Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

June 30, 2017

(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 condensed interim consolidated financial statements, they must be accompanied by a notice indicating that these 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	**June 30, 2017**	December 31, 2016
	$	$
Assets		
Current assets		
Cash	**6,077,266**	4,988,601
Accounts receivable and other (note 5)	**617,723**	1,294,223
Total current assets	**6,694,989**	6,282,824
Accounts receivable (note 5)	**813,987**	476,807
Property and equipment (note 6)	**325,298**	321,548
Intangible asset (note 7)	**3,047,402**	2,489,610
Total assets	**10,881,676**	9,570,789
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**957,072**	1,168,877
Total current liabilities	**957,072**	1,168,877
Accounts payable and accrued liabilities (note 8)	**282,592**	192,216
Loan payable and accrued interest (note 9)	**966,194**	922,608
Total liabilities	**2,205,858**	2,283,701
Equity		
Shareholders' equity	**8,675,818**	7,287,088
Total liabilities and equity	**10,881,676**	9,570,789

Going concern (note 1)
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 August 28, 2017.

"*Ian Ainsworth*"	"*Wade Dawe* "
Director	Director

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

Expressed in Canadian dollars

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	**Six-month period ended June 30, 2017**	Six-month period ended June 30, 2016
	$	$	**$**	$
Revenue (note 11)	**66,681**	19,263	**214,269**	37,206
Expenses				
Amortization of intangible assets (note 7)	**251,380**	161,545	**469,418**	306,392
Administrative expenses (note 12)	**989,698**	730,629	**1,791,308**	1,287,153
Finance costs, net (note 13)	**(187,393)**	101,216	**(220,487)**	112,644
Listing expense (note 4)	**-**	3,799,810	**-**	3,799,810
Disbursement connected to the Transaction (note 4)	**-**	436,616	**-**	436,616
Loss before income taxes	**987,004**	5,210,553	**1,825,970**	5,905,409
Income taxes (note 14)	**-**	-	**-**	-
Net loss for the period	**987,004**	5,210,553	**1,825,970**	5,905,409
Other comprehensive loss				
Foreign currency translation adjustment to presentation currency	**(26,277)**	26,054	**(27,313)**	69,510
Comprehensive loss for the period	**960,727**	5,236,607	**1,798,657**	5,974,919
Loss per share – basic and diluted	**(0.02)**	(0.19)	(0.05)	(0.22)
Weighted-average number of common shares outstanding				
Basic and diluted (note 4, note 10 (a))	**41,230,351**	27,591,107	40,397,017	27,383,543

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

kneat.com, inc.
Unaudited 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, 2016	**27,178,260**	**11,423,158**	**-**	**373,536**	**251,384**	**(9,805,010)**	**2,243,068**
Net loss for the period	-	-	-	-	-	(5,905,409)	(5,905,409)
Other comprehensive loss for the period	-	-	-	-	(69,510)	-	(69,510)
	-	-	-	-	(69,510)	(5,905,409)	(5,974,919)
Shares and warrants issued pursuant to the Transaction (note 4)	12,385,424	11,518,443	67,424	250,477	-	-	11,836,344
Share-based compensation expense	-	-	-	21,652	-	-	21,652
Balance, June 30, 2016	**39,563,684**	**22,941,601**	**67,424**	**645,665**	**181,874**	**(15,710,419)**	**8,126,145**
Balance, January 1, 2017	**39,563,684**	**22,941,601**	**67,424**	**937,506**	**161,372**	**(16,820,815)**	**7,287,088**
Net loss for the period	-	-	-	-	-	(1,825,970)	(1,825,970)
Other comprehensive income for the period	-	-	-	-	27,313	-	27,313
	-	-	-	-	27,313	(1,825,970)	(1,798,657)
Shares issued pursuant to private placement (note 10 (a))	5,000,000	3,000,000	-	-	-	-	3,000,000
Share issue costs (note 10 (a))	-	(21,745)	-	-	-	-	(21,745)
Share-based compensation expense	-	-	-	209,132	-	-	209,132
Expiry of warrants	-	-	(67,424)	67,424	-	-	-
Balance, June 30, 2017	**44,563,684**	**25,919,856**	**-**	**1,214,062**	**188,685**	**(18,646,785)**	**8,675,818**

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

kneat.com, inc.
Unaudited Interim Consolidated Statements of Changes in Cash Flows

Expressed in Canadian dollars	**Six-month period ended June 30, 2017**	Six-month period ended June 30, 2016
	$	$
Operating activities		
Net loss for the period	**(1,825,970)**	(5,905,409)
Charges to loss not involving cash:		
Depreciation	**38,082**	35,801
Share-based compensation expense	**108,397**	17,669
Interest on long-term liabilities	**11,430**	38,736
Amortization of intangible assets	**469,418**	306,392
Listing expense	-	3,799,810
Unrealized foreign exchange loss (gain)	**(230,872)**	70,481
Increase in non-current accounts receivable	**(3,047)**	(73,390)
Increase in non-current accounts payable and accrued liabilities	**83,547**	18,739
Net change in non-cash working capital related to operations (note 15)	**484,171**	517,376
Net cash used in operating activities	**(864,844)**	(1,173,795)
Financing activities		
Proceeds received upon the completion of private placement (note 10 (a))	**3,000,000**	-
Share issuance costs associated with private placement (note 10 (a))	**(21,745)**	-
Payment of interest on the loan payable	**(23,714)**	-
Proceeds from issuance of debenture to kneat.com (note 2)	**-**	1,479,200
Receipt of cash from the Transaction	**-**	6,775,609
Net cash provided by financing activities	**2,954,541**	8,254,809
Investing activities		
Additions to intangible assets	**(1,095,740)**	(762,552)
Additions to property and equipment	**(30,207)**	(46,177)
Net cash used in investing activities	**(1,125,947)**	(808,729)
Effects of exchange rates on cash	**124,915**	(35,264)
Increase in cash	**1,088,665**	6,237,021
Cash, beginning of period	**4,988,601**	1,063,524
Cash, end of period	**6,077,266**	7,300,545

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

1. NATURE OF OPERATIONS AND GOING CONCERN

kneat.com, inc. (the "Company" or "kneat.com") 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 (refer to note 2 and note 4 for details). The Company commenced trading on the TSX Venture Exchange ("TSX-V") as kneat.com on July 5, 2016 under the symbol KSI. kneat.com's head office is located at Unit 7, Castletroy Park Business Centre, 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 Solutions Limited, a wholly owned subsidiary of the Company, is in the business of developing and marketing a software application for modelling regulated data intensive processes for pharmaceutical, biotechnology and medical device manufacturers.

The Company's operations 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 $18,646,785 as at June 30, 2017.

These unaudited condensed interim consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the six-month period ended June 30, 2017, the Company incurred a net loss of $1,825,970 (year-ended December 31, 2016 - $7,015,805). The Company has limited revenue from customers and negative cash flow from operations. In addition to its working capital requirements, the Company must secure sufficient funding to further develop its software and to fund its general operating costs. Such circumstances create material uncertainties that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there can be no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and operating requirements and eventually to generate positive cash flows from operations. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

2. TRANSACTION WITH KNEAT SOLUTIONS LIMITED

On June 27, 2016, kneat.com completed a transaction with Kneat Solutions Limited and 9617337 Canada Limited (now renamed Fortune Bay Corp., herein after referred to as "Spinco"), pursuant to which it: (i) spun-out its resource properties to Spinco by way of a court-approved plan of arrangement in Ontario (the "Arrangement"); and (ii) acquired 100% of the issued and outstanding ordinary shares of Kneat Solutions Limited by way of a concurrent scheme of arrangement in Ireland (the "Merger"), collectively referred to as the "Transaction".

Pursuant to the Transaction, shareholders of kneat.com on the close of business on June 24, 2016 received one new common share of kneat.com (each a "kneat.com share") and one and one half of a common share of Spinco (a "Spinco Share") in exchange for each three common shares of kneat.com held by them on June 24, 2016.

Upon completion of the Transaction on June 27, 2016, shareholders of kneat.com on June 24, 2016 held 31.3% of the issued and outstanding kneat.com shares, with the former shareholders of Kneat Solutions Limited holding the remaining 68.7% of the issued and outstanding kneat.com shares. In addition to acquiring all the issued and outstanding shares of Kneat Solutions Limited, kneat.com retained net $8.0 million of cash.

The shareholders of Kneat Solutions Limited, through owning 68.7% of the outstanding kneat.com shares on completion of the Transaction, control kneat.com. As a consequence of the Transaction, the shareholders of Kneat Solutions Limited acquired control over the combined entity. After its reorganization, kneat.com does not meet the definition of a business, therefore the Transaction is outside the scope of IFRS 3, *Business Combinations*. The Transaction has therefore been accounted for under IFRS 2, *Share-based payment*. Under this basis of accounting, the consolidated entity is considered to be a continuation of Kneat Solutions Limited, with the net identifiable assets of kneat.com deemed to have been acquired by Kneat Solutions Limited. Refer to note 4 for further details.

On March 24, 2016, the Board of Directors of kneat.com approved the payment of €1,000,000 to Kneat Solutions Limited as consideration for a Series A Secured Debenture ("the Debenture") with an interest rate of 7.25% per annum and a maturity date of July 1, 2016. As the Transaction was completed prior to July 1, 2016, the Debenture became an intercompany loan between kneat.com and Kneat Solutions Limited and the kneat.com net cash balance due on closing of the Transaction was reduced by the amount of the Debenture plus all accrued interest.

3. 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 August 28, 2017.

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 financial statements of the Company for the year-ended December 31, 2016.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of August 28, 2017, the date the Board of Directors approved the unaudited condensed interim 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, 2017 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. There are no non-controlling interests; therefore all comprehensive loss is attributable to the shareholders of the Company.

These unaudited condensed interim 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, 2016. Refer to Note 5, *Summary of Significant Accounting Policies*, of the kneat.com, inc. annual consolidated financial statements for the year-ended December 31, 2016 for information on the accounting policies, critical accounting judgments and estimates as well as new accounting standards not yet effective.

b) Foreign currency translation

Items included in the unaudited condensed interim consolidated financial statements of each entity included in these unaudited condensed interim consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars. Assets and liabilities of each foreign entity are translated into Canadian dollars at the exchange rate in effect on the statement 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 income or loss, which is a component shareholders' equity. The functional currency of Kneat Solutions Limited is the EURO ("€") and the functional currency of Kneat Solutions Inc. is the United States Dollar ("USD"). The legal parent entity, kneat.com, has a Canadian dollar functional currency.

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 statement 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.

4. ACCOUNTING FOR THE TRANSACTION

On June 27, 2016, kneat.com acquired 100% of the 794,254 issued and outstanding ordinary and A ordinary shares of Kneat Solutions Limited in exchange for 12,385,424 common shares of kneat.com. This resulted in 39,563,684 outstanding common shares of kneat.com. Previous shareholders of Kneat Solutions Limited held 68.7% or 27,178,260 common shares of kneat.com and previous shareholders of kneat.com held 31.3% or 12,385,424 common shares of kneat.com immediately following the Transaction.

As a consequence of the Transaction, the shareholders of Kneat Solutions Limited acquired control over the combined entity. After the spin-out of its resources properties to Spinco, kneat.com does not meet the definition of a business as its assets consist only of cash, with no ability to generate outputs. Therefore, the Transaction is outside the scope of IFRS 3, *Business Combinations*. The Transaction has therefore been accounted for under IFRS 2, *Share-based payment*. Under this basis of accounting, the consolidated entity is considered to be a continuation of Kneat Solutions Limited, with the net identifiable assets of kneat.com deemed to have been acquired by Kneat Solutions Limited on June 27, 2016.

All figures related to the common shares, as well as loss per share, in these consolidated financial statements, have been retroactively restated to reflect the legal capital of kneat.com at an exchange ratio of one Kneat Solutions Limited share to 34.2186 common shares of kneat.com as per the terms of the Transaction agreement. The number of Kneat Solutions Limited ordinary and A ordinary shares at January 1, 2016 have been restated from 794,254 to 27,178,260.

As a result of the Transaction falling within the scope of IFRS 2, the Transaction was accounted for by Kneat Solutions Limited as the issuance of shares at fair value for the net assets of kneat.com and a listing expense, which reflects the difference between the fair value of the Kneat Solutions Limited deemed shares issued to kneat.com shareholders and kneat.com's net assets acquired. In accordance with IFRS 2, the excess of the fair value of the deemed shares issued over the acquired net assets is recognized in the statement of loss and comprehensive loss as a listing expense. The fair value of the 794,254 issued and outstanding ordinary and A ordinary shares of Kneat Solutions Limited was estimated to be $25,275,782 based on management's estimates. Refer to Note 5 (c), *Summary of Significant Accounting Policies*, of the kneat.com, inc. annual consolidated financial statements for the year-ended December 31, 2016 for further details.

Under IFRS 2, the capital transaction is measured at the fair value of the shares deemed to have been issued by Kneat Solutions Limited such that the kneat.com shareholders held 31.3% of the combined entity. The fair value of the deemed shares of Kneat Solutions Limited issued to kneat.com shareholders is based on the fair value of Kneat Solutions Limited on the effective date of the Transaction and is estimated to be $11,518,443 and has been allocated as follows:

	$
Net assets of kneat.com on the Transaction date (consisting of approximately $8.2 million in cash and $0.2 million in accounts payable)	8,056,534
Fair value of 31.3% of the equity of the combined entity based on the estimated fair value	(11,518,443)
Fair value of warrants (Note 10 (b))	(67,424)
Fair value of options (Note 10 (c))	(250,477)
Listing expense	(3,779,810)

The listing expense is expensed through the statement of loss for the six-month period ended June 30, 2016. The consideration and allocation reflects the best estimates and assumptions of the management of the Company after taking in to account all available information. Subsequent to the six-month period ended June 30, 2016, there was an adjustment of $16,077 made to the listing expense, resulting in a final listing expense of $3,795,887 for the year-ended December 31, 2016.

Certain former Kneat Solutions Limited shareholders took part in an employment and investment incentive scheme ("EIIS") under Part 16 of the Irish Taxes Consolidation Act 1997, pursuant to which they availed of income tax relief on their investment in Kneat Solutions Limited. As a result of the Transaction, a claw back of this relief from these shareholders may occur. Only those former Kneat Solutions Limited shareholders who have held their EIIS shares for less than three years up to June 27, 2016 should be affected by this claw back. kneat.com and Kneat Solutions Limited formulated a proposal whereby kneat.com would make a payment to the Irish Revenue Commissioners that would be equivalent to or less than the amount of the tax relief as a result of the Transaction. Any payment to any shareholder pursuant to this proposal would only be made after kneat.com has been provided with satisfactory documentary evidence of the loss of tax relief. As at June 30, 2016, the estimated cost that may be incurred as a result of the Transaction is $436,616. This figure is management's best estimate at June 30, 2016 based on supporting evidence received from former Kneat Solutions Limited shareholders to date and is subject to change pending final annual tax filings by former Kneat Solutions Limited shareholders. Subsequent to June 30, 2017, the EIIS payment was finalized and settled for $453,359.

5. ACCOUNTS RECEIVABLE AND OTHER

	June 30, 2017	December 31, 2016
	$	$
Current		
Research and development tax credit receivable	438,665	419,344
Trade debtors	31,399	726,745
Other debtors	18,227	23,722
Value-added tax receivable	43,094	72,383
Prepayments	86,338	52,029
	617,723	1,294,223
Non-current		
Research and development tax credit receivable	813,987	476,807
	1,431,710	1,771,030

6. PROPERTY AND EQUIPMENT

Cost	Property and equipment	Leasehold improvements	Total
	$	$	$
As at January 1, 2016	301,613	232,979	534,592
Additions	46,241	8,797	55,038
Write-offs	(142,830)	–	(142,830)
Effect of movements in exchange rates	(15,946)	(15,020)	(30,966)
As at December 31, 2016	189,078	226,756	415,834
Additions	26,979	-	26,979
Effect of movements in exchange rates	9,692	10,714	20,406
As at June 30, 2017	225,749	237,470	463,219

Accumulated depreciation	Property and equipment	Leasehold improvements	Total
	$	$	$
As at January 1, 2016	111,459	–	111,459
Depreciation charge	46,519	28,648	75,167
Write-offs	(85,626)	–	(85,626)
Effect of movements in exchange rates	(5,788)	(926)	(6,714)
As at December 31, 2016	66,564	27,722	94,286
Depreciation charge	25,593	12,489	38,082
Effect of movements in exchange rates	3,882	1,671	5,553
As at June 30, 2017	96,039	41,882	137,921

Carrying amount	Property and equipment	Leasehold improvements	Total
	$	$	$
Balance, December 31, 2016	122,514	199,034	321,548
Balance, June 30, 2017	129,710	195,588	325,298

7. INTANGIBLE ASSET

Cost	$
As at January 1, 2016	2,809,746
Additions, net of research and development tax credits of $529,437	1,590,064
Effect of movements in exchange rates	(228,986)
As at December 31, 2016	4,170,824
Additions, net of research and development tax credits of $299,089	897,268
Effect of movements in exchange rates	222,891
As at June 30, 2017	5,290,983

Accumulated amortization	$
As at January 1, 2016	1,068,734
Amortization charge	702,765
Effect of movements in exchange rates	(90,285)
As at December 31, 2016	1,681,214
Amortization charge	469,418
Effect of movements in exchange rates	92,949
As at June 30, 2017	2,243,581

Carrying amount	$
Balance, December 31, 2016	2,489,610
Balance, June 30, 2017	3,047,402

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2017	December 31, 2016
Current	$	$
Trade payables	265,191	287,101
Accruals	275,838	639,764
Social insurance cost payable	93,533	110,599
Value-added tax payable	-	11,634
Deferred income	253,143	42,549
Accrued interest on loan payable (note 9)	195	11,602
Lease incentives	60,007	8,751
Other payables	9,165	56,877
	957,072	1,168,877
Non-current		
Deferred income	85,877	-
Lease incentives	196,715	192,216
	282,592	192,216
	1,239,664	1,361,093

9. LOAN PAYABLE AND ACCRUED INTEREST

On June 27, 2016, Enterprise Ireland and kneat.com executed a loan agreement whereby Enterprise Ireland agreed to exchange its cumulative redeemable convertible preference shares in Kneat Solutions Limited, comprised of 232,000 convertible preference shares and 300,000 A convertible preference shares plus accrued interest, for a loan payable to Enterprise Ireland on the third anniversary of the Merger effective date, being June 27, 2019. The interest rate is 3% on the principal balance of €532,000, not compounded and payable annually. Management has determined that the underlying terms of the loan payable do not differ substantially from the terms of the cumulative redeemable convertible preference shares and thus it has been accounted for as a modification of the original financial liability. As at June 30, 2017, the loan payable and accrued interest balance on the statement of financial position was comprised of a principal balance of $790,483 and accrued interest of $175,906 (December 31, 2016 – principal balance of $754,823 and accrued interest of $179,387).

	$
As at January 1, 2016	973,250
Interest accrual	23,268
Effect of movements in exchange rates	(62,308)
As at December 31, 2016	934,210
Interest accrual	11,430
Interest repayment	(23,050)
Effect of movements in exchange rates	43,799
As at June 30, 2017	966,389
Less: current portion of accrued interest (note 8)	195
Non-current portion of loan payable and accrued interest	966,194

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, 2016	27,178,260	11,423,158
Shares issued pursuant to the Transaction (note 4)	12,385,424	11,518,443
Outstanding, December 31, 2016	39,563,684	22,941,601
Shares issued pursuant to the Private Placement	5,000,000	3,000,000
Share issuance costs pursuant to the Private Placement	-	(21,745)
Outstanding, June 30, 2017	44,563,684	25,919,856

As at June 30, 2017, 17,048,720 common shares of the Company are subject to an escrow agreement pursuant to the terms of the Transaction.

Private Placement Financing

On May 31, 2017, the Company completed a non-brokered private placement financing for aggregate gross proceeds of $3,000,000. The Company issued 5,000,000 common shares at a price of $0.60 per share. Total costs associated with the private placement, consisting primarily of professional and regulatory fees, were $21,745. All securities issued pursuant to the financing are subject to a statutory four-month holding period in accordance with Canadian securities legislation. Directors of the Company subscribed to an aggregate of 1,175,066 of the common shares issued pursuant to the financing for gross proceeds of $705,040.

b) Warrants

Pursuant to the Transaction, 267,857 warrants were issued valued at $67,424. The fair value of the 267,857 warrants issued has been estimated at the grant date using the Black-Scholes option pricing model. The options were exercisable at $0.90 into common shares of the Company and expired on April 1, 2017. There were no warrants issued during the six-month period ended June 30, 2017.

As at June 30, 2017, no common share purchase warrants were outstanding.

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. 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 June 30, 2017, 2,126,882 options remain available for grant under the terms of the stock option plan.

As per the terms of the Transaction, all Kneat Solutions Limited stock options were cancelled and 1,045,635 stock options in kneat.com were granted to former Kneat Solutions Limited stock option holders. In accordance with IFRS 2, *Share-based payment*, the 1,045,635 stock options granted to former Kneat Solutions Limited option holders are treated as though the options were modified although they are legally new options in kneat.com. These kneat.com options have an exercise price of $0.90, a term of 5 years and vest over varied periods. The incremental value of $167,168 related to the modification of these options has been expensed to the statement of loss during the year-ended December 31, 2016 as it was triggered by the Transaction.

In connection with the Transaction, 666,667 kneat.com stock options were granted to former holders of options in Fortune Bay Corp. These options were granted with an average exercise price of $0.90 per share and are fully vested with expiration dates ranging from September 25, 2016 to November 10, 2020.

The following are the weighted-average assumptions used in calculating the value of the stock options granted during the six-month period ended June 30, 2017:

Risk-free interest rate	1.00%
Expected life	4.5 years
Expected volatility	118.44%
Expected dividend per share	0.00%
Weighted-average exercise price	$0.58

The following table reconciles the stock option activity during the six-month period ended June 30, 2017 and the year-ended December 31, 2016:

	Number of options	Weighted-average exercise price
Balance, January 1, 2016	1,162,680	$ 0.90
Granted	1,333,054	$ 0.84
Forfeited	(143,208)	$ 0.90
Expired	(366,667)	$ 0.90
Balance, December 31, 2016	1,985,859	$ 0.86
Granted	454,000	$ 0.58
Forfeited	(110,373)	$ 0.79
Balance, June 30, 2017	2,329,486	$ 0.80

Note that the number of options and exercise price in the table above have been retroactively restated to reflect the modification of options described above.

The following table summarizes information relating to outstanding and exercisable stock options as at June 30, 2017:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
March 19, 2019	1.7	200,000	200,000	$ 0.90
January 2, 2020	2.5	66,667	66,667	$ 0.90
November 10, 2020	3.4	33,333	33,333	$ 0.90
July 4, 2021	4.0	1,338,899	818,268	$ 0.90
September 26, 2021	4.2	10,587	2,647	$ 0.90
October 3, 2021	4.3	235,000	-	$ 0.55
January 11, 2022	4.5	230,000	-	$ 0.58
February 1, 2022	4.6	100,000	-	$ 0.57
April 4, 2022	4.8	100,000	-	$ 0.57
May 29, 2022	4.9	15,000	-	$ 0.68

For the six-month period ended June 30, 2017, the estimated value of options earned during the period and recorded in the unaudited condensed interim consolidated statement of loss was $108,397 (six-month period ended June 30, 2016 - $17,669). The estimated value of options earned during the six-month period ended June 30, 2017 and recorded as an addition to the intangible asset was $100,735 (six-month period ended June 30, 2016 - $3,983).

11. REVENUE

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
	$	$	$	$
SaaS license and hosting fees	11,242	-	26,290	-
Maintenance fees	55,439	19,263	109,885	37,206
Professional services and other	-	-	78,094	-
	66,681	19,263	214,269	37,206

12. EXPENSES BY NATURE

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
Included in administrative expenses:	$	$	$	$
Employee salaries, wages and benefits	406,038	159,733	685,733	307,791
Other administrative cost	128,986	58,017	203,558	123,233
Professional fees	25,539	296,838	56,948	455,722
Director and key management salaries and benefits	150,630	47,550	290,371	95,169
Cloud hosting and other services	51,835	58,685	88,216	106,955
Consultancy fees	44,394	39,624	88,080	68,454
Rent and rates	10,168	16,274	19,378	26,289
Securities and regulatory fees	19,446	16,000	30,928	16,000
Audit and accounting fees	17,195	8,919	31,971	40,106
Depreciation of plant and equipment	19,890	17,586	38,082	35,801
Share-based compensation	61,879	14,661	108,397	17,669
Research and development tax credit recovery	(1,986)	(41,970)	(3,047)	(73,962)
Travel expenses	45,243	17,355	76,615	42,679
Sales, marketing and advertising	10,441	21,357	76,078	25,247
	989,698	730,629	1,791,308	1,287,153

13. FINANCE COSTS, NET

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
	$	$	$	$
Interest expense	5,882	34,215	11,430	42,163
Interest income	(302)	-	(1,045)	-
Foreign exchange gain	(192,973)	67,001	(230,872)	70,481
	(187,393)	101,216	(220,487)	112,644

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:

	June 30, 2017	June 30, 2016
	$	$
Loss before income taxes	(1,825,970)	(5,905,409)
Statutory rate	15.01%	12.50%
Tax recovery at statutory rate	(274,078)	(738,176)
Expense for losses and deductible temporary differences not recognized in current and prior years	243,989	198,157
Permanent differences and other	30,089	540,019
Income tax recovery	-	-

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
	$	$
Decrease in accounts receivable and other	693,249	194,905
Decrease in directors' current account	-	(89,105)
Increase (decrease) in accounts payable and accrued liabilities	(209,078)	411,576
	484,171	517,376

16. RELATED PARTY TRANSACTIONS

Amounts receivable from officers and directors were $nil as at June 30, 2017 (year-ended December 31, 2016 – $8,513). During the year-ended December 31, 2016, the Company repaid directors' current account balances of $250,855. During the six-month period ended June 30, 2017, the Company received $8,915 from a director in repayment of a director's receivable account.

During the six-month period ended June 30, 2017, the Company incurred costs for management services from a related party, Numus Financial Inc. ("Numus"), a company controlled by a director of kneat.com in the amount of $18,000 (year-ended December 31, 2016 – $18,000) and incurred rent and office costs from Numus in the amount of $18,550 (year-ended December 31, 2016 – $14,848) and recognized other costs from Numus of $13,860 (December 31, 2016 - $nil). As at June 30, 2017, the amount owing to Numus was $13,658 (year-ended December 31, 2016 – $nil).

During the year-ended December 31, 2016, the Company paid professional fees on behalf of a related party, Beek Investments Limited ("Beek"), a company controlled by directors and officers of kneat.com, in the amount of $16,236. As at June 30, 2017, the amount due from Beek was $16,236 (December 31, 2016 - $16,104).

On May 31, 2017, the Company completed a non-brokered private placement financing for aggregate gross proceeds of $3,000,000. The Company issued 5,000,000 common shares at a price of $0.60 per share (Note 10). Directors of the Company subscribed to an aggregate of 1,175,066 of the common shares issued pursuant to the financing for gross proceeds of $705,040.

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:

	June 30, 2017	December 31, 2016
	$	$
Equity	8,675,818	7,287,088
Less: cash	(6,077,266)	(4,988,601)
	2,598,552	2,298,487

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 in the objectives, policies or processes for managing capital during the six-month period ended June 30, 2017.

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 statement of financial position for cash, accounts 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 accounts receivable, non-current accounts payable and accrued liabilities 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 June 30, 2017 and December 31, 2016, the Company's financial assets exposed to credit risk amounted to the following:

	June 30, 2017	December 31, 2016
	$	$
Cash	6,077,266	4,988,601
Accounts receivable	1,431,710	1,771,030

During the six-month period ended June 30, 2017 and the year-ended December 31, 2016, the Company did not hold any financial assets that were past due or impaired. Trade debtors of $31,399 are included in accounts receivable as at June 30, 2017 (December 31, 2016 - $726,745). Trade debtors are monitored on a regular basis in order to minimize material aging and to ensure adequate collection.

Cash is held with reputable banks in Ireland and Canada. The long-term credit rating, as determined by Standard and Poor's was BBB and AA- respectively.

e) Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing. Refer to note 1 for further details related to the ability of the Company to continue as a going concern.

The Company is currently negotiating contracts with several customers and is pursuing financing alternatives. There can be no assurance that additional customer revenues will be generated or additional future financings will be available on acceptable terms or at all. If the Company is unable to obtain additional financing when required, the Company may have to substantially reduce or eliminate planned expenditures.

Accounts payables and accrued liabilities are paid in the normal course of business generally according to their terms.

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 June 30, 2017:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	694,764	-	-	-	694,764
Loan payable	-	966,194	-	-	966,194
	694,764	966,194	-	-	1,660,958

f) Currency Risk

Currency risk is the risk that the fair value or 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, loan payable, intercompany balances and accounts payable and accrued liabilities that are held in currencies that are not in the transacting entity's functional currency. As at June 30, 2017, a 5% decrease in the exchange rate between the functional currency and foreign currencies would decrease the net loss by approximately $323,534; a 5% increase would increase the net loss by approximately $323,534. The Company currently does not hedge its currency risk.

g) Interest Rate Risk

Interest rate 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 consolidated statement of financial position. The Company holds a loan payable with a fixed interest rate. The loan payable is privately-issued, with no secondary market. It is measured at amortized cost and bears a fixed interest rate. 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 June 30, 2017 and December 31, 2016, the Company had no financial instruments that were measured and recognized on the 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.

Kneat Solutions Limited leases its offices in Limerick, Ireland under an operating lease agreement dated July 11, 2014, which is also the date of the commencement of the lease. The operating lease is subject to termination clauses at the expiration of the fifth year and the tenth year of the lease. The lease term is twenty-five years with a reduced rent period of 18 months from the date of the commencement of the lease. The lease expense is recognized evenly over the lease term. The Company's commitments under the operating lease, in the form of non-cancellable future lease payments are not reflected as a liability on its consolidated statement of financial position. The lease agreement gives the Company the option to terminate the lease on the fifth and tenth anniversary of the lease signing. Non-cancellable lease payment are $85,960 due within one year and $99,866 due within two to three years.

Lease incentives relate to the reimbursement of the fit out cost from the lessor and to the reduced rent period. A reduction of the total lease expense of $2,292 was recognized for the six-month period ended June 30, 2017 in relation to the lease incentive.

The Company also leases computer equipment under finance lease agreements, with lease terms of three to five years.

The Company has committed to sponsor several conferences in 2017 which will result in the Company paying $24,910 throughout the remaining six-months of 2017.

The Company has employment arrangements with the Chief Executive Officer, Chief Financial Officer, Director of Quality and Director of Research and Development 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 EVENT

Subsequent to quarter-end, 107,383 stock options were forfeited which will result in the reversal of $61,614 of share-based compensation in future periods.