

Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

March 31, 2023

(Expressed in Canadian Dollars)

kneat.com, inc.**Unaudited Condensed Interim Consolidated Statements of Financial Position***Expressed in Canadian dollars*

	March 31, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash	10,608,438	12,282,478
Amounts receivable (note 3)	12,806,725	8,914,980
Prepayments	1,217,401	931,856
	<u>24,632,564</u>	<u>22,129,314</u>
Non-current assets		
Amounts receivable (note 3)	1,845,598	1,104,624
Property and equipment (note 4)	7,741,313	7,807,042
Intangible asset (note 5)	21,539,103	19,364,904
	<u>29,126,014</u>	<u>38,276,570</u>
Total assets	<u>55,758,578</u>	<u>50,405,884</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	5,834,782	5,768,054
Contract liabilities (note 7)	18,731,815	10,617,142
Lease liabilities (note 9)	603,604	588,472
	<u>25,170,201</u>	<u>16,973,668</u>
Non-current liabilities		
Contract liabilities (note 7)	675,657	949,224
Lease liabilities (note 9)	6,459,143	6,503,041
	<u>7,134,800</u>	<u>7,452,265</u>
Total liabilities	<u>32,305,001</u>	<u>24,425,933</u>
Equity		
Shareholders' equity	<u>23,453,577</u>	<u>25,979,951</u>
Total liabilities and equity	<u>55,758,578</u>	<u>50,405,884</u>

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

Approved on behalf of the Board of Directors on May 9th, 2023.

/s/ "Ian Ainsworth"
Director

/s/ "Carol Leaman"
Director

kneat.com, inc.**Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss***Expressed in Canadian dollars*

	Three-month period ended Mar 31, 2023	Three-month period ended Mar 31, 2022
	\$	\$
Revenue (note 11)	7,964,908	5,199,602
Cost of revenue (note 12)	(2,591,609)	(1,928,815)
Gross profit	5,373,299	3,270,787
Expenses		
Research and development (note 12)	(3,863,685)	(2,509,282)
Sales and marketing (note 12)	(2,954,740)	(1,299,871)
General and administrative (note 12)	(1,905,882)	(1,133,235)
Operating loss	(3,351,008)	(1,671,601)
Interest expense	(54,945)	(64,351)
Interest income	1,933	750
Foreign exchange gain/(loss)	938,213	(1,691,058)
Loss before income taxes	(2,465,807)	(3,426,260)
Income tax expense (note 13)	(8,550)	-
Net loss for the period	(2,474,357)	(3,426,260)
Other comprehensive (loss)/ income		
Foreign currency translation adjustment to presentation currency	(565,416)	734,433
Comprehensive loss for the period	(3,039,773)	(2,691,827)
Loss per share – basic and diluted (note 17)	(0.03)	(0.04)
Weighted-average number of common shares outstanding - Basic and diluted	77,686,689	77,045,241

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

kneat.com, inc.**Unaudited Condensed Interim Consolidated Statements of Changes in Equity***Expressed in Canadian dollars*

	Number of Common Shares	Common Shares	Warrants	Contributed Surplus	Translation Reserve	(Deficit)	Total
	#	\$	\$	\$	\$	\$	\$
Balance – December 31, 2021	76,978,076	77,066,809	200,977	2,846,636	1,250,700	(47,178,277)	34,186,845
Net loss for the period	-	-	-	-	-	(3,426,260)	(3,426,260)
Other comprehensive income for the period	-	-	-	-	734,433	-	734,433
	-	-	-	-	734,433	(3,426,260)	(2,691,827)
Shares issued pursuant to warrant exercises	219,566	646,272	(185,182)	-	-	-	461,090
Warrants expired	-	15,795	(15,795)	-	-	-	-
Shares issued pursuant to DSU redemption	152,506	248,447	-	(248,447)	-	-	-
Share-based compensation expense	-	-	-	325,604	-	-	325,604
Balance – March 31, 2022	77,350,148	77,977,323	-	2,923,793	1,985,133	(50,604,537)	32,281,712
Balance – December 31, 2022	77,662,911	78,426,153	-	3,446,941	433,322	(56,326,465)	25,979,951
Net loss for the period	-	-	-	-	-	(2,474,357)	(2,474,357)
Other comprehensive income for the period	-	-	-	-	(565,416)	-	(565,416)
	-	-	-	-	(565,416)	(2,474,357)	(3,039,773)
Shares issued pursuant to option exercises (note 10 (a))	30,000	41,953	-	(17,953)	-	-	24,000
Share-based compensation expense (note 10)	-	-	-	489,399	-	-	489,399
Balance, March 31, 2023	77,692,911	78,468,106	-	3,918,387	(132,094)	(58,800,822)	23,453,577

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

kneat.com, inc.**Unaudited Condensed Interim Consolidated Statement of Cash Flows***Expressed in Canadian dollars*

	Three-month period ended March 31 2023	Three-month period ended March 31 2022
	\$	\$
Operating activities		
Net loss for the period	(2,474,357)	(3,426,260)
Charges to loss not involving cash:		
Depreciation of property and equipment	203,616	220,588
Share-based compensation	489,399	325,604
Write off of property and equipment	764	370
Interest expense	54,945	64,351
Tax expense	8,550	-
Amortization of the intangible asset	1,564,303	1,061,090
Amortization of deferred contract acquisition costs	-	2,135
Foreign exchange (gain)/loss	(938,213)	1,691,058
(Decrease)/ increase in non-current contract liabilities	(274,257)	28,121
Net change in non-cash working capital related to operations (note 14)	3,968,242	2,564,000
Net cash provided by operating activities	2,602,992	2,531,057
Financing activities		
Payment of principal and interest on the loan payable	-	(110,237)
Proceeds from the exercise of stock options	24,000	-
Proceeds from the exercise of warrants	-	461,090
Repayment of lease liabilities	(203,457)	(216,436)
Net cash (used)/ provided by financing activities	(179,457)	134,417
Investing activities		
Additions to the intangible asset	(4,099,009)	(2,664,862)
Additions to property and equipment	(11,294)	(75,286)
Net cash used in investing activities	(4,110,303)	(2,740,148)
Effects of exchange rates on cash	12,728	(501,707)
Decrease in cash during the period	(1,674,040)	(576,381)
Cash, beginning of period	12,282,478	21,562,968
Cash, end of period	10,608,438	20,986,587

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

kneat.com, inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

1. Nature of operations

kneat.com, inc. (the “Company” or “kneat.com” or “Kneat”), was incorporated on December 12, 2013 under the laws of the Canada Business Corporations Act. On June 27, 2016, the Company completed a transaction (“Transaction”) with Kneat Solutions Limited whereby kneat.com acquired 100% of the issued and outstanding ordinary shares of Kneat Solutions Limited by way of a scheme of arrangement in Ireland. The Company commenced trading on the TSX Venture Exchange as kneat.com on July 5, 2016 under the symbol KSI. The Company graduated to, and began trading on, the main Toronto Stock Exchange (TSX) on November 15, 2021. kneat.com’s head office is located at Hawthorn House, Plassey Business Campus, Castletroy, Limerick, Ireland. The registered office of kneat.com is located at Suite 2001, 1969 Upper Water Street, Halifax, Nova Scotia, Canada B3J 3R7.

Kneat is in the business of developing and marketing a software application for modelling regulated data-intensive processes for regulated industries, focusing on the life sciences industry.

2. Summary of significant accounting policies

a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2022.

These unaudited condensed interim consolidated financial statements have been prepared using the same policies and methods of computation as the audited consolidated financial statements of the Company for the year ended December 31, 2022. Refer to note 2, *Summary of Significant Accounting Policies*, of the kneat.com, inc. audited consolidated financial statements for the year ended December 31, 2022 for information on the other accounting policies, critical accounting judgements and estimates.

The Board of Directors approved these unaudited condensed interim consolidated financial statements for issue on May 9, 2023.

b) Use of judgement and estimates

The preparation of the Company’s unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are disclosed in Note 2 of the audited consolidated financial statements as at December 31, 2022.

kneat.com, inc.**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**

3. Amounts Receivable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
	\$	\$
Current		
Trade debtors	8,469,420	4,938,869
Research and development tax credits receivable	3,624,687	3,564,875
Contract assets	149,592	44,866
Other debtors	7,101	7,786
Sales tax recoverable	555,925	358,584
	<u>12,806,725</u>	<u>8,914,980</u>
Non-current		
Research and development tax credits receivable	1,845,598	1,104,624
	<u>14,652,323</u>	<u>10,019,604</u>

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

4. Property and equipment

Cost	Computers and servers \$	Furniture and fixtures \$	Right-of-use assets \$	Leasehold improvements \$	Total \$
As at January 1, 2022	984,065	303,582	8,344,327	694,624	10,326,598
Additions	375,217	10,096	-	-	385,313
Disposals	(114,360)	-	(380,500)	(253,496)	(748,356)
Effect of movements in exchange rates	6,655	1,858	51,071	4,251	63,835
As at December 31, 2022	1,251,577	315,536	8,014,898	445,379	10,027,390
Additions	11,384	-	-	-	11,384
Disposals	(2,410)	-	-	-	(2,410)
Effect of movements in exchange rates	19,830	5,294	134,466	7,472	167,062
As at March 31, 2023	1,280,381	320,830	8,149,364	452,851	10,203,426
Accumulated depreciation	Computers and servers \$	Furniture and fixtures \$	Right-of-use assets \$	Leasehold improvements \$	Total \$
As at January 1, 2022	492,839	76,305	956,235	321,262	1,846,641
Depreciation charge	277,415	37,120	475,639	110,121	900,295
Disposals	(113,981)	-	(335,234)	(138,937)	(588,152)
Effect of movements in exchange rates	18,623	2,587	33,624	6,730	61,564
As at December 31, 2022	674,896	116,012	1,130,264	299,176	2,220,348
Depreciation charge	80,435	8,509	107,704	6,968	203,616
Disposals	(1,636)	-	-	-	(1,636)
Effect of movements in exchange rates	12,129	2,065	20,474	5,117	39,785
As at March 31, 2023	765,824	126,586	1,258,442	311,261	2,462,113
Carrying amount	Computers and servers \$	Furniture and fixtures \$	Right-of-use assets \$	Leasehold improvements \$	Total \$
Balance - December 31, 2022	576,681	199,524	6,884,634	146,203	7,807,042
Balance – March 31, 2023	514,557	194,244	6,890,922	141,590	7,741,313

Depreciation of property and equipment is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss for \$203,616 (three-month period ended March 31, 2022 – \$220,588).

On November 21, 2022, the Company terminated a lease agreement relating to office property situated at units 5 and 6 Castletroy Business Park, Castletroy, Limerick, Ireland.

kneat.com, inc.**Notes to the Unaudited Condensed Interim Consolidated Financial Statements****5. Intangible asset**

Cost	\$
As at January 1, 2022	24,933,015
Additions, net of research and development tax credits of \$2,285,304	10,897,877
Effect of movements in exchange rates	152,600
As at December 31, 2022	<u>35,983,492</u>
Additions, net of research and development tax credits of \$722,442	3,434,089
Effect of movements in exchange rates	603,697
As at March 31, 2023	<u>40,021,278</u>
Accumulated amortization	\$
As at January 1, 2022	11,490,437
Amortization charge	4,795,508
Effect of movements in exchange rates	332,643
As at December 31, 2022	<u>16,618,588</u>
Amortization charge	1,564,303
Effect of movements in exchange rates	299,284
As at March 31, 2023	<u>18,482,175</u>
Carrying amount	\$
Balance - December 31, 2022	<u>19,364,904</u>
Balance – March 31, 2023	<u>21,539,103</u>

Amortization of the intangible asset of \$1,564,303 (three-month period ended March 31, 2022 - \$1,061,090) is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

6. Accounts payable and accrued liabilities

	March 31, 2023	December 31, 2022
	\$	\$
Trade payables	1,161,082	1,000,425
Accruals	2,606,761	3,740,185
Employee remittances	1,900,214	885,996
Sales tax payable	7,992	15,627
Income tax payable	24,095	15,525
Other payables	134,638	110,296
	<u>5,834,782</u>	<u>5,768,054</u>

kneat.com, inc.**Notes to the Unaudited Condensed Interim Consolidated Financial Statements****7. Contract liabilities**

	March 31, 2023	December 31, 2022
	\$	\$
Balance - Beginning of period	11,566,366	5,851,030
Deferral of revenue	15,625,143	28,234,225
Recognition of deferred revenue	(7,522,088)	(22,803,479)
Effect of movements in exchange rates	(261,949)	284,590
Balance - End of period	19,407,472	11,566,366
Less: current portion of contract liabilities	(18,731,815)	(10,617,142)
Non-current portion of contract liabilities	<u>675,657</u>	<u>949,224</u>

8. Loan payable and accrued interest

	March 31, 2023	December 31, 2022
	\$	\$
Balance - Beginning of period	-	113,242
Interest accrual	-	851
Principal and interest payment	-	(110,237)
Effect of movements in exchange rates	-	(3,856)
Balance - End of period	-	-
Less: Current portion	-	-
Non-current portion	<u>-</u>	<u>-</u>

The loan payable was discharged in full by March 31, 2022. The interest rate on the loan was 3.0% at March 31, 2022.

9. Lease liabilities

	March 31, 2023	December 31, 2022
	\$	\$
Balance - Beginning of period	7,091,513	7,744,832
Repayments of lease obligations	(203,457)	(889,525)
Accreted interest	55,717	222,968
Termination of lease (Note 4)	-	(61,360)
Effect of movements in exchange rates	118,974	74,598
Balance - End of period	7,062,747	7,091,513
Less: Current portion	(603,604)	(588,472)
Non-current portion	<u>6,459,143</u>	<u>6,503,041</u>

10. Share Capital

a) Common shares

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

	Number of shares	Amount
	#	\$
Outstanding - January 1, 2022	76,978,076	77,066,809
Shares issued pursuant to the stock option exercise	206,305	288,465
Shares issued pursuant to warrant exercises	219,566	646,272
Broker warrants expired	-	15,795
Shares issued pursuant to DSU redemptions	258,964	408,812
Outstanding - December 31, 2022	77,662,911	78,426,153
Shares issued pursuant to stock option exercise	30,000	41,953
Outstanding - March 31, 2023	77,692,911	78,468,106

Three-month period ended March 31, 2023

During the three-month period ended March 31, 2023, employees exercised 30,000 options with a weighted average exercise price of \$0.80 per share for cash proceeds of \$24,000 plus an ascribed value of \$17,953.

Year ended December 31, 2022

During the year ended December 31, 2022, employees exercised 206,305 options with a weighted average exercise price of \$0.91 per shares for cash proceeds of \$154,758 plus an ascribed value of \$133,707.

During the year ended December 31, 2022, 219,566 broker warrants were exercised with a weighted-average exercise price of \$2.10 per share for cash proceeds of \$461,090, plus an ascribed value of \$185,182.

During the year ended December 31, 2022, 258,964 DSUs were settled at an ascribed value of \$408,812.

b) Warrants

No warrants were granted during the three-month period ended March 31, 2023 or the year ended December 31, 2022.

The following table reconciles the warrant activity during the three-month period ended March 31, 2023 and the year ended December 31, 2022:

	Number of warrants	Weighted-average exercise price
	#	\$
Outstanding - January 1, 2022	235,495	2.10
Granted	-	-
Exercised	(219,566)	2.10
Forfeited	(15,929)	-
Outstanding - December 31, 2022	-	-
Granted	-	-
Exercised	-	-
Forfeited	-	-

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Outstanding – March 31, 2023

-

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10 Share Capital (continued)

c) Share-based compensation – stock options

The Company has adopted an Omnibus Equity Incentive Plan, providing the Board of Directors with the discretion to grant and issue an equivalent number of stock options of up to 15% of the issued and outstanding share capital of the Company, less the number of shares reserved for issuance under all other share compensation arrangements.

Stock options are granted with an exercise price of not less than the closing share price of the date preceding the date of grant. As at March 31, 2023, 5,999,424 stock options remain available for grant under the terms of the Omnibus Equity Incentive Plan.

The following table reconciles the stock option activity during the three-month period ended March 31, 2023 or the year ended December 31, 2022:

	Number of options #	Weighted-average exercise price \$
Outstanding - January 1, 2022	2,817,137	2.31
Granted	443,500	3.38
Exercised	(206,305)	0.91
Forfeited	(164,192)	2.64
Outstanding - December 31, 2022	2,890,140	2.57
Granted	-	-
Exercised	(30,000)	0.80
Forfeited	(80,953)	3.08
Outstanding – March 31, 2023	2,779,187	2.57

For the three-month period ended March 31, 2023, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss was \$165,568 (three-month period ended March 31, 2022 – \$215,024).

There were no share options granted during the three-month period ended March 31, 2023. The following are the weighted-average assumptions used in calculating the value of the stock options granted during the year ended December 31, 2022:

	December 31, 2022
Risk-free interest rate	1.87%
Expected life	4.5 years
Expected volatility	65.26%
Expected dividend per share	0.0%
Weighted-average share price	\$3.38
Weighted-average fair value	\$1.80

10 Share Capital (continued)

The following table summarizes information relating to outstanding and exercisable stock options as at March 31, 2023:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
November 1, 2023	0.6	50,000	50,000	\$ 1.02
December 18, 2023	0.7	67,784	67,784	\$ 0.97
January 3, 2024	0.8	235,670	235,670	\$ 1.00
March 7, 2024	0.9	225,000	225,000	\$ 1.06
April 4, 2024	1.0	10,000	10,000	\$ 1.22
May 13, 2024	1.1	30,000	30,000	\$ 1.30
September 23, 2024	1.5	200,000	200,000	\$ 1.52
January 1, 2025	1.8	70,000	70,000	\$ 2.84
February 6, 2025	1.9	40,000	40,000	\$ 2.84
April 22, 2025	2.1	20,000	10,000	\$ 1.94
August 26, 2025	2.4	268,295	163,107	\$ 2.50
October 1, 2025	2.5	3,500	1,969	\$ 2.55
November 26, 2025	2.7	200,000	100,000	\$ 2.20
May 27, 2026	3.2	58,250	8,750	\$ 2.98
August 12, 2026	3.4	772,188	286,776	\$ 3.45
September 23, 2026	3.5	85,000	31,875	\$ 4.10
January 07, 2027	3.8	280,000	70,000	\$ 3.60
February 24, 2027	3.9	42,000	10,500	\$ 2.93
August 12, 2027	4.5	116,500	-	\$ 3.05
November 11, 2027	4.6	5,000	-	\$ 2.77
		2,779,187	1,611,431	

d) Share-based compensation - Deferred Share Units (DSUs) & Restricted Share Units (RSUs)

The maximum number of common shares which are available to be issued by the Company from treasury in connection with the redemption of DSUs and RSUs granted under the Company's Omnibus Equity Incentive Plan plan is 4,000,000 common shares. As at March 31, 2023, 1,124,674 RSUs and/or DSUs remain available for grant under the terms of the Omnibus Equity Incentive plan.

DSU activity for the three-month period ended March 31, 2023 and year ended December 31, 2022 is as follows:

	March 31, 2023	December 31, 2022
	#	#
Outstanding - Beginning of period	512,551	693,560
Granted	23,600	108,182
Redeemed	-	(258,964)
Forfeited	-	(30,227)
Outstanding - End of period	536,151	512,551

10 Share Capital (continued)

For the three months ended March 31, 2023, the estimated value of DSUs earned and recorded in the unaudited interim condensed consolidated statement of loss and comprehensive loss was \$92,480 (three-month period ended March 31, 2022 – \$110,580).

RSU activity for the three-month period ended March 31, 2023 and year ended December 31, 2022 is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
	#	#
Outstanding - Beginning of period	926,863	-
Granted	1,412,312	926,863
Redeemed	-	-
Outstanding - End of period	<u>2,339,175</u>	<u>926,863</u>

For the three months ended March 30, 2023, the estimated value of RSUs earned and recorded in the unaudited condensed interim consolidated statement of loss and comprehensive loss was \$231,351 (three-month period ended March 31, 2022 – nil). RSUs typically vest over a three year period and will be settled through the issuance of common shares. RSUs are measured at their fair values as of the date of grant with no subsequent revaluation. The fair value is recognized over the vesting period on a graded vesting basis..

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

11. Revenue

Revenue consists of the following:

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
	\$	\$
SaaS license fees	6,387,635	3,298,356
On-premise licenses fees	436,126	688,418
Maintenance fees	151,094	213,494
Professional services and other	990,053	999,334
	<u>7,964,908</u>	<u>5,199,602</u>

The following table presents total external revenues by geographic location, based on the location of the Company's customers:

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
	\$	\$
North America	5,273,834	3,638,880
Europe	2,654,478	1,497,977
Asia	36,596	62,745
	<u>7,964,908</u>	<u>5,199,602</u>

In the three-month period ended March, 2023, revenue from 1 customer amounts to 10% or more of the Company's total revenue (March 31, 2022 – 2).

For the three-month period ended March 31, 2023, the Company's top 10 customers made up 56% of the Company's revenues (March 31, 2022 – 66%).

12. Expenses by nature

The following table lists certain expenses by nature included in the unaudited condensed interim consolidated statement of loss and comprehensive loss:

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
	\$	\$
Amortization of the intangible asset	1,564,303	1,061,090
Depreciation of plant and equipment	203,616	220,588
Salaries, wages and benefits	6,196,163	2,929,260
Share-based compensation	489,399	325,604

13. Income taxes

The provision for income taxes reported differs from the income tax computed by applying the applicable income tax rates to the net loss before income taxes, due to the following adjustments:

	Three-month period ended March 31, 2023	Three -month period ended March 31, 2022
	\$	\$
Loss before income taxes	(2,465,807)	(3,426,260)
Statutory rate	29%	29%
Tax recovery at statutory rate	(715,084)	(993,615)
Recovery for losses and deductible temporary differences not recognized in current and prior years	242,711	498,879
Permanent differences and other	(16,603)	294,139
Foreign tax rate variance	497,526	200,597
Income tax expense (current)	8,550	-

14. Supplemental cash flow information

Net changes in non-cash operating working capital items are as follows:

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
	\$	\$
Increase in amounts receivable and other	(4,023,410)	(1,580,887)
Increase in accounts payable and accrued liabilities	(18,401)	(456,830)
Increase in contract liabilities	8,010,053	4,601,717
	3,968,242	2,564,000

15. Related party transactions

During the three months ended March 31, 2023, the Company issued 23,600 DSUs to members of the Board of Directors who are not employees or officers of the Company (note 10) (three months ended March 31, 2022 – 51,774).

During the three months ended March 31, 2023, the Company granted 153,229 RSUs to members of the Board of Directors (note 10) (March 31, 2022 – nil) and 152,952 RSUs to Key Management (March 31, 2022 – nil).

During the three months ended March 31, 2022, a director of the Company resigned from the Board and redeemed a total of 152,506 DSUs.

16. Fair value of financial instruments and risk management

a) Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of debt and equity balances.

The capital of the Company consists of items included in equity, net of cash, as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Equity	23,453,577	25,979,951
Less: cash	(10,608,438)	(12,282,478)
	<u>12,845,139</u>	<u>13,697,473</u>

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or return capital to shareholders. No changes were made to the objectives, policies or processes for managing capital during the three-month period ended March 31, 2023 or the year ended December 31, 2022.

b) Fair values of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The carrying amounts reported in the unaudited condensed interim consolidated statements of financial position for cash, amounts receivable, and accounts payable and accrued liabilities, approximate their fair values based on the immediate or short-term maturities of these financial instruments.

The table below presents the classification of the Company's financial assets and liabilities as at March 31, 2023 and December 31, 2022:

	Financial assets and liabilities at amortized cost March 31, 2023	Financial assets and liabilities at amortized cost Dec 31, 2022
	\$	\$
Financial assets:		
Cash	10,608,438	12,282,478
Trade & Other Debtors and Contract Assets	8,626,113	4,991,521
Financial liabilities:		
Accounts Payables and Accrued Liabilities	5,834,782	5,768,054

c) Financial risk management objectives

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored.

16 Fair value of financial instruments and risk management (continued)**d) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. At March 31, 2023 and December 31, 2022, the Company's financial assets exposed to credit risk amounted to the following:

	March 31, 2023	Dec 31, 2022
	\$	\$
Cash	10,608,438	12,282,478
Amounts receivable and other*	9,843,514	5,923,377

*includes trade debtors, contract assets, other debtors & prepayments

During the three-month period ended March 31, 2023 and the year ended December 31, 2022, the Company did not hold any financial assets that were impaired. Trade debtors of \$8,469,420 are included in amounts receivable as at March 31, 2023 (December 31, 2022 – \$4,938,869).

Trade debtors are monitored on a regular basis, with reference to the Expected Credit Loss (ECL) impairment model, in order to minimize material aging and to ensure adequate collection. Historically there have been no significant trade debtor collection issues and the Company does not believe it is subject to significant concentration of credit risk.

Cash is held with reputable banks in Ireland, the United States and Canada. The long-term credit rating, as determined by Standard and Poor's BBB-, AA- and AA- respectively.

e) Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change.

These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities as at March 31, 2023:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	5,834,782	-	-	-	5,834,782
Lease payments (undiscounted)	813,828	1,314,883	955,758	5,847,470	8,931,938
	6,648,610	1,314,883	955,758	5,847,470	14,766,720

16 Fair value of financial instruments and risk management (continued)

The Company's operations to date have been financed through the sale of shares, issuance of debt, revenue generated from customers and research and development tax credits. The Company has incurred significant operating losses and negative cash flows from operations since inception and has an accumulated deficit of \$58,800,822 as at March 31, 2023. For the three-month period ended March 31, 2023, the Company incurred a net loss of \$2,474,357 with positive cash flows from operations of \$2,602,992 and capitalized development cost spend of \$4,099,009 (March 31, 2022 - \$3,426,260, \$2,531,057 and \$2,664,862, respectively).

As the Company continues to incur losses from operations, the Company has relied on financing activities to meet its working capital and operating requirements, including funds needed to further develop its software and expand its sales and marketing functions.

The Company has a history of being able to raise funds on the capital markets to meet its ongoing requirements and on April 28, 2021, the Company closed a public equity financing for gross proceeds of \$20,125,575 and a concurrent non-brokered private placement for gross proceeds of \$2,000,000 (note 10(a)). However, there can be no assurance that, in the future, the Company will be able to raise funding on favorable terms, if at all.

During the first three months of 2023 and all of 2022, financial markets have been negatively impacted by the economic instability due to factors including the impacts of Russia's invasion of Ukraine, unexpected impacts from the COVID-19 pandemic, rising inflation and interest rates. The factors may adversely impact our operations, credit risk, our ability to serve our customers and our ability to raise new funding. This has resulted in significant economic uncertainty, and even though the Company has to date experienced no significant impact to its operations, any potential impact on our future financial results is difficult to reliably measure. The Company is regularly assessing the situation and remains in contact with its partners, customers and suppliers to assess any impacts and risk.

The Directors believe that the Company's cash resources, when combined with the proceeds from customer receipts, will be sufficient to fund operations for at least twelve months from the reporting date of the unaudited condensed interim consolidated financial statements. However, judgement is required to forecast cash flows over future periods. Management has the ability to reduce or delay certain cash outflows were it to be necessary.

f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Company entering into transactions which are denominated in currencies other than its functional currency.

The Company is exposed to currency risk on its cash balances, amounts receivable, intercompany balances and accounts payable and accrued liabilities that are held in currencies that are not in the transacting entity's functional currencies.

As at March 31, 2023, the impact on monetary assets and liabilities of a 5% decrease in the exchange rate between the functional currencies and foreign currencies (weakening of the Euro/USD versus CAD) would increase the net loss by approximately \$2.3 million; a 5% increase would decrease the net loss by approximately \$2.3 million (strengthening of the Euro/USD versus CAD). The Company currently does not hedge its currency risk.

16 Fair value of financial instruments and risk management (continued)

The majority of the Company’s revenues and expenses are denominated in Euro and the United States dollar. As a result, revenues and expenses are affected by a change in the value of the Euro and the United States dollar relative to the Canadian dollar. The following table summarizes the effects on revenues, expenses and the net loss as a result of a 5% strengthening of the Euro and the United States dollar when compared to the Canadian dollar: ⁽¹⁾

	Three-month period ended Mar 31, 2023			Three-month period ended Mar 31, 2022		
	As reported	Exchange rate effect	5% Stronger	As reported	Exchange rate effect	5% Stronger
	\$	\$	\$	\$	\$	\$
Revenues	7,964,908	398,245	8,363,153	5,199,602	259,980	5,459,582
Expenses	(10,439,265)	(533,521)	(10,972,786)	(8,625,862)	(467,313)	(9,093,175)
Net loss	(2,474,357)	(135,276)	(2,609,633)	(3,426,260)	(207,333)	(3,633,593)

(1) A 5% weakening of the Euro and the United States dollar when compared to the Canadian dollar would have an equal and opposite impact on the Company’s revenues, expenses and net loss as presented in the table.

g) Interest risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. An immaterial amount of interest rate exposure exists in respect of cash balances on the unaudited condensed interim consolidated statements of financial position.

h) Fair value hierarchy

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At March 31, 2023 and December 31, 2022 the Company had no financial instruments that were measured and recognized on the unaudited condensed interim consolidated statement of financial position at fair value. In addition, there were no transfers between levels during the period.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

17. Loss per share

Basic and diluted net loss per share was calculated as follows:

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
<i>Numerator:</i>		
Net loss for the year attributable to ordinary shareholders	(2,474,357)	(3,426,260)
<i>Denominator:</i>		
Weighted average number of ordinary shares in issue	77,686,689	77,045,241
Loss per share (basic and diluted)	<u>(0.03)</u>	<u>(0.04)</u>

The Company's potential ordinary shares, which include stock options, DSUs and RSUs to purchase shares of common stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the calculation of basic and diluted net loss per share is the same. The Company excluded the following potential ordinary shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share because including them would have had an anti-dilutive effect.

	<u>Mar 31, 2023</u>	<u>Mar 31, 2022</u>
Options to purchase common shares	2,779,187	3,098,527
Restricted stock units (RSUs)	2,339,175	-
Deferred share units (DSUs)	536,151	592,798

18. Commitments and contingencies

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

The Company has committed to purchase certain services which will result in the Company paying \$1,943,068 within one year, \$1,075,133 in two to three years and \$20,390 in four to five years.

The Company has employment arrangements with the Chief Executive Officer, Chief Information Officer, Chief Product Officer and Chief Financial Officer which provide that, should a change in control event occur, as defined in the employment arrangements, these individuals will receive lump sum payments equal to 24 months of their then current base salary.

19. Subsequent events

The Company performed a review of events subsequent to the unaudited condensed interim consolidated statements of financial position date through to the date the unaudited condensed interim consolidated financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.