



Nubeva Technologies Ltd.

Condensed Consolidated Financial Statements

For the Six Months Ended October 31, 2020 and 2019

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Nubeva Technologies Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at October 31, 2020 and April 30, 2020

(Expressed in United States Dollars)

	October 31, 2020	April 30, 2020
Assets		
Current assets:		
Cash and money market instruments (note 4)	\$ 1,455,002	\$ 1,873,375
Accounts receivable (note 5)	59,523	44,389
Tax credit receivable (notes 6 and 14)	393,997	242,858
Digital currency (note 7)	45,065	28,354
Prepaid expenses and deposits (note 8)	41,746	96,000
Total current assets	1,995,333	2,284,976
Total Assets	\$ 1,995,333	\$ 2,284,976
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (notes 9 and 11)	\$ 616,133	\$ 603,545
Current portion of term loans payable (note 12)	8,709	234,228
Deferred revenue (note 10)	130,410	-
Total current liabilities	755,252	837,773
Term loans payable (note 12)	113,931	102,413
Total Liabilities	869,183	940,186
Shareholders' Equity		
Common share capital (note 13)	13,786,989	13,730,668
Obligation to issue shares (note 13)	4,164	-
Reserves (note 13)	697,295	704,628
Deficit	(13,247,703)	(12,960,121)
Accumulated other comprehensive loss	(114,595)	(130,385)
Total Equity	1,126,150	1,344,790
Total Liabilities and Shareholders' Equity	\$ 1,995,333	\$ 2,284,976

Subsequent events - note 18

Approved by the directors:

“Randy Chou”

“Greig Bannister”

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Nubeva Technologies Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in United States Dollars)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2020	2019	2020	2019
Revenue (note 15)	\$ 927,702	\$ 38,511	\$ 967,315	\$ 77,667
Operating expenses:				
General and administrative (notes 11 and 14)	178,344	202,544	374,037	378,076
Research and development (notes 11 and 14)	290,140	341,777	628,487	664,260
Sales and marketing (notes 11 and 14)	241,691	387,209	501,349	745,107
Share-based compensation (notes 11 and 13)	18,361	66,219	46,627	150,947
Total expenses	728,536	997,749	1,550,500	1,938,390
Other Items				
Interest and other income	2,158	15,738	2,575	39,433
Interest expense (note 12)	(11,198)	-	(11,198)	-
Fair value gain on digital currency (note 7)	7,984	(2,901)	16,711	12,604
Foreign exchange loss	(2,290)	(1,177)	(18,360)	(10,125)
Government assistance (note 12)	98,305	-	305,704	-
Net income (loss)	294,125	(947,578)	(287,753)	(1,818,811)
Other comprehensive income (loss), items that will be recycled through profit and loss				
Foreign currency translation adjustment	(26,261)	(6,092)	15,790	(5,658)
Total comprehensive income (loss)	\$ 267,864	\$ (953,670)	\$ (271,963)	\$ (1,824,469)
Earnings (loss) per share - basic	\$ 0.01	\$ (0.02)	\$ (0.01)	\$ (0.03)
Earnings (loss) per share - fully diluted	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding				
- basic	56,372,082	55,816,623	56,314,049	55,759,834
Weighted average number of common shares outstanding - fully diluted	61,392,771	60,665,892	61,334,738	60,609,103

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Nubeva Technologies Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Six Months Ended October 31, 2020 and 2019

(Expressed in United States Dollars)

	Share capital		Obligation to Issue Shares	Reserves			Accumulated Other Comprehensive Loss	Total
	Common Shares	Amount		Share Based Payment Reserve	Warrants Reserve	Deficit		
Balance April 30, 2019	55,683,963	\$ 13,597,652	\$ -	\$ 527,495	\$ 101,346	\$ (9,176,892)	\$ (88,349)	\$ 4,961,252
Options exercised	43,548	2,019	-	(363)	-	-	-	1,656
Share-based compensation	-	-	-	147,858	-	-	-	147,858
RSU issued	174,672	54,249	-	(54,249)	-	-	-	-
Forfeited options	-	-	-	(282)	-	282	-	-
Foreign currency translation	-	-	-	-	-	-	(5,658)	(5,658)
Net loss for the period	-	-	-	-	-	(1,818,811)	-	(1,818,811)
Balance October 31, 2019	55,902,183	\$ 13,653,920	\$ -	\$ 620,459	\$ 101,346	\$ (10,995,421)	\$ (94,007)	\$ 3,286,297
Balance April 30, 2020	56,153,155	\$ 13,730,668	\$ -	\$ 603,282	\$ 101,346	\$ (12,960,121)	\$ (130,385)	\$ 1,344,790
Share-based compensation (note 13)	-	-	-	46,627	-	-	-	46,627
Options exercised (note 13)	69,677	3,037	-	(505)	-	-	-	2,532
RSU issued (note 13)	205,284	53,284	-	(53,284)	-	-	-	-
Cash received in advance of shares issued (note 13)	-	-	4,164	-	-	-	-	4,164
Forfeited options	-	-	-	(171)	-	171	-	-
Foreign currency translation	-	-	-	-	-	-	15,790	15,790
Net loss for the period	-	-	-	-	-	(287,753)	-	(287,753)
Balance October 31, 2020	56,428,116	\$ 13,786,989	\$ 4,164	\$ 595,949	\$ 101,346	\$ (13,247,703)	\$ (114,595)	\$ 1,126,150

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Nubeva Technologies Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended October 31, 2020 and 2019

Expressed in United States Dollars)

	2020	2019
Operating activities		
Net loss for the period	\$ (287,753)	\$ (1,818,811)
Items not involving cash:		
Share-based compensation	46,627	147,858
Interest accrued	11,198	-
Fair value gain on digital currency	(16,711)	(12,604)
Government assistance	(269,032)	-
Foreign exchange	(1,669)	11,238
Changes in non-cash working capital items related to operations:		
Accounts receivable	(15,134)	2,954
Prepaid expenses	49,737	62,149
Tax credit receivable	(132,448)	89,993
Accounts payable and accrued liabilities	17,105	(131,563)
Deferred revenue	130,411	2,924
Cash provided by (used in) operating activities	(467,669)	(1,645,862)
Financing activities:		
Term loans	42,600	-
Cash received prior to issuance of shares	4,164	-
Options exercised	2,532	1,656
Cash from financing activities	49,296	1,656
Effect of foreign exchange on cash	-	(5,658)
Net increase (decrease) in cash during the period	(418,373)	(1,649,864)
Cash and money market investments, beginning of the period	1,873,375	4,776,664
Cash and money market investments, end of the period	\$ 1,455,002	\$ 3,126,800

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the six months ended October 31, 2020 and 2019

(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 solutions to enable enterprises to run cybersecurity in the cloud.

These condensed consolidated interim 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 October 31, 2020, the Company had working capital of \$1,240,081 (April 30, 2020 - \$1,447,203) and incurred a net loss for the period ended October 31, 2020 of \$287,753. Management estimates that its working capital position will provide the Company with sufficient financial resources to carry out planned operations through the eight months following October 31, 2020. Realization values may be substantially different from carrying values as shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. The Company is dependent upon making sales or raising debt and equity financing to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to develop and deploy its technology. The Company has incurred losses since inception and may incur further losses in the development of its business. These factors indicate a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Since January 31, 2020 several measures have been implemented in the United States, Canada and Australia in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate its business from remote work sites and is continuing software development and sales and marketing activities at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company’s business operations, including the duration and impact on future operations, cannot be reasonably estimated. At this time, the Company is unable to determine the extent of the impact on its business and its ability to secure sales or financing in fiscal 2021.

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 December 15, 2020.

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

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the six months ended October 31, 2020 and 2019

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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 condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. ACCOUNTING STANDARDS AND AMENDMENTS ISSUED

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 condensed consolidated interim financial statements.

4. CASH AND MONEY MARKET INSTRUMENTS

	October 31, 2020		April 30, 2020	
Cash	\$	56,727	\$	605,901
Money market funds		1,398,275		1,267,474
	\$	1,455,002	\$	1,873,375

See note 16.

5. ACCOUNTS RECEIVABLE

	October 31, 2020		April 30, 2020	
Trade receivables	\$	37,010	\$	11,630
Government assistance receivable		-		15,204
GST receivable		7,491		12,346
Other receivable		15,022		5,209
	\$	59,523	\$	44,389

6. TAX CREDIT RECEIVABLE

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.

Balance, April 30, 2020		242,858
Tax credits received		-
Tax credit accrual (note 14)		132,448
Foreign exchange		18,691
Balance, October 31, 2020	\$	393,997

See note 18.

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the six months ended October 31, 2020 and 2019

(Expressed in United States Dollars)

7. DIGITAL CURRENCY

	October 31, 2020		April 30, 2020	
	Quoted Market Price		Quoted Market Price	
Bitcoin	\$	45,065	\$	28,354

See note 18.

8. PREPAID EXPENSES AND DEPOSITS

	October 31, 2020		April 30, 2020	
Deposit and prepaid office rent	\$	13,654	\$	24,800
Other		28,092		71,200
	\$	41,746	\$	96,000

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2020		April 30, 2020	
Accounts payable (note 11)	\$	127,667	\$	108,685
Accrued liabilities (note 11)		488,466		494,860
	\$	616,133	\$	603,545

10. DEFERRED REVENUE

Deferred revenue of \$130,410 at October 31, 2020 (October 31, 2019 - \$3,331) is reported net of accounts receivable until the earlier of either (i) the date the payment becomes due and (ii) the date the goods or services are delivered.

11. RELATED PARTY TRANSACTIONS

The following amounts, included in accounts payable and accrued liabilities (note 9), are payable to related parties as at October 31, 2020 and April 30, 2020:

	October 31, 2020		April 30, 2020	
Expenses incurred on behalf of Company	\$	4,480	\$	14,827
Accrued payroll		17,769		17,013
Bonuses		288,636		288,188
Board Services		15,000		10,700
	\$	325,885	\$	330,728

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

Key Management Compensation

The Company incurred the following expenses with directors, officers and companies that are controlled by directors of the Company, during the periods ended October 31, 2020 and 2019:

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the six months ended October 31, 2020 and 2019

(Expressed in United States Dollars)

	Six months ended	Six months ended
	October 31, 2020	October 31, 2019
Salary	\$ 434,130	\$ 423,137
Board services	30,000	30,000
Share-based compensation	15,655	62,664
	\$ 479,785	\$ 515,801

12. TERM LOANS PAYABLE

On April 21, 2020, the Company received funding from the Silicon Valley Bank in the amount of \$307,885 under the Paycheck Protection Program (“PPP”), a program formed under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) guaranteed by the U.S. government. The loan bears interest at a rate of 1.0% per annum and matures in 24 months. Commencing September 21, 2021, the Company shall be responsible for equal monthly payments of principal and interest until the maturity date. Under the terms of the PPP, an amount up to the principal amount of funding was to be forgiven if the Company maintained a consistent number of full-time employees for a prescribed period of time and the funds were used for certain prescribed expenses. During the six months ended October 31, 2020, the Company used the funds for the purposes set out in the CARES Act and has recorded government assistance of \$197,399 for the amount of the loan to be forgiven in the condensed consolidated interim statement of comprehensive loss in the current period. The loan was discounted at a market rate of interest of 20% and the discount of \$22,686 has also been recorded as government assistance in the condensed consolidated statement of comprehensive loss for the current period. During the period ended October 31, 2020, interest and accretion of \$9,114 has been recorded on the loan and is included in interest expense in the condensed consolidated statement of comprehensive loss.

During the year ended April 30, 2020, as part of the Canadian government funded COVID-19 financial assistance programs, the Company received a loan in the amount of \$29,842 (CAD \$40,000) from the Bank of Montreal (CEBA term loan). The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven. The loan has been discounted at a market rate of interest of 20% and the discount and amount to be forgiven totaling \$16,463 has been recorded as government assistance in the condensed consolidated statement of comprehensive loss for the current period. During the period ended October 31, 2020, interest and accretion of \$1,397 has been recorded on the loan and is included in interest expense in the condensed consolidated statement of comprehensive loss.

During the period ended July 31, 2020, the Company received a loan in the amount of \$42,700 under the Economic Injury Disaster Loan Program (“EIDL”) administered by the U.S. Small Business Administration (“SBA”). The program provides working capital to small businesses suffering substantial economic injury as a result of the Coronavirus. The loan bears interest at a rate of 3.75% per annum and is repayable in monthly payments of principal and interest over 30 years commencing one year after the date the loan was advanced. The loan has been discounted at a market rate of interest of 20% and the discount of \$32,484 has been recorded as government assistance in the condensed consolidated statement of comprehensive loss for the current period. During the period ended October 31, 2020, interest and accretion of \$687 has been recorded on the loan and is included in interest expense in the condensed consolidated statement of comprehensive loss.

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the six months ended October 31, 2020 and 2019

(Expressed in United States Dollars)

13. 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 October 31, 2020 there were 41,657,149 (April 30, 2019 – 41,382,188) common shares issued and fully paid and 14,770,967 (April 30, 2019 – 14,770,967) Restricted Voting Common Shares issued and fully paid.

(c) Shares Issued during the Period

During the period ended October 31, 2020 the following shares were issued:

The Company issued 69,677 common shares pursuant to the exercise of options for gross proceeds of \$2,532.

The Company issued 205,284 common shares pursuant to the RSUs.

(d) Share-Based Compensation

On October 31, 2020 the Company had 11,100,000 common shares reserved for issuance under all share compensation arrangements as follows:

- (i) 10,600,000 common shares are reserved for issuance under the Company's Fixed Share Option Plan, and
- (ii) 500,000 common shares are reserved for issuance under the Company's Restricted Share Unit Plan.

The following table summarizes the Company's outstanding equity compensation as at October 31, 2020 and April 30, 2020:

	October 31, 2020			April 30, 2020		
	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)	4,893,733	0.25	7.22	5,144,119	0.24	7.73
RSUs (ii)	23,136	-	0.26	247,702	-	0.76
Units outstanding	4,916,869	0.25	7.19	5,391,821	0.24	7.41

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the six months ended October 31, 2020 and 2019

(Expressed in United States Dollars)

(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 stock options for the period ended October 31, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price (CAD\$)
Balance, April 30, 2020	5,144,119	0.24
Issued	50,000	0.25
Exercised	(173,289)	0.05
Forfeited	(127,097)	0.07
Balance, October 31, 2020	4,893,733	0.25

During the six months ended October 31, 2020, 173,289 options were exercised for proceeds of \$6,696. 69,677 common shares were issued during the current period and the balance of 103,612 common shares were issued subsequent to the end of the period. The obligation to issue the shares has been included in the condensed consolidated statement of financial position. See note 18.

Share-based compensation of \$22,438 (Period ended October 31, 2019 - \$72,811) was recorded for options vested during the period ended October 31, 2020. The fair value of stock options at the grant date was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility for similar companies. The weighted-average assumptions used for the Black-Scholes option-pricing model of stock options granted during the period are as follows:

	Period ended October 31, 2020	Period ended October 31, 2019
Expected life of options	5 years	5 years
Annualized volatility	110%	110%
Risk-free interest rate	0.595%	1.45%
Dividend rate	0.00%	0.00%

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the six months ended October 31, 2020 and 2019

(Expressed in United States Dollars)

Details of options outstanding at October 31, 2020 are as follows:

Number of Options Outstanding	Expiry Date	Weighted Average Exercise Price (CAD\$)	Weighted Average Remaining Life (Years)
38,710	12-Apr-26	0.05	5.45
58,065	14-Apr-26	0.05	5.45
38,710	05-May-26	0.05	5.51
77,419	04-Jun-26	0.05	5.59
77,419	14-Jun-26	0.05	5.62
38,710	20-Jun-26	0.05	5.64
42,581	21-Jun-26	0.05	5.64
11,613	08-Sep-26	0.05	5.86
13,548	17-Sep-26	0.05	5.88
38,710	06-Oct-26	0.05	5.93
30,968	25-Nov-26	0.05	6.07
1,167,096	09-Jan-27	0.05	6.19
108,387	16-Jan-27	0.05	6.21
38,710	17-Jan-27	0.05	6.22
58,712	29-May-27	0.05	6.58
282,581	19-Jun-27	0.05	6.64
700,820	05-Sep-27	0.05	6.85
139,355	01-Nov-27	0.80	7.01
386,000	23-Mar-28	1.52	7.40
105,000	11-Apr-28	1.52	7.45
95,000	15-Jan-29	0.42	8.21
550,200	16-Apr-29	0.27	8.46
20,000	28-Sep-29	0.10	8.92
60,000	10-Oct-29	0.10	8.95
420,000	09-Mar-30	0.05	9.36
245,419	23-Apr-30	0.08	9.48
50,000	16-Sep-30	0.25	9.88
4,893,733		0.25	7.22

At October 31, 2020, there were 3,457,858 stock options exercisable (April 30, 2020 – 3,307,740).

(ii) RSUs

RSUs 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 the share-based compensation reserve. Adjustments to the number of RSUs expected to vest are recognized in the current period. Share-based compensation of \$24,189 was recorded for RSUs during the period ended October 31, 2020 (Period ended October 31, 2019 - \$78,136).

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

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The continuity of RSUs for the period ended October 31, 2020 is as follows:

	Number of RSUs	Weighted Average Grant Price (CAD\$)
Balance, April 30, 2020	247,702	0.34
Vested and released	(205,284)	0.24
Forfeited	(19,282)	0.41
Balance, October 31, 2020	23,136	0.23

Details of RSUs outstanding as at October 31, 2020 are as follows:

Grant date	Number of RSUs outstanding	Grant price (CAD\$)	Expiry date	Remaining life (years)
15-Jan-19	10,844	\$0.41	18-Nov-20	0.05
23-Apr-20	12,292	\$0.08	16-Feb-21	0.31

(iii) Warrants

There were no warrants outstanding at October 31, 2020 or April 30, 2020.

(f) Reserves

Reserves comprised of items recognized as stock-based compensation expense include RSUs and stock options. Upon exercise of options or vesting of RSUs 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.

14. EXPENSES BY NATURE

For the three months ended October 31, 2020

	General and Administration	Research and Development	Sales and Marketing
Office expense and operations	\$ 43,474	\$ 47,039	\$ 3,520
Personnel	134,870	243,101	238,171
Totals	\$ 178,344	\$ 290,140	\$ 241,691

⁽¹⁾ Research and development expenses are reported net of refundable tax credits in the amount of \$69,550.

For the three months ended October 31, 2019

	General and Administration	Research and Development	Sales and Marketing
Office expense and operations	\$ 120,664	\$ 119,030	\$ 83,324
Personnel	77,673	213,693	300,336
Travel	4,207	9,054	3,549
Totals	\$ 202,544	\$ 341,777	\$ 387,209

⁽¹⁾ Research and development expenses are reported net of refundable tax credits in the amount of \$117,970.

Nubeva Technologies Ltd.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

For the six months ended October 31, 2020 and 2019

(Expressed in United States Dollars)

For the six months ended October 31, 2020

	General and Administration	Research and Development	Sales and Marketing
Office expense and operations	\$ 148,465	\$ 93,568	\$ 36,430
Personnel	225,572	534,919	464,919
Totals	\$ 374,037	\$ 628,487	\$ 501,349

⁽¹⁾ Research and development expenses are reported net of refundable tax credits in the amount of \$132,448.

For the six months ended October 31, 2019

	General and Administration	Research and Development	Sales and Marketing
Office expense and operations	\$ 216,128	\$ 145,305	\$ 147,524
Personnel	148,706	507,863	589,982
Travel	13,242	11,092	7,601
Totals	\$ 378,076	\$ 664,260	\$ 745,107

⁽¹⁾ Research and development expenses are reported net of refundable tax credits in the amount of \$200,510.

15. REVENUE

	Period ended October 31 2020	Period ended October 31, 2019
Subscriptions	\$ 97,726	\$ 77,667
Software and services	869,589	-
Totals	\$ 967,315	\$ 77,667

16. 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 information with respect to the Company's exposure to certain financial 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 October 31, 2020, the Company had cash and marketable securities of \$1,455,002 (April 30, 2020 - \$1,873,375) to settle current liabilities of \$755,252 (April 30, 2020 - \$837,773). The Company estimates it has adequate working capital to continue operations for twelve months from October 31, 2020. There is substantial uncertainty that the Company will be able to continue to meet its financial obligations as they come due if it cannot generate sales or raise additional capital, and there is no assurance that the Company will be able to raise sufficient capital or raise capital on terms advantageous to the Company.

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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 October 31, 2020 and April 30, 2020, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies, converted to US Dollars at the prevailing rate at the end of each of the reporting periods:

	October 31, 2020		April 30, 2020	
	Australian Dollars	Canadian Dollars	Australian Dollars	Canadian Dollars
Cash	\$ 11,260	\$ 32,921	\$ 45,111	\$ 59,645
Accounts receivable	4,154	3,336	21,005	1,335
Income tax receivable	392,597	-	241,458	-
Accounts payable and accrued liabilities	(117,879)	(135,489)	(88,146)	(128,358)
Term loan	-	(14,823)	-	(28,756)
Total	\$ 290,132	\$ (114,055)	\$ 219,428	\$ (96,134)

Based on the above net exposures, as at October 31, 2020, a 10% change in the Canadian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$11,406 and a 10% change in the Australian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$29,013.

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. There is substantial uncertainty that the Company will be able to continue to finance its operating losses. The Company currently funds these requirements from cash raised through the issuance of common shares. There is a risk that the Company will not be able to raise funds through the issuance of shares or on terms advantageous to the Company or its shareholders. 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 period.

Investment Risk

As at October 31, 2020 the Company's cash and marketable securities were comprised of cash in the amount of \$56,727 (April 30, 2020 - \$605,901), and money market funds in the amount of \$1,398,275 (April 30, 2020 - \$1,267,474).

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At October 31, 2020 money market funds were comprised as follows:

- i) 64% 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) 36% 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 funds 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.

17. SEGMENT REPORTING

At October 31, 2020, the Company operates in one operating segment, the development and commercialization of software to support the provision of cloud-based security.

18. SUBSEQUENT EVENTS

Subsequent to October 31, 2020, 6,257 shares were issued pursuant to RSUs and 103,612 shares were issued pursuant to stock options exercised during the six months ended October 31, 2020 for proceeds of \$4,164.

Subsequent to October 31, 2020, the Company collected tax credits in the amount of \$324,015.

Subsequent to October 31, 2020, the Company sold its digital currency for proceeds of \$56,535.