

Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

March 31, 2025

(Expressed in Canadian Dollars)

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

	March 31, 2025	December 31, 2024
	\$	\$
Assets		
Current assets		
Cash	74,132,378	58,889,572
Amounts receivable (note 3)	10,958,849	18,377,009
Prepayments	2,081,208	1,870,095
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	87,172,435	79,136,676
Non-current assets		
Amounts receivable (note 3)	3,544,947	2,368,006
Property and equipment (note 4)	6,914,606	6,782,179
Intangible asset (note 5)	39,158,433	36,290,869
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Total Assets	136,790,421	124,577,730
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	9,080,206	8,580,104
Contract liabilities (note 7)	31,037,419	21,631,416
Loan payable (note 8)	5,122,755	4,116,723
Lease liabilities (note 9)	386,207	434,096
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	45,626,587	34,762,339
Non-current liabilities		
Contract liabilities (note 7)	42,339	33,393
Loan payable and accrued interest (note 8)	18,384,423	19,038,203
Lease liabilities (note 9)	5,800,955	5,671,952
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Total Liabilities	69,854,304	59,505,887
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Equity		
Shareholders' equity	66,936,117	65,071,843
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Total Liabilities and Equity	136,790,421	124,577,730
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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 07, 2025

(signed) "Ian Ainsworth"
Director

(signed) "Carol Leaman"
Director

kneat.com, inc.**Unaudited Condensed Interim Consolidated Statements of Income/(Loss) and Comprehensive Income/(Loss)**

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
	\$	\$
Revenue (note 11)	14,747,641	10,767,000
Cost of revenue	(3,823,145)	(2,834,015)
Gross profit	10,924,496	7,932,985
Expenses		
Research and development	(4,698,665)	(4,045,548)
Sales and marketing	(5,116,477)	(4,031,684)
General and administrative	(2,511,629)	(2,105,589)
Operating loss	(1,402,275)	(2,249,836)
Finance expense	(888,545)	(867,451)
Interest income	198,639	35,076
Foreign exchange gain (loss)	4,262,600	(238,763)
Income (loss) before income taxes	2,170,419	(3,320,974)
Income tax expense (note 13)	(24,430)	(15,887)
Net income (loss) for the period	2,145,989	(3,336,861)
Other comprehensive (loss) income		
Foreign currency translation adjustment to presentation currency	(1,998,521)	190,894
Comprehensive income (loss) for the period	147,468	(3,145,967)
Earnings (loss) per share: Basic and diluted (note 17)	0.02	(0.04)
Weighted-average number of common shares outstanding:		
Basic	94,221,072	81,005,029
Diluted	97,738,261	81,005,029

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

	Number of common shares #	Common shares \$	Contributed surplus \$	Translation reserve \$	Deficit \$	Total \$
Balance - December 31, 2023	78,298,796	79,790,964	7,465,532	169,372	(71,299,684)	16,126,184
Net loss for the period	-	-	-	-	(3,336,861)	(3,336,861)
Other comprehensive loss for the period	-	-	-	190,894	-	190,894
	-	-	-	190,894	(3,336,861)	(3,145,967)
Shares issued pursuant to public equity financing (note 10(a))	6,153,880	20,000,110	-	-	-	20,000,110
Share issuance costs pursuant to the equity financing	-	(1,626,257)	-	-	-	(1,626,257)
Shares issued pursuant to option exercises (note 10(a))	460,389	1,067,003	(425,303)	-	-	641,700
Shares issued pursuant to RSU vesting (note 10(a))	481,006	1,314,642	(1,314,642)	-	-	-
Share-based compensation expense (note 10)	-	-	812,173	-	-	812,173
Balance - March 31, 2024	85,394,071	100,546,462	6,537,760	360,266	(74,636,545)	32,807,943
Balance - December 31, 2024	93,916,472	137,772,179	7,152,426	(825,950)	(79,026,812)	65,071,843
Net income for the period	-	-	-	-	2,145,989	2,145,989
Other comprehensive loss for the period	-	-	-	(1,998,521)	-	(1,998,521)
	-	-	-	(1,998,521)	2,145,989	147,468
Shares issued pursuant to option exercises (note 10(a))	311,240	1,261,673	(487,082)	-	-	774,591
Shares issued pursuant to RSU vesting (note 10(a))	169,318	469,987	(469,987)	-	-	-
Share-based compensation expense (note 10)	-	-	942,215	-	-	942,215
Balance - March 31, 2025	94,397,030	139,503,839	7,137,572	(2,824,471)	(76,880,823)	66,936,117

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**

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
Operating activities	\$	\$
Net income (loss) for the period	2,145,989	(3,336,861)
Charges to loss not involving cash:		
Depreciation of property and equipment	177,001	191,221
Share-based compensation	697,019	812,173
Interest expense	842,563	867,451
Tax expense	24,430	15,887
Amortization of the intangible asset	2,846,747	1,834,211
Amortization of loan issuance costs	45,982	36,957
Foreign exchange (gain) loss	(4,262,600)	238,763
Increase in non-current contract liabilities	7,553	58,319
Net change in non-cash operating working capital related to operations (note 14)	<u>14,951,929</u>	<u>7,684,397</u>
Net cash provided by operating activities	<u>17,476,613</u>	<u>8,402,518</u>
Financing activities		
Proceeds received from public equity financing	-	20,000,110
Share issuance costs associated with public equity financing	-	(1,626,257)
Payment of principal and interest on loans payable	(1,348,282)	(621,996)
Proceeds from the exercise of stock options	774,591	641,700
Repayment of lease liabilities	<u>(192,894)</u>	<u>(181,158)</u>
Net cash (used in)/provided by financing activities	<u>(766,585)</u>	<u>18,212,399</u>
Investing activities		
Additions to the intangible asset	(5,157,268)	(4,515,850)
Additions to property and equipment	(62,917)	(8,163)
Collection of research and development tax credits	<u>1,850,702</u>	<u>-</u>
Net cash used in investing activities	<u>(3,369,483)</u>	<u>(4,524,013)</u>
Effects of foreign exchange rates on cash	<u>1,902,261</u>	<u>164,519</u>
Net change in cash during the period	15,242,806	22,255,423
Cash – Beginning of period	<u>58,889,572</u>	<u>15,252,526</u>
Cash – End of period	<u>74,132,378</u>	<u>37,507,949</u>

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 Scotia Plaza, 40 King Street West, Suite 2400, Box 215, Toronto, Canada, ON M5H 3Y2.

Kneat designs, develops and supplies software for data and document management within regulated environments. The Company’s current product is Kneat Gx, a configurable, off-the-shelf application focused on validation lifecycle management and testing primarily within the life sciences industry (i.e. biotechnology, pharmaceutical and medical device manufacturing).

2. Summary of material 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 IFRS Accounting 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, 2024.

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, 2024. Refer to note 2, Summary of Material Accounting Policies, of the kneat.com, inc. audited consolidated financial statements for the year ended December 31, 2024 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 07, 2025.

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 judgements and estimates 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, 2024.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

2. Summary of material accounting policies (continued)

c) New accounting standards and amendments to accounting standards which are not yet effective

The following new IFRS Accounting Standard will be adopted for the purposes of the preparation of future financial statements, where applicable.

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged and introduces increased disclosure of management defined performance measures as well as new principles for aggregation and disaggregation of information included in the consolidated income statement.

IFRS 18 is applicable to the Company beginning on January 1, 2027. The Company is currently evaluating the impact of the adoption of IFRS 18 on its consolidated financial statements. While under review, we do not anticipate that the adoption of this new standard will have a material impact on our reported financial results.

3. Amounts Receivable

	March 31, 2025	December 31, 2024
Current	\$	\$
Trade debtors	6,751,521	12,325,454
Research and development tax credits receivable	3,150,517	4,867,717
Contract assets	331,415	221,799
Other debtors	284,589	242,895
Sales tax receivable	440,807	719,144
	10,958,849	18,377,009
Non-current		
Research and development tax credits receivable	3,544,947	2,368,006
	14,503,796	20,745,015

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

4. Property and equipment

	Computers and servers \$	Furniture and fixtures \$	Right-of-use assets \$	Leasehold improvements \$	Total \$
Cost					
As at January 1, 2024	1,276,375	209,820	7,882,508	215,914	9,584,617
Additions	131,782	25,696	-	10,730	168,208
Disposals	(7,672)	-	-	-	(7,672)
Effect of movements in foreign exchange rates	32,452	4,552	171,023	4,684	212,711
As at December 31, 2024	1,432,937	240,068	8,053,531	231,328	9,957,864
Additions	64,348	-	-	-	64,348
Disposals	(2,760)	-	-	-	(2,760)
Effect of movements in foreign exchange rates	48,342	8,879	297,830	8,554	363,605
As at March 31, 2025	1,542,867	248,947	8,351,361	239,882	10,383,057
Accumulated depreciation					
As at January 1, 2024	835,154	63,115	1,379,440	96,955	2,374,664
Depreciation charge	291,680	28,167	398,503	27,289	745,639
Disposals	(7,672)	-	-	-	(7,672)
Effect of movements in foreign exchange rates	24,911	1,651	34,103	2,389	63,054
As at December 31, 2024	1,144,073	92,933	1,812,046	126,633	3,175,685
Depreciation charge	60,606	7,589	101,833	6,973	177,001
Disposals	(2,760)	-	-	-	(2,760)
Effect of movements in foreign exchange rates	40,472	3,626	69,570	4,857	118,525
As at March 31, 2025	1,242,391	104,148	1,983,449	138,463	3,468,451
Carrying amount					
Balance - December 31, 2024	288,864	147,135	6,241,485	104,695	6,782,179
Balance - March 31, 2025	300,476	144,799	6,367,912	101,419	6,914,606

Depreciation of property and equipment for the three months ended March 31, 2025, included in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive income/(loss) is \$177,001 (three months ended March 31, 2024 – \$191,221).

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

5. Intangible asset

Cost	\$
As at January 1, 2024	52,796,857
Additions, net of research and development tax credits of \$3,669,090	16,173,122
Effect of movements in foreign exchange rates	1,107,969
As at December 31, 2024	<u>70,077,948</u>
Additions, net of research and development tax credits of \$1,089,370	4,441,014
Effect of movements in foreign exchange rates	2,591,545
As at March 31, 2025	<u><u>77,110,507</u></u>
Accumulated amortization	\$
As at January 1, 2024	23,791,765
Amortization charge	9,389,343
Effect of movements in foreign exchange rates	605,971
As at December 31, 2024	<u>33,787,079</u>
Amortization charge	2,846,747
Effect of movements in foreign exchange rates	1,318,248
As at March 31, 2025	<u><u>37,952,074</u></u>
Carrying amount	\$
Balance - December 31, 2024	<u>36,290,869</u>
Balance - March 31, 2025	<u><u>39,158,433</u></u>

Amortization of the intangible asset of \$2,846,747 (three months ended March 31, 2024 - \$1,834,211) is included in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive income/(loss).

6. Accounts payable and accrued liabilities

	March 31, 2025	December 31, 2024
Current	\$	\$
Trade payables	733,497	920,211
Accruals	4,399,794	6,105,289
Employee remittances	3,635,200	1,260,813
Sales tax payable	36,428	44,276
Income tax payable	141,746	146,540
Other payables	133,541	102,975
	<u>9,080,206</u>	<u>8,580,104</u>

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

7. Contract liabilities

	March 31, 2025	December 31, 2024
	\$	\$
Balance - Beginning of period	21,664,809	13,688,155
Deferral of revenue	24,109,314	58,449,315
Recognition of deferred revenue	(14,742,631)	(48,888,579)
Effect of movements in foreign exchange rate	48,266	(1,584,082)
Balance - End of period	31,079,758	21,664,809
Less: current portion	(31,037,419)	(21,631,416)
Non-current portion	42,339	33,393

8. Loan payable and accrued interest

	March 31, 2025	December 31, 2024
	\$	\$
Balance - Beginning of period	23,154,926	21,657,423
Interest and fees accrual	795,548	3,331,298
Principal and interest repayments	(1,348,282)	(2,475,283)
Amortization of loan issuance costs	45,982	171,593
Effect of movements in foreign exchange rate	859,004	469,895
Balance - End of period	23,507,178	23,154,926
Less: current portion	(5,122,755)	(4,116,723)
Non-current portion of loan payable and accrued interest	18,384,423	19,038,203

On June 26, 2023 the Company secured up to €15 million (\$23.3 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, second and third tranches of the facility on June 30, 2023, September 22, 2023 and December 22, 2023, respectively. The first and second tranches mature on December 31, 2027 with the first principal payments made on March 31, 2025. The third tranche matures March 31, 2028, with the first principal payment to be made on June 30, 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 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 after the drawdown of tranche one, two and three respectively. At March 31, 2025 the minimum cash balance to be held was €6 million (\$9.3 million). The Company was in compliance with the financial covenant as of March 31, 2025.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

9. Lease liabilities

	March 31, 2025	December 31, 2024
	\$	\$
Balance - Beginning of period	6,106,048	6,512,212
Repayments of lease obligations	(192,894)	(744,061)
Accreted interest	47,015	196,603
Effects of movements in foreign exchange rates	226,993	141,294
Balance - End of year	<u>6,187,162</u>	<u>6,106,048</u>
Less: Current portion	(386,207)	(434,096)
Non-current portion	<u>5,800,955</u>	<u>5,671,952</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, 2024	78,298,796	79,790,964
Shares issued pursuant to public equity financing	13,653,880	55,625,110
Share issuance costs pursuant to the equity financing	-	(3,869,212)
Shares issued pursuant to stock option exercise	923,547	3,360,483
Shares issued pursuant to RSU vesting	1,040,249	2,864,834
Outstanding - December 31, 2024	<u>93,916,472</u>	<u>137,772,179</u>
Shares issued pursuant to stock option exercise	311,240	1,261,673
Shares issued pursuant to RSU vesting	169,318	469,987
Outstanding - March 31, 2025	<u>94,397,030</u>	<u>139,503,839</u>

Three months ended March 31, 2025

During the three months ended March 31, 2025, employees exercised 311,240 options with a weighted average exercise price of \$2.49 per share for cash proceeds of \$774,591 plus an ascribed value of \$487,082.

During the three months ended March 31, 2025, 181,031 RSUs vested of which 169,318 common shares with an ascribed value of \$469,987 were issued to employees and 11,713 common shares will be issuable to U.S. employees within one year pending the removal of their restrictive legends.

Year ended December 31, 2024

During the year ended December 31, 2024, employees exercised 923,547 options with a weighted average exercise price of \$2.26 per shares for cash proceeds of \$2,086,699 plus an ascribed value of \$1,273,784.

During the year ended December 31, 2024, 1,143,536 RSUs vested of which 1,040,249 common shares with an ascribed value of \$2,864,834 were issued to employees and 103,287 common shares will be issuable to U.S. employees within one year pending the removal of their restrictive legends.

10. Share Capital (continued)**a) Common shares** (continued)Equity financings

On February 14, 2024, the Company closed a public equity financing with a syndicate of investment dealers led by Cormark Securities Inc ("the Underwriters"). Pursuant to the Offering, the Company issued a total of 6,153,880 common shares at a price of \$3.25 per common share for gross proceeds of \$20,000,110, which included the exercise, in full, by the Underwriters of the over-allotment option granted by the Company to purchase up to an additional 802,680 common shares at a price of \$3.25 per common share. The Company incurred share issuance costs of \$1,626,257, including commissions, professional and regulatory fees.

On October 10, 2024 the Company closed an additional public equity financing with a syndicate of investment dealers led by Cormark Securities Inc ("the Underwriters"). Pursuant to the Offering, the Company issued a total of 7,500,000 common shares at a price of \$4.75 per common share for gross proceeds of \$35,625,000, which included 131,500 Common Shares issued at the Offering Price as a result of the partial exercise by the Underwriters of the over-allotment option granted by the Company to the Underwriters.

b) 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 March 31, 2025, 4,789,266 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 months ended March 31, 2025 and the year ended December 31, 2024:

	Number of options	Weighted-average exercise price
	#	\$
Outstanding - January 1, 2024	2,222,446	2.79
Exercised	(923,547)	2.26
Forfeited	(77,027)	3.73
Expired	(28,409)	2.42
Outstanding - December 31, 2024	1,193,463	3.14
Exercised	(311,240)	2.49
Forfeited	(7,667)	3.45
Outstanding - March 31, 2025	874,556	3.33

For the three months ended March 31, 2025, stock-based compensation expense related to options recorded in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive income/(loss) was \$36,135 (three months ended March 31, 2024 – \$176,689).

There were no share options granted during the three months ended March 31, 2025 or during the year ended December 31, 2024.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

10. Share Capital (continued)

b) Share-based compensation – stock options (continued)

The following table summarizes information relating to outstanding and exercisable stock options as at March 31, 2025:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price \$
26 August 2025	0.4	95,000	95,000	2.50
27 May 2026	1.2	1,250	-	2.98
12 August 2026	1.4	480,468	397,162	3.45
23 September 2026	1.5	10,000	8,750	4.10
07 January 2027	1.8	180,000	135,000	3.60
24 February 2027	1.9	42,000	31,500	2.93
12 August 2027	2.4	65,838	50,004	3.05
		874,556	717,416	

c) 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 March 31, 2025, 5,524,171 RSUs and/or DSUs remain available for grant under the terms of the Omnibus Equity Incentive plan.

DSU activity for the three months ended March 31, 2025 and year ended December 31, 2024 is as follows:

	March 31, 2025	December 31, 2024
	#	#
Outstanding - Beginning of period	654,592	599,550
Granted	13,845	55,042
Outstanding - End of period	668,437	654,592

13,845 DSUs with a weighted-average fair value of \$6.43 per unit were granted in the three months ended March 31, 2025 and 55,042 DSUs with a weighted-average fair value of \$4.54 per unit were granted in the year ended December 31, 2024. For the three months ended March 31, 2025, the stock-based compensation expense related to of DSUs recorded in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive income/(loss) was \$61,561 (three months ended March 31, 2024 – \$49,108).

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

10. Share Capital (continued)

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

RSU activity for the three months ended March 31, 2025 and year ended December 31, 2024 is as follows:

	March 31, 2025 #	December 31, 2024 #
Outstanding - Beginning of period	1,816,857	2,213,391
Granted	673,607	950,461
Vested	(181,031)	(1,143,536)
Forfeited	(6,308)	(203,459)
Outstanding - End of period	<u>2,303,125</u>	<u>1,816,857</u>

673,607 RSUs with a weighted-average fair value of \$6.46 per unit were granted in the three months ended March 31, 2025. 950,461 RSUs with a weighted-average fair value of \$3.86 per unit were granted in the year ended December 31, 2024. For the three months ended March 31, 2025, the stock-based compensation expense related to RSUs recorded in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive income/(loss) \$599,323 (three months ended March 31, 2024 – \$586,376). RSUs typically vest over a three-year period and will be settled through the issuance of common shares.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

11. Revenue

Revenue consists of the following:

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
	\$	\$
SaaS license fees	13,805,973	9,718,501
Maintenance fees	22,095	70,589
Professional services and other	919,573	977,910
	<u>14,747,641</u>	<u>10,767,000</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, 2025	Three-month period ended March 31, 2024
	\$	\$
Americas	9,456,208	7,442,724
Europe	5,071,990	3,172,994
Asia Pacific	219,443	151,282
	<u>14,747,641</u>	<u>10,767,000</u>

In the three months ended March 31, 2025, no revenue from any customer amounted to 10% or more of the Company's total revenue (three months ended March 31, 2024 – 1 customer).

For the three months ended March 31, 2025, the Company's top 10 customers made up 52% of the Company's revenues (three months ended March 31, 2024 - 52%).

12. Expenses by nature

The following table lists certain expenses by nature included in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive income/(loss):

	March 31, 2025	March 31, 2024
	\$	\$
Amortization of the intangible asset	2,846,747	1,834,211
Depreciation of plant and equipment	177,001	191,221
Salaries, wages and benefits	7,967,649	6,866,434
Share-based compensation	697,019	812,173

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 income/ (loss) before income taxes, due to the following adjustments:

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
	\$	\$
Income (loss) before income taxes	2,170,419	(3,320,974)
Statutory rate (Canadian federal and provincial)	26.5%	29.0%
Tax recovery at statutory rate	575,161	(963,082)
Losses and deductible differences not recognized in current and prior years	(712,734)	306,807
Permanent differences and other	(111,902)	120,750
Foreign tax rate variance	273,905	551,412
Income tax expense	<u>24,430</u>	<u>15,887</u>

14. Supplemental cash flow information

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

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
	\$	\$
Decrease/(increase) in amounts receivable and prepayments	5,480,899	(3,884,877)
Increase/(decrease) in accounts payable and accrued liabilities	393,127	(119,912)
Increase in contract liabilities	9,077,903	11,689,186
	<u>14,951,929</u>	<u>7,684,397</u>

15. Related party transactions

During the three months ended March 31, 2025, the Company issued 13,845 DSUs to members of the Board of Directors who are not employees or officers of the Company (note 10) (three months ended March 31, 2024 – 16,480).

During the three months ended March 31, 2025, the Company granted 83,215 RSUs to Executive Directors and 174,407 RSUs to Key Management. During the three months ended March 31, 2024, the Company granted no RSUs to Executive Directors or Key Management.

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:

	March 31, 2025	December 31, 2024
	\$	\$
Equity	66,936,117	65,071,843
Debt	23,507,178	23,154,926
Less: Cash	(74,132,378)	(58,889,572)
	<u>16,310,917</u>	<u>29,337,197</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, return capital to shareholders or raise debt funding. In the year ended December 31, 2023, the Company signed the IPF Facility allowing for debt funding of up to €15 million (\$23.3 million) and drew down the first, second and third tranches of this facility on June 30, 2023, September 22, 2023 and December 22, 2023, respectively. 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 after the drawdown of tranche one, two and three respectively. At December 31, 2024 the minimum cash balance to be held was €6 million (\$9.3 million). The Company was in compliance with the financial covenant as of March 31, 2025.

On February 14, 2024, the Company closed a public equity financing with a syndicate of investment dealers led by Cormark Securities Inc ("the Underwriters"). Pursuant to the Offering, the Company issued a total of 6,153,880 common shares at a price of \$3.25 per common share for gross proceeds of \$20,000,110, which included the exercise, in full, by the Underwriters of the over-allotment option granted by the Company to purchase up to an additional 802,680 common shares at a price of \$3.25 per common share.

On October 10, 2024 the Company closed an additional public equity financing with a syndicate of investment dealers led by Cormark Securities Inc ("the Underwriters"). Pursuant to the Offering, the Company issued a total of 7,500,000 common shares at a price of \$4.75 per common share for gross proceeds of \$35,625,000, which included 131,500 Common Shares issued at the Offering Price as a result of the partial exercise by the Underwriters of the over-allotment option granted by the Company to the Underwriters.

No other changes were made to the objectives, policies or processes for managing capital during the three months ended March 31, 2025 or the year ended December 31, 2024.

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 do not have fair values that differ significantly from their carrying values.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

b) Fair values of financial instruments (continued)

The table below presents the classification of the Company's financial assets and liabilities as at March 31, 2025 and December 31, 2024:

	Financial assets and liabilities at amortized cost March 31, 2025	Financial assets and liabilities at amortized cost December 31, 2024
	\$	\$
Financial assets:		
Cash	74,132,378	58,889,572
Amounts receivable*	7,367,525	12,790,148
Financial liabilities:		
Accounts payables and accrued liabilities	9,080,206	8,580,104
Loan payable and accrued interest current	5,122,755	4,116,723
Loan payable and accrued interest non-current	18,384,423	19,038,203

*includes trade debtors, contract assets & other debtors

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.

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, 2025 and December 31, 2024, the Company's financial assets exposed to credit risk amounted to the following:

	March 31, 2025	December 31, 2024
	\$	\$
Cash	74,132,378	58,889,572
Amounts receivable*	7,367,525	12,790,148

*includes trade debtors, contract assets & other debtors

During the three months ended March 31, 2025 and the year ended December 31, 2024, the Company did not hold any financial assets that were impaired. Trade debtors of \$6,751,521 are included in amounts receivable as at March 31, 2025 (December 31, 2024 – \$12,325,454).

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

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 ratings of these banks, as determined by Standard and Poor's range between A+ and BBB.

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, 2025:

	Within 1			Over 5			Carrying
	year	2-3 years	4-5 years	years	Total		Value
	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	9,080,206	-	-	-	9,080,206		9,080,206
Lease payments (undiscounted)	570,297	1,006,407	1,006,407	5,150,944	7,734,055		6,187,162
IPF Facility payable (undiscounted)*	7,226,708	22,570,055	-	-	29,796,763		23,507,178
	<u>16,877,211</u>	<u>23,576,462</u>	<u>1,006,407</u>	<u>5,150,944</u>	<u>46,611,024</u>		<u>38,774,546</u>

*includes principal and interest payments. Interest payable was calculated using the EURIBOR rate as of March 2025

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 \$76,880,823 as at March 31, 2025. For the three months ended March 31, 2025, the Company earned a net income of \$2,145,989 (March 31, 2024 - net loss of \$3,336,861) with positive cash flows from operations of \$17,476,613 (March 31, 2024 - \$8,402,518) and capitalized development cost spend of \$5,530,384. (March 31, 2024 - \$4,504,500). 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.

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

e) Liquidity risk (continued)

On June 26, 2023, the Company announced that it had secured up to €15 million (\$23.3 million) in secured debt financing from IPF Partners which consisted 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, September 22, 2023 and December 22, 2023, the Company drew down the first, second and third tranches, respectively (Refer to note 8).

The Company has a history of being able to raise funds on the capital markets to meet its ongoing requirements and on February 14, 2024, the Company closed a public equity financing for gross proceeds of \$20,000,110 and on October 10, 2024 the Company closed an additional public equity financing for gross proceeds of \$35,625,000. However, there can be no assurance that, in the future, the Company will be able to raise funding on favourable terms, if at all.

During the first quarter of 2025 and throughout 2024, financial markets have been negatively impacted by political uncertainties and economic instability due to factors including the impact of international conflicts, the rate of inflation, interest rates and tariffs. 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, will be sufficient to fund operations for at least twelve months from the reporting date of the unaudited condensed interim consolidated financial statements.

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, loan payable, 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, 2025, the impact on monetary assets and liabilities of a 5% decrease in the foreign exchange rate between the functional currencies and foreign currencies (weakening of the Euro/USD versus CAD) would increase the net income by approximately \$5.0 million; a 5% increase would decrease the net income by approximately \$5.0 million (strengthening of the Euro/USD versus CAD). The Company currently does not hedge its currency risk.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

f) Currency risk (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 income/(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 March 31, 2025			Three-month period ended March 31, 2024		
	As reported	Foreign exchange rate effect	5% Stronger	As reported	Foreign exchange rate effect	5% Stronger
Revenue	\$ 14,747,641	\$ 737,382	\$ 15,485,023	\$ 10,767,000	\$ 538,350	\$ 11,305,350
Expenses	(12,601,652)	(777,967)	(13,379,619)	(14,103,861)	(688,291)	(14,792,152)
Net income/ (loss)	2,145,989	(40,585)	2,105,404	(3,336,861)	(149,941)	(3,486,802)

(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 income 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. Interest rate exposure exists in the unaudited condensed interim consolidated statements of financial position, in respect of cash balances due to the variability in deposit rates and in respect of the IPF Facility due to the variable interest rate (EURIBOR + 7%) that applies to this loan. During the three months ended March 31, 2025, a change of 100 basis points in either interest rate would have had an effect of approximately \$148,000 on deposit interest income and \$58,000 on interest expense assuming all other variables, in particular foreign currency exchange rates, remain constant.

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, 2025 and December 31, 2024 the Company had no financial instruments that were measured and recognized at fair value on the unaudited condensed interim consolidated statement of financial position and audited consolidated statement of financial position, respectively. In addition, there were no transfers between levels during the period.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

17. Earnings (loss) per share

Basic and diluted net income/(loss) per share was calculated as follows:

	Three-month period ended March 31, 2025	Three-month period ended March 31, 2024
<i>Numerator:</i>		
Net earnings (loss) for the period attributable to ordinary shareholders	2,145,989	(3,336,861)
<i>Denominator:</i>		
Weighted average number of ordinary shares in issue: Basic	94,221,072	81,005,029
Weighted average number of ordinary shares in issue: Diluted	97,738,261	81,005,029
Earnings/(loss) per share:		
Basic	<u>0.02</u>	<u>(0.04)</u>
Diluted	<u>0.02</u>	<u>(0.04)</u>

The Company’s potential ordinary shares, which include stock options to purchase shares of common stock, DSUs and RSUs, are as follows;

	March 31, 2025	March 31, 2024
Options to purchase common shares	874,556	1,736,840
Deferred share units (DSUs)	668,437	616,030
Restricted share units (RSUs)	2,303,125	1,692,953

For the three months ended March 31, 2025, the above potential ordinary shares are included in the computation of diluted net income/(loss) per share. For the three months ended March 31, 2024, the Company excluded the potential ordinary shares from the computation of diluted net income/(loss) per share because including them would have had an anti-dilutive effect.

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 \$6,588,216 within one year and \$11,604,934 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 statement 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 unaudited condensed interim consolidated financial statements.