Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

September 30, 2021

(Expressed in Canadian Dollars)

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that these unaudited condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

Expressed in Canadian dollars

	September 30, 2021	December 31, 2020
	$	$
Assets		
Current assets		
Cash	**21,987,348**	8,659,085
Amounts receivable (note 3)	**8,371,181**	4,266,981
Prepayments	**687,871**	476,539
Deferred contract acquisition costs	**10,627**	30,723
	31,057,027	13,433,328
Non-current assets		
Amounts receivable (note 3)	**2,015,366**	1,565,830
Deferred contract acquisition costs	-	9,914
Property and equipment (note 4)	**8,835,702**	9,453,956
Intangible asset (note 5)	**12,644,609**	9,338,604
Total assets	**54,552,704**	33,801,632
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**3,184,435**	1,546,863
Contract liabilities (note 7)	**8,303,607**	3,500,838
Loan payable and accrued interest (note 8)	**269,865**	459,630
Lease liabilities (note 9)	**840,320**	530,175
	12,598,227	6,037,506
Non-current liabilites		
Contract liabilities (note 7)	**20,062**	19,805
Lease liabilities (note 9)	**7,252,755**	8,409,744
Loan payable and accrued interest (note 8)	-	120,457
Total liabilities	**19,871,044**	14,587,512
Equity		
Shareholders' equity	**34,681,660**	19,214,120
Total liabilities and equity	**54,552,704**	33,801,632

Commitments and contingencies (note 19)

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

Approved on behalf of the Board of Directors on 9 November, 2021.

"*Ian Ainsworth*"
Director

"*Wade Dawe* "
Director

kneat.com, inc.
Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars	**Three-month period ended Sept 30, 2021**	**Three-month period ended Sept 30, 2020**	**Nine-month period ended Sept 30, 2021**	**Nine-month period ended Sept 30, 2020**
	$	**$**	**$**	**$**
Revenue (note 12)	**3,734,193**	1,958,413	**9,238,312**	4,459,343
Cost of revenues (note 13)	**(1,705,156)**	(1,238,544)	**(4,367,070)**	(3,182,074)
Gross margin	**2,029,037**	719,869	**4,871,242**	1,277,269
Expenses (income)				
Research and development (note 13)	**2,373,755**	1,390,974	**5,942,541**	3,776,685
Sales and marketing (note 13)	**1,149,178**	557,590	**2,653,395**	1,203,732
General and administrative (note 13)	**936,544**	548,969	**2,245,212**	1,683,233
Interest expense	**71,999**	79,793	**219,566**	110,981
Interest income	**(2,923)**	(192)	**(4,492)**	(1,622)
Foreign exchange loss (gain)	**10,122**	(521,317)	**2,123,812**	(1,389,797)
Loss before income taxes	**(2,509,638)**	(1,335,948)	**(8,308,792)**	(4,105,943)
Income taxes (note 14)	-	-	-	-
Net loss for the period	**(2,509,638)**	(1,335,948)	**(8,308,792)**	(4,105,943)
Other comprehensive income (loss)				
Foreign currency translation adjustment to presentation currency	**(48,394)**	(166,272)	**1,071,186**	(840,577)
Comprehensive loss for the period	**(2,558,032)**	(1,502,220)	**(7,237,606)**	(4,946,520)
Loss per share – basic and diluted	**(0.03)**	(0.02)	**(0.11)**	(0.06)
Weighted-average number of common shares outstanding - Basic and diluted	**75,433,719**	67,243,118	**73,191,375**	65,407,049

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, 2019	**60,185,340**	**40,008,727**	**155,801**	**2,260,688**	**383,943**	**(31,628,579)**	**11,180,580**
Net loss for the period	-	-	-	-	-	(4,105,943)	(4,105,943)
Other comprehensive (loss) for the period	-	-	-	-	(840,577)	-	(840,577)
	-	-	-	-	(840,577)	(4,105,943)	(4,946,520)
Share issued pursuant to public equity financing	6,024,275	12,650,978	-	-	-	-	12,650,978
Shares issued pursuant to private placement	871,677	1,830,522	-	-	-	-	1,830,522
Share issuance costs pursuant to the equity financings	-	(1,048,966)	-	-	-	-	(1,048,966)
Broker warrants share issuance costs	-	(253,088)	253,088	-	-	-	-
Shares issued pursuant to the option exercises	126,430	156,785	-	(66,360)	-	-	90,425
Shares issued pursuant to warrant exercises	175,515	261,298	(77,008)	-	-	-	184,290
Share-based compensation expense	-	-	-	519,652	-	-	519,652
Balance – September 30, 2020	**67,383,237**	**53,606,256**	**331,881**	**2,713,980**	**(456,634)**	**(35,734,522)**	**20,460,961**
Balance – December 31, 2020	**67,416,570**	**53,663,724**	**331,881**	**2,846,703**	**(308,439)**	**(37,319,749)**	**19,214,120**
Net loss for the period	-	-	-	-	-	(8,308,792)	(8,308,792)
Other comprehensive gain (loss) for the period	-	-	-	-	1,071,186	-	1,071,186
	-	-	-	-	1,071,186	(8,308,792)	(7,237,606)
Share issued pursuant to public equity financing	6,708,525	20,125,575	-	-	-	-	20,125,575
Shares issued pursuant to private placement	666,668	2,000,004	-	-	-	-	2,000,004
Share issuance costs pursuant to the equity financings	-	(1,647,054)	-	-	-	-	(1,647,054)
Shares issued pursuant to option exercises	1,788,731	2,273,520		(797,545)	-	-	1,475,975
Shares issued pursuant to warrant exercises	168,345	215,266	(38,504)	-	-	-	176,762
Share-based compensation expense	-	-	-	573,884	-	-	573,884
Balance, September 30, 2021	**76,748,839**	**76,631,035**	**293,377**	**2,623,042**	**762,747**	**(45,628,541)**	**34,681,660**

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

kneat.com, inc.
Unaudited Interim Consolidated Statement of Cash Flows

Expressed in Canadian dollars

	Nine-month period ended September 30, 2021	Nine-month period ended September 30, 2020
	$	$
Operating activities		
Net loss for the period	**(8,308,792)**	(4,105,943)
Charges to loss not involving cash:		
Depreciation of property and equipment	**623,507**	400,546
Share-based compensation	**573,884**	468,446
Interest expense	**219,565**	110,981
Amortization of the intangible asset	**2,568,238**	1,712,014
Amortization of deferred contract acquisition costs	**29,466**	114,607
Research and development tax credit recovery	**-**	(20,864)
Foreign exchange (gain) loss	**2,123,812**	(1,389,797)
Decrease in non-current contract liabilities	**257**	(194,531)
Net change in non-cash working capital related to operations (note 15)	**1,931,719**	1,925,809
Net cash used in operating activities	**(238,344)**	**(978,732)**
Financing activities		
Proceeds received from the public equity financing	**20,125,575**	12,650,978
Proceeds received from the non-brokered private placement	**2,000,004**	1,830,522
Share issuance costs associated with equity financings	**(1,647,054)**	(1,048,966)
Payment of principal and interest on the loan payable	**(335,481)**	(228,635)
Proceeds from the exercise of stock options	**1,475,976**	90,425
Proceeds from the exercise of warrants	**176,761**	184,290
Repayment of lease liabilities	**(543,265)**	(189,659)
Net cash provided by financing activities	**21,252,516**	**13,288,955**
Investing activities		
Additions to the intangible asset	**(6,786,013)**	(4,749,815)
Additions to property and equipment	**(564,361)**	(426,640)
Net cash used in investing activities	**(7,350,374)**	**(5,176,455)**
Effects of exchange rates on cash	**(335,535)**	(86,145)
Increase in cash during the period	**13,328,263**	7,047,623
Cash, beginning of period	**8,659,085**	4,216,846
Cash, end of period	**21,987,348**	**11,264,469**

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 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. kneat.com's head office is located at Unit 7, Castletroy Business Park, 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

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements, except as discussed below.

a) Statement of compliance and basis of consolidation

The unaudited condensed interim consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved these unaudited condensed interim consolidated financial statements for issue on November 9, 2021.

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 IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with 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, 2020.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of November 9, 2021, the date the Board of Directors approved the unaudited condensed interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2021 could result in the restatement of these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements include certain assets, liabilities and results of operations of the Company, including the following subsidiaries:

Subsidiary	Principal Activity	Country of Incorporation
Kneat Solutions Limited	Operations	Ireland
Kneat Solutions Inc.	Operations	United States

The Company consolidates the wholly-owned subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies.

These unaudited condensed interim consolidated financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended

December 31, 2020. Refer to note 2, *Summary of Significant Accounting Policies,* of the kneat.com, inc. annual consolidated financial statements for the year ended December 31, 2020 for information on the other accounting policies, critical accounting judgments and estimates.

b) Foreign currency translation

Earnings of foreign operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Kneat Solutions Limited is the Euro and the functional currency of Kneat Solutions Inc. is the United States dollar. The legal parent entity, kneat.com, has a Canadian dollar functional currency. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars. On consolidation assets and liabilities of each foreign entity are translated into Canadian dollars at the exchange rate in effect on the unaudited condensed interim consolidated statements of financial position date. Revenue and expenses are translated at the average rate in effect during the period. Unrealized translation gains and losses are recorded as a cumulative translation adjustment, which is included in other comprehensive loss, which is a component of shareholders' equity.

Foreign currency transactions are translated as follows: (i) monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at the unaudited condensed interim consolidated statements of financial position date; and (ii) non-monetary assets and liabilities denominated in foreign currencies and measured in terms of historic costs are translated using rates of exchange at the transaction dates.

c) Share-based payments

The Company has an Omnibus Equity Incentive plan that allows for share-based compensation to be provided to stakeholders that can have a significant impact on the Company's long-term results. Awards of options under this plan are recognized based on the estimated fair value of the options at the grant date, with a corresponding credit to contributed surplus in equity. Fair value is estimated using the Black-Scholes pricing model. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a graded vesting basis, based on the Company's estimate of the shares that will eventually vest. Option pricing models require the use of assumptions, including the expected volatility. The Company uses its historical price data in the estimate of future volatilities. Cash consideration received on the exercise of options is credited to share capital together with the amounts originally recorded as share-based compensation related to the exercised options.

Under the Omnibus Equity Incentive plan, DSUs may be granted to members of the Company's Board of Directors. DSUs typically vest over a three or four year period, will be settled through the issuance of common shares, and cannot be redeemed until the holder is no longer a director or officer of the Company. All services received in exchange for the grant of DSUs 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. Compensation expense is classified consistent with directors' fees or salaries and is recognized over the vesting period in the consolidated statement of loss and comprehensive loss.

The Company calculates the fair value of warrants issued as part of fundraising activities at the date of issue taking the amount directly to equity where no cash settlement option exists and where a fixed number of warrants are issued at a fixed rate. The fair value is calculated using the Black Scholes model. Fair value, which is assessed at the grant date, is calculated on the basis of the contractual term of the warrants.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

d) New accounting standards adopted during the period

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3. AMOUNTS RECEIVABLE

	September 30, 2021	December 31, 2020
	$	$
Current		
Research and development tax credits receivable	998,415	1,257,286
Trade debtors	6,864,628	2,437,585
Contract assets	289,660	431,316
Other debtors	20,503	21,514
Sales tax recoverable	197,975	119,280
	8,371,181	4,266,981
Non-current		
Research and development tax credits receivable	2,015,366	1,565,830
	10,386,547	5,832,811

4. PROPERTY AND EQUIPMENT

Cost	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
As at January 1, 2020	474,319	99,773	600,661	489,669	1,664,422
Additions	232,215	9,669	8,418,338	230,591	8,890,813
Write-offs	(103,498)	-	-	-	(103,498)
Effect of movements in exchange rates	32,445	7,014	41,708	33,998	115,165
As at December 31, 2020	635,481	116,456	9,060,707	754,258	10,566,902
Additions	358,165	183,018	-	-	541,183
Effect of movements in exchange rates	(40,084)	(6,668)	(518,814)	(43,189)	(608,755)
As at September 30, 2021	953,562	292,806	8,541,893	711,069	10,499,330

Accumulated depreciation	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
As at January 1, 2020	231,445	39,398	124,728	160,943	556,514
Depreciation charge	171,113	14,197	343,878	80,950	610,138
Write-offs	(100,216)	-	-	-	(100,216)
Effect of movements in exchange rates	18,660	3,092	12,091	12,667	46,510
As at December 31, 2020	321,002	56,687	480,697	254,560	1,112,946
Depreciation charge	140,362	15,302	400,182	67,661	623,507
Effect of movements in exchange rates	(20,384)	(3437)	(33,430)	(15,574)	(72,825)
As at September 30, 2021	440,980	68,552	847,449	306,647	1,663,628

Carrying amount	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
Balance - December 31, 2020	314,479	56,769	8,580,010	499,698	9,453,956
Balance – September 30, 2021	512,582	224,254	7,694,444	404,422	8,835,702

Depreciation of property and equipment is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss for $623,507 (nine-month period ended September 30, 2020 – $400,546).

On December 23, 2019, the Company entered into an Agreement for Lease relating to the fit-out of a new office premise located at the Second Floor, Hawthorn House, National Technology Park, Plassey, Co. Limerick, Ireland. Under the terms of the Agreement for Lease, the lease term began on the successful completion of the agreed works on June 26, 2020, resulting in the measurement of the additional right of use asset and lease liability (note 9) on the consolidated statement of financial position during 2020. The lease term is twenty years and the company has an option to terminate at the end of the 10th year.

5. INTANGIBLE ASSET

Cost	$
As at January 1, 2020	11,891,049
Additions, net of research and development tax credits of $1,664,023	5,337,032
Effect of movements in exchange rates	825,674
As at December 31, 2020	18,053,755
Additions, net of research and development tax credits of $900,078	6,368,942
Effect of movements in exchange rates	(1,028,568)
As at September 30, 2021	23,394,129

Accumulated amortization	$
As at January 1, 2020	5,805,973
Amortization charge	2,460,369
Effect of movements in exchange rates	448,809
As at December 31, 2020	8,715,151
Amortization charge	2,568,238
Effect of movements in exchange rates	(533,869)
As at September 30, 2021	10,749,520

Carrying amount	$
Balance - December 31, 2020	9,338,604
Balance – September 30, 2021	12,644,609

Amortization of the intangible asset of $2,568,238 (nine-month period ended September 30, 2020 - $1,712,014) is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
	$	$
Trade payables	759,905	456,470
Accruals	1,844,939	504,321
Employee remittances	493,653	468,089
Sales tax payable	25,218	21,213
Other payables	60,720	96,770
	3,184,435	1,546,863

7. CONTRACT LIABILITIES

	September 30, 2021	December 31, 2020
	$	$
Balance - Beginning of period	3,520,643	1,206,645
Deferral of revenue	14,175,448	9,016,926
Recognition of deferred revenue	(9,238,312)	(6,659,251)
Effect of movements in exchange rates	(134,110)	(43,677)
Balance - End of period	8,323,669	3,520,643
Less: current portion of contract liabilities	(8,303,607)	(3,500,838)
Non-current portion of contract liabilities	20,062	19,805

8. LOAN PAYABLE AND ACCRUED INTEREST

	September 30, 2021	December 31, 2020
	$	$
Balance - Beginning of period	580,087	832,521
Interest accrual	10,659	23,437
Repayments	(335,481)	(317,949)
Effect of movements in exchange rates	14,600	42,078
Balance - End of period	269,865	580,087
Less: Current portion	(269,865)	(459,630)
Non-current portion	-	120,457

As at September 30, 2021, the loan payable to Enterprise Ireland and accrued interest balance on the unaudited condensed interim consolidated statement of financial position was comprised of a principal balance of $269,865 and accrued interest of $nil (December 31, 2020 – principal balance of $580,087 and accrued interest of $nil).

The minimum annual principal repayments of the loan payable over the next year as of September 30, 2021 is $269,865.

9. LEASE LIABILITIES

	September 30, 2021	December 31, 2020
	$	$
Balance - Beginning of period	8,409,744	644,078
Additions	-	8,418,338
Repayments of lease obligations	(536,782)	(330,375)
Accreted interest	201,911	166,232
Effect of movements in exchange rates	18,202	41,646
Balance - End of period	8,093,075	8,939,919
Less: Current portion	(840,320)	(530,175)
Non-current portion	7,252,755	8,409,744

10. DEFERRED SHARE UNITS

The maximum number of common shares which the Company is entitled to issue from treasury in connection with the redemption of DSUs granted under the DSU plan is 4,000,000 common shares. As at September 30, 2021, 3,324,452 remain available for grant under the terms of the DSU plan.

DSU activity for the nine-month period ended September 30, 2021 and year ended December 31, 2020 is as follows:

	September 30, 2021	December 31, 2020
	#	#
Outstanding - Beginning of period	583,001	468,053
Granted	92,547	114,948
Outstanding - End of period	675,548	583,001

For the nine-months ended September 30, 2021, the estimated value of DSUs earned and recorded in the unaudited interim consolidated statement of loss and comprehensive loss was $183,000 and is included in general and administration expenses.

11. 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, 2020	60,185,340	40,008,727
Shares issued pursuant to the public equity financing	6,024,275	12,650,978
Shares issued pursuant to the private placement	871,677	1,830,522
Shares issuance costs pursuant to the equity financing	-	(1,048,966)
Broker warrants	-	(253,088)
Shares issued pursuant to the stock option exercise	159,763	214,253
Shares issued pursuant to warrant exercises	175,515	261,298
Outstanding - December 31, 2020	67,416,570	53,663,724
Shares issued pursuant to the public equity financing	6,708,525	20,125,575
Shares issued pursuant to the private placement	666,668	2,000,004
Shares issuance costs pursuant to the equity financing	-	(1,647,054)
Shares issued pursuant to the stock option exercise	1,788,731	2,273,520
Shares issued pursuant to warrant exercises	168,345	215,266
Outstanding – September 30, 2021	76,748,839	76,631,035

During the year ended December 31, 2020, employees exercised 126,430 options with a weighted average exercise price of $0.72 per share, for proceeds of $90,469; and a director exercised 33,333 options with an exercise price of $0.90 per share for proceeds of $30,000. During the year ended December 31, 2020, 175,515 broker warrants were exercised with an exercise price of $1.05 per share for proceeds of $184,291.

During the nine-month period ended September 30, 2021, employees exercised 1,226,683 options with a weighted average exercise price of $0.79 per share for proceeds of $970,131 and directors exercised 562,048 options with a weighted average exercise price of $0.90 per share for proceeds of $505,844. During the nine-month period ended September 30, 2021, 168,345 broker warrants were exercised with an exercise price of $1.05 per share for proceeds of $176,762.

Equity financings

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. This resulted in the issuance of 7,375,193 common shares of the Company at an exercise price of $3.00 per common share. Directors of the Company subscribed to 333,334 common shares for gross proceeds of $1,000,002. In addition, Numus Capital Corp., a company in which a director of kneat.com is a shareholder, acted as selling agent in the financing and received $120,000 in cash finders' fees. The Company incurred share issuance costs of $1,647,054, including commissions, professional and regulatory fees.

The 666,668 common shares issued in connection with the non-brokered private placement are subject to a statutory four month hold period in accordance with applicable sercurities laws.

On March 12, 2020, the Company closed a public equity financing for gross proceeds of $12,650,978 and a concurrent non-brokered private placement for gross proceeds of $1,830,522. This resulted in the issuance of 6,895,952 common shares of the Company at an issue price of $2.10 per common share. In connection with the financings, the Company issued 370,900 broker warrants, exercisable into common shares of the Company at an exercise price of $2.10 per share for a period of 24 months. Directors of the Company subscribed to 238,096 common shares for gross proceeds of $500,001. In addition, Numus Capital Corp., a company in which a director of kneat.com is a shareholder, acted as selling agent in the financing and received 52,301 broker warrants and $109,831 in cash finders' fees. The Company incurred share issuance costs of $1,302,054, including commissions, professional and regulatory fees and broker warrants. The 871,677 common shares issued in connection with the non-brokered private placement were subject to a statutory four-month hold period in accordance with applicable securities laws.

b) Warrants

The following table reconciles the warrant activity during the nine-month period ended September 30, 2021 and the year ended December 31, 2020:

	Number of warrants	Weighted-average exercise price
	#	$
Outstanding - January 1, 2020	343,860	1.05
Granted	370,900	2.10
Exercised	(175,515)	1.05
Outstanding - December 31, 2020	539,245	1.77
Exercised	(168,345)	1.05
Outstanding – September 30, 2021	370,900	2.10

The following table summarizes information relating to outstanding warrants as at September 30, 2021:

Expiry date	Weighted-average remaining contractual life (in years)	Number of warrants outstanding	Weighted-average exercise price
March 12, 2022	0.4	370,900	$ 2.10

c) Share-based compensation

The Company has adopted an Omnibus Equity Incentive Plan, providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Generally stock options are granted with an exercise price of not less than the closing share price on the date preceding the date of grant. As at September 30, 2021, 4,049,985 remain available for grant under the terms of the stock option plan.

The following are the weighted-average assumptions used in calculating the value of the stock options granted during the nine-month period ended September 30, 2021 and the year ended December 31, 2020:

	September 30, 2021	December 31, 2020
Risk-free interest rate	0.80%	0.38%
Expected life	4.5 years	4.5 years
Expected volatility	69.95%	91.16%
Expected dividend per share	0.0%	0.0%
Weighted-average exercise price	$3.42	$2.20
Weighted-average fair value	$1.87	$1.64

The following table reconciles the stock option activity during the nine-month period ended September 30, 2021 and the year ended December 31, 2020:

	Number of options	Weighted-average exercise price
	#	$
Outstanding - January 1, 2020	3,256,371	0.92
Granted	671,000	2.45
Exercised	(159,763)	0.61
Forfeited	(84,690)	1.04
Outstanding - December 31, 2020	3,682,918	1.20
Granted	1,219,103	3.42
Exercised	(1,788,732)	0.83
Forfeited	(163,938)	2.75
Outstanding – September 30, 2021	2,949,351	2.26

For the nine-month period ended September 30, 2021, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss was $390,884 (nine-month period ended September 30, 2020 – $316,108). The estimated value of options earned during the nine-month period ended September 30, 2021 and recorded as an addition to the intangible asset was $nil (nine-month period ended September 30, 2020 – $51,205).

The following table summarizes information relating to outstanding and exercisable stock options as at September 30, 2021:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
January 11, 2022	0.5	104,334	104,334	$ 0.58
May 29, 2022	0.9	9,000	9,000	$ 0.68
February 1, 2023	1.6	149,900	149,900	$ 0.80
April 25, 2023	1.8	5,000	5,000	$ 0.85
November 1, 2023	2.3	100,000	66,667	$ 1.02
December 18, 2023	2.5	67,784	34,451	$ 0.97
January 3, 2024	2.5	299,668	188,669	$ 1.00
March 7, 2024	2.7	225,000	150,000	$ 1.06
April 4, 2024	2.8	15,000	8,333	$ 1.22
May 13, 2024	2.9	30,000	20,000	$ 1.30
September 23, 2024	3.2	200,000	133,333	$ 1.52
February 6, 2025	3.6	110,000	56,667	$ 2.84
April 22, 2025	3.8	20,000	5,000	$ 1.94
August 26, 2025	4.2	306,500	76,625	$ 2.50
October 1, 2025	4.3	3,500	-	$ 2.55
November 26, 2025	4.4	200,000	-	$ 2.20
May 27, 2026	4.9	122,000	-	$ 2.98
August 26, 2026	4.9	896,665	-	$ 3.45
September 23, 2026	5.0	85,000	-	$ 4.10
		2,949,351	1,007,979	

12. REVENUE

Revenue has been earned from the following sources:

	Three-month period ended Sept 30, 2021	Three-month period ended Sept 30, 2020	Nine-month period ended Sept 30, 2021	Nine-month period ended Sept 30, 2020
	$	$	$	$
SaaS license fees	2,628,133	698,200	5,640,040	1,747,087
On-premise licenses fees	-	113,361	572,540	512,752
Maintenance fees	179,138	174,723	627,053	538,037
Professional services and other	926,922	972,129	2,398,679	1,661,467
	3,734,193	1,958,413	9,238,312	4,459,343

13. 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, 2021	Three-month period ended Sept 30, 2020	Nine-month period ended Sept 30, 2021	Nine-month period ended Sept 30, 2020
	$	$	$	$
Amortization of the intangible asset	932,032	662,473	2,568,238	1,712,014
Depreciation of plant and equipment	208,779	211,506	623,507	400,546
Salaries, wages and benefits	2,914,535	1,901,533	7,258,811	5,056,105
Share-based compensation	223,064	143,589	573,884	468,446

14. 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, 2021	Nine-month period ended Sept 30, 2020
	$	$
Loss before income taxes	(8,308,792)	(4,105,943)
Statutory rate	29.5%	31%
Tax recovery at statutory rate	(2,451,094)	(1,272,842)
Recovery for losses and deductible temporary differences not recognized in current and prior years	1,693,223	480,027
Permanent differences and other	(181,023)	(174,134)
Foreign tax rate variance	938,894	966,949
Income tax recovery	-	-

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Nine-month period ended Sept 30, 2021	Nine-month period ended Sept 30, 2020
	$	$
Increase in amounts receivable and other	(4,615,992)	30,506
Increase in accounts payable and accrued liabilities	1,716,918	515,673
Increase in contract liabilities	4,830,793	1,379,630
	1,931,719	1,925,809

16. RELATED PARTY TRANSACTIONS

On April 28, 2021, directors of the Company subscribed to 333,334 common shares for gross proceeds of $1,000,002. In addition, Numus Capital Corp. a company in which a director of kneat.com is a sharesholder, acted as selling agent in the financing and received $120,000 in cash finders' fees (note 11 (a)).

On March 12, 2020, directors of the Company subscribed to 238,096 common shares for gross proceeds of $500,001. In addition, Numus Capital Corp. acted as selling agent in the financing and received 52,301 broker warrants and $109,831 in cash finders' fees (note 11 (a)).

On February 1, 2021, a director of the company exercised 33,333 stock options at an exercise price of $.90 per common share for gross proceeds of $30,000.

On January 22, 2021, directors of the company exercised a total of 528,716 stock options at an exercise price of $.90 per common share for gross proceeds of $475,844.

During the nine months ended September 30, 2021, the Company issued 92,547 DSUs to members of the Board of Directors who are not employees or officers of the Company (note 10) (nine months ended September30, 2020 – 87,969).

17. 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:

	Sept 30, 2021	December 31, 2020
	$	$
Equity	34,681,660	19,214,120
Less: cash	(21,987,348)	(8,659,085)
	12,694,312	10,555,035

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 nine-month period ended September 30, 2021 or the year ended December 31, 2020.

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. 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, 2021 and December 31, 2020:

	Financial assets and liabilities at amortized cost Sept 30, 2021	Financial assets and liabilities at amortized cost Dec 31, 2020
	$	$
Financial assets:		
Cash	21,987,348	8,659,085
Amounts receivable	10,386,547	5,832,811
Financial liabilities:		
Accounts payables and accrued liabilities	3,184,435	1,546,863
Loan payable	269,865	580,087

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 September 30, 2021 and December 31, 2020, the Company's financial assets exposed to credit risk amounted to the following:

	September 30, 2021	December 31, 2020
	$	$
Cash	21,987,348	8,659,085
Amounts receivable*	7,862,662	3,366,955

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

During the nine-month period ended September 30, 2021 and the year ended December 31, 2020, the Company did not hold any financial assets that were impaired. Trade debtors of $6,864,628 are included in amounts receivable as at September 30, 2021 (December 31, 2020 – $2,437,585). Trade debtors are monitored on a regular basis, with reference to the 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 Canada, Ireland and the United States. The long-term credit rating, as determined by Standard and Poor's was A, BBB- and A 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, 2021:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	3,184,435	-	-	-	3,184,435
Lease payments	917,356	1,691,927	1,147,666	1,793,231	5,550,180
Loan payable	269,865	-	-	-	269,865
	4,371,656	1,691,927	1,147,666	1,793,231	9,004,480

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 $45,628,541 as at September 30, 2021. For the nine-month period ended September 30, 2021, the Company incurred a net loss of $8,308,792 with negative cash flows from operations of $258,059 and capitalized development cost spend of $6,786,013 (2020 - $4,105,943, $978,732 and $4,749,815, respectively). As the Company incurs losses and negative cash flow 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 function. 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 11(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 2020 and the first nine months of 2021, financial markets have been negatively impacted by the ongoing COVID-19 coronavirus pandemic. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic 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 cash, intercompany balances, accounts payable and accrued liabilities balances, and the loan payable balance that are held in currencies that are not in the transacting entities functional currencies.

As at September 30, 2021, a 5% decrease in the exchange rate between the functional currencies and foreign currencies would increase the net loss by approximately $3.1 million for the nine-month period ended September 30, 2021; a 5% increase would decrease the net loss by approximately $3.1 million for the nine-month period ended September 30, 2021. 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 Sept 30, 2021			Nine-month period ended Sept 30, 2020		
	As reported	Exchange rate effect	5% Stronger	As reported	Exchange rate effect	5% Stronger
	$	$	$	$	$	$
Revenues	9,238,312	461,915	9,700,227	4,459,343	222,967	4,682,310
Expenses	(17,547,104)	(753,867)	(18,300,971)	(8,565,286)	(477,990)	(9,043,276)
Net loss	(8,308,792)	(291,952)	(8,600,744)	(4,105,943)	(255,023)	(4,360,966)

(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 and the loan payable on the unaudited condensed interim consolidated statements of financial position. The Company holds a loan payable with a fixed interest rate. This is privately-issued, with no secondary market. It is measured at amortized cost. As a result, the Company is not exposed to cash flow interest rate risk on its loan payable.

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, 2021 and December 31, 2020 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.

18. LOSS PER SHARE

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

	Three-month period ended Sept 20, 2021	Three-month period ended Sept 30, 2020	Nine-month period ended Sept 30, 2021	Nine-month period ended Sept 30, 2020
Numerator:				
Net loss for the year attributable to ordinary shareholders	(2,509,638)	(1,335,948)	(8,308,792)	(4,105,943)
Denominator:				
Weighted average number of ordinary shares in issue	75,433,719	67,243,118	73,191,375	65,407,049
Loss per share (basic and diluted)	(0.03)	(0.02)	(0.11)	(0.06)

The Company's potential ordinary shares, which include stock options and warrants 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 year end, from the computation of diluted net loss per share because including them would have had an anti-dilutive effect.

	September 30, 2021	**September 30, 2020**
Options to purchase common shares	2,949,351	3,519,251
Warrants to purchase common shares	370,900	539,245

19. 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 $1,696,436 within one year and $2,753,088 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.

20. 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 condensed interim consolidated financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.