloud.
- **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.
- **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**

Since its incorporation, 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.

Subsequent to January 31, 2019, under the terms of the FTI agreements, CBR Project cancelled 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 of US \$815,330, after giving effect to market value fluctuations of digital currency held by CBR Project as a result of the token presales. The cancellation of the ICO and dissolution of CBR Project resulted in a gain in the amount of \$881,801 primarily due to the write off of deferred revenue. This gain was offset by a loss recorded on the write off of digital currencies held by the Company as a result of the FTI's in the amount of \$1,323,336, due to the decommissioning of the token network on which they were traded. 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 \$0.775 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 were 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

Due to the rising severity of cyber-crimes coupled with the rapid adoption of cloud computing, it is anticipated that the demand for cloud security solutions will increase over the next few years. Gartner Research, in an August 2018 report, predicted that security as a service is on the way to surpassing on-premises deployments and that cloud-delivered security is becoming the preferred delivery model for a number of technologies.

As reported by Marketwatch in their January 2019, report, the cyber security market is anticipated to reach over \$269 billion by 2026. In 2017, the enterprise segment dominated the global market in terms of revenue. Marketwatch reports that North America generated the highest revenue in the market in 2017 and is expected to lead the global market throughout the forecast period.

- 53% of organizations host at least 50% of their infrastructure in the cloud (Cisco Annual Cybersecurity Report 2018).
- Impervia's 2019 Cyberthreat Defense Report found that 78% of surveyed organizations were affected by a successful cyber-attack in 2018. North America is the most popular target for cyber-crimes, accounting for 57% of breaches and 72% of the records exposed (ENISA Threat Landscape Report 2018). The National Crime Agency for the UK reports that cybercrime now accounts for more than 50% of all crimes in the UK.

- 53% of companies confirmed an increase in their budget in 2018 and 76% added to their cybersecurity budget after a serious breach. Larger companies are more likely to increase their information security budgets. 65% of organizations foresee an increase in their cyber security budget next year. (EY Global Information Security Survey 2018-2019).

To address the increased occurrence of cyber threats, organizations are increasing their reliance on encryption, primarily secure sockets layer (SSL), which is older technology, and transport layer security (TLS). It is estimated that approximately 72% of internet traffic today is encrypted. However encryption itself may present a risk as cyber criminals hide malware (malicious software such as viruses, spyware, worms, trojans for example, used to disrupt, damage or gain unauthorized access to data or computer systems) and ransomware (malicious software designed to block access to a computer system until a sum of money is paid) in encrypted data in order to prevent its detection. According to recent test results from NSS Labs, very few security devices can inspect encrypted data without severely impacting network performance, and traffic that appeared to be analyzed wasn't being processed by some of the security devices at all.

- Only 1 in 10 organizations can process over 75% of their security event data (Oracle and KPMG Cloud Threat Report 2019).
- In a global survey, 35 % of companies were targeted by an SSL or TLS-based attack (Gartner Research).
- 56% of breaches took several months or longer to discover (Verizon 2019 Data Breach Investigations Report) and Nearly 47% of data breaches in the public sector were discovered years after the initial attack (Verizon 2019 Data Breach Investigations Report).

Nubeva believes that the increase in cloud computing along with the increase in cybercrime will present a market opportunity for Nubeva’s solutions that provide total visibility in cloud environments essential to run top-tier security technologies and services in the cloud without compromising network performance.

Plans

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

Plans for fiscal 2020
(a) Continue development of Nubeva’s cloud visibility solutions to enhance current product offerings and to add complementary features and services to Nubeva Prisms.
(b) Implement an intellectual property plan to ensure the protection of Nubeva’s proprietary software.
(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 who’s 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>

Progress on prior year plans:

Plans for fiscal 2019	Progress 2019
(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.
(b) complete the Chevron Catalyst program requirement	Completed during the first quarter
(c) expand sales capabilities to include: <ul style="list-style-type: none"> <li data-bbox="289 541 683 615">(i) Channel marking support program</li> <li data-bbox="289 615 751 653">(ii) Direct enterprise sales program</li> <li data-bbox="289 653 643 726">(iii) Sales and marketing documentation</li> </ul>	In conjunction with the release of Prisms, Nubeva has expanded its sales capabilities to include: <ul style="list-style-type: none"> <li data-bbox="813 548 1422 585">i) a highly structured digital marketing campaign;</li> <li data-bbox="813 585 1203 623">ii) added reseller channels; and</li> <li data-bbox="813 623 1422 726">iii) a demo platform, new web site, online ordering capability and marketing materials and documentation</li> </ul>
(d) complete Token Pre-Sales and develop CBR Network	Nubeva completed its token pre-sales but unwound the project as it determined that it would not launch a token network.

## 5. Summary of Annual Results

Annual results for the years ended April 30, 2019, 2018 and 2017 are as follows:

Income Statement Data	Year ended April 30, 2019	Year ended April 30, 2018	Year ended April 30, 2017
Revenue	\$ 846,378	\$ 707,513	Nil
Expenses	(3,577,085)	(2,441,743)	(738,432)
Other Items			
Fair Value loss on digital currencies	(1,323,336)	-	-
Listing Expense	-	(1,130,319)	-
Fair value loss on debt	-	(1,451,152)	-
Other loss	(3,918)	(85,751)	(1,036)
Net loss for the period, continuing operations	<b>\$ (4,057,961)</b>	<b>\$ (4,401,452)</b>	<b>\$ (739,468)</b>
Net loss from discontinued operations	(356,619)	(527,847)	-
Gain on wind-up of subsidiary	881,801	-	-
Foreign currency translation adjustment	(49,877)	(37,436)	-
<b>Net and comprehensive Loss</b>	<b>\$ (3,582,656)</b>	<b>\$ (4,966,735)</b>	<b>\$ (739,468)</b>
Loss per share, discontinued operations – basic and diluted	\$ (0.01)	\$ (0.01)	-
Loss per share – basic and diluted, continuing operations	\$ (0.07)	\$ (0.09)	\$ (0.02)
Weighted average number of common shares	54,576,127	47,949,167	40,000,000

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

### Revenue and Gross Margin

	Year ended April 30, 2019	Year ended April 30, 2018 <sup>(1)</sup>	Year ended April 30, 2017
Subscriptions	110,378	\$ 147,250	\$ -
Software and services	736,000	506,263	-
Professional and customization services	-	54,000	-
<b>Totals</b>	<b>\$ 846,378</b>	<b>\$ 707,513</b>	<b>\$ -</b>

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

During the year ended April 30, 2019 Nubeva earned 83% of revenue from the limited license of its StratusEdge block chain technology for open source use (2018 – 43%). The remaining 17% of Nubeva’s revenues were derived from sales to customers in the United States for software and SaaS related activities

related to its core business. It is anticipated that the United States will be the Company's primary market for SaaS contracts and professional and customization services in the next twelve months.

As at April 30, 2019 the Company had revenue contracts in place totalling \$191,000 of which \$36,628 was recognized during the fourth quarter of fiscal 2019 and the remainder will be recognized in fiscal 2020.

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.

### Expenses

Expenses for the year ended April 30, 2019 grew by 46.5% over the prior year due to overall growth in operations. An increase in sales and marketing expense accounted for 46.3% of the increase as the Company expanded its sales and marketing team and related expenses with the launch of Nubeva Prisms. General and administrative expense accounted for 30.4% of the increase due to additional costs associated with maintaining the Company's public listing.

#### (i) General and Administrative

General and administrative expense grew by 98.3% over the prior year due to the Company's February 2018 public listing. Increased costs were from shareholder communications, corporate legal costs, regulatory and filing costs and the costs of insurance.

#### (ii) Research and development Expense

The Company's reports research and development expense net of refundable tax credits. Net research and development costs for the year were \$1,556,152 before refundable tax credits in the amount of \$513,261, compared with \$1,336,826 for the prior year, before refundable tax credits of \$148,133. Tax credits in the current year related to 22 months ending April 30, 2019. In the comparable year the Company recognized refundable tax credits for the twelve months ended June 30, 2017.

#### (iii) Sales and Marketing Expense

Sales and marketing activities increased by 109.1% over the prior year due to the Company's focus on sales and marketing in accordance with its plans. Personnel costs increased by 71.1% over the prior year. In addition, outside sales and marketing costs increased by 277% over the prior comparable year related to the launch of Nubeva Prisms and an increased focus on building awareness for Nubeva, and its products and services.

#### (iv) Stock based compensation expense

Stock based compensation expense for the year ended April 30, 2019 increased over the prior year, primarily due to the issuance of additional stock options and RSUs to employees. On July 31, 2019 the Company's shareholders approved a new stock-based compensation program comprised of incentive stock options and Restricted Stock Units ("RSUs"). Stock options and RSUs 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.

(v) Other expenses

During the year ended April 30, 2019 the Company reported other expenses of \$3,918, comprised of interest income in the amount of \$51,691, offset by foreign exchange losses of \$21,481 and provision for bad debts of \$77,090.

Discontinued Operations and Loss on Digital Currency

In November, 2018 the Company discontinued operations of CBR Project, and resulting in a gain on dissolution for the year ended April 30, 2019 in the amount of \$881,801, comprised mainly of a write off of deferred revenue, offset by a loss recorded on the write off of digital currencies in the amount of \$2,188,750, comprised \$865,414 from the discontinued operation and \$1,332,701 from the Company’s continuing operations. Digital currencies were acquired as consideration for the issuance of future token interests (“FTIs”), which the Company wrote off during the quarter as the network they were traded on ceased operations.

Operations for the years ended April 30, 2019 and 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 year ended April 30, 2017. Operating results of the discontinued operation are as follows:

CBR Project Pte Ltd. Discontinued Operations		
Operating information:	Year ended April 30, 2019	Year ended April 30, 2018
Revenue <sup>(1)</sup>	\$ 1,081,905	\$ -
Expenses	(555,509)	(527,847)
Fair value loss on digital currencies	(865,414)	-
Net loss from discontinued operations	\$ (356,619)	\$ (527,847)

## 5. Quarterly Highlights

For the quarters ended:

	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	October 31, 2017	July 31, 2017
Revenue	\$ 36,628	\$ -	\$ 104,520	\$705,230	\$469,388	\$123,125	\$115,000	\$ -
Total Expenses	660,882	1,114,929	797,530	1,003,744	1,134,193	523,720	496,458	287,372
Listing Expense	-	-	-	-	(1,130,319)	-	-	-
Loss on extinguishment of debt	-	-	-	-	(1,451,152)	-	-	-
Fair value gain (loss) on digital currencies	9,365	(1,332,701)	-	-	-	-	-	-
Gain on wind-up of discontinued operations	11,667	870,134	-	-	-	-	-	-
Income (Loss) from discontinued operations	(716)	(937,309)	(121,213)	702,619	(527,847)	-	-	-
Other gain (loss)	44,144	(27,324)	(45,068)	24,330	(125,908)	(374)	5,021	(1,926)
<b>Net Comprehensive Income (Loss)</b>	<b>\$(573,256)</b>	<b>\$(2,584,374)</b>	<b>\$(765,775)</b>	<b>\$390,626</b>	<b>\$(3,900,031)</b>	<b>\$(400,969)</b>	<b>\$(376,437)</b>	<b>\$(289,298)</b>

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

Revenue for the most recent quarter was generated from sales of Nubeva Prisms which launched in the last half of fiscal 2019. The Company reported no sales for the preceding quarter as subscribers had not converted from free trials at that time. Prior to the second half of 2019 the Company earned revenues from sales of software and services relating to its Stratus Edge platform. The Company anticipates future sales will be generated primarily from Nubeva Prisms.

Total expenses for the final quarter of fiscal 2019 were \$1,174,143 before refundable tax credits in the amount of \$513,261, compared with 1,114,929 for the prior quarter with no offsetting tax credits.

Net loss from continuing operations for the quarter ended January 31, 2019 included the write-off of digital currencies in the amount of \$1,332,701. Loss from discontinued operations includes a loss on write-down of digital currency in the amount of \$865,414. Also, during the third quarter of fiscal 2019 the Company reported a gain on the wind-up of CBR Project. The write off of digital currencies did not affect the Company's cash.

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.

## 7. Summary of Financial Position

The Company's financial position as at January 31, 2019 compared with the Company's financial position as at April 30, 2018 is as follows:

<b>Balance Sheet Data</b>	<b>April 30, 2019</b>	<b>April 30, 2018</b>
Current and total assets	\$ 5,498,011	\$ 7,805,392
Current liabilities	\$ 536,759	\$ 699,987
Accumulated deficit	\$ (9,176,892)	\$ (5,671,017)
Total Equity	\$ 4,961,252	\$ 7,105,405

Assets as at April 30, 2019 decreased by \$2,307,381 over assets as April 30, 2018 due mainly to a decrease in cash and marketable securities of \$2,724,682. The decrease in cash was due \$3,670,073 to operating activities offset by \$995,268 raised by financing activities. Cash and marketable securities also decreased by \$49,877 due to the effect of foreign currencies. As at April 30, 2019 and 2018 the Company had cash and marketable securities comprised as follows:

	<b>April 30, 2019</b>	<b>April 30, 2018</b>
Cash and marketable securities		
Cash	\$ 276,170	\$ 7,501,346
Money market funds	2,313,342	-
U.S. Treasury bills, Maturing between 07/18/2019 and 08/08/2019.	2,187,152	-
Total	\$ 4,776,664	\$ 7,501,346

During the year ended April 30, 2019 the Company had received digital currencies in the amount of \$3,097,173 of which digital currencies in the amount of \$815,330 were distributed on the dissolution of CBR Project and a further \$2,188,750 were written off, resulting in no impact on cash.

Current liabilities decreased by \$163,228 from current liabilities at April 30, 2018. The decrease is due 51% to a reduction in deferred revenue and 49% due to a reduction in accounts payable and accrued liabilities as executive bonuses for the current year were reduced.

## Use of Proceeds

The Company raised net proceeds of \$7,802,209 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 April 30, 2019.

	Estimated use of proceeds to August 31, 2019	Actual use of proceeds to April 30, 2019
Engineering and design	\$ 2,150,000	\$ 2,203,421
Sales and marketing	2,200,000	1,564,737
Operations and administration	2,450,000	723,381
General working capital	1,099,070	344,784
<b>Use of proceeds</b>	<b>\$ 7,899,070</b>	<b>\$ 4,836,323</b>

## 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 April 30, 2019, Nubeva had a working capital surplus of \$4,961,252 (April 30, 2018 – \$7,105,405). Nubeva has no long-term commitments.

As at April 30, 2019, Nubeva had cash and marketable securities of \$4,776,664, a decrease of \$2,724,682 compared to cash at April 30, 2018 of \$7,501,346. The Company used \$3,670,073 of cash for operations during the year ended April 30, 2019. 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 \$31,263 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 April 30, 2019, Nubeva has an accumulated deficit of \$9,176,892 (April 30, 2018: \$5,671,017) and negative cash flows from operating activities of \$3,670,073 (April 30, 2018 -\$1,941,972). The Company had a working capital surplus of \$4,971,252 (April 30, 2018 - \$7,105,405). The available working capital as at April 30, 2019 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:

	Year ended April 30, 2019	Year ended April 30, 2018
Salary	\$ 568,649	\$ 469,073
Bonus	102,107	277,998
Consulting	164,649	212,678
Board services	56,800	10,000
Share-based compensation	354,202	88,597
	\$ 1,246,407	\$ 1,058,346

During the nine months ended January 31, 2019 the Company entered into an FTI for which it accepted 30,000,000 tokens with a value of \$3,000,000 as consideration. The CEO of token issuer is related to an officer and director of the Company. The tokens were written off in the quarter ended January 31, 2019.

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.

During the year ended April 30, 2019 bonuses in the amount of \$102,108 were accrued and paid subsequent to the end of the year.

## 9. Off-Balance Sheet Arrangements

As at April 30, 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.

## 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. With the launch of Nubeva Prisms, Nubeva will offer subscription terms from monthly contracts, automatically renewing and payable in advance to prepaid subscriptions with contract terms of between one to three years.
- 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 year ended April 30, 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. As at April 30, 2019, Nubeva had estimated tax credits receivable of \$513,261 for the 22 months ended April 30, 2019 (April 30, 2018 - \$148,133).

### *Share-Based Payments*

At July 31, 2018 the Company amended the terms of its equity compensation from a 10% rolling option plan to a fixed option plan in addition to an RSU plan. Under the fixed option plan the Company may reserve for issuance up to 5,500,000 common shares and under the RSU Plan the Company may reserve for issuance up to 5,055,000 common shares.

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.

### *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 recognized in profit or loss. During the year ended April 30, 2019 the Company reported a loss on write off of tokens in the amount of \$1,323,336 as it determined that there is no viable market for the digital currency because the token network on which it was traded ceased to operate. At April 30, 2019 the Company reported digital currency in the amount of \$17,522 (April 30, 2018 – Nil) representing the remaining balance of digital currency.

### *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.

### **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	

The adoption of IFRS 16 is not expected to have an impact on the Company's financial statements.

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.

### **11. Share Capital**

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

- (i) 40,978,615 common shares issued and fully paid;
- (ii) 14,770,967 Restricted Voting Common Shares issued and fully paid;
- (iii) 4,361,538 stock options with a weighted average exercise price of CAD \$0.28;
- (iv) 557,727 restricted share units granted at a price of \$0.41; and
- (v) 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 are 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 there remain 3,250,000 Restricted Voting Common Shares and 5,174,194 common shares held in escrow.

### **12. Risk Factors**

#### *Going Concern Assumption*

The consolidated financial statements of Nubeva have been prepared in accordance with IFRS on a going concern basis, which presumes that Nubeva will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Nubeva's continuation as a "going concern" is uncertain and is dependent upon, amongst other things, attaining a satisfactory revenue level, the support of its customers, its ability to continue profitable operations, the generation of cash from operations, and its ability to obtain financing arrangements and capital in the future. These material uncertainties represent risks to Nubeva's ability to continue as a going concern and realize its assets and pay its liabilities as they become due. If the "going concern" assumption was not appropriate for the consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

#### *Access to Capital*

From time to time, Nubeva may need additional financing, including funding potential acquisitions. Its ability to obtain additional financing, if and when required, will depend on investor demand, Nubeva's operating performance, the condition of the capital markets, and other factors. To the extent Nubeva draws on its credit facilities, if any, to fund certain obligations, it may need to raise additional funds and Nubeva

cannot provide assurance that additional financing will be available to it on favorable terms when required, or at all. If Nubeva raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of the Resulting Issuer Common Shares, and existing shareholders may experience dilution.

#### *Key Personnel*

Nubeva currently depends on the continued services and performance of its key personnel, including its executive officers. The loss of key personnel could disrupt Nubeva's operations and have an adverse effect on its business and financial results.

As Nubeva continues to grow, it cannot guarantee that it will continue to attract the personnel it needs to maintain its competitive position. As Nubeva grows and scales its business, the total cash and equity compensation structure necessary to retain and attract key personnel may have to change to be in line with market rates for the verticals in which Nubeva competes. If Nubeva does not succeed in attracting, hiring, and integrating key personnel with industry-specific experience, or retaining and motivating existing personnel, it may be unable to grow effectively.

#### *Intellectual Property*

Nubeva's software is proprietary. Nubeva's strategy is to rely on a combination of copyright, patent, trademark and trade secret laws in the United States and other jurisdictions, and to rely on license and confidentiality agreements and software security measures to further protect its proprietary technology and brand. Nubeva has obtained or applied for patent protection with respect to some of its intellectual property, but generally does not rely on patents as a principal means of protecting its intellectual property. Nubeva has registered or applied to register some of its trademarks in the United States and in selected other countries. Nubeva generally enters into non-disclosure agreements with its employees and customers, and historically has restricted third-party access to its software and source code, which it regards as proprietary information.

The steps Nubeva has taken to protect its proprietary rights may not be adequate to avoid the misappropriation of its technology or independent development by others of technologies that may be considered a competitor. Nubeva's intellectual property rights may expire or be challenged, invalidated or infringed upon by third parties or it may be unable to maintain, renew or enter into new licenses on commercially reasonable terms. Any misappropriation of Nubeva's technology or development of competitive technologies could harm its business and could diminish or cause it to lose the competitive advantages associated with its proprietary technology, and could subject it to substantial costs in protecting and enforcing its intellectual property rights, and/or temporarily or permanently disrupt its sales and marketing of the affected products or services. The laws of some countries in which Nubeva's products are licensed do not protect its intellectual property rights to the same extent as the laws of the United States. Moreover, in some non-U.S. countries, laws affecting intellectual property rights are uncertain in their application, which can affect the scope of enforceability of Nubeva's intellectual property rights.

#### *Risk of cyber-attack*

Nubeva devotes significant resources to continually updating its software and developing new products, and its financial performance is dependent in part upon its ability to bring new products and services to market. Nubeva's customers use its software to monitor their assets and rely on Nubeva to provide updates and releases as part of its software maintenance and support services. The security of Nubeva's information technology environment is therefore important to its research and development initiatives, and an important consideration in its customers' purchasing decisions. If the security of Nubeva's systems is impaired, its development initiatives might be disrupted, and it might be unable to provide service. Nubeva's customer

relationships might deteriorate, its reputation in the industry could be harmed, and it could be subject to liability claims. This could reduce Nubeva's revenues, and expose it to significant costs to detect, correct and avoid any breach of security and to defend any claims against it.

#### *Licensing from third parties.*

Nubeva occasionally licenses technology, including software and related intellectual property, from third parties for use in its products and may be required to license additional intellectual property. There are no assurances that Nubeva will be able to maintain its third-party licenses or obtain new licenses when required on commercially reasonable terms, or at all.

#### *Information technology systems.*

Nubeva's operations depend in part upon IT systems. Nubeva's IT systems are subject to disruption, damage, or failure from many sources, including computer viruses, security breaches, natural disasters, power loss, and defects in design. To date, Nubeva has not experienced any material losses relating to IT system disruptions, damage or failure, but there are no assurances that it will not incur such losses in the future. Any of these and other events could result in IT systems failures, operational delays, production downtimes, destruction or corruption of data, security breaches, or other manipulation or improper use of Nubeva's systems and networks.

Nubeva's products are highly technical and complex. Nubeva's products may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors in Nubeva's products may only be discovered after they have been released. Any errors, bugs, or vulnerabilities discovered in Nubeva's products after release could result in damage to Nubeva's reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect Nubeva's business and financial results.

*If Nubeva's products are unable to work with devices, platforms or interfaces to deliver targeted user experiences, this could adversely affect Nubeva's business and financial results.*

Nubeva is dependent on the interoperability of Nubeva Prisms with third party vendors that it does not control, such as Microsoft Azure or Amazon AWS. Any changes in such systems that degrade the functionality of Nubeva's products or give preferential treatment to competitive products could adversely affect Nubeva's business and financial results.

#### *Reliance on third party networks.*

Nubeva is dependent on third party mobile networks such as those provided by major telecommunications companies to provide services. These third-party networks are controlled by third parties and are subject to compromise or failure. Extended disruptions of such networks could adversely affect Nubeva's business and financial results.

#### *Branding*

Nubeva believes that the Nubeva Prisms brand, launched during the year ended April 30, 2019, will significantly contribute to the success of its business. Nubeva also believes that maintaining and enhancing its own brands, in particular the Nubeva Prisms brand, is critical to expanding its base of users. Many of its new users are referred by existing users, and therefore strives to ensure that users remain favorably inclined towards Nubeva Prisms. Maintaining and enhancing the Nubeva Prisms brand will depend largely on Nubeva's ability to continue to provide useful, reliable, trustworthy, and innovative products, which it may

not do successfully. Nubeva may introduce new products or terms of service that users do not like, which could adversely affect Nubeva's business and financial results.

Nubeva believes that the Nubeva Prisms brand will continue to significantly contribute to the success of its business and that the StratusEdge brand will be retained for future developments of the Company's cloud platform. Nubeva intends to spend significant resources on increasing the market awareness of the Nubeva Prisms brand and expand its sales and marketing operations. There is no guarantee that Nubeva will be successful in its efforts to increase market awareness. Failure to increase market awareness of the Nubeva Prisms brand or the failure of customers to adopt the Nubeva Prisms brand could adversely affect Nubeva's business and financial results.

#### *Ability to continue product development*

Nubeva's success depends upon its ability to design, develop, test, market, license and support new software products, services, and enhancements of current products and services on a timely basis in response to both competitive threats and marketplace demands. The software industry is increasingly focused on cloud computing, mobility, social media and SaaS among other continually evolving shifts. In addition, Nubeva's software products, services, and enhancements must remain compatible with standard platforms and file formats. Often, Nubeva must integrate software licensed or acquired from third parties with its proprietary software to create or improve its products. If Nubeva is unable to achieve a successful integration with third party software, it may not be successful in developing and marketing its new software products, services, and enhancements. If Nubeva is unable to successfully integrate third party software to develop new software products, services, and enhancements to existing software products and services, or to complete the development of new software products and services which it licenses or acquires from third parties, its operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, Nubeva's operating results will materially suffer. Moreover, if new industry standards emerge that Nubeva does not anticipate or adapt to, or with rapid technological change occurring, if alternatives to its services and solutions are developed by its competitors, its software products and services could be rendered obsolete, causing it to lose market share and, as a result, harm its business and operating results, and its ability to compete in the marketplace.

#### *Failure to attract customers*

Nubeva's ability to retain, increase, and engage its user base and to increase its revenue will depend heavily on Nubeva's ability to create or acquire successful new products, both independently and in conjunction with software and platform developers or other third parties.

Nubeva has introduced significant changes to its existing products and has developed and introduced new and unproven products, and may continue to do in the future, including using technologies with which it has little or no prior development or operating experience. If new or enhanced products fail to engage users, Nubeva may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify certain investments, and the business may be adversely affected. In the future, Nubeva may invest in new products and initiatives to generate revenue. There is no guarantee these approaches will be successful. If Nubeva is not successful with new approaches to monetization, it may not be able to maintain or grow its revenue as anticipated or recover any associated development costs, which could adversely affect Nubeva's business and financial results.

#### *Economic conditions*

One factor that significantly affects Nubeva's financial results is the impact of economic conditions on the willingness of Nubeva's current and potential customers to migrate into the cloud and invest in new or

enhanced cloud security. Given the general uncertainty as to continued economic growth during the current post-recessionary global economy, Nubeva believes that customers continue to be cautious about sustained economic growth and have tried to maintain or improve profitability through cost control and constrained capital spending, which places additional pressure on departments to demonstrate acceptable return on investment. Current uncertain worldwide economic and political environments make it increasingly difficult for Nubeva, its customers and suppliers to accurately predict future product demand, which could result in an inability to satisfy demand for Nubeva's products and a loss of market share. Nubeva's revenues may decline in such circumstances and profit margins could be eroded, or Nubeva could incur significant losses.

Moreover, economic conditions worldwide may contribute to slowdowns in the markets in which Nubeva operates, resulting in reduced demand for Nubeva's solutions as a result of customers choosing to control costs and refrain from capital investments.

Continuing turmoil in the geopolitical environment in many parts of the world, including terrorist activities and military actions, as well as political and economic issues in many regions, continue to put pressure on global economic conditions. Nubeva's business and financial results and its ability to expand into other international markets may also be affected by changing economic conditions particularly germane to that sector or to particular customer markets within that sector.

#### *Evolving domestic and foreign laws and regulations*

Nubeva is subject to a variety of laws and regulations in Canada, the United States and abroad that involve matters central to its business, including user privacy, data protection, intellectual property, distribution, contracts and other communications, competition, consumer protection, crypto-currency, securities and taxation.

Foreign laws and regulations are often more restrictive than those in Canada or the United States. These Canadian, U.S. federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which Nubeva operates.

Existing and proposed laws and regulations can be and may be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase Nubeva's operating costs, require significant management time and attention, and subject Nubeva to claims or other remedies, including fines or demands that Nubeva modify or cease existing business practices.

#### *Competition*

In North American and international markets, Nubeva faces competition from various types of technology businesses. Nubeva directly competes with those businesses providing cloud security platforms.

As Nubeva introduces new products and as its existing products evolve, or as other companies introduce new products and services, Nubeva may become subject to additional competition.

Some of Nubeva's current and potential competitors have significantly greater resources and hold advantageous competitive positions in certain market segments than Nubeva currently holds. These factors may allow Nubeva's competitors to respond more effectively than Nubeva to new or emerging technologies and changes in market requirements. Nubeva's competitors may develop products that are similar to Nubeva's or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. Certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage

against Nubeva. As a result, Nubeva's competitors may acquire and engage users of Nubeva's current products at the expense of the growth or engagement of its user base, which could adversely affect Nubeva's business and financial results.

*Nubeva may not be able to grow at the rate anticipated.*

Nubeva is a start-up company with no history of sales or profitability. If Nubeva is unable to achieve adequate revenue growth, its ability to become profitable may be adversely affected and Nubeva may not have adequate resources to execute its business strategy.

*Growth may put substantial demand on Nubeva's resources.*

Nubeva expects to experience substantial growth in its business. This growth may place significant demands on operational and financial resources. Nubeva may not be able to provide the scale of operation necessary to meet the potential growth. Many of Nubeva's expected systems and operational practices were implemented when Nubeva was at a smaller scale of operations than the scale intended for future periods. In addition, as Nubeva grows, it will need to implement new systems and software to run operations. As Nubeva's operations grow in size, scope and complexity, Nubeva will need to continue to improve and upgrade its systems and infrastructure to offer an increasing number of customers enhanced services, solutions and features. Nubeva may choose to commit significant financial, operational and technical resources in advance of an expected increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain Nubeva's ability to maintain reliable service levels for existing and new customers, which could adversely affect its reputation and business.

*Reliance on Customers.*

Nubeva has significant customer concentration and the loss of any one customer may adversely impact its ability to attract or retain others.

*Reliance on Partners*

Nubeva has entered into arrangements with partners to assist with selling and marketing the products and services of Nubeva. The loss of any one partnership could have a material impact on the Company's ability to attract customers. Further, Nubeva's partners may not be successful in meeting their contract terms. The failure of any one supplier to meet its commitments could have a material impact on the Company's business and financial results.

*Public company requirements*

The requirements of being a public company may strain the Resulting Issuer's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members. As a reporting issuer, the Resulting Issuer will be subject to the reporting requirements of applicable securities legislation of the jurisdictions in which it is a reporting issuer, the listing requirements of the TSXV and other applicable securities rules and regulations. Compliance with these rules and regulations will increase the Resulting Issuer's legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on its systems and resources. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. As a public company subject to these rules and regulations, the Resulting Issuer may find it more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it

more difficult for the Resulting Issuer to attract and retain qualified members of its board of directors, particularly to serve on its audit committee, and qualified executive officers.

*The price of the securities of Nubeva may fluctuate*

The price of Nubeva's securities will fluctuate, perhaps significantly, which may make it difficult for holders of securities of Nubeva to sell their securities at a time or price they find attractive.

*The Resulting Issuer may issue additional equity securities*

The board of directors of the Resulting Issuer may determine from time to time that it needs to raise additional capital by issuing additional Resulting Issuer Common Shares or other securities. Additional equity offerings may dilute the holdings of its existing shareholders or reduce the market price of its common stock, or both.

*Asset Location and Legal Proceedings.*

Substantially all of Nubeva's assets will be located outside of Canada, and therefore it may be difficult to enforce judgments obtained by Nubeva in foreign jurisdictions by Canadian courts. Similarly, to the extent that Nubeva's assets are located outside of Canada, investors may have difficulty collecting from Nubeva any judgments obtained in Canadian courts and predicated on the civil liability provisions of applicable securities legislation. Furthermore, Nubeva may be subject to legal proceedings and judgments in foreign jurisdictions.

*Credit Risk*

Credit risk is the risk of financial loss to Nubeva if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Nubeva's credit risk is primarily attributable to fluctuations in the realizable values of its cash and trade receivable. Cash accounts are maintained with major international financial institutions of reputable credit and therefore bear minimal credit risk. In the normal course of business, Nubeva is exposed to credit risk from its customers and the related accounts receivable are subject to normal commercial credit risks. Until Nubeva's customer base grows it is anticipated that its accounts receivable will be concentrated with a limited number of large customers all of which Nubeva believes are subject to normal industry credit risks.

*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 April 30, 2019 the Company had cash and marketable securities of \$4,776,664 (2018 - \$7,501,346) to settle current liabilities of \$536,759 (2018 - \$590,237).

*Investment Risk*

As at April 30, 2019 the Company's cash and money market instruments were comprised of cash in the amount of \$276,170, money market funds in the amount of \$2,313,342 and United States Treasury bills in the amount of \$2,187,152. Cash and money market instruments at April 30, 2018 were solely comprised of

cash. US Treasury bills are guaranteed by the U.S. Government and have a rating of AA+ (Standard & Poors), and AAA (Moody's).

Money market funds were comprised as follows:

- ii) 50% of Blackrock BLF FedFund, AAA rated with investments in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Government; and
- iii) 50% Morgan Stanley Institutional Liquidity Funds (MSILF) Government Portfolio, AAA rated, liquid, high-quality debt securities issued by the U.S. government.

Although certain money market fund investments may be guaranteed, the funds themselves are not insured or guaranteed and the Company could lose money. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The prices of fixed income securities respond to economic developments, including interest rate changes. Prices may be inversely affected by changes in interest rates. Accordingly, money market funds are subject to interest rate risk, and in a rising interest rate environment, portfolio shares can decline in value.

### ***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 April 30, 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:

	April 30, 2019		April 30, 2018	
	Australian Dollars	Canadian Dollars	Australian Dollars	Canadian Dollars
Cash	\$ 29,230	\$ 114,199	\$ 309,456	\$ 692,534
Accounts receivable	5,394	12,521	5,040	708
Income tax receivable	513,261	-	148,133	-
Accounts payable and accrued liabilities	(152,230)	(85,740)	(91,313)	(46,326)
<b>Total</b>	<b>\$ 395,655</b>	<b>\$ 40,980</b>	<b>\$ 371,316</b>	<b>\$ 646,916</b>

Based on the above net exposures, as at April 30, 2019, a 10% change in the Canadian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$4,098 and a 10% change in the Australian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$39,566.

### **13. 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.