Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

September 30, 2023

(Expressed in Canadian Dollars)

kneat.com, inc.
Unaudited Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars	**September 30, 2023**	**December 31, 2022**
	$	$
Assets		
Current assets		
Cash	11,481,976	12,282,478
Amounts receivable (note 3)	12,952,465	8,914,980
Prepayments	1,183,649	931,856
	25,618,090	22,129,314
Non-current assets		
Amounts receivable (note 3)	1,312,607	1,104,624
Property and equipment (note 4)	7,182,643	7,807,042
Intangible asset (note 5)	25,200,734	19,364,904
Total assets	59,314,074	50,405,884
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	6,529,821	5,768,054
Contract liabilities (note 7)	15,164,261	10,617,142
Lease liabilities (note 9)	520,850	588,472
	22,214,932	16,973,668
Non-current liabilities		
Contract liabilities (note 7)	67,198	949,224
Lease liabilities (note 9)	5,987,173	6,503,041
Loan payable and accrued interest (note 8)	13,898,907	-
Total liabilities	42,168,210	24,425,933
Equity		
Shareholders' equity	17,145,864	25,979,951
Total liabilities and equity	59,314,074	50,405,884

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

Approved on behalf of the Board of Directors on November 8, 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 Sept 30, 2023**	**Three-month period ended Sept 30, 2022**	**Nine-month period ended Sept 30, 2023**	**Nine-month period ended Sept 30, 2022**
	$	**$**	**$**	**$**
Revenue (note 11)	8,405,262	5,751,558	24,409,409	16,499,162
Cost of revenue	(2,923,725)	(2,228,082)	(8,226,657)	(6,421,785)
Gross profit	5,481,537	3,523,476	16,182,752	10,077,377
Expenses				
Research and development	(3,836,971)	(2,768,006)	(11,924,972)	(7,943,775)
Sales and marketing	(3,119,679)	(2,095,713)	(9,412,699)	(5,099,004)
General and administrative	(1,701,840)	(1,186,862)	(5,317,083)	(3,528,258)
Operating loss	(3,176,953)	(2,527,105)	(10,472,002)	(6,493,660)
Interest expense	(343,519)	(53,374)	(452,060)	(174,729)
Interest income	1,896	669	6,015	1,695
Foreign exchange gain (loss)	(72,852)	32,850	(537,900)	(2,940,414)
Loss before income taxes	(3,591,428)	(2,546,960)	(11,455,947)	(9,607,108)
Income tax expense (note 13)	-	-	(8,550)	-
Net loss for the period	(3,591,428)	(2,546,960)	(11,464,497)	(9,607,108)
Other comprehensive loss				
Foreign currency translation adjustment to presentation currency	141,830	714,889	486,432	1,344,479
Comprehensive loss for the period	(3,449,598)	(1,832,071)	(10,978,065)	(8,262,629)
Loss per share – basic and diluted (note 17)	(0.05)	(0.03)	(0.15)	(0.12)
Weighted-average number of common shares outstanding - Basic and diluted	77,824,761	77,432,800	77,744,726	77,362,079

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	-	-	-	-	-	(9,607,108)	(9,607,108)
Other comprehensive income for the period	-	-	-	-	1,344,479	-	1,344,479
Shares issued pursuant to option exercises	110,225	147,653	-	(73,844)	-	-	73,809
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	-	-	-	802,369	-	-	802,369
Balance - September 30, 2022	**77,460,373**	**78,124,976**	**0**	**3,326,714**	**2,595,179**	**(56,785,385)**	**27,261,484**
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	-	-	-	-	-	(11,464,497)	(11,464,497)
Other comprehensive income for the period	-	-	-	-	486,432	-	486,432
Shares issued pursuant to option exercises (note 10 (a))	129,146	168,549	-	(93,799)	-	-	74,750
Shares issued pursuant to RSU vesting (note 10(a))	124,608	382,329	-	(382,329)	-	-	-
Share-based compensation expense (note 10)	-	-	-	2,069,228	-	-	2,069,228
Balance - September 30, 2023	**77,916,665**	**78,977,031**	**-**	**5,040,041**	**919,754**	**(67,790,962)**	**17,145,864**

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

	Nine-month period ended September 30, 2023	Nine-month period ended September 30, 2022
	$	**$**
Operating activities		
Net loss for the period	(11,464,497)	(9,607,108)
Charges to loss not involving cash:		
Depreciation of property and equipment	594,047	656,545
Share-based compensation	2,069,228	802,369
Write off of property and equipment	26,632	357
Interest expense	452,060	174,729
Tax expense	8,550	-
Amortization of the intangible asset	4,897,794	3,376,883
Amortization of loan issuance costs	26,331	-
Amortization of deferred contract acquisition costs	-	3,888
Impact of lease termination	(65,936)	-
Foreign exchange loss	537,900	2,940,414
Research and development recovery	-	5,882
(Decrease)/ increase in non-current contract liabilities	(879,551)	50,750
Net change in non-cash working capital related to operations (note 14)	2,431,164	3,451,222
Net cash (used in) provided by operating activities	**(1,366,278)**	**1,855,931**
Financing activities		
Payment of interest on the loan payable	(196,276)	(110,237)
Proceeds from the exercise of stock options	74,750	73,809
Proceeds from the exercise of warrants	-	461,090
Repayment of lease liabilities	(559,090)	(627,316)
Proceeds received from loan financing (note 8)	14,353,000	-
Issuance costs associated with loan financing (note 8)	(540,085)	-
Net cash provided by (used in) financing activities	**13,132,299**	**(202,654)**
Investing activities		
Additions to the intangible asset	(12,702,025)	(8,565,865)
Additions to property and equipment	(109,931)	(283,006)
Collection of research and development tax credits	-	897,961
Net cash used in investing activities	**(12,811,956)**	**(7,950,910)**
Effects of exchange rates on cash	245,433	(140,343)
Decrease in cash during the period	(800,502)	(6,437,976)
Cash, beginning of period	12,282,478	21,562,968
Cash, end of period	**11,481,976**	**15,124,992**

The accompanying notes are an integral part of these 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 November 8, 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.

3. Amounts Receivable

	September 30, 2023	December 31, 2022
	$	$
Current		
Trade debtors	7,674,066	4,938,869
Research and development tax credits receivable	4,966,647	3,564,875
Contract assets	92,720	44,866
Other debtors	24,889	7,786
Sales tax recoverable	194,143	358,584
	12,952,465	8,914,980
Non-current		
Research and development tax credits receivable	1,312,607	1,104,624
	14,265,072	10,019,604

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	108,583	-	-	-	108,583
Disposals	(138,992)	(106,819)	(212,539)	(229,387)	(687,737)
Effect of movements in exchange rates	(11,581)	(3,179)	(80,707)	(4,485)	(99,952)
As at September 30, 2023	1,209,587	205,538	7,721,652	211,507	9,348,284

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	240,347	22,260	310,838	20,602	594,047
Disposals	(138,238)	(81,348)	(170,026)	(228,073)	(617,685)
Effect of movements in exchange rates	(9,903)	(1,521)	(16,307)	(3,338)	(31,069)
As at September 30, 2023	767,102	55,403	1,254,769	88,367	2,165,641

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 - September 30, 2023	442,485	150,135	6,466,883	123,140	7,182,643

Depreciation of property and equipment is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss for $594,047 (nine months ended September 30, 2022– $656,545).

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. On June 1, 2023, the Company terminated a lease agreement relating to office property situated at Unit 7, Castletroy Business Park, Castletroy, Limerick, Ireland.

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	35,983,492
Additions, net of research and development tax credits of $1,812,842	10,851,608
Effect of movements in exchange rates	(362,342)
As at September 30, 2023	46,472,758

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	16,618,588
Amortization charge	4,897,794
Effect of movements in exchange rates	(244,358)
As at September 30, 2023	21,272,024

Carrying amount	$
Balance - December 31, 2022	19,364,904
Balance - September 30, 2023	25,200,734

Amortization of the intangible asset of $4,897,794 (nine months ended September 30, 2022 - $3,376,883) is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

6. Accounts payable and accrued liabilities

	September 30, 2023	December 31, 2022
	$	$
Trade payables	1,012,045	1,000,425
Accruals	4,256,331	3,740,185
Employee remittances	1,064,753	885,996
Sales tax payable	17,509	15,627
Income tax payable	11,931	15,525
Other payables	167,252	110,296
	6,529,821	5,768,054

7. Contract liabilities

	September 30, 2023	December 31, 2022
	$	$
Balance - Beginning of period	11,566,366	5,851,030
Deferral of revenue	28,440,872	28,234,225
Recognition of deferred revenue	(23,914,407)	(22,803,479)
Effect of movements in exchange rates	(861,372)	284,590
Balance - End of period	15,231,459	11,566,366
Less: current portion	(15,164,261)	(10,617,142)
Non-current portion	67,198	949,224

8. Loan payable and accrued interest

	September 30, 2023	December 31, 2022
	$	$
Balance - Beginning of period	-	113,242
IPF Facility	14,353,000	-
Capitalized loan issuance costs	(540,085)	-
Interest accrued	255,937	851
Interest repayments	(196,276)	(110,237)
Amortization of loan issuance costs	26,331	-
Effect of movements in exchange rates	-	(3,856)
Balance - End of period	13,898,907	-
Less: current portion	-	-
Non-current portion	13,898,907	-

On June 26, 2023 the Company secured up to €15 million ($21.5 million) in secured debt financing from IPF Partners (the "IPF Facility"). This new IPF facility consists of three term commitments or tranches of €5 million each to be availed of by Kneat Solutions Limited. The Company drew down the first and second tranches of the facility on June 30, 2023 and September 22, 2023, respectively. Both tranches mature on December 31, 2027, with the first principal payments to be made on March 31, 2025. Each of the facilities carries an annual cash interest of three-month EURIBOR + 7.0%, payable quarterly; and capitalized interest of 2.0%, accrued and capitalized quarterly, in addition to customary structuring and exit fees. The total cash cost of the arrangement is dependent on the final amount of the three facilities availed of and whether the debt is repaid on each maturity date or earlier. The IPF Facility is guaranteed by the Company and its U.S. wholly owned subsidiary, and is secured by a perfected, sole first-priority security interest in all existing and after acquired tangible and intangible assets of Kneat Solutions Limited, the Company and its U.S. wholly owned subsidiary. The IPF Facility is also subject to a financial covenant in the form of a minimum cash balance held in favour of the lender in an amount sufficient to cover the higher of the last six months and next six months cash runway subject to a cap of €2 million, €4 million and €6 million on tranche one, two and three, respectively. The Company was in compliance with the financial covenant as of 30 September, 2023. The Company had a loan payable in prior years that was discharged in full by March 31, 2022. The interest rate on the loan was 3.0% at March 31, 2022.

9. Lease liabilities

	September 30, 2023	December 31, 2022
	$	$
Balance - Beginning of period	7,091,513	7,744,832
Repayments of lease obligations	(559,090)	(889,525)
Accreted interest	157,452	222,968
Termination of lease	(110,442)	(61,360)
Effect of movements in exchange rates	(71,410)	74,598
Balance - End of period	6,508,023	7,091,513
Less: current portion	(520,850)	(588,472)
Non-current portion	5,987,173	6,503,041

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	129,146	168,549
Shares issued pursuant to RSU vesting	124,608	382,329
Outstanding - September 30, 2023	77,916,665	78,977,031

Nine months ended September 30, 2023

During the nine months ended September 30, 2023, employees exercised 129,146 options with a weighted average exercise price of $1.09 per share for cash proceeds of $74,750 plus an ascribed value of $93,799

During the nine months ended September 30, 2023, 124,608 RSUs vested and an equivalent number of common shares were issued to employees.

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 nine months ended September 30, 2023 or the year ended December 31, 2022.

The following table reconciles the warrant activity during the nine months ended September 30, 2023 and the year ended December 31, 2022:

	Number of warrants	Weighted-average exercise price
	#	$
Outstanding - January 1, 2022	235,495	2.10
Exercised	(219,566)	2.10
Forfeited	(15,929)	-
Outstanding - December 31, 2022 and September 30, 2023	-	-

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 6% of the issued and outstanding share capital of the Company.

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 September 30, 2023, 2,192,766 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 nine months ended September 30, 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
Exercised	(129,146)	1.09
Forfeited	(278,760)	2.77
Outstanding - September 30, 2023	2,482,234	2.62

For the nine months ended September 30, 2023, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss was $559,566 (nine months ended September 30, 2022 – $566,590).

There were no share options granted during the nine months ended September 30, 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
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 September 30, 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	0.1	50,000	50,000	1.02
January 3, 2024	0.3	203,670	203,670	1.00
March 7, 2024	0.4	225,000	225,000	1.06
April 4, 2024	0.5	10,000	10,000	1.22
September 23, 2024	1.0	200,000	200,000	1.52
January 1, 2025	1.3	40,000	40,000	2.84
February 6, 2025	1.4	40,000	40,000	2.84
April 22, 2025	1.6	20,000	20,000	1.94
August 26, 2025	1.9	240,795	183,170	2.50
October 1, 2025	2.0	3,500	2,406	2.55
November 26, 2025	2.2	200,000	100,000	2.20
May 27, 2026	2.7	20,000	11,250	2.98
August 12, 2026	2.9	727,269	365,522	3.45
September 23, 2026	3.0	85,000	42,500	4.10
January 07, 2027	3.3	280,000	105,000	3.60
February 24, 2027	3.4	42,000	15,750	2.93
August 12, 2027	3.9	95,000	23,750	3.05
		2,482,234	1,638,018	

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 9% of the issued and outstanding share capital of the Company. As at September 30, 2023, 4,003,056 RSUs and/or DSUs remain available for grant under the terms of the Omnibus Equity Incentive plan.

DSU activity for the nine months ended September 30, 2023 and year ended December 31, 2022 is as follows:

	September 30, 2023	December 31, 2022
	#	#
Outstanding - Beginning of period	512,551	693,560
Granted	65,629	108,182
Redeemed	-	(258,964)
Forfeited	-	(30,227)
Outstanding - End of period	578,180	512,551

65,629 DSUs with a weighted-average fair value of $2.86 per unit were granted in the nine months ended September 30, 2023 and 108,182 DSUs with a weighted-average fair value of $2.83 per unit were granted in the year ended December 31, 2022. For the nine months ended September 30, 2023, the estimated value of DSUs earned and recorded in the unaudited interim condensed consolidated statement of loss and comprehensive loss was $176,895 (nine months ended September 30, 2022 – $203,647).

10. Share Capital (continued)

RSU activity for the nine months ended September 30, 2023 and year ended December 31, 2022 is as follows:

	September 30, 2023	December 31, 2022
	#	#
Outstanding - Beginning of period	926,863	-
Granted	1,723,571	926,863
Vested	(124,608)	-
Forfeited	(94,562)	-
Outstanding - End of period	2,431,264	926,863

1,723,571 RSUs with a weighted-average fair value of $2.72 per unit were granted in the nine months ended September 30, 2023 and 926,863 RSUs with a weighted-average fair value of $2.86 per unit were granted in the year ended December 31, 2022. For the nine months ended September 30, 2023, the estimated value of RSUs earned and recorded in the unaudited condensed interim consolidated statement of loss and comprehensive loss was $1,332,767 (nine months ended September 30, 2022 – $32,132). 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.

11. Revenue

Revenue consists of the following:

	Three-month period ended Sept 30, 2023	Three-month period ended Sept 30, 2022	Nine-month period ended Sept 30, 2023	Nine-month period ended Sept 30, 2022
	$	$	$	$
SaaS license fees	7,738,841	4,488,628	21,144,414	11,676,826
On-premise licenses fees	-	-	436,126	766,125
Maintenance fees	24,223	212,857	230,380	647,083
Professional services and other	642,198	1,050,073	2,598,489	3,409,128
	8,405,262	5,751,558	24,409,409	16,499,162

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

	Three-month period ended Sept 30, 2023	Three-month period ended Sept 30, 2022	Nine-month period ended Sept 30, 2023	Nine-month period ended Sept 30, 2022
	$	$	$	$
North America	5,603,847	3,126,410	16,200,221	8,638,314
Europe	2,715,989	1,197,333	8,021,459	3,836,353
Asia Pacific	85,426	1,427,815	187,729	4,024,495
	8,405,262	5,751,558	24,409,409	16,499,162

In the three months ended September 30, 2023, revenue from 1 customer amounts to 10% or more of the Company's total revenue (September 30, 2022 – 1). In the nine months ended September 30, 2023, revenue from 1 customer amounts to 10% or more of the Company's total revenue (September 30, 2022 – 1).

For the three months ended September 30, 2023, the Company's top 10 customers made up 56% of the Company's revenues (September 30, 2022 – 55%). For the nine months ended September 30, 2023, the Company's top 10 customers made up 55% of the Company's revenues (September 30, 2022 – 59%).

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 Sept 30, 2023	Three-month period ended Sept 30, 2022	Nine-month period ended Sept 30, 2023	Nine-month period ended Sept 30, 2022
	$	$	$	$
Amortization of the intangible asset	1,654,910	1,169,993	4,897,794	3,376,883
Depreciation of plant and equipment	190,795	223,433	594,047	656,545
Salaries, wages and benefits	5,970,146	3,905,262	18,150,998	10,189,232
Share-based compensation	795,148	244,051	2,069,228	802,369

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:

	Nine-month period ended Sept 30, 2023	Nine-month period ended Sept 30, 2022
	$	$
Loss before income taxes	(11,455,947)	(9,607,108)
Statutory rate	29%	29%
Tax recovery at statutory rate	(3,322,225)	(2,786,061)
Recovery for losses and deductible temporary differences not recognized in current and prior years	1,256,378	1,495,389
Permanent differences and other	410,179	467,555
Foreign tax rate variance	1,664,218	823,117
Income tax expense	8,550	-

14. Supplemental cash flow information

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

	Nine-month period ended Sept 30, 2023	Nine-month period ended Sept 30, 2022
	$	$
Increase in amounts receivable and other	(2,916,283)	(2,153,081)
Increase in accounts payable and accrued liabilities	784,735	794,736
Increase in contract liabilities	4,562,712	4,809,567
	2,431,164	3,451,222

15. Related party transactions

During the nine months ended September 30, 2023, the Company issued 65,629 DSUs to members of the Board of Directors who are not employees or officers of the Company (note 10) (nine months ended September 30, 2022 – 90,770).

During the nine months ended September 30, 2023, the Company granted 153,229 RSUs to members of the Board of Directors (note 10) (September 30, 2022 – 112,887) and 317,317 RSUs to Key Management (September 30, 2022 – 216,976).

During the nine months ended September 30, 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 and debt, net of cash, as follows:

	September 30, 2023	December 31, 2022
	$	$
Equity	17,145,864	25,979,951
Debt	13,898,907	-
Less: cash	(11,481,976)	(12,282,478)
	19,562,795	13,697,473

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, return capital to shareholders or raise debt funding. In the period ended September 30, 2023, the Company signed the IPF Facility allowing for debt funding of up to €15 million ($21.5 million) and drew down the first and second tranches of this facility on June 30, 2023 and September 22, 2023, respectively. No other changes were made to the objectives, policies or processes for managing capital during the nine months ended September 30, 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, accounts payable and accrued liabilities, approximate their fair values based on the immediate or short-term maturities of these financial instruments. In addition, non-current amounts receivable and the loan payable, although not due in the current year, do not have fair values that differ significantly from their carrying values

The table below presents the classification of the Company's financial assets and liabilities as at September 30, 2023 and December 31, 2022:

	Financial assets and liabilities at amortized cost September 30, 2023	Financial assets and liabilities at amortized cost December 31, 2022
	$	$
Financial assets:		
Cash	11,481,976	12,282,478
Trade & Other Debtors and Contract Assets	7,791,675	4,991,521
Financial liabilities:		
Accounts Payables and Accrued Liabilities	6,529,821	5,768,054
Loan Payable	13,898,907	-

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 September 30, 2023 and December 31, 2022, the Company's financial assets exposed to credit risk amounted to the following:

	September 30, 2023	December 31, 2022
	$	$
Cash	11,481,976	12,282,478
Amounts receivable and other*	8,975,324	5,923,377

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

During the nine months ended September 30, 2023 and the year ended December 31, 2022, the Company did not hold any financial assets that were impaired. Trade debtors of $7,674,066 are included in amounts receivable as at September 30, 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 September 30, 2023:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	6,529,821	-	-	-	6,529,821
Lease payments (undiscounted)	713,399	1,116,625	930,522	5,460,445	8,220,991
IPF Facility payable (undiscounted)	-	6,315,320	8,037,680	-	14,353,000
	7,243,220	7,431,945	8,968,202	5,460,445	29,103,812

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

e) Liquidity risk (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 $67,790,962 as at September 30, 2023. For the nine months ended September 30, 2023, the Company incurred a net loss of $11,464,497 with negative cash flows from operations of $1,366,278 and capitalized development cost spend of $12,664,450 (September 30, 2022 - $9,607,108, $1,855,931 and $8,375,393, 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.

On June 26, 2023 the Company announced that it had secured up to €15 million ($21.5million) in secured debt financing. This new IPF facility consists of three term commitments or tranches of €5 million each to be availed of by Kneat Solutions Limited. Each tranche matures 18 quarters from its initial drawdown date. On June 30, 2023 and September 22, 2023 the Company drew down the first and second tranches, respectively, with the third tranche available to be drawn down before 30 June, 2024, provided certain conditions are satisfied. Refer to note 8.

The Company also 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. 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 nine months of 2023 and all of 2022, financial markets have been negatively impacted by 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. These 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 and available debt facilities, 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 September 30, 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

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

f) Currency risk (continued)

the net loss by approximately $4.0 million; a 5% increase would decrease the net loss by approximately $4.0 million (strengthening of the Euro/USD versus CAD). The Company currently does not hedge its currency risk.

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)

	Nine-month period ended September 30, 2023			Nine-month period ended September 30, 2022		
	As reported	Exchange rate effect	5% Stronger	As reported	Exchange rate effect	5% Stronger
	$	$	$	$	$	$
Revenues	24,409,409	1,220,470	25,629,879	16,499,162	824,958	17,324,120
Expenses	(35,873,906)	(1,687,250)	(37,561,156)	(26,106,270)	(888,651)	(26,994,921)
Net loss	(11,464,497)	(466,780)	(11,931,277)	(9,607,108)	(63,693)	(9,670,801)

(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. Interest rate exposure exists in respect of the IPF Facility on the unaudited condensed interim consolidated statements of financial position due to the variable interest rate (EURIBOR + 7.0%) that applies to this loan.

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 September 30, 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.

17. Loss per share

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

	Three-month period ended Sept 30, 2023	Three-month period ended Sept 30, 2022	Nine-month period ended Sept 30, 2023	Nine-month period ended Sept 30, 2022
Numerator:				
Net loss for the year attributable to ordinary shareholders	(3,591,428)	(2,546,960)	(11,464,497)	(9,607,108)
Denominator:				
Weighted average number of ordinary shares in issue	77,824,761	77,432,800	77,744,726	77,362,079
Loss per share (basic and diluted)	(0.05)	(0.03)	(0.15)	(0.12)

The Company's potential ordinary shares, which include stock options to purchase shares of common stock, DSUs and RSUs, 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.

	September 30, 2023	September 30, 2022
Options to purchase common shares	2,482,234	2,984,836
Restricted stock units (RSUs)	2,431,264	373,863
Deferred share units (DSUs)	578,180	631,824

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 $1,557,331 within one year and $414,833 in two to three 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.