



**Nubeva Technologies Ltd.**  
(formerly Sherpa Holdings Corp.)

Consolidated Financial Statements

For the Years Ended April 30, 2019 and 2018



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nubeva Technologies Ltd.

### Opinion

We have audited the consolidated financial statements of Nubeva Technologies (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of \$3,532,779 during the year ended April 30, 2019. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

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**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC

July 31, 2019

An independent firm associated with  
Moore Stephens International Limited

**MOORE STEPHENS**

**Nubeva Technologies Ltd.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at April 30

(Expressed in United States Dollars)

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets:		
Cash and money market instruments (note 6)	\$ 4,776,664	\$ 7,501,346
Accounts receivables (note 7)	54,743	82,838
Tax credit receivable (note 3)	513,261	148,133
Digital currency (notes 8 and 19)	17,522	-
Prepaid expenses and deposits (note 9)	135,821	73,075
<b>Total current assets</b>	<b>5,498,011</b>	<b>7,805,392</b>
<b>Total Assets</b>	<b>\$ 5,498,011</b>	<b>\$ 7,805,392</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities (notes 10 and 12)	\$ 536,759	\$ 590,237
Deferred revenue (note 11)	-	109,750
<b>Total current liabilities</b>	<b>536,759</b>	<b>699,987</b>
<b>Total Liabilities</b>	<b>536,759</b>	<b>699,987</b>
<b>Shareholders' Equity</b>		
Common share capital (note 14)	13,597,652	12,554,932
Reserves (note 14)	628,841	259,962
Deficit	(9,176,892)	(5,671,017)
Accumulated other comprehensive loss	(88,349)	(38,472)
<b>Total Equity</b>	<b>4,961,252</b>	<b>7,105,405</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 5,498,011</b>	<b>\$ 7,805,392</b>

Subsequent event – note 22

Approved by the directors:

\_\_\_\_\_  
"Randy Chou"

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" Greig Bannister"

The accompanying notes are an integral part of these consolidated statements

## Nubeva Technologies Ltd.

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Years Ended April 30,

(Expressed in United States Dollars)

	<b>2019</b>	<b>2018</b>
<b>Revenue</b> (note 17)	\$ 846,378	\$ 707,513
<b>Operating expenses:</b>		
General and administrative (notes 12 and 16)	855,726	430,977
Research and development (notes 3, 12 and 16)	1,042,891	1,188,693
Sales and marketing (notes 12 and 16)	1,235,233	590,759
Share-based compensation (notes 12 and 14)	443,235	231,314
<b>Total expenses</b>	<b>3,577,085</b>	<b>2,441,743</b>
<b>Other Items</b>		
Interest income	51,691	9,439
Listing expense (note 13)	-	(1,130,319)
Fair value loss on digital currency (note 19)	(1,323,336)	-
Loss on debt settlement (note 14)	-	(1,451,152)
Foreign exchange gain (loss)	21,481	(95,190)
Bad debt	(77,090)	-
<b>Net Loss from continuing operations</b>	<b>(4,057,961)</b>	<b>(4,401,452)</b>
Loss from discontinued operations (note 18)	(356,619)	(527,847)
Gain on wind up discontinued operations (note 18)	881,801	-
<b>Net Loss</b>	<b>(3,532,779)</b>	<b>(4,929,299)</b>
<b>Other comprehensive income, items that will be re-cycled through profit and loss</b>		
Foreign currency translation adjustment	(49,877)	(37,436)
<b>Total Comprehensive Loss</b>	<b>\$ (3,582,656)</b>	<b>\$ (4,966,735)</b>
<b>Loss per share - basic and diluted, discontinued operations</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Loss per share - basic and diluted, continuing operations</b>	<b>\$ (0.07)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of common shares outstanding</b>	<b>54,576,127</b>	<b>47,949,167</b>

The accompanying notes are an integral part of these consolidated statements

## Nubeva Technologies Ltd.

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended April 30, 2019 and 2018

(Expressed in United States Dollars)

	Share capital		Reserves			Deficit	Accumulated Other Comprehensive Loss	Total
	Common Shares	Amount	Share Based Payment Reserve	Warrants Reserve				
<b>Balance April 30, 2017</b>	<b>40,000,000</b>	<b>\$ 4,000</b>	<b>\$ 8,122</b>	<b>\$ -</b>	<b>\$ (741,718)</b>	<b>\$ (1,036)</b>	<b>\$ (730,632)</b>	
Share- based compensation (note 14)	-	-	143,345	87,969	-	-	231,314	
Reduction of shares due to reverse acquisition (note 14)	(9,032,257)	-	-	-	-	-	-	
Options exercised (note 14)	286,452	136,263	(59,101)	-	-	-	77,162	
Issued for cash, net (note 14)	19,355	12,000	-	-	-	-	12,000	
Issued for cash, net (note 13 and 14)	13,032,287	7,007,840	-	272,512	-	-	7,280,352	
Warrants exercised (note 14)	804,357	755,194	-	(283,381)	-	-	471,813	
Issued on conversion of SAFE Agreements (notes 13 and 14)	6,117,607	3,701,152	-	-	-	-	3,701,152	
Reverse acquisition (note 13)	1,551,100	938,483	63,457	27,039	-	-	1,028,979	
Foreign currency translation	-	-	-	-	-	(37,436)	(37,436)	
Loss from discontinued operations, net	-	-	-	-	527,847	-	527,847	
Net loss for continued operations	-	-	-	-	(4,401,452)	-	(4,401,452)	
<b>Balance April 30, 2018</b>	<b>52,778,898</b>	<b>\$ 12,554,932</b>	<b>155,823</b>	<b>\$ 104,139</b>	<b>\$ (5,671,017)</b>	<b>\$ (38,472)</b>	<b>\$ 7,105,405</b>	
Private placement, net of share issuance costs \$191,999 (note 14)	1,935,483	959,156	-	-	-	-	959,156	
Share- based compensation (note 14)	-	-	443,235	-	-	-	443,235	
Options exercised (note 14)	837,417	38,117	(6,854)	-	-	-	31,263	
Warrants exercised (note 14)	8,211	7,642	-	(2,793)	-	-	4,849	
RSU issued	123,954	37,805	(37,805)	-	-	-	-	
Foreign currency translation	-	-	-	-	-	(49,877)	(49,877)	
Forfeited options (note 14)	-	-	(26,904)	-	26,904	-	-	
Loss from discontinued operations, net	-	-	-	-	525,182	-	525,182	
Net loss from continuing operations	-	-	-	-	(4,057,961)	-	(4,057,961)	
<b>Balance April 30, 2019</b>	<b>55,683,963</b>	<b>\$ 13,597,652</b>	<b>527,495</b>	<b>\$ 101,346</b>	<b>\$ (9,176,892)</b>	<b>\$ (88,349)</b>	<b>\$ 4,961,252</b>	

The accompanying notes are an integral part of these consolidated statements

## Nubeva Technologies Ltd.

### CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years ended April 30,  
(Expressed in United States Dollars)

	<b>2019</b>	<b>2018</b>
<b>Operating activities, continuing operations:</b>		
Net loss for the year, continuing operations	\$ (4,057,961)	\$ (4,401,452)
Items not involving cash:		
Share based compensation	443,235	231,314
Liabilities settled in digital currencies	(1,384,141)	-
Fair value loss on debt	-	1,451,152
Fair value loss on digital currencies (note 19)	1,323,336	-
Listing expense, net of cash acquired	-	1,126,982
Bad debt	77,090	-
Gain on sale of discontinued operations	881,801	-
Realized loss on digital currencies	3,178	-
Changes in non-cash working capital items related to operations:		
Accounts receivable	(48,995)	(75,985)
Prepaid expenses	(61,061)	36,461
Income tax receivable	(365,129)	(148,133)
Accounts payable and accrued liabilities	(386,392)	(272,061)
Deferred revenue	(109,750)	109,750
Cash used for operating activities, of continuing operations	(3,684,789)	(1,941,972)
<b>Financing activities:</b>		
Issuance of common shares (net), private placements	959,156	7,291,644
Options exercised	31,263	77,162
Warrants exercised	4,849	471,813
Obligation to issue preferred shares	-	725,000
Cash from financing activities of continuing operations	995,268	8,565,619
Effect of foreign exchange on cash of continuing operations	(37,908)	(37,436)
Net decrease in cash during the year, continuing operations	(2,727,429)	6,586,211
Cash, beginning of the year, continuing operations	7,501,346	915,135
Cash and money market investments, end of the year, continuing operations	\$ 4,773,917	\$ 7,501,346
Net cash flows used in operating activities of discontinued operations	14,716	-
Effect of foreign exchange on cash of discontinued operations	(11,969)	-
Net increase in cash during the year, discontinued operations	2,747	-
Cash, beginning of the year, discontinued operations	-	-
Cash, end of the year, discontinued operations	\$ 2,747	\$ -
Net decrease in cash and money market investments, continuing operations	(2,727,429)	6,586,211
Net increase in cash during the year, discontinued operations	2,747	-
Net cash used during the year	(2,724,682)	6,586,211
cash beginning of the year	7,501,346	915,135
Cash and money market investments, end of the year	<b>\$ 4,776,664</b>	<b>\$ 7,501,346</b>

The accompanying notes are an integral part of these consolidated statements

**Nubeva Technologies Ltd.** (formerly Sherpa Holdings Corp.)

Notes to the Consolidated Financial Statements.

For the years ended April 30, 2019 and 2018

(Expressed in United States Dollars)

**1. NATURE OF OPERATIONS**

Nubeva Technologies Ltd. (“the Company” or “Nubeva”) was incorporated under the provisions of The Business Corporations Act (British Columbia) on February 3, 2017. The Company was a Capital Pool Company and had no business operations prior to February 28, 2018. The Company’s shares trade on the TSX Venture Exchange (“TSX-V”). The Company’s registered and records office are located at Suite 1080, 789 West Pender Street, Vancouver, BC, V6C 1H2.

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

On February 28, 2018 the Company completed a reverse acquisition transaction (the “Reverse Acquisition Transaction” or “RTO”) with Nubeva, Inc. Pursuant to the Reverse Acquisition Transaction, the Company acquired all of the issued and outstanding securities of Nubeva, Inc., whereby former Nubeva, Inc. shareholders received 0.77419 common shares of the Company for each Nubeva, Inc. common share held. From the completion date, the Company, with Nubeva, Inc. as its wholly owned subsidiary, pursued the business of Nubeva, Inc. The consolidated financial statements for the year ended April 30, 2018 include the consolidated results of operations of Nubeva Inc. from May 1, 2017 and of the Company from February 28, 2018, the date of RTO.

Immediately prior to closing the RTO the Company consolidated its outstanding class A shares on the basis of five old shares for each one new share (on a post-consolidation basis, the “Shares”). All of the Company’s other outstanding securities were adjusted on the same basis prior to completion of the RTO. In conjunction with the closing of the RTO, the Company changed its name to “Nubeva Technologies Ltd.” and its trading symbol to “NBVA”.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at April 30, 2019, the Company had working capital of \$4,961,252 (April 30, 2018 - \$7,105,405) and incurred a net loss of \$3,532,779 (2018 - \$4,929,299). Management estimates that these funds will provide the Company with sufficient financial resources to carry out planned operations through the next twelve months.

**2. STATEMENT OF COMPLIANCE**

**Basis of Preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”). These consolidated financial statements were approved by the Board of Directors on July 31, 2019.

**Basis of Consolidation**

The Company’s consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

- Nubeva Pty Ltd. registered in New South Wales, Australia;
- Nubeva, Inc., registered in Delaware USA; and
- CBR Project PTE Ltd., registered under the laws of Singapore.

Effective November 26, 2018 the Company discontinued operations of CBR Project PTE Ltd. The Company’s revenue, expenses and changes in cash and money market investments do not include its discontinued operations. Operating results of the discontinued operation are separately reported on the Company’s consolidated financial statements.

A subsidiary is an entity (including special purpose entities) controlled by the Company, where control is achieved by the Company having the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The financial statements are consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases. All intercompany transactions and balances have been eliminated.

#### **Basis of Measurement**

These consolidated financial statements have been prepared on a historical cost basis since inception, except for those assets and liabilities that are measured at fair value at the end of each reporting period. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) 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.

The Company generates revenue from several sources:

- i Subscriptions. Sales of subscriptions to access the Company's cloud platform, together with related support services to its customers. Customers are not granted the right to take control of the Company's cloud software, but they are provided with access to the Company's cloud platform over a period of time. Revenue is generally recognized over the contractual period on a straight-line basis. Nubeva offers 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 stand-alone selling price (“SSP”) basis. The Company determine SSP based on overall pricing objectives, taking into consideration the type of subscription and support services and professional and other services, the geographical region of the customer and the number of users.
- v Token sales and token pre-sales. The Company through its subsidiary, CBR Project PTE Ltd., 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 has been provided to the purchaser. The Company discontinued the business of token sales and token presales. Revenue from token pre-sales related to the establishment of a token network was restated as discontinued operations.

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.

#### **(b) Research and Development**

The Company 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.

The Company is eligible to receive tax credits from its eligible research and development expenditures. The Company 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, the Company has estimated tax credits receivable of \$513,261 (2018 – \$148,133).

#### **(c) Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **(d) Share-Based Payments**

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

The fair value of options granted is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is charged to stock based compensation expense, with the offset credit to share-based payment reserve over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payment reserve are transferred to capital stock. When vested options are forfeited or are not exercised at the expiry

date, the amount previously recognized in share-based payment reserve is transferred to retained earnings. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

The Black-Scholes Option Pricing Model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Restricted Share Units, (“RSUs”) are equity settled only. 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 shares based payment reserve. Adjustments to the number of RSUs expected to vest are recognized in the current period.

**(e) 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.

**(f) Current and Deferred Income Taxes**

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

Deferred income taxes are recognized using the asset and liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred income taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted by reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are presented as non-current in the consolidated financial statements.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the

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Notes to the Consolidated Financial Statements.  
For the years ended April 30, 2019 and 2018  
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same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

**(g) Foreign Currencies**

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The Company's functional currency is Canadian Dollars and its reporting currency is United States Dollars. The functional currency of the Company's subsidiary, Nubeva, Inc. is United States Dollars, its Australian Subsidiary, Nubeva Pty Ltd., is Australian Dollars and its Singapore subsidiary, CBR Project PTE Ltd., is United States Dollars.

*Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

*Foreign operations*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company and its Australian subsidiary 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.

**(h) 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.

**(i) Financial Instruments**

Newly adopted accounting standards

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The Company adopted all of the requirements of IFRS 9 Financial Instruments on May 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at May 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<u>Financial assets/liabilities</u>	<u>Original Classification IAS 39</u>	<u>New Classification IFRS 9</u>
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Due to related party	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on May 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

#### **4. ACCOUNTING STANDARDS AND AMENDMENTS ISSUED AND ADOPTED**

During the year ended April 30, 2019, the Company adopted IFRS 9, Financial Instruments which did not have a material impact on the Company's financial instruments.

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, 2019 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16                      Leases (i)

(i) 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.

## **5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment are the followings:

### **(a) Determination of Functional Currency**

The functional currency of each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment.

### **(b) Income taxes**

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

### **(c) Share-based payments**

The Company records all share-based compensation using the fair value method. The Company uses the Black-Scholes option pricing model to determine the fair value of share-based compensation. This estimate also requires determining the most appropriate inputs to the valuation model. The main factor affecting the estimates of the fair value of stock options is the stock price, expected volatility used and the expected duration of the instrument. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

### **(d) Revenue recognition**

Management applies judgment in assessing whether certain deliverables in a customer arrangement should be included or excluded from the unit of account to which the contract accounting is applied. The judgment is typically related to subscriptions, support services, and professional and other services and involves an assessment of whether the deliverable is a distinct performance obligation that provides a benefit to the customer that is not dependent upon other components of the arrangement.

### **(e) Allowances for Doubtful Accounts**

The Company must make an assessment of whether trade receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking

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into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

**(f) Going Concern**

Judgment is required in the determination that the Company will continue as a going concern for the next year.

**6. CASH AND MONEY MARKET INSTRUMENTS**

	<b>April 30, 2019</b>	<b>April 30, 2018</b>
Cash	\$ 276,170	\$ 7,501,346
Money market funds	2,313,342	
U.S. Treasury bills	2,187,152	-
	<b>\$ 4,776,664</b>	<b>\$ 7,501,346</b>

See note 20.

**7. ACCOUNTS RECEIVABLE**

	<b>April 30, 2019</b>	<b>April 30, 2018</b>
Trade receivables	\$ 36,828	\$ 77,798
GST receivables	17,915	5,040
	<b>\$ 54,743</b>	<b>\$ 82,838</b>

**8. DIGITAL CURRENCY**

	<b>April 30, 2019</b>	<b>April 30, 2018</b>
	<b>Quoted Market Price</b>	<b>Quoted Market Price</b>
Bitcoin	\$ 17,522	\$ -

See note 20.

**9. PREPAID EXPENSES AND DEPOSITS**

	<b>April 30, 2019</b>	<b>April 30, 2018</b>
Deposit and prepaid office rent	\$ 25,464	\$ 14,174
Other	110,357	58,901
	<b>\$ 135,821</b>	<b>\$ 73,075</b>

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>April 30, 2019</b>	<b>April 30, 2018</b>
Accounts payable	\$ 200,571	\$ 333,933
Accrued liabilities	336,188	256,304
	<b>\$ 536,759</b>	<b>\$ 590,237</b>

See note 12.

## 11. DEFERRED REVENUE

	April 30, 2019	April 30, 2018
Subscription contracts	\$ -	\$ 101,750
Service contracts	-	8,000
	<b>\$ -</b>	<b>\$ 109,750</b>

## 12. RELATED PARTY TRANSACTIONS

The following amounts, included in accounts payable and accrued liabilities (note 10), are payable to related parties as at April 30, 2019 and 2018:

	April 30, 2019	April 30, 2018
Expenses incurred on behalf of Company	\$ 3,848	\$ 4,478
Consulting fees	19,251	16,466
Bonuses	102,108	238,485
Board Services	11,800	10,000
	<b>\$ 137,007</b>	<b>\$ 269,429</b>

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended April 30, 2019 the Company entered into a token pre-sale agreement for which it accepted 30,000,000 tokens with 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 year ended April 30, 2019. (notes 18 and 19).

On October 15, 2018 the Company completed a private placement transaction with its CEO, Randy Chou. (note 14).

### Key Management Compensation

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
	<b>\$ 1,246,407</b>	<b>\$ 1,058,346</b>

## 13. REVERSE TAKEOVER TRANSACTION

Effective February 28, 2018 the Company (formerly Sherpa Holdings Corp.) and Nubeva, Inc. entered into an agreement (the "Merger Agreement") under which the Company acquired 100% the issued and outstanding

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securities of the Nubeva, Inc. resulting in an RTO, and completed a private placement of subscription receipts (the “Transaction”).

In connection with the Transaction, immediately prior to the effective date the Company consolidated its shares on the basis of one post consolidation share for each five pre-consolidation shares and adjusted its outstanding share purchase warrants and incentive stock options to reflect the consolidation. Immediately prior to completion of the Merger Agreement, the Company had 1,551,100 common shares outstanding; 133,000 incentive stock options with a strike price of CAD \$0.50 (\$0.39) per share and 67,110 common share purchase warrants with a strike price of CAD \$0.50 (\$0.39) per share. Upon completion of the Transaction, the Company changed its name from Sherpa Holdings Corp. to Nubeva Technologies Ltd. The exchange rate used to report the Transaction was 1.2809, being the exchange rate on February 28, 2018.

Effective December 20, 2017, in connection with the Transaction, Nubeva, Inc. completed a brokered private placement of subscription receipts for gross proceeds of CAD\$ 10,100,020 (\$7,885,097). Upon closing the Transaction, the Company issued 16,833,367 (13,032,284 common shares after reflecting the exchange ratio) common shares at a price of CAD\$ 0.60 (\$0.468) per share in exchange for Nubeva, Inc. common shares issued in connection with the conversion of the subscription receipts. Share issue costs of \$877,257 includes a 6% cash commission in the amount of \$467,307, 781,934 broker warrants (note 14) valued at \$272,512 and the balance of \$137,438 for legal and filing fees. Each broker warrant entitles the holder thereof to purchase one Company common share at an exercise price of CAD\$0.775 (\$0.605) per share for a period of two years from the closing of the Transaction. The broker warrants were valued using the Black Scholes Option Pricing Model and the following assumptions used in the pricing model were as follows: risk-free interest rate – 1.25%; expected life – 2 years; expected volatility – 111.77%; expected forfeitures – nil%; and expected dividends – nil.

Immediately prior to closing the Transaction, Nubeva, Inc. converted its outstanding Obligation to Issue Preferred Shares (“SAFE Agreements”) with a face value of \$2,250,000 into 7,901,910 common shares (6,117,607 common shares after reflecting the exchange ratio) of Nubeva, Inc. based on the terms of the SAFE Agreements (note 14).

Pursuant to the Merger Agreement, the Company issued 37,131,802 shares (comprised of 13,000,000 Restricted Voting Common Shares and 24,131,802 common shares) in exchange for the issued and outstanding common shares of Nubeva, Inc. based on an exchange ratio of 0.77419, after conversion of the SAFE Agreements and before the conversion of subscription receipts (Note 14). As a result, excluding the issuance of subscription receipts, the shareholders of Nubeva, Inc. obtained control of the Company through the acquisition of approximately 97% of the common shares of the combined entity and the Transaction has been accounted for as an RTO where Nubeva, Inc. is the accounting acquirer.

Stock options and common share purchase warrants of Nubeva, Inc. were exchanged for equivalent securities of the Company on the basis of one Nubeva, Inc. share for every 0.77419 shares of the Company.

Immediately prior to closing, Nubeva, Inc. had 50,164,086 common shares issued and outstanding after having given effect to the following:

	<b>Nubeva, Inc. common shares</b>	<b>Company common shares and Restricted Voting Common Shares issued for RTO</b>
Common Shares issued and outstanding prior to conversion of SAFE Agreements and subscription receipts	40,060,000	31,014,195
Shares issued on conversion of SAFE Agreements	7,901,910	6,117,607
Shares issued on conversion of subscription receipts	16,833,367	13,032,284
Total issued and outstanding common shares immediately prior to completion of the Transaction	64,795,278	50,164,086

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The RTO has been accounted for as a share-based payment transaction on the basis that Sherpa Holdings Corp. was a Capital Pool Company and did not meet the definition of a business as it had no ongoing business operation. As Nubeva, Inc. is deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. The Company's results of operations have been included from February 28, 2018, the date of the RTO. For purposes of this Transaction, the consideration received was the fair value of the net assets of the Company which on February 28, 2018 was \$165,131.

This amount was calculated as follows:

Fair value of 1,551,100 shares of Sherpa Holdings Corp.	\$ 938,483
67,110 share purchase warrants assumed <sup>(1)</sup>	27,039
133,000 stock options assumed <sup>(2)</sup>	63,457
<b>Total fair value of consideration paid</b>	<b>1,028,979</b>
Cash	263,134
Prepaid expenses	94,985
GST recoverable	3,460
Accounts payable and accrued liabilities	(196,448)
<b>Net assets acquired</b>	<b>165,131</b>
 Consideration paid in excess of net assets acquired	 863,848
Other listing expenses:	
Legal expenses	138,635
Filing Fees	23,382
Tax advisory	104,454
<b>Total listing expense</b>	<b>\$ 1,130,319</b>

<sup>(1)</sup>The fair value of the 67,110 share purchase warrants deemed issued (\$27,039) was estimated using the Black Scholes option-pricing model. Weighted average assumptions used in the pricing model were as follows: risk-free interest rate – 2.23%; expected life – 1.69 years; expected volatility – 111.77%; expected forfeitures – nil%; and expected dividends – nil.

<sup>(2)</sup>The fair value of the 133,000 options deemed granted (\$63,457) was estimated using the Black Scholes option-pricing model. Weighted average assumptions used in the pricing model were as follows: risk-free interest rate – 2.23%; expected life – 4.72 years; expected volatility – 111.77%; expected forfeitures – nil%; and expected dividends – nil.

## 14. SHARE CAPITAL AND RESERVES

### (a) Authorized

Unlimited common shares without par value; and  
Unlimited Restricted Voting Common Shares without par value. Restricted Voting Common Shares may be entitled to receive dividends as and when declared by the board of directors, only if the same dividend is declared or paid on the common shares. Restricted Voting Common Shares may be converted into common shares on a one-for-one basis without payment of additional consideration, at the option of the holder with consent of the board of directors, and at any time at the option of the board of directors.

### (b) Issued Share Capital

At April 30, 2019 there were 40,912,996 (April 30, 2018 – 39,778,898) common shares issued and fully paid and 14,770,967 (April 30, 2018 – 13,000,000) Restricted Voting Common Shares issued and fully paid. Upon completion of the RTO, the Company's issued shares as at January 31, 2018 were reduced by 9,032,257 as a result of the RTO exchange ratio of 0.77419 (Note 13).

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(c) Shares Issued during the year

**During the year ended April 30, 2019 the following shares were issued:**

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. Immediately prior to closing the private placement and swap, Mr. Chou converted 164,516 Restricted Voting Shares into common shares.

During the year ended April 30, 2019, the Company issued 837,417 common shares pursuant to the exercise of options for gross proceeds of \$31,263.

During the year ended April 30, 2019, the Company issued 8,211 common shares pursuant to the exercise of warrants for gross proceeds of \$4,849.

During the year ended April 3, 2019, the Company issued 123,954 common shares pursuant to the Restricted Share Units ("RSU").

**During the year ended April 30, 2018 the following shares were issued:**

Pursuant to the RTO, on February 28, 2018, the Company issued 13,032,287 common shares pursuant to the conversion of subscription receipts of CAD\$ 10,100,020 (\$7,885,097) (Note 13). The Company issued 6,117,607 common shares pursuant to the conversion of outstanding SAFE agreements in the amount of \$2,250,000 (Note 13). The Company was deemed to have issued 1,551,100 common shares with a fair value of \$938,483 for the issued and outstanding shares of Sherpa Holding Corp. immediately prior to the Transaction (Note 13).

On February 2, 2018, the Company issued 19,355 common shares for proceeds of \$12,000.

During the year ended April 30, 2018, the Company issued 286,452 common shares pursuant to the exercise of options for gross proceeds of \$77,162.

During the year ended April 30, 2018, the Company issued 804,357 common shares pursuant to the exercise of warrants for gross proceeds of \$471,813.

(d) Escrow Shares

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 April 30, 2019 there were 8,424,194 common shares in escrow (April 30, 2018 – 25,272,582), which included 3,250,000 Restricted Voting Common shares and 5,174,194 common shares.

(e) SAFE Agreements

During the years ended April 30, 2018 and 2017, the Company entered into the following SAFE Agreements. Under the SAFE Agreements the Company was required to issue preferred shares of the Company at a discount and for certain SAFE agreements, subject to a valuation cap, upon the occurrence of certain events.

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Date	Amount	Discount Rate	Valuation Cap
May 13, 2016 <sup>(1)</sup>	\$ 400,000	25%	\$ 12,000,000
December 1, 2016	725,000	20%	None
February 9, 2017 <sup>(2)</sup>	400,000	25%	\$ 12,000,000
<b>Balance, April 30, 2017</b>	<b>1,525,000</b>		
August 14, 2017	660,000	25%	None
September 23, 2017	65,000	25%	None
SAFE Agreements converted on RTO	(2,250,000)		
<b>Balance April 30, 2018 and 2019</b>	<b>\$ -</b>		

<sup>1</sup> \$ 300,000 was received from directors and officers of the Company.

<sup>2</sup> Received from an officer of the Company.

The SAFE Agreements had no stated expiry date. In the event of a financing of preferred shares, the Company would automatically issue to the investors that number of preferred shares equal to the purchase amount at the financing price less the stated discounts. In the event there is a liquidity event, including the Company's February 28, 2018 RTO, the investors may elect to receive a cash payment equal to the purchase amount, or failing such election automatically receive from the Company that number of shares of common stock equal to the purchase amount divided by the liquidity price, being the price paid under the liquidity event less the stated discount. Effective February 28, 2018 all of the SAFE Agreements converted into common shares of the Company as follows:

Triggered by the RTO transaction, SAFE Agreements in the aggregate amount of \$2,250,000 were converted to shares of Nubeva, Inc. and exchanged for common shares of the Company at the following prices:

- i. SAFE Agreements in the aggregate amount of \$725,000 were settled by Nubeva, Inc. and exchanged for 1,559,140 common shares of the Company at a price of \$0.465 per share representing a 25% discount to the market price.
- ii. SAFE Agreements in the aggregate amount of \$725,000 were settled by Nubeva, Inc. and exchanged for 1,461,693 common shares of the Company at a price of \$0.496 per share representing a 20% discount to the market price.
- iii. SAFE Agreement in the aggregate amount of \$800,000 were settled by Nubeva, Inc. and exchanged for 3,096,774 common shares of the Company at a price of \$0.258 per share, representing a discount of 58.3%, based on a corporate valuation cap of \$12 million. The conversion price of the SAFE agreements that were subject to a valuation cap was the price determined by dividing the valuation cap by the number of fully diluted outstanding shares. The common shares issued were based on the conversion price divided by the RTO price per share.

The fair value of the 6,117,607 shares issued on conversion of the SAFE Agreements was \$3,701,152, resulting in a loss for the year ended April 30, 2018 of \$1,451,152.

(f) Stock Based Compensation

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.

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The following table summarizes the Company's outstanding equity compensation as at April 30, 2019 and 2018:

	April 30, 2019			April 30, 2018		
	Units	Weighted average exercise price (CAD \$)	Weighted average remaining life (years)	Units	Weighted average exercise price (CAD \$)	Weighted average remaining life (years)
Stock options (i)	4,361,538	\$0.28	8.30	5,098,888	\$0.28	9.04
RSUs (ii)	623,346	-	1.50	-	-	-
Units outstanding	4,984,884	\$0.28	8.80	5,098,888	\$0.28	9.04

(i) Options

Options to purchase common shares may be granted to directors, consultants, officers and employees of the Company and its subsidiary for terms up to ten years at a price at least equal to the market price prevailing on the date of the grant.

The continuity of the stock options for the year ended April 30, 2019 and 2018 is as follows:

	Options <sup>(1)</sup>	Weighted Average Exercise Price (CAD) <sup>(2)</sup>
Balance, April 30, 2017	3,069,674	\$ 0.05
Granted	2,567,275	0.05
Stock options assumed on RTO <sup>(3)</sup>	133,000	0.50
Forfeited	(384,610)	0.02
Exercised	(286,452)	0.24
Balance, April 30, 2018	5,098,888	0.28
Granted	645,200	0.29
Forfeited	(545,133)	0.68
Exercised	(837,417)	0.05
Balance April 30, 2019	4,361,538	\$ 0.28

<sup>(1)</sup>Stock options granted prior to February 28, 2018 by Nubeva, Inc. were exchanged on the basis of 0.77419 Company stock options for each Nubeva, Inc. stock option. (note 13)

<sup>(2)</sup>Stock options issued granted to February 28, 2018 with a post RTO exercise price of US\$0.01 were repriced to CAD \$ 0.05 (US\$ 0.04). (note 13)

<sup>(3)</sup>Stock options of Sherpa Holdings Corp. were assumed upon RTO (note 13).

During the year ended April 30, 2019, 645,200 (2018, 2,567,275) stock options were granted. The fair value of the options granted was estimated to be \$127,433 (2018 - \$857,601) using the Black-Scholes Option Pricing Model and the assumptions below. The expected volatility was determined using the average historical volatility of similar listed entities on the basis that the Company has limited historical information. The options granted vest over periods of 6 months to 4 years with exercise prices of \$0.27 to \$0.42. Share-based compensation of \$343,424 (2018 - \$231,314) was recorded for options vested during the year ended April 30, 2019.

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	Year ended April 30, 2019	Year ended April 30, 2018
Expected life of options	5 to 10 years	5 years
Annualized volatility	110%	110% - 125%
Risk-free interest rate	1.67% - 1.92%	2.07% - 2.23%
Dividend rate	-	-

Details of options outstanding at April 30, 2019 are as follows:

Number of Options Outstanding	Exercise Price	Expiry Date	Weighted Average Exercise Price (CAD)	Weighted Average Remaining Life (Years)
38,710	\$0.05	12-Apr-26	\$0.05	6.96
58,065	\$0.05	14-Apr-26	\$0.05	6.96
38,710	\$0.05	05-May-26	\$0.05	7.02
77,419	\$0.05	04-Jun-26	\$0.05	7.10
77,419	\$0.05	14-Jun-26	\$0.05	7.13
38,710	\$0.05	20-Jun-26	\$0.05	7.15
42,581	\$0.05	21-Jun-26	\$0.05	7.15
11,613	\$0.05	08-Sep-26	\$0.05	7.36
13,548	\$0.05	17-Sep-26	\$0.05	7.39
38,710	\$0.05	06-Oct-26	\$0.05	7.44
30,968	\$0.05	25-Nov-26	\$0.05	7.58
1,167,096	\$0.05	09-Jan-27	\$0.05	7.70
13,548	\$0.05	11-Jan-27	\$0.05	7.71
108,387	\$0.05	16-Jan-27	\$0.05	7.72
42,581	\$0.05	17-Jan-27	\$0.05	7.72
77,419	\$0.05	10-Apr-27	\$0.05	7.95
134,195	\$0.05	29-May-27	\$0.05	8.08
282,581	\$0.05	19-Jun-27	\$0.05	8.14
92,903	\$0.05	21-Jun-27	\$0.05	8.15
700,820	\$0.05	05-Sep-27	\$0.05	8.36
139,355	\$0.80	01-Nov-27	\$0.80	8.51
386,000	\$1.52	23-Mar-28	\$1.52	8.90
105,000	\$1.52	11-Apr-28	\$1.52	8.96
95,000	\$0.42	15-Jan-29	\$0.42	9.72
550,200	\$0.27	16-Apr-29	\$0.27	9.97
4,361,538	\$0.28			8.30

At April 30, 2019, there were 2,281,733 stock options exercisable (2018 – 1,386,459).

(ii) RSU's

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 RSU's expected to vest and recognized ratably over the vesting period, with a corresponding credit to the share based compensation reserve. Adjustments to the number of RSUs expected to vest are recognized in the current period. Share-based compensation of \$99,811 (2018 - \$Nil) was recorded for RSUs during the year ended April 30, 2019.

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The continuity of the RSUs for the year ended April 30, 2019 is as follows:

	RSU's	Weighted average grant price (\$ CAD)
Balance, April 30, 2018 and 2017	-	-
Granted	747,300	\$0.41
Vested and released	(123,954)	-
Balance, April 30, 2019	623,346	\$0.41

Details of RSUs outstanding as at April 30, 2019 are as follows:

Grant date	Number outstanding(1)	Grant price (\$ CAD)	Expiry date	Remaining life (years)
January 15, 2019	401,046	\$0.41	09/30/2020	1.42
January 15, 2019	40,000	\$0.41	10/08/2020	1.44
January 15, 2019	110,000	\$0.41	11/18/2020	1.56
January 15, 2019	72,300	\$0.41	09/18/2020	1.36
Total outstanding	623,346			

(iii) Warrants

	Warrants	Weighted Average Exercise Price (CAD)
Balance, April 30, 2017	-	\$ -
Issued <sup>(1)</sup>	1,074,272	0.69
Warrants assumed on the RTO <sup>(2)</sup>	67,110	0.50
Exercised	(804,357)	0.75
Balance, April 30, 2018	337,025	\$ 0.64
Issued		
Exercised	(8,211)	0.78
Expired	(292,338)	-
Balance April 30, 2019	36,476	\$ 0.78

<sup>(1)</sup>Warrants issued include 781,934 brokers warrants (note 13) and 67,110 warrants issued on the RTO.

<sup>(2)</sup>Warrants of Sherpa Holdings Corp. were assumed upon RTO (note 13).

Details of warrants outstanding at April 30, 2019 are as follows:

Number of Warrants Outstanding	Exercise Price (CAD)	Expiry Date	Exercise Price (CAD)	Remaining Life (Years)
36,476	\$0.78	28-Feb-20	\$0.78	0.83

g) Reserves

Reserves comprised of items recognized as stock-based compensation expense include RSU's and stock options. Upon exercise of options or vesting of RSU's the corresponding amount will be transferred from the reserve to share capital. In the event that stock-based compensation is cancelled or expires unexercised, the corresponding amount is removed from the reserve and credited to retained earnings.

Reserves relating to warrants are transferred to share capital on the date they are exercised. The Company does not adjust the reserve for warrants that expire unexercised.

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**15. INCOME TAX**

A reconciliation of the statutory tax rate to the effective rate for the Company is as follows:

	Year ended April 30, 2019	Year ended April 30, 2018
Statutory tax rate	27%	26%
Loss for the year	\$ (4,057,961)	\$ (4,401,452)
Expected income tax recovery	(1,095,649)	(1,144,378)
Non-deductible expenses and other	172,496	556,613
Effect of share issuance costs not recognized	(54,055)	(157,233)
Effect of foreign tax rates and tax rate changes	156,002	104,601
Effect of change in tax rates	(8,220)	66,714
Effect of change in valuation allowance	829,427	573,683
<b>Income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

Significant components of the Company's temporary difference as of April 30, 2019 and 2018 are as follows:

	April 30, 2019	April 30, 2018
<b>Deferred income tax assets:</b>		
Non-capital losses carry forwards	\$ 1,488,566	\$ 681,168
Share issuance costs	149,086	135,896
Equipment	8,839	-
	\$ 1,646,491	\$ 817,064
Valuation allowance	(1,646,491)	(817,064)
	\$ -	\$ -

As at April 30, 2019, the Company has the following non-capital losses, expiring in various years to 2039:

Year Incurred	Canada	USA	Australia
2016	\$ -	\$ 3,000	\$ -
2017	13,000	473,000	255,000
2018	149,000	1,087,000	1,012,000
2019	677,000	1,421,000	851,000
	\$ 839,000	\$ 2,984,000	\$ 2,118,000

The losses incurred in the USA have no expiry.

**16. EXPENSES BY NATURE**

For the year ended April 30, 2019

	General and Administration	Research and Development	Sales and Marketing
Office expense and operations	\$ 461,283	\$ 254,920	\$ 420,731
Personnel	383,724	781,313	778,519
Travel	10,719	6,658	35,983
Totals	\$ 855,726	\$ 1,042,891	\$ 1,235,233

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For the year ended April 30, 2018

	<b>General and Administration</b>	<b>Research and Development</b>	<b>Sales and Marketing</b>
Office expense and operations	\$ 83,460	\$ 58,927	\$ 111,548
Personnel	347,517	1,061,343	455,094
Travel	-	68,423	24,117
<b>Totals</b>	<b>\$ 430,977</b>	<b>\$ 1,188,693</b>	<b>\$ 590,759</b>

**17. REVENUE**

	<b>Year ended April 30, 2019</b>	<b>Year ended April 30, 2018</b>
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>

**18. DISCONTINUED OPERATIONS**

During the year ended April 30, 2018, the Company incorporated CBR Project Pte Ltd (“CBR”) to launch a token network for the purpose of offering the Company’s products and services outside North America. Since its inception, CBR reported \$3.77 million of token presales, for which it received consideration in cash, Bitcoin and tokens of another issuer (notes 12 and 19).

On November 26, 2018, the Company ceased operations of CBR and distributed its remaining assets to the investors of token presale contracts. Remaining assets in the amount of \$815,330 were distributed in tokens received from another issuer and had no impact on the Company’s cash balances (note 19). The Company reported a gain of \$881,801 from the dissolution of the subsidiary, the completion of which is expected to conclude subsequent to April 30, 2019 and which is probable. The gain is primarily from the elimination of deferred revenue. The gain was offset by the loss the Company reported on the write off of the remaining digital currencies. See note 19.

As at April 30, 2019, current assets in the amount of \$4,431 (April 30, 2018 - \$Nil) and current liabilities of \$6,366 (April 30, 2018 - \$19,513) are reported in the consolidated accounts of the Company. Operations for the year ended April 30, 2019 have been adjusted to reclassify the results of the discontinued operation into one line.

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Operating results of the discontinued operation are as follows:

Discontinued Operations		
Operating information:	Year ended April 30, 2019	Year ended April 30, 2018
Revenue	\$ 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)
Cash provided by (used for) operating activities of discontinued operations:	\$ 555,509	\$ (527,847)

## 19. LOSS ON DIGITAL CURRENCY

During the year ended April 30, 2019, in connection with CBR and the Company's planned token network, the company received tokens from another token issuer for token presale contracts in the amount of \$3 million. The tokens were traded on a token network and quoted in Ethereum. Effective November 26, 2018 the Company cancelled its token project and distributed tokens in the amount of \$815,330 to the project investors (note 18). The Company recorded a loss on write down of the remaining tokens in the amount of \$1,323,336.

## 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The following provides additional information with respect to the Company's exposure to certain risks:

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at April 30, 2019 the Company had cash and marketable securities of \$4,776,664 (April 30, 2018 - \$7,501,346) to settle current liabilities of \$536,759 (April 30, 2018 - \$590,237).

### Foreign Exchange 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.

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:

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	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)
Total	\$ 395,655	\$ 40,980	\$ 371,316	\$ 646,916

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.

**Capital Management**

The Company's objective in managing capital is to ensure sufficient liquidity to fund research and development, engage in sales and marketing activities, and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed entirely of equity. The Company uses capital to finance its operating losses. The Company currently funds these requirements from cash raised through the issuance of common shares. The Company also holds digital currencies, which are current assets with no contractual right to be converted to cash. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity help build its portfolio of cloud-based security solutions from which it will obtain returns on investment.

The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance growth, the Company does not currently pay a dividend to holders of its common shares. There is no external restriction on the Company's capital. The Company did not institute any changes to its capital management strategy during the year.

**Investment Risk**

As at April 30, 2019 the Company's cash and marketable securities 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 marketable securities 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:

- i) 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
- ii) 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.

### **Digital Currency Risk**

Nubeva holds Bitcoin which it received as payment for its Token pre-sales. Prices of digital currencies are volatile and are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A 10% change in the value of the Company's digital currencies would impact the Company's net gain or loss by \$1,752.

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

## **21. SEGMENT REPORTING**

At April 30, 2019 the Company operates in one operating segment, the development and commercialization of software to support the provision of cloud-based security. The Company commenced earning revenues from the license of its software and services in August 2018.

Also, during the year ended April 30, 2018, the Company commenced earning revenues from a secondary operating segment with the sale of rights to receive future tokens. Management had determined that the business of developing the token network was a secondary operating segment because, although the nature of the products and services is generally the same, the type of customer and the method of distribution are materially different. Further, the secondary operating segment operates in a different regulatory environment. Effective November 26, 2018 the Company abandoned this business segment and adjusted its operating results to reflect only its primary operating segment.

## **22. SUBSEQUENT EVENT**

- a) Subsequent to April 30, 2019, 65,619 common shares were issued with respect to restricted share units.