Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

September 30, 2024

(Expressed in Canadian Dollars)

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

	September 30, 2024 $	December 31, 2023 $
Assets		
Current assets		
Cash	31,681,064	15,252,526
Amounts receivable (note 3)	13,322,678	11,601,558
Prepayments	1,407,512	1,138,382
	46,411,254	27,992,466
Non-current assets		
Amounts receivable (note 3)	1,914,572	1,650,795
Property and equipment (note 4)	6,966,819	7,209,953
Intangible asset (note 5)	34,132,237	27,642,752
Total Assets	89,424,882	64,495,966
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	8,273,692	7,874,332
Contract liabilities (note 7)	20,760,819	13,647,071
Lease liabilities (note 9)	500,577	535,832
Loan payable (note 8)	3,025,980	-
	32,561,068	22,057,235
Non-current liabilities		
Contract liabilities (note 7)	64,112	41,084
Lease liabilities (note 9)	5,810,671	5,976,380
Loan payable and accrued interest (note 8)	20,100,157	21,657,423
Total Liabilities	58,536,008	49,732,122
Equity		
Shareholders' equity	30,888,874	14,763,844
Total Liabilities and Equity	89,424,882	64,495,966

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

Approved on behalf of the Board of Directors on November 6th 2024

(signed) "*Ian Ainsworth*"
Director

(signed) "*Carol Leaman* "
Director

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

	Three-month period ended September 30, 2024	Three-month period ended September 30, 2023	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	$	$	$	$
Revenue (note 11)	12,762,074	8,405,262	35,204,809	24,409,409
Cost of revenue	(2,991,384)	(2,923,725)	(8,807,493)	(8,226,657)
Gross profit	9,770,690	5,481,537	26,397,316	16,182,752
Expenses				
Research and development	(3,915,509)	(3,836,971)	(12,722,947)	(11,924,972)
Sales and marketing	(3,934,685)	(3,119,679)	(12,334,854)	(9,412,699)
General and administrative	(2,149,414)	(1,701,840)	(6,450,002)	(5,317,083)
Operating loss	(228,918)	(3,176,953)	(5,110,487)	(10,472,002)
Interest expense	(892,318)	(343,519)	(2,630,674)	(452,060)
Interest income	172,005	1,896	380,079	6,015
Foreign exchange gain (loss)	2,208,615	(72,852)	2,227,902	(537,900)
Income (loss) before income taxes	1,259,384	(3,591,428)	(5,133,180)	(11,455,947)
Income tax expense (note 13)	(86,253)	—	(130,692)	(8,550)
Net income (loss) for the period	1,173,131	(3,591,428)	(5,263,872)	(11,464,497)
Other comprehensive (loss) income				
Foreign currency translation adjustment to presentation currency	(1,363,967)	141,830	(1,598,137)	486,432
Comprehensive loss for the period	(190,836)	(3,449,598)	(6,862,009)	(10,978,065)
Earnings (loss) per share: Basic and diluted (note 17)	0.01	(0.05)	(0.06)	(0.15)
Weighted-average number of common shares outstanding: Basic	85,915,834	77,824,761	84,173,808	77,744,726

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, 2022	**77,662,911**	**78,426,153**	**3,446,941**	**433,322**	**(56,326,465)**	**25,979,951**
Net loss for the period	-	-	-	-	(11,464,497)	(11,464,497)
Other comprehensive loss for the period	-	-	-	486,432	-	486,432
	-	-	-	486,432	(11,464,497)	(10,978,065)
Shares issued pursuant to option exercises	129,146	168,549	(93,799)	-	-	74,750
Shares issued pursuant to RSU vesting	124,608	382,329	(382,329)	-	-	-
Share-based compensation expense (note 10(c))	-	-	2,069,228	-	-	2,069,228
Balance - September 30, 2023	**77,916,665**	**78,977,031**	**5,040,041**	**919,754**	**(67,790,962)**	**17,145,864**
Balance - December 31, 2023	**78,298,796**	**79,790,964**	**5,249,207**	**169,372**	**(70,445,699)**	**14,763,844**
Net loss for the period	-	-	-	-	(5,263,872)	(5,263,872)
Other comprehensive loss for the period	-	-	-	(1,598,137)	-	(1,598,137)
	-	-	-	(1,598,137)	(5,263,872)	(6,862,009)
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))	791,812	2,741,040	(1,042,674)	-	-	1,698,366
Shares issued pursuant to RSU vesting (note 10(a))	863,095	2,372,776	(2,372,776)	-	-	-
Share-based compensation expense (note 10)	-	-	2,914,820	-	-	2,914,820
Balance - September 30, 2024	**86,107,583**	**103,278,633**	**4,748,577**	**(1,428,765)**	**(75,709,571)**	**30,888,874**

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

	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
Operating activities	$	$
Net loss for the period	(5,263,872)	(11,464,497)
Charges to loss not involving cash:		
Depreciation of property and equipment	570,889	594,047
Share-based compensation	2,914,820	2,069,228
Interest expense	2,630,674	452,060
Tax expense	130,692	8,550
Amortization of the intangible asset	6,649,072	4,897,794
Amortization of loan issuance costs	121,237	26,331
Write-off of property and equipment	-	26,632
Impact of lease termination	-	(65,936)
Foreign exchange (gain) loss	(2,227,902)	537,900
Increase/(decrease) in non-current contract liabilities	20,795	(879,551)
Net change in non-cash operating working capital related to operations (note 14)	5,343,945	2,431,164
Net cash provided by (used in) operating activities	**10,890,350**	**(1,366,278)**
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	(1,896,196)	(196,276)
Proceeds from the exercise of stock options	1,698,366	74,750
Repayment of lease liabilities	(564,010)	(559,090)
Proceeds received from loan financing	-	14,353,000
Issuance costs associated with loan financing	-	(540,085)
Net cash provided by financing activities	**17,612,013**	**13,132,299**
Investing activities		
Additions to the intangible asset	(14,794,310)	(12,702,025)
Additions to property and equipment	(104,354)	(109,931)
Collection of research and development tax credits	2,353,578	-
Net cash used in investing activities	**(12,545,086)**	**(12,811,956)**
Effects of foreign exchange rates on cash	471,261	245,433
Net change in cash during the period	16,428,538	(800,502)
Cash – Beginning of period	15,252,526	12,282,478
Cash – End of period	**31,681,064**	**11,481,976**

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

1. Nature of operations

kneat.com, inc. (the "Company" or "kneat.com" or "Kneat"), was incorporated on December 12, 2013 under the laws of the Canada Business Corporations Act. On June 27, 2016, the Company completed a transaction ("Transaction") with Kneat Solutions Limited whereby kneat.com acquired 100% of the issued and outstanding ordinary shares of Kneat Solutions Limited by way of a scheme of arrangement in Ireland. The Company commenced trading on the TSX Venture Exchange as kneat.com on July 5, 2016 under the symbol KSI. The Company graduated to, and began trading on, the main Toronto Stock Exchange (TSX) on November 15, 2021. kneat.com's head office is located at Hawthorn House, Plassey Business Campus, Castletroy, Limerick, Ireland. The registered office of kneat.com is located at Suite 3000 - 77 King St West, TD Centre North Tower, Toronto, Ontario, Canada M5K 1G8.

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 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, 2023.

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, 2023. Refer to note 2, Summary of Material Accounting Policies, of the kneat.com, inc. audited consolidated financial statements for the year ended December 31, 2023 for information on the other accounting policies, critical accounting judgements and estimates.

The Board of Directors approved these unaudited condensed interim consolidated financial statements for issue on November 6th 2024.

b) Use of judgement and estimates

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

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are disclosed in Note 2 of the audited consolidated financial statements as at December 31, 2023.

2. Summary of material accounting policies (continued)

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

The following new or revised IFRS Accounting Standards and amendments to IFRS Accounting Standards will be adopted for the purposes of the preparation of future financial statements, where applicable. While under review, we do not anticipate that the adoption of these new or revised standards will have a material impact on our reported financial results.

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.

3. Amounts Receivable

	September 30, 2024	December 31, 2023
Current	$	$
Trade debtors	8,328,352	6,690,224
Research and development tax credits receivable	4,441,002	4,192,531
Contract assets	4,375	262,548
Other debtors	201,621	83,689
Sales tax receivable	347,328	372,566
	13,322,678	11,601,558
Non-current		
Research and development tax credits receivable	1,914,572	1,650,795
	15,237,250	13,252,353

4. Property and equipment

	Computers and servers $	Furniture and fixtures $	Right-of-use assets $	Leasehold improvements $	Total $
Cost					
As at January 1, 2023	1,251,577	315,536	8,014,898	445,379	10,027,390
Additions	181,497	-	-	-	181,497
Disposals	(167,841)	(109,044)	(216,967)	(234,165)	(728,017)
Effect of movements in foreign exchange rates	11,142	3,328	84,577	4,700	103,747
As at December 31, 2023	1,276,375	209,820	7,882,508	215,914	9,584,617
Additions	81,376	25,214	-	-	106,590
Effect of movements in foreign exchange rates	40,206	6,843	257,101	7,042	311,192
As at September 30, 2024	1,397,957	241,877	8,139,609	222,956	10,002,399

	Computers and servers $	Furniture and fixtures $	Right-of-use assets $	Leasehold improvements $	Total $
Accumulated depreciation					
As at January 1, 2023	674,896	116,012	1,130,264	299,176	2,220,348
Depreciation charge	320,221	28,836	409,659	27,369	786,085
Disposals	(166,988)	(83,042)	(173,568)	(232,825)	(656,423)
Effect of movements in foreign exchange rates	7,025	1,309	13,085	3,235	24,654
As at December 31, 2023	835,154	63,115	1,379,440	96,955	2,374,664
Depreciation charge	231,782	20,678	298,021	20,408	570,889
Effect of movements in foreign exchange rates	31,613	2,550	52,208	3,656	90,027
As at September 30, 2024	1,098,549	86,343	1,729,669	121,019	3,035,580

	Computers and servers $	Furniture and fixtures $	Right-of-use assets $	Leasehold improvements $	Total $
Carrying amount					
Balance - December 31, 2023	441,221	146,705	6,503,068	118,959	7,209,953
Balance - September 30, 2024	299,408	155,534	6,409,940	101,937	6,966,819

Depreciation of property and equipment for the nine months ended September 30, 2024, included in the unaudited condensed interim consolidated statements of loss and comprehensive loss is $570,889 (nine months ended September 30, 2023 – $594,047).

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

5. Intangible asset

Cost	**$**
As at January 1, 2023	35,983,492
Additions, net of research and development tax credits of $2,472,294	14,702,993
Effect of movements in foreign exchange rates	379,715
As at December 31, 2023	51,066,200
Additions, net of research and development tax credits of $2,750,821	12,401,647
Effect of movements in foreign exchange rates	1,665,613
As at September 30, 2024	65,133,460

Accumulated amortization	**$**
As at January 1, 2023	16,618,588
Amortization charge	6,610,930
Effect of movements in foreign exchange rates	193,930
As at December 31, 2023	23,423,448
Amortization charge	6,649,072
Effect of movements in foreign exchange rates	928,703
As at September 30, 2024	31,001,223

Carrying amount	**$**
Balance - December 31, 2023	27,642,752
Balance - September 30, 2024	34,132,237

Amortization of the intangible asset of $6,649,072 (nine months ended September 30, 2023 - $4,897,794) is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

6. Accounts payable and accrued liabilities

	September 30, 2024	**December 31, 2023**
Current	$	$
Trade payables	1,381,208	1,397,599
Accruals	5,476,358	5,144,433
Employee remittances	1,235,025	1,161,123
Sales tax payable	9,496	47,415
Income tax payable	91,675	32,923
Other payables	79,930	90,839
	8,273,692	7,874,332

7. Contract liabilities

	September 30, 2024	December 31, 2023
	$	$
Balance - Beginning of period	13,688,155	11,566,366
Deferral of revenue	42,565,786	36,406,912
Recognition of deferred revenue	(35,160,849)	(33,634,666)
Effect of movements in foreign exchange rate	(268,161)	(650,457)
Balance - End of period	20,824,931	13,688,155
Less: current portion	(20,760,819)	(13,647,071)
Non-current portion	64,112	41,084

8. Loan payable and accrued interest

	September 30, 2024	December 31, 2023
	$	$
Balance - Beginning of period	21,657,423	-
New borrowings	-	21,978,000
Capitalized loan issuance costs	-	(624,596)
Interest and fees accrual	2,537,279	873,265
Principal and interest repayments	(1,896,196)	(630,410)
Amortization of loan issuance costs	121,237	61,164
Effect of movements in foreign exchange rate	706,394	-
Balance - End of period	23,126,137	21,657,423
Less: current portion	(3,025,980)	-
Non-current portion of loan payable and accrued interest	20,100,157	21,657,423

On June 26, 2023 the Company secured up to €15 million ($22.7 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 to be 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 the final amount of the three facilities availed of and whether the debt is repaid on each maturity date or earlier. The IPF Facility is guaranteed by the Company and its U.S. wholly owned subsidiary, and is secured by a perfected, sole first-priority security interest in all existing and after acquired tangible and intangible assets of Kneat Solutions Limited, the Company and its U.S. wholly owned subsidiary. The IPF Facility is also subject to a financial covenant in the form of a minimum cash balance held in favour of the lender in an amount sufficient to cover the higher of the last six months and next six months cash runway subject to a cap of €2 million, €4 million and €6 million on tranche one, two and three, respectively. At September 30, 2024 the minimum cash balance to be held was €6 million ($9.1 million). The Company was in compliance with the financial covenant as of September 30, 2024.

9. Lease liabilities

	September 30, 2024	December 31, 2023
	$	$
Balance - Beginning of period	6,512,212	7,091,513
Repayments of lease obligations	(564,010)	(752,802)
Accreted interest	150,638	211,411
Termination of lease	-	(112,568)
Effects of movements in foreign exchange rates	212,408	74,658
Balance - End of year	6,311,248	6,512,212
Less: Current portion	(500,577)	(535,832)
Non-current portion	5,810,671	5,976,380

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, 2023	77,662,911	78,426,153
Shares issued pursuant to stock option exercise	349,146	532,117
Shares issued pursuant to RSU vesting	286,739	832,694
Outstanding - December 31, 2023	78,298,796	79,790,964
Shares issued pursuant to public equity financing	6,153,880	20,000,110
Share issuance costs pursuant to the equity financing	-	(1,626,257)
Shares issued pursuant to stock option exercise	791,812	2,741,040
Shares issued pursuant to RSU vesting	863,095	2,372,776
Outstanding - September 30, 2024	**86,107,583**	**103,278,633**

Nine months ended September 30, 2024

During the nine months ended September 30, 2024, employees exercised 791,812 options with a weighted average exercise price of $2.14 per share for cash proceeds of $1,698,366 plus an ascribed value of $1,042,674.

During the nine months ended September 30, 2024, 954,151 RSUs vested of which 863,095 common shares with an ascribed value of $2,372,776 were issued to employees and 91,056 common shares will be issuable to U.S. employees within one year pending the removal of their restrictive legends.

Year ended December 31, 2023

During the year ended December 31, 2023, employees exercised 349,146 options with a weighted average exercise price of $0.85 per shares for cash proceeds of $295,350 plus an ascribed value of $236,767.

During the year ended December 31, 2023, 311,184 RSUs vested of which 286,739 common shares with an ascribed value of $832,694 were issued to employees and 24,445 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.

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 September 30, 2024, 3,837,188 stock options remain available for grant under the terms of the Omnibus Equity Incentive Plan.

The following table reconciles the stock option activity during the nine months ended September 30, 2024 and the year ended December 31, 2023:

	Number of options	Weighted-average exercise price
	#	$
Outstanding - January 1, 2023	2,890,140	2.57
Granted	-	-
Exercised	(349,146)	1.03
Forfeited	(298,548)	2.81
Expired	(20,000)	1.02
Outstanding - December 31, 2023	2,222,446	2.79
Granted	-	-
Exercised	(791,812)	2.14
Forfeited	(89,367)	3.68
Expired	(12,000)	1.00
Outstanding - September 30, 2024	1,329,267	3.12

For the nine months ended September 30, 2024, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss was $194,384 (nine months ended September 30, 2023 – $559,566).

There were no share options granted during the nine months ended September 30, 2024 or during the year ended December 31, 2023.

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 September 30, 2024:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price $
February 6, 2025	0.4	10,000	10,000	2.84
April, 22, 2025	0.6	20,000	20,000	1.94
August 26, 2025	0.9	166,420	166,420	2.50
October 1, 2025	1.0	3,500	3,281	2.55
November 26, 2025	1.2	200,000	150,000	2.20
May 27, 2026	1.7	3,750	-	2.98
August 12, 2026	1.9	610,597	440,849	3.45
September 23, 2026	2.0	10,000	7,500	4.10
January 7, 2027	2.3	180,000	112,500	3.60
February 24, 2027	2.4	42,000	26,250	2.93
August 12, 2027	2.9	83,000	51,334	3.05
		1,329,267	988,134	

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 September 30, 2024, 5,146,572 RSUs and/or DSUs remain available for grant under the terms of the Omnibus Equity Incentive plan.

DSU activity for the nine months ended September 30, 2024 and year ended December 31, 2023 is as follows:

	September 30, 2024 #	December 31, 2023 #
Outstanding - Beginning of period	599,550	512,551
Granted	44,501	86,999
Redeemed	-	-
Forfeited	-	-
Outstanding - End of period	644,051	599,550

44,501 DSUs with a weighted-average fair value of $4.21 per unit were granted in the nine months ended September 30, 2024 and 86,999 DSUs with a weighted-average fair value of $2.87 per unit were granted in the year ended December 31, 2023. For the nine months ended September 30, 2024, the estimated value of DSUs earned and recorded in the unaudited interim condensed consolidated statement of loss and comprehensive loss was $184,025 (nine months ended September 30, 2023 – $176,895).

10. Share Capital (continued)

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

RSU activity for the nine months ended September 30, 2024 and year ended December 31, 2023 is as follows:

	September 30, 2024 \#	December 31, 2023 \#
Outstanding - Beginning of period	2,213,391	926,863
Granted	857,861	1,729,921
Vested	(954,151)	(311,184)
Forfeited	(158,042)	(132,209)
Outstanding - End of period	1,959,059	2,213,391

857,861 RSUs with a weighted-average fair value of $3.75 per unit were granted in the nine months ended September 30, 2024. 1,729,921 RSUs with a weighted-average fair value of $2.72 per unit were granted in the year ended December 31, 2023. For the nine months ended September 30, 2024, the estimated value of RSUs earned and recorded in the unaudited condensed interim consolidated statement of loss and comprehensive loss was $2,536,411 (nine months ended September 30, 2023 – $1,332,767). RSUs typically vest over a three-year period and will be settled through the issuance of common shares. RSUs are measured at their fair values as of the date of grant with no subsequent revaluation. The fair value is recognized over the vesting period on a graded vesting basis.

11. Revenue

Revenue consists of the following:

	Three-month period ended September 30, 2024	Three-month period ended September 30, 2023	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	$	$	$	$
SaaS license fees	11,479,130	7,738,841	32,032,738	21,144,414
On-premise license fees	-	-	-	436,126
Maintenance fees	64,190	24,223	198,668	230,380
Professional services and other	1,218,754	642,198	2,973,403	2,598,489
	12,762,074	8,405,262	35,204,809	24,409,409

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

	Three-month period ended September 30, 2024	Three-month period ended September 30, 2023	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	$	$	$	$
Americas	7,891,398	5,603,847	22,967,690	16,200,221
Europe	4,690,399	2,715,989	11,758,727	8,021,459
Asia Pacific	180,277	85,426	478,392	187,729
	12,762,074	8,405,262	35,204,809	24,409,409

In the three and nine months ended September 30, 2024, revenue from 1 customer amounted to 10% or more of the Company's total revenue (three and nine months ended September 30, 2023 – 1 customer).

For the three and nine months ended September 30, 2024, the Company's top 10 customers made up 50% and 51% respectively of the Company's revenues (three and nine months ended September 30, 2023 – 56% and 55% respectively).

12. Expenses by nature

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

	Three-month period ended September 30, 2024	Three-month period ended September 30, 2023	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	$	$		
Amortization of the intangible asset	2,126,011	1,654,910	6,649,072	4,897,794
Depreciation of plant and equipment	189,272	190,795	570,889	594,047
Salaries, wages and benefits	7,066,441	5,970,146	20,334,955	18,150,998
Share-based compensation	763,657	795,148	2,914,820	2,069,228

13. Income taxes

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

	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	$	$
Loss before income taxes	(5,133,180)	(11,455,947)
Statutory rate (Canadian federal and provincial)	26.50%	29.00%
Tax recovery at statutory rate	(1,360,293)	(3,322,225)
Losses and deductible differences not recognized in current and prior years	199,409	1,256,378
Permanent differences and other	166,675	410,179
Foreign tax rate variance	1,124,901	1,664,218
Income tax expense	130,692	8,550

14. Supplemental cash flow information

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

	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	$	$
Increase in amounts receivable and prepayments	(1,486,180)	(2,916,283)
Increase in accounts payable and accrued liabilities	79,656	784,735
Increase in contract liabilities	6,750,469	4,562,712
	5,343,945	2,431,164

15. Related party transactions

During the nine months ended September 30, 2024, the Company issued 44,501 DSUs to members of the Board of Directors who are not employees or officers of the Company (note 10) (nine months ended September 30, 2023 – 65,629).

During the nine months ended September 30, 2024, Executive Directors of the Company exercised 150,000 stock options at an exercise price of $1.06 for gross proceeds of $159,000 and Key Management exercised 275,000 stock options at a weighted-average exercise price of $1.39 for gross proceeds of $383,500.

During the nine months ended September 30, 2024, the Company granted 107,422 RSUs to Executive Directors and 210,079 RSUs to Key Management. During the nine months ended September 30, 2023, the Company granted 153,229 RSUs to Executive Directors and 317,317 RSUs to 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:

	September 30, 2024	December 31, 2023
	$	$
Equity	30,888,874	14,763,844
Debt	23,126,137	21,657,423
Less: Cash	(31,681,064)	(15,252,526)
	22,333,947	21,168,741

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 ($22.7 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 subject to a financial covenant in the form of a minimum cash balance held in favour of the lender in an amount sufficient to cover the higher of the last six months and next six months cash runway subject to a cap of €2 million, €4 million and €6 million on tranche one, two and three respectively. At September 30, 2024 the minimum cash balance that the Company must maintain at all times is €6 million ($9.1 million). 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. No other changes were made to the objectives, policies or processes for managing capital during the nine months ended September 30, 2024 or the year ended December 31, 2023.

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.

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 September 30, 2024 and December 31, 2023:

	Financial assets and liabilities at amortized cost September 30, 2024	Financial assets and liabilities at amortized cost December 31, 2023
	$	$
Financial assets:		
Cash	31,681,064	15,252,526
Trade & Other Debtors & Contract Assets	8,534,348	7,036,461
Financial liabilities:		
Accounts payables and accrued liabilities	8,273,692	7,874,332
Loan payable current	3,025,980	—
Loan payable non-current	20,100,157	21,657,423

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, 2024 and December 31, 2023, the Company's financial assets exposed to credit risk amounted to the following:

	September 30, 2024	December 31, 2023
	$	$
Cash	31,681,064	15,252,526
Amounts receivable and other*	8,534,348	7,036,461

*includes trade debtors, contract assets & other debtors

During the nine months ended September 30, 2024 and the year ended December 31, 2023, the Company did not hold any financial assets that were impaired. Trade debtors of $8,328,352 are included in amounts receivable as at September 30, 2024 (December 31, 2023 – $6,690,224).

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.

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

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, 2024:

	Within 1 year	**2-3 years**	**4-5 years**	**Over 5 years**	**Total**	**Carrying Value**
	$	$	$	$	$	$
Accounts payable and accrued liabilities	8,273,692	-	-	-	8,273,692	8,273,692
Lease payments (undiscounted)	686,621	980,890	980,890	5,265,563	7,913,964	6,311,248
IPF Facility payable (undiscounted)*	5,462,176	19,273,192	6,748,589	-	31,483,957	23,126,137
	14,422,489	20,254,082	7,729,479	5,265,563	47,671,613	37,711,077

*includes principal and interest payments. Interest payable was calculated using the EURIBOR rate as of September 2024

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 $75,709,571 as at September 30, 2024. For the nine months ended September 30, 2024, the Company incurred a net loss of $5,263,872 with positive cash flows from operations of $10,890,350 and capitalized development cost spend of $15,152,468. (September 30, 2023 - $11,464,497, ($1,366,278) and $12,644,450 respectively). As the Company continues to incur losses from operations, the Company has relied on financing activities to meet its working capital and operating requirements, including funds needed to further develop its software and expand its sales and marketing functions.

On June 26, 2023 the Company announced that it had secured up to €15 million ($22.7 million) in secured debt financing. This IPF facility consists of three term commitments or tranches of €5 million each to be availed of by Kneat Solutions Limited. Each tranche matures 18 quarters from its initial drawdown date. On June 30, 2023, September 22, 2023 and December 22, 2023 the Company drew down the first, second and third tranches, respectively. Refer to note 8.

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

e) Liquidity risk (continued)

The Company had cash on hand of $31,681,064 at September 30, 2024 and it 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 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. However, there can be no assurance that, in the future, the Company will be able to raise funding on favorable terms, if at all.

During the first nine months of 2024 and throughout 2023, financial markets have been impacted by economic instability due to factors including the impact of international conflicts, the rate of inflation and interest rates. These factors may adversely impact our operations, credit risk, our ability to serve our customers and our ability to raise new funding. This has resulted in significant economic uncertainty, and even though the Company has to date experienced no significant impact to its operations, any potential impact on our future financial results is difficult to reliably measure. The Company is regularly assessing the situation and remains in contact with its partners, customers and suppliers to assess any impacts and risk.

The Directors believe that the Company's cash resources when combined with new equity funding raised in October 2024 (note 19), and 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 September 30, 2024, 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 loss by approximately $3.3million; a 5% increase would decrease the net loss by approximately $3.3 million (strengthening of the Euro/USD versus CAD). The Company currently does not hedge its currency risk.

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

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

f) Currency risk (continued)

	Nine-month period ended September 30, 2024			Nine-month period ended September 30, 2023		
	As reported	Foreign exchange rate effect	5% Stronger	As reported	Foreign exchange rate effect	5% Stronger
	$	$	$	$	$	$
Revenue	35,204,809	1,760,240	36,965,049	24,409,409	1,220,470	25,629,879
Expenses	(40,468,681)	(1,961,588)	(42,430,269)	(35,873,906)	(1,687,250)	(37,561,156)
Net loss	(5,263,872)	(201,348)	(5,465,220)	(11,464,497)	(466,780)	(11,931,277)

(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. 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 nine months ended September 30, 2024, a change of 100 basis points in either interest rate would have had an effect of approximately $153,000 on deposit interest income and $173,000 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 September 30, 2024 and December 31, 2023 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.

17. Earnings (loss) per share

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

	Three-month period ended September 30, 2024	Three-month period ended September 30, 2023	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
Numerator:				
Net earnings (loss) for the period attributable to ordinary shareholders	1,173,131	(3,591,428)	(5,263,872)	(11,464,497)
Denominator:				
Weighted average number of ordinary shares in issue: Basic	85,915,834	77,824,761	84,173,808	77,744,726
Weighted average number of ordinary shares in issue: Diluted	90,156,630	77,824,761	84,173,808	77,744,726
Earnings (loss) per share (basic and diluted)	0.01	(0.05)	(0.06)	(0.15)

The Company's potential ordinary shares, which include stock options to purchase shares of common stock, DSUs and RSUs, have been excluded from the computation of diluted net loss per share for the nine-month periods ended September 30, 2024 and 2023, as well as for the three-month period ended September 30, 2023. Therefore, the calculation of basic and diluted net loss per share is the same. The Company excluded the following potential ordinary shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share because including them would have had an anti-dilutive effect.

	September 30, 2024	September 30, 2023
Options to purchase common shares	1,329,267	2,482,234
Deferred share units (DSUs)	644,051	2,431,264
Restricted share units (RSUs)	1,959,059	578,180

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 $5,911,708 within one year and $13,598,666 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

On October 10, 2024 the Company announced the closing of its previously announced bought deal offering ("the Offering") of common shares 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 includes 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.