Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

March 31, 2020

(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

	March 31, 2020	December 31, 2019
	$	$
Assets		
Current assets		
Cash	**15,472,616**	4,216,846
Amounts receivable (note 3)	**1,889,707**	1,807,643
Prepayments	**297,156**	261,905
Deferred contract acquisition costs	**164,016**	118,510
	17,823,495	6,404,904
Amounts receivable (note 3)	**1,432,183**	999,386
Deferred contract acquisition costs	**44,782**	51,162
Property and equipment (note 4)	**1,208,819**	1,107,908
Intangible asset (note 5)	**7,020,568**	6,085,076
Total assets	**27,529,847**	14,648,436
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**1,062,754**	784,612
Contract liabilities (note 7)	**1,319,241**	967,913
Loan payable and accrued interest (note 8)	**337,828**	277,507
Lease liabilities (note 9)	**160,436**	148,061
	2,880,259	2,178,093
Contract liabilities (note 7)	**188,371**	238,732
Lease liabilities (note 9)	**487,320**	496,017
Loan payable and accrued interest (note 8)	**506,742**	555,014
Total liabilities	**4,062,692**	3,467,856
Equity		
Shareholders’ equity	**23,467,155**	11,180,580
Total liabilities and equity	**27,529,847**	14,648,436

Commitments and contingencies (note 18)

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

Approved on behalf of the Board of Directors on May 27, 2020.

“*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 March 31, 2020	Three-month period ended March 31, 2019
	$	$
Revenue (note 12)	**954,530**	414,272
Cost of revenues (note 13)	**(907,187)**	(366,876)
Gross margin	**47,343**	47,396
Expenses (income)		
Research and development (note 13)	**1,055,093**	710,278
Sales and marketing (note 13)	**351,135**	346,164
General and administrative (note 13)	**573,824**	342,472
Interest expense	**15,838**	17,012
Interest income	**(997)**	(3,581)
Foreign exchange (gain) loss	**(1,482,127)**	605,521
Loss before income taxes	**(465,423)**	(1,970,470)
Income taxes (note 14)	**-**	-
Net loss for the period	**(465,423)**	(1,970,470)
Other comprehensive income (loss)		
Foreign currency translation adjustment to presentation currency	**(947,188)**	293,468
Comprehensive loss for the period	**(1,412,611)**	(1,677,002)
Loss per share – basic and diluted	**(0.01)**	(0.04)
Weighted-average number of common shares outstanding - Basic and diluted	**61,715,909**	55,122,374

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, January 1, 2019	**51,442,180**	**31,459,760**	**140,394**	**1,565,325**	**(140,579)**	**(25,431,953)**	**7,592,947**
Net loss for the period	-	-	-	-	-	(1,970,470)	(1,970,470)
Other comprehensive loss for the period	-	-	-	-	293,468	-	293,468
	-	-	-	-	293,468	(1,970,470)	(1,677,002)
Shares issued pursuant to public equity financing	6,037,500	6,339,376	-	-	-	-	6,339,376
Shares issued pursuant to non-brokered private placement	2,074,437	2,178,160	-	-	-	-	2,178,160
Share issuance costs	-	(686,921)	-	-	-	-	(686,921)
Broker warrants	-	(150,870)	150,870	-	-	-	-
Shares issued pursuant to option exercise	215,000	311,047	-	(122,797)	-	-	188,250
Share-based compensation expense	-	-	-	114,241	-	-	114,241
Balance, March 31, 2019	**59,769,117**	**39,450,552**	**291,264**	**1,556,769**	**152,889**	**(27,402,423)**	**14,049,051**
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	-	-	-	-	-	(465,423)	(465,423)
Other comprehensive income for the period	-	-	-	-	(947,188)	-	(947,188)
	-	-	-	-	(947,188)	(465,423)	(1,412,611)
Shares issued pursuant to public equity financing	6,024,275	12,650,978	-	-	-	-	12,650,978
Shares issued pursuant to non-brokered private placement	871,677	1,830,522	-	-	-	-	1,830,522
Share issuance costs	-	(1,048,966)	-	-	-	-	(1,048,966)
Broker warrants issuance costs	-	(253,088)	253,088	-	-	-	-
Shares issued pursuant to option exercise	71,233	74,221	-	(32,834)	-	-	41,387
Shares issued pursuant to warrant exercise	43,879	65,325	(19,252)				46,073
Share-based compensation expense	-	-	-	179,192	-	-	179,192
Balance, March 31, 2020	**67,196,404**	**53,327,719**	**389,637**	**2,407,046**	**(563,245)**	**(32,094,002)**	**23,467,155**

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
	$	$
Operating activities		
Net loss for the period	**(465,423)**	(1,970,470)
Charges to loss not involving cash:		
Depreciation of property and equipment	**74,557**	66,121
Share-based compensation	**162,117**	74,915
Interest expense	**15,838**	17,012
Amortization of the intangible asset	**487,795**	369,387
Amortization of deferred contract acquisition costs	**30,070**	(14,687)
Research and development tax credit recovery	**(8,623)**	-
Unrealized foreign exchange (gain) loss	**(1,482,127)**	605,521
Increase in non-current contract liabilities	**(66,810)**	391,216
Net change in non-cash working capital related to operations (note 15)	**426,038**	254,398
Net cash used in operating activities	**(826,568)**	(206,587)
Financing activities		
Proceeds received from the public equity financing	**12,650,978**	6,339,376
Proceeds received from the non-brokered private placement	**1,830,522**	2,178,160
Share issuance costs associated with equity financings	**(1,048,966)**	(686,921)
Payment of principal and interest on the loan payable	**(48,560)**	-
Proceeds from the exercise of stock options	**41,387**	188,250
Proceeds from the exercise of warrants	**46,073**	-
Repayment of lease liabilities	**(35,064)**	-
Net cash provided by financing activities	**13,436,370**	8,018,865
Investing activities		
Additions to the intangible asset	**(1,309,816)**	(1,025,167)
Additions to property and equipment	**(114,852)**	(84,254)
Net cash used in investing activities	**(1,424,668)**	(1,109,421)
Effects of exchange rates on cash	**70,636**	(91,399)
Increase in cash during the period	**11,255,770**	6,611,458
Cash, beginning of period	**4,216,846**	2,765,507
Cash, end of period	**15,472,616**	9,376,965

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 May 27, 2020.

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, 2019.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of May 27, 2020, 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, 2020 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, 2019. Refer to note 2, *Summary of Significant Accounting Policies,* of the kneat.com, inc. annual consolidated financial statements for the year ended December 31, 2019 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 a Deferred Share Unit ("DSU") plan where DSUs may be granted to members of its Board of Directors or officers of the Company. DSUs typically vest over a three year period 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 on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

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

	March 31, 2020	December 31, 2019
	$	$
Current		
Research and development tax credits receivable	882,926	828,885
Trade debtors	424,522	610,789
Contract assets	323,061	257,971
Other debtors	59,757	53,002
Sales tax recoverable	199,441	56,996
	1,889,707	1,807,643
Non-current		
Research and development tax credits receivable	1,432,183	999,386
	3,321,890	2,807,029

4. PROPERTY AND EQUIPMENT

Cost	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
As at January 1, 2019	304,066	67,714	-	417,634	789,414
Additions	191,793	36,780	575,482	99,251	903,306
Modifications	-	-	34,116	-	34,116
Effect of movements in exchange rates	(21,540)	(4,721)	(8,937)	(27,216)	(62,414)
As at December 31, 2019	474,319	99,773	600,661	489,669	1,664,422
Additions	74,479	9,146	-	18,167	101,792
Effect of movements in exchange rates	34,842	6,995	39,161	32,888	113,886
As at March 31, 2020	583,640	115,914	639,822	540,724	1,880,100

Accumulated depreciation	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
As at January 1, 2019	135,569	29,892	-	111,343	276,894
Depreciation charge	105,762	11,436	126,584	57,305	301,087
Effect of movements in exchange rates	(9,886)	(2,020)	(1,856)	(7,705)	(21,467)
As at December 31, 2019	231,445	39,398	124,728	160,943	556,514
Depreciation charge	23,229	3,399	32,393	15,536	74,557
Effect of movements in exchange rates	16,293	2,752	9,849	11,316	40,210
As at March 31, 2020	270,967	45,549	166,970	187,795	671,281

Carrying amount	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
Balance - December 31, 2019	242,874	60,375	475,933	328,726	1,107,908
Balance - March 31, 2020	312,673	70,365	472,852	352,929	1,208,819

Depreciation of property and equipment is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss for $74,557 (three-month period ended March 31, 2019 – $66,121).

5. INTANGIBLE ASSET

Cost	$
As at January 1, 2019	9,155,063
Additions, net of research and development tax credits of $1,071,712	3,349,818
Effect of movements in exchange rates	(613,832)
As at December 31, 2019	11,891,049
Additions, net of research and development tax credits of $327,454	999,442
Effect of movements in exchange rates	828,232
As at March 31, 2020	13,718,723
Accumulated amortization	$
As at January 1, 2019	4,371,731
Amortization charge	1,729,260
Effect of movements in exchange rates	(295,018)
As at December 31, 2019	5,805,973
Amortization charge	487,795
Effect of movements in exchange rates	404,387
As at March 31, 2020	6,698,155
Carrying amount	$
Balance - December 31, 2019	6,085,076
Balance - March 31, 2020	7,020,568

Amortization of the intangible asset of $487,795 (three-month period ended March 31, 2019 - $369,387) is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	December 31, 2019
	$	$
Trade payables	392,354	196,670
Accruals	335,633	315,025
Employee remittances	300,112	213,289
Sales tax payable	2,609	2,033
Other payables	32,046	57,595
	1,062,754	784,612

7. CONTRACT LIABILITIES

	March 31, 2020	December 31, 2019
	$	$
Balance - Beginning of period	1,206,645	391,910
Deferral of revenue	807,307	2,497,215
Recognition of deferred revenue	(616,876)	(1,653,544)
Effect of movement in exchange rate	110,536	(28,936)
Balance - End of period	1,507,612	1,206,645
Less: current portion of contract liabilities	1,319,241	(967,913)
Non-current portion of contract liabilities	188,371	238,732

8. LOAN PAYABLE AND ACCRUED INTEREST

	March 31, 2020	December 31, 2019
	$	$
Balance - Beginning of period	832,521	1,026,752
Interest accrual	6,299	25,508
Interest repayment	(48,561)	(157,917)
Effects of movements in exchange rates	54,311	(61,822)
Balance - End of period	844,570	832,521
Less: Current portion	(337,828)	(277,507)
Non-current portion	506,742	555,014

On February 28, 2019, Enterprise Ireland and the Company agreed to a revised loan payment schedule. The revised schedule results in payments being made over a three-year period on a quarterly basis. Management has determined that the revised terms of the loan payable do not differ substantially from the terms of the original loan. As such, the loan was accounted for as a non-substantial modification of the original loan. As at March 31, 2020, the loan payable and accrued interest balance on the unaudited condensed interim consolidated statement of financial position was comprised of a principal balance of $844,570 and accrued interest of $nil. (December 31, 2019 – principal balance of $832,521 and accrued interest of $nil)

The minimum annual principal repayments of the loan payable over the next two years as of March 31, 2020 are as follows:

Within 1 year	2 years	Total
$	$	$
337,828	506,742	844,570

9. LEASE LIABILITIES

	March 31, 2020	December 31, 2019
	$	$
Balance - Beginning of period	644,078	-
Leases recognized upon transition to IFRS 16	-	630,444
Additions	-	166,565
Repayments of lease obligations	(46,186)	(181,653)
Accreted interest	9,539	42,265
Modifications	-	34,118
Effects of movements in exchange rates	40,325	(47,661)
Balance - End of period	647,756	644,078
Less: Current portion	(160,436)	(148,061)
Non-current portion	487,320	496,017

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 666,667 common shares. As at March 31, 2020, 168,494 remain available for grant under the terms of the DSU plan.

DSU activity for the three-month period ended March 31, 2020 and year ended December 31, 2019 is as follows:

	March 31, 2020	December 31, 2019
	#	#
Outstanding - Beginning of period	468,053	-
Granted	30,120	468,053
Outstanding - End of period	498,173	468,053

For the three-months ended 31 March 2020, the estimated value of DSUs earned and recorded in the unaudited interim consolidated statement of loss and comprehensive loss was $47,898 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, 2019	51,442,180	31,459,760
Shares issued pursuant to the public equity financing	6,037,500	6,339,376
Shares issued pursuant to the private placement	2,074,437	2,178,160
Shares issuance costs pursuant to the equity financing	-	(686,921)
Broker warrants	-	(150,870)
Shares issued pursuant to the stock option exercise	286,782	423,762
Shares issued pursuant to warrant exercises	344,441	445,460
Outstanding - December 31, 2019	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 financings	-	(1,048,966)
Broker warrants	-	(253,088)
Shares issued pursuant to the stock option exercise	71,233	74,221
Shares issued pursuant to warrant exercises	43,879	65,325
Outstanding - March 31, 2020	67,196,404	53,327,719

During the year ended December 31, 2019, employees exercised 86,782 options with a weighted average exercise price of $0.83 per share, for proceeds of $71,892; and a director exercised 200,000 options with an exercise price of $0.90 for share for proceeds of $180,000. During the year ended December 31, 2019, 344,441 broker warrants were exercised with an exercise price of $0.90 per share for proceeds of $309,997.

During the three-month period ended March 31, 2020, employees exercised 71,233 options with a weighted average exercise price of $0.58 per share for proceeds of $41,402. During the three-month period ended March 31, 2020, 43,879 broker warrants were exercised with an exercise price of $1.05 per share for proceeds of $46,073.

Equity financings

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 shares 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 are subject to a statutory four-month hold period in accordance with applicable securities laws.

On February 20, 2019, the Company completed a public equity financing for gross proceeds of $6,339,376 and a concurrent non-brokered private placement for gross proceeds of $2,178,160. This resulted in the issuance of 8,111,937 common shares of the Company at an issue price of $1.05 per common share. In connection with the financings, the Company issued 343,860 broker warrants, exercisable into common shares of the Company at an exercise price of $1.05 per share for a period of 24 months. The Company incurred share issuance costs of $837,791, including commissions, professional and regulatory fees and broker warrants. The 2,074,437 common shares issued in connection with the non-brokered private placement are subject to a statutory four-month hold period in accordance with applicable securities laws, which expires on June 20, 2019.

b) Warrants

The following are the weighted-average assumptions used in calculating the value of the warrants granted during the three-month period ended March 31, 2020 and the year ended December 31, 2019:

	March 31, 2020	December 31, 2019
Risk-free interest rate	0.51%	1.77%
Expected life	2.0 years	2.0 years
Expected volatility	69%	76%
Expected dividend per share	0.0%	0.0%
Weighted-average exercise price	$2.10	$1.05

The following table reconciles the warrant activity during the three-month period ended March 31, 2020 and the year ended December 31, 2019:

	Number of warrants	Weighted-average exercise price
	#	$
Outstanding - January 1, 2019	356,977	0.90
Granted	343,860	1.05
Exercised	(344,441)	0.90
Expired	(12,536)	0.90
Outstanding - December 31, 2019	343,860	1.05
Granted	370,900	2.10
Exercised	(43,879)	1.05
Outstanding - March 31, 2020	670,881	1.63

The following table summarizes information relating to outstanding warrants as at March 31, 2020:

Expiry date	Weighted-average remaining contractual life (in years)	Number of warrants outstanding	Weighted-average exercise price
February 20, 2021	0.9	299,981	$ 1.05
March 12, 2022	1.9	370,900	$ 2.10

c) Share-based compensation

The Company has adopted a stock option 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 the date preceding the date of grant. As at March 31, 2020, 3,434,502 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 three-month period ended March 31, 2020 and the year ended December 31, 2019:

	March 31, 2020	December 31, 2019
Risk-free interest rate	1.42%	1.64%
Expected life	4.5 years	4.5 years
Expected volatility	91%	86%
Expected dividend per share	0.0%	0.0%
Weighted-average exercise price	$2.84	$1.15

The following table reconciles the stock option activity during the three-month period ended March 31, 2020 and the year ended December 31, 2019:

	Number of options	Weighted-average exercise price
	#	$
Outstanding - January 1, 2019	2,657,505	0.83
Granted	943,000	1.15
Exercised	(286,782)	0.88
Forfeited	(57,352)	0.83
Outstanding - December 31, 2019	3,256,371	0.92
Granted	110,000	2.84
Exercised	(71,233)	0.58
Forfeited	(10,000)	1.22
Outstanding - March 31, 2020	3,285,138	0.99

For the three-month period ended March 31, 2020, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss was $114,220 (three-month period ended March 31, 2019 – $74,915). The estimated value of options earned during the three-month period ended March 31, 2020 and recorded as an addition to the intangible asset was $17,074 (three-month period ended March 31, 2019 – $39,326).

The following table summarizes information relating to outstanding and exercisable stock options as at March 31, 2020:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
November 10, 2020	0.6	33,333	33,333	$ 0.90
July 4, 2021	1.3	1,235,584	1,122,428	$ 0.90
September 26, 2021	1.5	10,587	10,587	$ 0.90
October 3, 2021	1.5	196,700	131,133	$ 0.55
January 11, 2022	1.8	159,334	106,223	$ 0.58
February 1, 2022	1.8	40,700	27,133	$ 0.57
April 4, 2022	2.0	100,000	66,667	$ 0.57
May 29, 2022	2.2	15,000	10,000	$ 0.68
November 1, 2022	2.6	100,000	33,333	$ 0.70
February 1, 2023	2.8	167,900	55,967	$ 0.80
April 25, 2023	3.1	5,000	1,667	$ 0.85
November 1, 2023	3.6	100,000	33,333	$ 1.02
December 18, 2023	3.7	100,000	33,333	$ 0.97
January 3, 2024	3.8	358,000	119,333	$ 1.00
March 7, 2024	3.9	293,000	97,667	$ 1.06
April, 4, 2024	4.0	20,000	-	$ 1.22
May, 13, 2024	4.1	30,000	-	$ 1.30
July 9, 2024	4.3	10,000	-	$ 1.18
September 23, 2024	4.5	200,000	-	$ 1.52
February 6, 2025	4.9	110,000	19,146	$ 2.84

12. REVENUE

Revenue has been earned from the following sources:

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
	$	$
SaaS license fees	410,303	65,290
On-premise licenses fees	184,856	93,056
Maintenance fees	177,976	97,237
Professional services and other	181,395	158,689
	954,530	414,272

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 March 31, 2020	Three-month period ended March 31, 2019
	$	$
Amortization of the intangible asset	487,795	369,387
Depreciation of plant and equipment	74,557	66,121
Salaries, wages and benefits	1,471,823	912,111
Share-based compensation	162,117	74,915

14. INCOME TAXES

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
	$	$
Loss before income taxes	(465,423)	(1,970,470)
Statutory rate	31%	20.37%
Tax expense (recovery) at statutory rate	(144,281)	(401,384)
Recovery for losses and deductible temporary differences not recognized in current and prior years	26,642	173,282
Permanent differences and other	(198,523)	228,102
Foreign tax rate variance	316,162	-
Income tax recovery	-	-

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
	$	$
Increase in amounts receivable and other	6,426	(240,691)
Increase in accounts payable and accrued liabilities	159,762	309,921
Increase in contract liabilities	259,850	207,985
Decrease in lease liabilities	-	(22,817)
	426,038	254,398

16. RELATED PARTY TRANSACTIONS

During the three-month period ended March 31, 2020, the Company did not incur costs for accounting services from a related party, Numus Financial Inc. ("Numus"), a company in which a director of kneat.com is also a shareholder, (period ended March 31, 2019 – $7,678) or for reimbursed rent and office costs to Numus (period ended March 31, 2019 – $6,375). As at March 31, 2020 and December 31, 2019 the amount owing to Numus was $nil.

As at March 31, 2020, the Company had $17,690 receivable from Beek Investment Limited ("Beek"), a company controlled by directors and officers of kneat.com, relating to professional fees paid on behalf of Beek during the year ended December 31, 2016 (year ended December 31, 2019 – $16,607).

During the three-month period ended March 31, 2020, the Company accrued directors' fees of $nil for the directors who are not employees or officers of the Company (three-month period ended March 31, 2019 – $27,914). During the year ended December 31, 2019, outstanding directors' fees of $306,800 were settled through the issuance of 255,666 DSUs and $42,247 were paid in cash. As at March 31, 2019 and December 31, 2019 no amounts owing to directors were included in accounts payable and accrued liabilities.

On February 20, 2019, directors of the Company subscribed to 761,905 common shares for gross proceeds of $799,999. In addition, Numus Capital Corp. acted as selling agent in the non-brokered private placement and received 124,466 broker warrants and $130,689 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 March 31, 2020, the Company issued 30,120 DSUs to members of the Board of Directors who are not employees or officers of the Company (note 10).

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:

	March 31, 2020	December 31, 2019
	$	$
Equity	23,467,155	11,180,580
Less: cash	(15,472,616)	(4,216,846)
	7,994,539	6,963,734

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or return capital to shareholders. No changes were made to the objectives, policies or processes for managing capital during the three-month period ended March 31, 2020 or the year ended December 31, 2019.

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.

c) Financial Risk Management Objectives

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

d) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. At March 31, 2020 and December 31, 2019, the Company's financial assets exposed to credit risk amounted to the following:

	March 31, 2020	December 31, 2019
	$	$
Cash	15,472,616	4,216,846
Amounts receivable and other	807,341	1,183,667

During the three-month period ended March 31, 2020 and the year ended December 31, 2019, the Company did not hold any financial assets that were past due or impaired. Trade debtors of $424,522 are included in amounts receivable as at March 31, 2020 (December 31, 2019 – $610,789). Trade debtors are monitored on a regular basis, with reference to the expected credit loss impairment model, in order to minimize material aging and to ensure adequate collection. Historically there have been no significant trade debtor collection issues and the Company does not believe it is subject to significant concentration of credit risk.

Cash is held with reputable banks in Ireland, the United States and Canada. The long-term credit rating, as determined by Standard and Poor's was BBB-, A 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 March 31, 2020:

	Within 1 year	2-3 years	4-5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	1,060,145			1,060,145
Lease payments	194,535	378,558	151,457	724,550
Loan payable	337,828	506,742		844,570
	1,592,508	885,300	151,457	2,629,265

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 $32,094,002 as at March 31, 2020. For the 3 month period ended March 31, 2020, the Company incurred a net loss of $465,423 with negative cash flows from operations of $826,568 and capitalized development cost spend of $1,309,816 (2019 - $1,970,470, $206,587 and $1,025,167, 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 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 (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 the 3 months ended 31 March, 2020, financial markets have been negatively impacted by a novel strain of coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020. The continued spread of the coronavirus (COVID-19) and the actions being taken by governments, businesses and individuals to limit this pandemic may adversely impact our operations, including, among others, 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.

Management believes that its cash resources, including the proceeds from the March 12, 2020 Financing and future cash collections from customers, will be sufficient to fund operations for at least twelve months from the issuance 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 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 March 31, 2020, a 5% decrease in the exchange rate between the functional currencies and foreign currencies would increase the net loss by approximately $1,820,000 for the three-month period ended March 31, 2020; a 5% increase would decrease the net loss by approximately $1,820,000 for the three-month period ended March 31, 2020. 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):

	Three-month period ended March 31, 2020			Three-month period ended March 31, 2019		
	As reported	Exchange rate effect	5% Stronger	As reported	Exchange rate effect	5% Stronger
	$	$	$	$	$	$
Revenues	954,530	47,726	1,002,256	414,272	20,713	434,985
Expenses	(1,419,953)	(138,091)	(1,558,044)	(2,384,742)	(79,312)	(2,464,054)
Net loss	(465,423)	(90,365)	(555,788)	(1,970,470)	(58,599)	(2,029,069)

(1) A 5% weakening of the 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 Rate 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 Measurements Recognized in the Statement of Financial Position

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

At March 31, 2020 and December 31, 2019, 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. 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.

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 Company has committed to an initial ten-year lease for this premise with the term beginning on the successful completion of the agreed works. The agreed works are anticipated to be completed in the third quarter of 2020 and the Company has committed to make payments of $391,550 within one year 2020, $1,549,363 in two to three years, $1,549,363 in four to five years and $2,719,812 after 5 years.

The Company has committed to attend several conferences and purchase other services which will result in the Company paying $46,359 throughout the remainder of 2020, $84,092 in two to three years and $9,204 in four to five years.

The Company has employment arrangements with the Chief Executive Officer, Chief Technical Officer and Chief Product 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

Financial markets have been negatively impacted by a novel strain of coronavirus (COVID-19), which was declared a pandemic by the World Health Organization (WHO) on March 11, 2020. The continued spread of the coronavirus (COVID-19) since the period ended March 31, 2020 and the actions being taken by governments, businesses and individuals to limit this pandemic may adversely impact our operations, including, among others, credit risk and our ability to serve our customers. 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.