

# Nubeva Technologies Ltd.

## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (this “**MD&A**”) is dated August 18, 2020 and is intended to assist the reader in understanding the results of operations and financial condition of Nubeva Technologies Ltd., (“**Nubeva**” or the “**Company**”). This MD&A should be read in conjunction with the Company’s audited consolidated financial statements for the year ended April 30, 2020 and accompanying notes that can be obtained from [www.sedar.com](http://www.sedar.com).

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

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

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

### CAUTION ON FORWARD-LOOKING INFORMATION

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

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

Forward-looking statements are statements that are not historical facts and are generally, although not always, identified by words such as “expect”, “plan”, “anticipate”, “project”, “target”, “potential”, “schedule”, “forecast”, “budget”, “estimate”, “intend” or “believe” and similar expressions or their negative connotations, or that events or conditions “will”, “would”, “may”, “could”, “should” or “might” occur. All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Forward-looking statements necessarily involve assumptions, risks and uncertainties, certain of which are beyond the Company’s control, including the following:

- our dependence on suppliers and customers;
- our untested business model;
- our ability to attract customers;
- the competitive nature of the cloud-based security market;

- our ability to manage our growth;
- exchange rate risks;
- regulatory risks;
- our future operations;
- our dependence on key personnel;
- dilution to present and prospective shareholders;
- the lack of a market for our securities; and
- our share price.

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

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

## 1. History of the Business

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

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

Nubeva, Inc. was incorporated under the laws of the State of Delaware on March 30, 2016. Nubeva Inc.'s wholly owned subsidiary, Nubeva Pty Ltd. was incorporated under the laws of New South Wales, Australia on April 20, 2016. Nubeva is based in San Jose, California and its principal activity is the development and commercialization of software to enable organizations to extend and run their visibility and security controls inside public and private clouds.

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

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

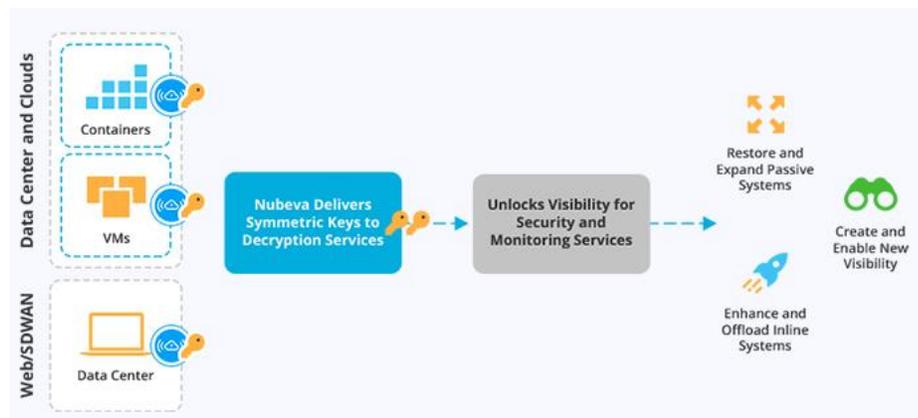
On April 24, 2018 Nubeva incorporated CBR Project Pte Ltd. ("CBR Project"), a wholly owned subsidiary of Nubeva Technologies Ltd. located in Singapore, to create a new, international cybersecurity ecosystem marketplace of security providers, researchers, support resources and ultimately customers (the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

and due to a complex and uncertain regulatory environment, effective November 26, 2018 CBR Project discontinued operations.

## 2. Core Business

Nubeva develops and licenses software to enable the decryption of network traffic. Our patented and award-winning Symmetric Key Intercept technology delivers an industry breakthrough capability for cybersecurity and application monitoring products that need to inspect TLS encrypted traffic.

Nubeva licenses its technology primarily to manufacturers of cybersecurity systems such as next-generation firewalls, intrusion detection and protection systems as well and manufacturers of application monitoring, troubleshooting, and reporting systems. For these companies, Nubeva’s technology enables their products to inspect encrypted network traffic better than before – specifically to see into more traffic, with superior price-performance, and with far greater simplicity than prior methods. Nubeva also markets its technology to large scale and mature enterprises directly, allowing these organizations to enable their existing and new investments with more efficient encryption either to extend their existing lifespan or to simplify and reduce costs of new systems and environments.



### Background

For enterprises today, nearly all digital communications are encrypted between computers and services. This is true for private datacenters with private networks as well as for internet and cloud operations. The most common form of encryption is TLS (formerly known as SSL, signified in web browsers as HTTPS). There are many reports stating that well over 80% of all network traffic is TLS encrypted. It is often considered the first-line-of-defense for cybersecurity as well as privacy. And as such, the TLS protocol standards have continued to evolve and mature to its latest, most secure version TLS 1.3.

But enterprises also have an imperative to inspect their data-in-motion to detect and protect for cyber threats moving between computers and services and well as to monitor and troubleshoot networked applications and services. Therefore, most businesses are caught between the opposing and increasing forces of increased security and privacy of modern TLS and the demand for network visibility and inspection.

Historically there have been three technical methods employed to decrypt TLS traffic – man-in-the middle, session termination, or passive intercept. Each method has its own pros, cons and use cases. These methods are embedded as enabling features to decrypt traffic or they are offered in dedicated decryption infrastructures. However, these methods were introduced well over 10 years ago. As TLS standards have matured, and with the rapid adoption of cloud computing (public, private, and hybrid), and with the

continued complication of increasing scale and network traffic volume, these methods are showing their age with growing list of shortcomings including performance, cost, complexity of implementation and operation, and the ability to even function for certain protocol and applications. For example, as adoption of the newer TLS 1.3 increases, nearly all methods struggle with slow performance, gaps in ability, and in the case of passive intercept-based systems, complete loss of visibility, rendering those systems obsolete.

For end users, those limitations represent costly disruptions or the end-of-life for existing investments in systems and the downstream processes which depend on the visibility they produce. Enterprises are left with fewer and fewer alternatives from systems that cost more to buy and operate with reduced capability. Alternatively, enterprises may elect not to perform decrypted inspection, accepting the risk of costly modern cyber threat and the escalated costs to support and troubleshoot applications. For the solution providers, the limitation represents growing holes in their offerings in both functionality and performance. Their products either do not work, or the cost for customers to implement, due to poor price/performance, is becoming prohibitive, thus creating significant market hurdles that dampen growth. As an example, as reported by Gartner, a next-gen firewall running full man-in-the-middle decryption for deep packet inspection and protection performs on average at less than 20% of its stated capacity. The result, very few customers will pay 5x for more capacity, instead opting to turn off the capability and expose their companies to risks and higher operational costs for detecting, protecting and responding to problems after the fact.

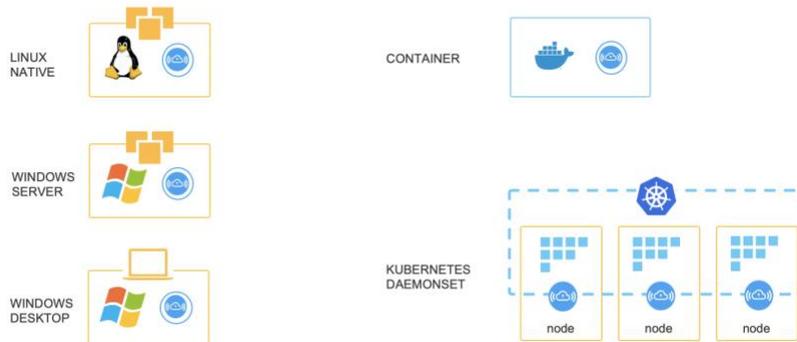
### The Nubeva Solution

Nubeva solves this critical industry need with a new method for decrypting TLS traffic to enable full packet data inspection. Launched in June, 2019 the method is called symmetric key intercept (SKI). At its heart, Nubeva is perfecting and delivering a way to learn and extract the encryption secrets (keys) for each network session in realtime from the working memory of computer clients or servers of that connection. And to make those keys available to decryption systems and tools to enable better, faster, easier and hence, lower cost decrypted visibility of network traffic.

For example, an enterprise application server may serve 1,000 clients' laptops. Each client-server connection (session) has a unique, temporary key that is negotiated between the client and server for that session. In this case the server holds 1,000 keys for each of those sessions and each client holds the key for just its session. Nubeva has create sophisticated and proprietary “sensors”, next-generation agent software that is run on either end of an encrypted connection (in this case, say the server) that monitors encryption/decryption processes in memory. Using advanced TLS signatures Sensor can find and copy session keys from memory as they are created. With session keys (a.k.a. symmetric keys) in hand, systems and tools can decrypt network traffic with simple, commoditized, high performance symmetric decryption that is built into the hardware of nearly every computer chip.

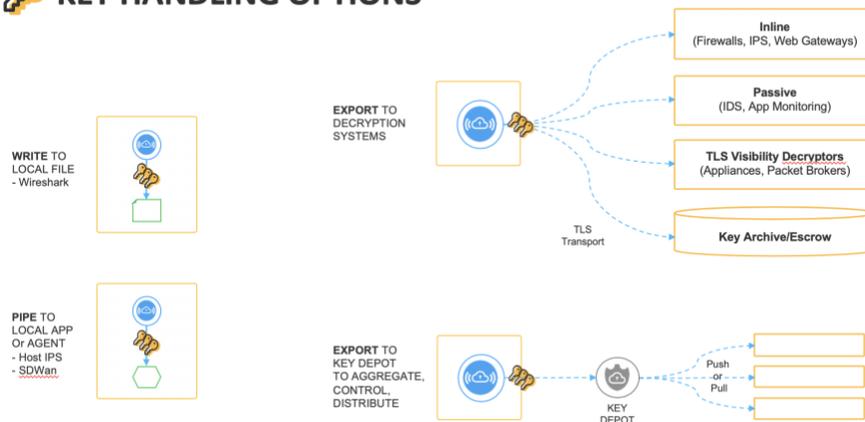
Nubeva can learn and extract keys from most common Linux and Windows clients and servers, as well as from containerized environments such as Docker and Kubernetes. Nubeva sensors work for every protocol from SSL 3.0 to the latest TLS 1.3, using most standard libraries, and is extensible to other emerging and futures protocols such as SSH, QUIC, TDLS, DoH, and DoT. Nubeva sensors work in datacenters or cloud and for client or server side connections. They do not require changes to systems or applications or involvement of server certificates or private keys. Sensors have been benchmarked to extract 100% of all keys a server can generate in less than 200 microseconds, while using less that 1% of 1 CPU core on a computer and less than 30Mb of memory. Sensors ultimately represent a low impact, highly reliable, “memory probe” to harvest keys to enable decryption systems to see into traffic. Other platforms such as Android, MacOS and IOS are being researched and/or developed.

## KEY SENSORS – SUPPORTED PLATFORMS



Nubeva sensors can securely forward keys to local files or applications running on the computer itself or can be forwarded over networks to security and application devices. They can also be stored in secure archives to enable after-the-fact forensic analysis of events or lawful intercept and investigation requests.

## KEY HANDLING OPTIONS



## Nubeva Advantages

For inline systems (i.e. firewalls, intrusion prevention systems, etc.) SKI enables:

- Seeing into traffic that you normally can't (e.g. pinned certificate traffic such as Office365, Dropbox)
- Decrypting at 5-10x better performance (e.g. full packet inspection at line-rates, vs. 80% degradation)
- Dramatically simplifying configuration and maintenance (e.g. no certificate or exception and exclusion management)

For passive systems (i.e. out of band monitoring systems such as IDS's, application monitors, recorders) SKI enables:

- Decryption of modern protocols (e.g. TLS 1.3 and other PFS/ECDHE based protocols used widely today)
- Elimination of handshake replays to regenerate session keys

- Elimination of Certificate management

## Products

Nubeva delivers Symmetric Key Intercept to the market with several products:

**Sensors:** Nubeva offers source and binary code for license along with subscription services to signatures. This product is described above.

**Decryptors:** Nubeva offers a general purpose, high performance, pure symmetric decryptor in the form of a container. The Decryptor, which can directly read in symmetric keys and use accelerated decryption on computer chips, enables tool vendors to quickly add support for symmetric keys to their systems. It also enables end-users to stand up low cost, scalable decryption infrastructure.

**Prisms:** Nubeva patented and industry recognized packet capture and mirroring is offered as a complementary utility to acquire the traffic for decryption when infrastructure taps, mirrors, and packet brokering isn't available (some clouds and in container environments) or when it is cost prohibitive.

**Misc. Utilities:** Nubeva has a growing suite of reference software pieces to help its customers evaluate, test, and implement Nubeva sensors and decryptors. These are offered at no charge to simplify and accelerate adoption and integration of Nubeva technology.

## Competition

Nubeva's fundamental approach of capturing keys is not a new concept. It is widely used in by developers to debug and troubleshoot applications in micro scale. However at the date of this MD&A, Nubeva is the only company that has taken this strategy and delivered it into an commercial system for enterprise use complete with security, scaling, reliability and ease and who has expanded its coverage across the broad domain of clients and servers, cloud and datacenter, and for nearly every protocol.

Extrahop, a network and cyber security system manufacturer has employed a subset of this technique in its Reveal(s) product with great success. However, compared to Nubeva it, offers a small subset of capability, functionality and performance is built to serve Extrahop's product only, versus to provide a solution to serve all technologies in the industry or that an enterprise may have.

## Go-To-Market

Nubeva's primary market is with the manufacturers and providers of security and application monitoring tools where SKI helps their products deliver more value to customers. Nubeva offers three programs to these companies:

- **Sell To: OEM Licensing** – Source code and binary licensing of SKI technologies (sensors and/or decryptors) to offer as their own product. Each program is customized to align to the companies pricing-to-customer model and consists of annual licensing fee and/or royalties for units sold to and used by their customers.
- **Sell Through: Resale** – The resale of Nubeva product to enable a total solution offering to their customers on single buying contracts.
- **Sell With: Marketing Alliances** – Joint marketing and sales programs where Nubeva is referred into end users to complement or solve problems to facilitate the company's product selection and/or adoption.

Nubeva currently leverages sales and marketing with and through larger and more mature companies with established brands, customer footprints, and sales organizations. It is believed this method can deliver a lower cost of sale envelope that can be passed on to OEMs (Original Equipment Manufacturers) and end user customers to further accelerate adoption.

### 3. Overall Performance

#### Operations subsequent to April 30, 2020 and up to the date of this MD&A

Subsequent to the year ended April 30, 2020, Nubeva took significant strides in establishing its market by licensing Symmetric Key Intercept to a world leading cyber security company. Although this contract is not reflected in the Company's year end numbers, Nubeva has entered its 2021 fiscal year with a significant revenue contract. Further Nubeva has entered into an agreement with Riverbed Technologies to integrate SKI with Riverbed's SteelCentral AppResponse software. Nubeva continues to focus on licensing opportunities as well as partnerships and reseller arrangements.

#### Operations for the Year Ended April 30, 2020

During the year ended April 30, 2020, the Company introduced Symmetric Key Intercept ("SKI"), to provide scalable out of band decryption of network traffic. SKI is highly sought after by cybersecurity companies requiring visibility of network traffic to feed security tools. Subsequent to April 30, the Company licensed its SKI software to a global leader in cyber security and received an initial payment of \$1 million. Also, during the year Nubeva continued adding feature sets to its Nubeva Prisms software to provide for a greater number of use cases to increase adoption.

During the year ended April 30, 2020, and up to the date of this MD&A, Nubeva achieved the following milestones:

#### **Product Development**

- **In May 2020** Nubeva received U.S. Patent No. 10,530,815 B2 Seamless Service Updates for Cloud-Based Security Services. The patent acknowledges Nubeva's innovation in techniques for providing flexible and extensible enterprise security systems and enabling scalable cloud-based security services.
- **In April 2020** the Company launched a new Quick Start for Nubeva TLS Decrypt on Amazon Web Services (AWS). The Quick Start simplifies how security and application monitoring teams deploy Nubeva TLS Decrypt and provides complete visibility into modern encryption.
- **In March 2020** the Company announced support for modern endpoint-based decryption. SKI allows organizations to offload decryption from proxy-based systems to allow full visibility with improved speed, performance and reduced cost. The solution enables security teams to monitor traffic at endpoints including Linux, Microsoft Windows and Macintosh operating systems, Google Suite Collaboration and Productivity Apps, and pinned certificate-based applications like Dropbox.
- **In November 2019** Nubeva released new cloud formation templates that enable open source monitoring and analytics tools to see fully decrypted packet traffic in public and private clouds when paired with SKI. The free-to-use Nubeva Cloud Tool templates launch a cloud-ready, scalable, resilient and AWS Well-Architected environment that includes the commonly used open source network monitoring solutions Moloch, Suricata, Zeek, Wireshark and ntop.

- **In September 2019** Nubeva announced network decryption support of container and Kubernetes workloads hosting encrypted applications in public and private clouds.
- **In August 2019** Nubeva expanded its next-generation TLS Decryption solution, SKI, to support Windows Channel as well as expanded Linux flavors and to support private and hybrid cloud deployments in addition to public cloud.
- **In June 2019 Nubeva launched** its SKI and announced its availability on Amazon Web Services (AWS) to work with Amazon Virtual Private Cloud (Amazon VPC) traffic mirroring. Also, in June 2019, Nubeva filed provisional patent 62/864411 with respect to this proprietary software.
- **In May 2019** Nubeva launched its NetFlow (IPFIX) service.

## Relationships

- **In July 2020** Nubeva announced a seven figure multi-year license agreement with a ~\$10 billion market cap global leader in cybersecurity solutions. The agreement, under which Nubeva received a \$1 million initial payment, allows for the license of Nubeva's Symmetric Key Intercept solution.
- **In June 2020** Nubeva entered into an agreement with **Riverbed Technologies**, a provider of software and hardware focused on network and application performance monitoring and network optimization. Riverbed's SteelCentral AppResponse integrated with Nubeva's Symmetric Key Intercept TLS (SSL) visibility technology is now commercially available. The agreement enables AppResponse customers to dramatically improve visibility into their encrypted application traffic of critical applications using Nubeva's system for enabling decrypted visibility of network traffic.
- **In March 2020** the Company provided Nubeva Prisms to a *Fortune* 500 financial investment firm. The investment firm, with trillions in managed assets, will use Nubeva SKI to capture and decrypt traffic, enabling their security teams and tools to see deeper and wider in their networks.
- **In June 2019** Nubeva Prisms Decryption became available on Amazon Web Services (AWS) to work with Amazon Virtual Private Cloud (Amazon VPC) traffic mirroring, announced at AWS re:Inforce 2019 on June 25 in Boston. Amazon VPC traffic mirroring allows end users to gain insight into the network traffic across their Amazon VPC infrastructure for content inspection and threat monitoring. With this feature customers can copy network traffic in their Amazon VPC's and send it to their security and monitoring tools.

Also, in June, Nubeva was named an Advanced Technology Partner in the Amazon Web Services (AWS) Partner Network (APN). Those in the APN assist customers to better design, architect, secure, migrate and manage cloud solutions on AWS.

- **In May 2019** the Company entered into a technology agreement with Flowmon to create a solution that allows for cloud traffic visibility and enhances cloud infrastructure into the monitoring ecosystem. With this agreement in place, Flowmon customers can get mirrored traffic or NetFlow (IPFIX) telemetry data, extending FlowMon's capabilities to the public cloud.

## Industry recognition

- **In April 2020** Nubeva was profiled by Corporate Vision Magazine as California's most outstanding cloud security startup to watch in 2020.
- **In October 2019** Nubeva received the 2019 Stratus Award from the Business Intelligence Group. The Business Intelligence Group identifies the companies, products and people offering unique solutions that take advantage of cloud technologies. Nubeva was recognized as the Stratus Award "Cloud Disruptor."
- **In September 2019** Nubeva received a 451 Firestarter award from leading technology research and advisory firm 451 Research. The award recognizes Nubeva's innovative contribution to the technology industry. 451 Research's Firestarter program recognizes exceptional innovation within the information technology industry. Introduced in 2018, and awarded quarterly, the program is exclusively analyst-led, allowing its team of technology and market experts to highlight organizations they believe are significantly contributing to the overall pace and extent of innovation in the technology market.

## Discontinued Operations

During the year ended April 30, 2019 the Company discontinued operations of its Singapore subsidiary, CBR Project, which had been established to provide cybersecurity technology outside of North America through the development of a token network. Due to the broad based and continued softening of the ICO marketplace, compounded by a complex and changing regulatory environment, the Company decided to terminate CBR Project. The cancellation of the ICO and dissolution of CBR Project resulted in a gain in the year ended April 30, 2019 amount of \$881,801 primarily due to the write off of deferred revenue. CBR Project's cancellation of the token offering, and the reimbursement of presales, which was refunded in digital currency, did not affect Nubeva's cash position.

## Financing

The Company completed no financing transactions during the year ended April 30, 2020. For the prior year, on October 15, 2018, the Company completed a private placement and swap transaction whereby Randy Chou, the CEO of the Company, sold 5,161,290 common shares of his personal holdings under the facilities of the TSX Venture Exchange, at a price of CAD\$0.775 per share on October 12, 2018 and subscribed for 1,935,483 restricted voting common shares of the Company at a price of CAD\$0.775 per share, for gross proceeds to the Company of CAD\$1,500,000 on October 15, 2018. The restricted voting common shares were subject to a four-month hold. The net proceeds after share issuance cost was \$959,156. Immediately prior to closing the private placement and swap, Mr. Chou converted 164,516 Restricted Voting Shares into common shares.

## 4. Future Plans and Outlook

### Trends

As more enterprises adopt better encryption practices, cyber criminals are using the benefits of encryption to evade detection, essentially using encrypted traffic as a cover for their malware. As legitimate encryption increases it is anticipated that the threat will increase.

Due to the rising severity of cyber-crimes coupled with the rapid adoption of cloud computing, it is anticipated that the demand for cloud security solutions will increase over the next few years. Gartner

Research, in an August 2018 report, predicted that security as a service is on the way to surpassing on-premises deployments and that cloud-delivered security is becoming the preferred delivery model for a number of technologies.

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

Not having true visibility into encrypted traffic is a deep concern. According to Venafi, 87% of CIOs believe their security defenses are less effective since they cannot inspect encrypted network traffic for attacks.

- Gartner estimates that over 80% of enterprises' web traffic was encrypted in 2019.
- Gartner predicts over 70% of malware campaigns in 2020 will use some type of encryption
- A CIO survey by Vanson Bourne found that 90% of organizations had experienced or expect to experience a network attack using SSL or TLS encryption during in 2020.

Due to the rising severity of cyber-crimes coupled with the rapid adoption of cloud computing, it is anticipated that the demand for cloud security solutions will increase over the next few years. As reported by Marketwatch in their January 2019, report, the cyber security market is anticipated to reach over \$269 billion by 2026. In 2017, the enterprise segment dominated the global market in terms of revenue.

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

## Plans

Nubeva is planning to perform the following activities during the year ending April 30, 2021:

Plans for fiscal 2021
(a) Continue development of Nubeva's SKI software to include new technologies and enhanced features.
(b) Expand sales capabilities to including: <ul style="list-style-type: none"><li>(i) Develop software licensing program</li><li>(ii) Enhance Brand Awareness Programs</li><li>(iii) Expand Alliance Partner Programs</li><li>(iv) Grow Cloud Provider and Platform Relationship and Programs (e.g. AWS, Azure, Google)</li><li>(v) Expand Reseller Channel</li></ul>

Progress on prior year plans:

Plans for fiscal 2020	Progress 2020
(a) Continue development of Nubeva's cloud visibility solutions to enhance current product offerings and to add complementary features and services to Nubeva Prisms.	The Company has released complementary features to enhance Nubeva Prisms' current product offerings and services, including increasing the scope of Nubeva Prisms to be employed in public and private clouds. Further, the Company developed and launched Symmetric Key Intercept.
(b) Implement an intellectual property plan to ensure the protection of Nubeva's proprietary software.	Two patents applications filed during the year and two patents awarded.
Expand sales capabilities to including:	
(i) Enhance Direct Marketing and Brand Awareness Programs	The Company continued to build and develop sales capabilities and channels.
(ii) Expand Alliance Partner Programs (companies whose products, markets or selling opportunities are enhanced because of Prisms)	The Company continued to expand its alliance partner programs during the year.
(iii) Grow Cloud Provider and Platform Relationship and Programs (e.g. AWS, Azure, Google)	During the fourth quarter the Company revised its plan for sales including the addition of a licensing program for cyber security companies and resellers.
(iv) Expand Reseller Channel	

## 5. Summary of Annual Results

Annual results for the years ended April 30, 2020, 2019 and 2018 are as follows:

Income Statement Data	Year ended April 30, 2020	Year ended April 30, 2019	Year ended April 30, 2018
Revenue	\$ 157,710	\$ 846,378	\$ 707,513
Expenses	(4,025,800)	(3,577,085)	(2,441,743)
Other Items			
Fair value gain (loss) on digital currencies	10,832	(1,323,336)	-
Listing expense	-	-	(1,130,319)
Fair value loss on debt	-	-	(1,451,152)
Government assistance	29,411	-	-
Other income (loss)	44,336	(3,918)	(85,751)
Net loss for the period, continuing operations	<b>\$ (3,783,511)</b>	<b>\$ (4,057,961)</b>	<b>\$ (4,401,452)</b>
Net loss from discontinued operations	-	(356,619)	(527,847)
Gain on wind-up of subsidiary	-	881,801	-

<b>Income Statement Data (continued)</b>	<b>Year ended April 30, 2020</b>	<b>Year ended April 30, 2019</b>	<b>Year ended April 30, 2018</b>
Foreign currency translation adjustment	(42,036)	(49,877)	(37,436)
<b>Net and comprehensive loss</b>	<b>\$ (3,825,547)</b>	<b>\$ (3,582,656)</b>	<b>\$ (4,966,735)</b>
Earnings (loss) per share, discontinued operations – basic and diluted	\$ (0.00)	\$ 0.01	\$ (0.01)
Loss per share – basic and diluted, continuing operations	\$ (0.07)	\$ (0.07)	\$ (0.09)
Weighted average number of common shares	55,895,594	54,576,127	47,949,167

(1) Results from discontinued operations have been reclassified.

### Revenue and Gross Margin

	<b>Year ended April 30, 2020</b>	<b>Year ended April 30, 2019</b>	<b>Year ended April 30, 2018<sup>(1)</sup></b>
Subscriptions	\$ 157,710	\$ 110,378	\$ 147,250
Software and services	-	736,000	506,263
Professional and customization services	-	-	54,000
<b>Totals</b>	<b>\$ 157,710</b>	<b>\$ 846,378</b>	<b>\$ 707,513</b>

(1) Results from discontinued operation have been reclassified

During the year ended April 30, 2020, Nubeva's revenue was derived from United States resellers of Nubeva Prisms. During the prior year ended April 30, 2019, Nubeva earned 83% of revenue from the limited license of its StratusEdge block chain technology for open source use. The remaining 17% of Nubeva's revenues were derived from sales to customers in the United States for software and SaaS related activities related to its core business. It is anticipated that the United States will be the Company's primary market in the next twelve months.

Subsequent to April 30, 2020 the company entered into a license agreement for its Symmetric Key Intercept software, which included a \$1 million up front payment.

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

### Expenses

Expenses for the year ended April 30, 2020 grew by 13% over the prior year largely due to an increase in research and development costs. Research and development costs increased by \$592,722 or 57% over 2019 primarily due to the accrual of tax credits. Sales and marketing costs increased by \$191,511 or 16% over the prior year due to an increase in personnel, offset by a reduction in marketing costs. These increases were partially offset by a decrease in general and administrative costs of \$99,712 and a decrease in share-based compensation of \$235,806.

(i) General and administrative expense

General and administrative expense decreased by 11.7% over the prior year due to a reduction in investor relations costs and due to a reduction in costs for tax preparation.

(ii) Research and development expense

The Company reports research and development expense net of refundable tax credits. Net research and development costs for the year were \$1,960,334 before refundable tax credits in the amount of \$324,721, compared with \$1,556,152 for the prior year, before refundable tax credits of \$513,261. Tax credits in the current year related to 12 months ending April 30, 2020. In the prior year, the Company recognized refundable tax credits for the 22 months ended April 30, 2019.

(iii) Sales and marketing expense

Sales and marketing activities increased by 16% over the prior year due to the Company's focus on sales and marketing in accordance with its plans. Personnel costs increased by 44% over the prior year.

(iv) Share-based compensation expense

Stock based compensation expense for the year ended April 30, 2020 decreased over the prior year. These non-cash expenditures are a function of the implementation of the methodology used for calculating share based payment values, and a direct result of stock options vested.

(v) Other items

During the year ended April 30, 2020, the Company reported other income of \$84,579, comprised of interest income in the amount of \$52,628, government assistance of \$29,411, a fair value gain on digital currencies of \$10,832, and other income of \$15,446 partially offset by foreign exchange losses of \$23,738.

Discontinued Operations and Loss on Digital Currency

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

Operations for the years ended April 30, 2019 and 2018 have been adjusted on the statement of comprehensive income and loss to reclassify the results of the discontinued operation into one line. The discontinued operation which commenced in fiscal 2018 had no operations during the current year ended April 30, 2020. Operating results of the discontinued operation are as follows:

CBR Project Pte Ltd. Discontinued Operations		
Operating information:	Year ended April 30, 2019	Year ended April 30, 2018
Revenue	\$ 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)

## 6. Quarterly Highlights

For the quarters ended:

	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018 <sup>(1)</sup>	July 31, 2018 <sup>(1)</sup>
Revenue	\$ 39,926	\$ 40,117	\$ 38,511	\$ 39,156	\$ 36,628	\$ -	\$ 104,520	\$705,230
Total expenses	1,148,899	941,445	997,749	940,641	668,753	1,114,929	797,530	995,923
Fair value gain (loss) on digital currencies	(2,266)	494	(2,901)	15,505	9,365	(1,332,701)	-	-
Gain on wind-up of discontinued operations	-	-	-	-	11,667	870,134	-	-
Income (loss) from discontinued operations	-	-	-	-	(28,9436)	(937,309)	(27,697)	637,852
Other gain (loss)	46,535	6,930	8,469	14,747	86,050	(27,324)	(5,988)	37,478
<b>Net comprehensive income (loss)</b>	<b>\$ (1,090,357)</b>	<b>\$ (910,721)</b>	<b>\$ (953,670)</b>	<b>\$ (870,799)</b>	<b>\$ (668,200)</b>	<b>\$ (2,584,374)</b>	<b>\$ (714,719)</b>	<b>\$384,637</b>

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

Revenue for the most recent four quarters were generated from reseller subscriptions. Sales reported for previous quarters were derived primarily from software licenses and related services. Subsequent to April 30, 2020, the Company entered into a license agreement for which it received a \$1 million initial payment.

Total expenses for the most recent quarter of \$1,148,899 were \$1,243,338 before refundable tax credits of \$94,439 relating to the quarter. Total expenses for the preceding quarter of \$941,445 were \$1,010,225 before refundable tax credits of \$68,780. After eliminating the effect of tax credits, operating expenses increased from the preceding quarter by 23% primarily due to year end bonuses accrued in the amount of \$286,230.

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

## 7. Summary of Financial Position

The Company's financial position as at April 30, 2020 compared with the Company's financial position as at April 30, 2019 and April 30, 2018 is as follows:

<b>Balance Sheet Data</b>	<b>April 30, 2020</b>	<b>April 30, 2019</b>	<b>April 30, 2018</b>
Current and total assets	\$ 2,284,976	\$ 5,498,011	\$ 7,805,392
Current liabilities	\$ 837,773	\$ 536,759	\$ 699,987
Accumulated deficit	\$ (12,960,121)	\$ (9,176,892)	\$ (5,671,017)
Total Equity	\$ 1,344,790	\$ 4,961,252	\$ 7,105,405

Assets as at April 30, 2020 decreased by \$3,213,035 over assets as April 30, 2019 due mainly to a decrease in cash and marketable securities of \$2,903,289. The decrease in cash was due primarily to operating activities. Cash and marketable securities also decreased by \$42,036 due to the effect of foreign currencies. As at April 30, 2020 and 2019 the Company had cash and marketable securities comprised as follows:

	<b>April 30, 2020</b>	<b>April 30, 2019</b>	<b>April 30, 2018</b>
Cash and marketable securities			
Cash	\$ 605,901	\$ 276,170	\$ 7,501,346
Money market funds	1,267,474	2,313,342	-
U.S. Treasury bills, Maturing between 07/18/2019 and 08/08/2019.	-	2,187,152	-
Total	\$ 1,873,375	\$ 4,776,664	\$ 7,501,346

During the year ended April 30, 2020 the Company had digital currencies in the amount of \$28,354 which increased by \$10,832 during the year. During the year ended April 30, 2019 the Company had received digital currencies in the amount of \$3,097,173 of which digital currencies in the amount of \$815,330 were distributed on the dissolution of CBR Project and a further \$2,188,750 were written off, resulting in no impact on cash.

Current liabilities increased by \$301,014 from current liabilities at April 30, 2019. The increase is due to the current portion of government loans of \$234,228 received in 2020 as well as an increase of \$186,081 in executive bonuses accrued for the 2020 fiscal year. These increases were partially offset by a decrease in accounts payable outstanding at April 30, 2020.

## Use of Proceeds

The Company raised net proceeds of \$7,802,209 from the issuance of common shares in connection with the RTO Transaction set out in paragraph 3. The following table sets the actual capital available upon closing the RTO transaction together with the private placement on February 28, 2018.

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

The following table sets out the estimated use of proceeds stated as at February 28, 2018 and the actual use of proceeds to April 30, 2020.

	Estimated use of proceeds to August 31, 2019	Actual use of proceeds to April 30, 2020
Engineering and design	\$ 2,150,000	\$ 2,921,362
Sales and marketing	2,200,000	2,661,977
Operations and administration	2,450,000	1,611,740
General working capital	1,099,070	607,130
<b>Use of proceeds</b>	<b>\$ 7,899,070</b>	<b>\$ 7,802,209</b>

## Liquidity and Capital Resources

Until Nubeva earns an operating surplus, it is reliant on its ability to raise capital in order to settle its debts as they come due. At April 30, 2020, Nubeva had a working capital surplus of \$1,447,203 (April 30, 2019 – \$4,961,252). Nubeva has no long-term commitments.

As at April 30, 2020, Nubeva had cash and marketable securities of \$1,873,375, a decrease of \$2,903,289 compared to cash at April 30, 2019 of \$4,776,664. The Company used \$3,199,550 of cash for operations during the year ended April 30, 2020.

The Company received \$2,019 for exercise of stock options and \$Nil for the exercise of warrants.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in these financial statements, at April 30, 2020, Nubeva has an accumulated deficit of \$12,960,121 (April 30, 2019: \$9,176,892) and negative cash flows from operating activities of \$3,199,550 (April 30, 2019 -\$3,670,073). The Company had a working capital surplus of \$1,447,203 (April 30, 2019 - \$4,961,252). The available working capital as at the date of this MD&A is estimated to be adequate to finance Nubeva's planned operations over the ensuing eight months.

## 8. Related Party Transactions

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

	Year ended April 30, 2020	Year ended April 30, 2019
Salary	\$ 852,332	\$ 733,298
Bonus	288,188	102,107
Board services	55,700	56,800
Share-based compensation	84,797	354,202
	\$ 1,281,017	\$ 1,246,407

Bonuses in the amount of \$288,188 were awarded with respect to the year ended April 30, 2020 and are due and payable. Related parties agreed to postpone payment of such bonuses under postponement agreements which established release criteria including minimum working capital and certain prospective corporate events. During the year ended April 30, 2019, bonuses in the amount of \$102,107 were accrued and paid subsequent to the end of the year.

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

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

## 9. Off-Balance Sheet Arrangements

As at April 30, 2020, Nubeva did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Nubeva, including, and without limitation, such considerations as liquidity and capital resources.

## 10. Significant Accounting Policies

### *Basis of Consolidation*

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

## *Revenue Recognition*

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

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

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

We generate revenue from several sources:

- i Subscriptions. Sales of subscriptions to access our cloud platform, together with related support services to our customers. Customers are not granted the right to take control of our cloud software, but they are provided with access to our cloud platform over a period of time. Revenue is generally recognized over the contractual period on a straight-line basis. The typical subscription and support term is one year, non-cancellable and is payable in advance. With the launch of Nubeva Prisms, Nubeva will offer subscription terms from monthly contracts, automatically renewing and payable in advance to prepaid subscriptions with contract terms of between one to three years.
- ii Software and services. Revenue from software and services arrangements is recognized over the contract term, commencing when the software is available for use. Revenue for software licenses with no further obligations to the Company are recognized upon transfer of the software.
- iii Professional and customization services. Revenue from professional and customization services is recognized as earned, based on performance according to specific terms of the contract or on the basis of the percentage of completion method where the revenue is reconcilable to services performed as a proportion of total services to be completed.
- iv Multiple services. Contracts with customers that contain multiple services consisting of (i) subscription and support services and (ii) professional and other services that are distinct and accounted for separately. The transaction price is allocated to the separate performance obligations on a relative SSP basis. We determine SSP based on our overall pricing objectives, taking into consideration the type of subscription and support services and professional and other services, the geographical region of the customer and the number of users.
- v Token sales and token pre-sales. During the year ended April 30, 2019 the Company entered into agreements to issue tokens that were expected to trade on a token network outside Canada and the United States. Revenue from such contracts was recognized at such time that the consideration had been received and a benefit had been provided to the purchaser. Effective November 26, 2018 the Company cancelled the token network project.

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

### *Research and Development*

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

Nubeva is eligible to receive tax credits from its eligible research and development expenditures. Nubeva records the anticipated tax credits as a reduction in the costs to which they apply, at such time that the amount of tax credits is estimable, and their receipt is reasonably assured. As at April 30, 2020 Nubeva had estimated tax credits receivable of \$242,858 (April 30, 2019 - \$513,261).

### *Share-Based Payments*

At April 30, 2020 the Company has reserved for issue 11,100,000 common shares under all compensation arrangement, of which 7,500,000 were allocated to the Company's fixed option plan and 3,600,000 were allocated to the Company's Restricted Share Unit Plan.

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

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

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

### *Provisions*

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

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

### *Foreign Currencies*

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

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

### *Digital Currency*

Digital currency is measured at fair value on the statement of financial position, with value changes recognized in profit or loss. During the year ended April 30, 2019 the Company reported a loss on write off of tokens in the amount of \$1,323,336 as it determined that there is no viable market for the digital currency because the token network on which it was traded ceased to operate. At April 30, 2020, the Company reported digital currency in the amount of \$28,354 (April 30, 2019 – \$17,522) representing the remaining balance of digital currency.

### *Earnings or Loss per Share*

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

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

### *Leases*

Effective May 1, 2019 the Company adopted IFRS 16 – Leases.

### *Comprehensive Income or Loss*

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

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

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 statements.

## **11. Share Capital**

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

- (i) 56,340,376 common shares issued and fully paid;

- (ii) 14,770,967 Restricted Voting Common Shares issued and fully paid;
- (iii) 5,074,442 stock options with a weighted average exercise price of CAD \$0.24;
- (iv) 108,283 restricted share units granted at a price of \$0.41; and
- (v) 21,875 restricted shares units granted at a price of \$0.075.

Pursuant to the RTO, 13,000,000 Restricted Voting Common Shares and 20,696,775 common shares were subject to escrow conditions. The escrowed shares were to be released in four equal installments, the first upon closing of the RTO and the remainder every six months thereafter. At the date of this MD&A there remain 14,770,967 Restricted Voting Common Shares and no common shares held in escrow.

## **12. Risk Factors**

### *Going Concern Assumption*

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

### *Access to Capital*

From time to time, Nubeva may need additional financing, including funding potential acquisitions. Its ability to obtain additional financing, if and when required, will depend on investor demand, Nubeva's operating performance, the condition of the capital markets, and other factors. To the extent Nubeva draws on its credit facilities, if any, to fund certain obligations, it may need to raise additional funds and Nubeva cannot provide assurance that additional financing will be available to it on favorable terms when required, or at all. If Nubeva raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of Nubeva's Common Shares, and existing shareholders may experience dilution.

### *Key Personnel*

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

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

### *Intellectual Property*

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

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

### *Risk of cyber-attack*

Nubeva devotes significant resources to continually updating its software and developing new products, and its financial performance is dependent in part upon its ability to bring new products and services to market. Nubeva's customers use its software to monitor their assets and rely on Nubeva to provide updates and releases as part of its software maintenance and support services. The security of Nubeva's information technology environment is therefore important to its research and development initiatives, and an important consideration in its customers' purchasing decisions. If the security of Nubeva's systems is impaired, its development initiatives might be disrupted, and it might be unable to provide service. Nubeva's customer relationships might deteriorate, its reputation in the industry could be harmed, and it could be subject to liability claims. This could reduce Nubeva's revenues, and expose it to significant costs to detect, correct and avoid any breach of security and to defend any claims against it.

### *Licensing from third parties.*

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

### *Information technology systems.*

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

destruction or corruption of data, security breaches, or other manipulation or improper use of Nubeva's systems and networks.

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

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

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

*Reliance on third party networks.*

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

*Branding*

Nubeva believes that the Nubeva Prisms brand, launched during the year ended April 30, 2019, will significantly contribute to the success of its business. Nubeva also believes that maintaining and enhancing its own brands, in particular the Nubeva Prisms brand, is critical to expanding its base of users. Many of its new users are referred by existing users, and therefore strives to ensure that users remain favorably inclined towards Nubeva Prisms. Maintaining and enhancing the Nubeva Prisms brand will depend largely on Nubeva's ability to continue to provide useful, reliable, trustworthy, and innovative products, which it may not do successfully. Nubeva may introduce new products or terms of service that users do not like, which could adversely affect Nubeva's business and financial results.

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

*Ability to continue product development*

Nubeva's success depends upon its ability to design, develop, test, market, license and support new software products, services, and enhancements of current products and services on a timely basis in response to both competitive threats and marketplace demands. The software industry is increasingly focused on cloud computing, mobility, social media and SaaS among other continually evolving shifts. In addition, Nubeva's software products, services, and enhancements must remain compatible with standard platforms and file formats. Often, Nubeva must integrate software licensed or acquired from third parties with its proprietary

software to create or improve its products. If Nubeva is unable to achieve a successful integration with third party software, it may not be successful in developing and marketing its new software products, services, and enhancements. If Nubeva is unable to successfully integrate third party software to develop new software products, services, and enhancements to existing software products and services, or to complete the development of new software products and services which it licenses or acquires from third parties, its operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, Nubeva's operating results will materially suffer. Moreover, if new industry standards emerge that Nubeva does not anticipate or adapt to, or with rapid technological change occurring, if alternatives to its services and solutions are developed by its competitors, its software products and services could be rendered obsolete, causing it to lose market share and, as a result, harm its business and operating results, and its ability to compete in the marketplace.

#### *Failure to attract customers*

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

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

#### *Economic conditions*

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

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

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

## *COVID-19*

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). We continue to operate our business from remote work sites and are 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 our business operations, including the duration and impact on our future operations cannot be reasonably estimated. At this time, we are unable to determine the extent of the impact on our business and our ability to secure financing in fiscal 2021.

## *Evolving domestic and foreign laws and regulations*

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

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

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

## *Competition*

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

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

Some of Nubeva's current and potential competitors have significantly greater resources and hold advantageous competitive positions in certain market segments than Nubeva currently holds. These factors may allow Nubeva's competitors to respond more effectively than Nubeva to new or emerging technologies and changes in market requirements. Nubeva's competitors may develop products that are similar to Nubeva's or that achieve greater market acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. Certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against Nubeva. As a result, Nubeva's competitors may acquire and engage users of Nubeva's current products at the expense of the growth or engagement of its user base, which could adversely affect Nubeva's business and financial results.

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

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

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

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

*Reliance on Customers.*

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

*Reliance on Partners*

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

*Public company requirements*

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

*The price of the securities of Nubeva may fluctuate*

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

### *The may issue additional equity securities*

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

### *Asset Location and Legal Proceedings.*

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

### *Credit Risk*

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

### *Liquidity Risk*

Liquidity risk is the risk that Nubeva will not be able to meet its financial obligations as they fall due. Nubeva's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Nubeva's reputation. Nubeva manages liquidity risk by closely monitoring changing conditions in its investees, participating in the day to day management and by forecasting cash flows from operations and anticipated investing and financing activities.

As at April 30, 2020 the Company had cash and marketable securities of \$1,873,375 (2019 - \$4,776,664) to settle current liabilities of \$837,773 (2019 - \$536,759).

### *Investment Risk*

As at April 30, 2020, the Company's cash and money market instruments were comprised of cash in the amount of \$605,901, and money market funds in the amount of \$1,267,474. Cash and money market instruments at April 30, 2019 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.

Money market funds were comprised as follows:

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

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

### ***Foreign Currency Risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's sales are in US Dollars and although the majority of its operating expenses are denominated in US Dollars, a portion of general and administrative costs are denominated in Canadian Dollars and a portion of Research and Development costs are denominated in Australian Dollars exposing the Company to foreign exchange risk. The Company monitors its exposure to foreign exchange risk and converts any surplus funds to US Dollars to provide a natural hedge. The Company has not used any formal hedge arrangements.

As at April 30, 2020 and April 30, 2019, 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:

	<b>April 30, 2020</b>		<b>April 30, 2019</b>	
	Australian Dollars	Canadian Dollars	Australian Dollars	Canadian Dollars
Cash	\$ 45,111	\$ 59,645	\$ 29,230	\$ 114,199
Accounts receivable	21,005	1,335	5,394	12,521
Income tax receivable	241,458	-	513,261	-
Accounts payable and accrued liabilities	(88,146)	(128,358)	(152,230)	(85,740)
Term loan	-	(28,756)	-	-
<b>Total</b>	<b>\$ 219,428</b>	<b>\$ (96,134)</b>	<b>\$ 395,655</b>	<b>\$ 40,980</b>

Based on the above net exposures, as at April 30, 2020, a 10% change in the Canadian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$21,943 and a 10% change in the Australian Dollar to the US Dollar exchange rate would impact the Company's net gain or loss by \$9,613.

### **13. Commitments**

#### *Premises Lease*

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