

Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

June 30, 2025

(Expressed in Canadian Dollars)

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

	June 30, 2025	December 31, 2024
	\$	\$
Assets		
Current assets		
Cash	66,771,997	58,889,572
Amounts receivable (note 3)	11,176,423	18,377,009
Prepayments	1,861,908	1,870,095
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	79,810,328	79,136,676
Non-current assets		
Amounts receivable (note 3)	4,798,361	2,368,006
Property and equipment (note 4)	8,057,345	6,782,179
Intangible asset (note 5)	41,999,419	36,290,869
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Total Assets	134,665,453	124,577,730
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	11,071,328	8,580,104
Contract liabilities (note 7)	26,550,906	21,631,416
Loan payable (note 8)	6,012,075	4,116,723
Lease liabilities (note 9)	401,739	434,096
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	44,036,048	34,762,339
Non-current liabilities		
Contract liabilities (note 7)	3,063	33,393
Loan payable and accrued interest (note 8)	17,338,181	19,038,203
Lease liabilities (note 9)	6,911,364	5,671,952
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Total Liabilities	68,288,656	59,505,887
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Equity		
Shareholders' equity	66,376,797	65,071,843
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Total Liabilities and Equity	134,665,453	124,577,730
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The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors on August 5th, 2025

(signed) "Ian Ainsworth"
Director

(signed) "Carol Leaman"
Director

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

	Three-month period ended June 30, 2025	Three-month period ended June 30, 2024	Six-month period ended June 30, 2025	Six-month period ended June 30, 2024
	\$	\$	\$	\$
Revenue (note 11)	15,405,109	11,675,734	30,152,750	22,442,735
Cost of revenue	<u>(3,777,809)</u>	<u>(2,982,094)</u>	<u>(7,600,954)</u>	<u>(5,816,109)</u>
Gross profit	11,627,300	8,693,640	22,551,796	16,626,626
Expenses				
Research and development	(5,702,497)	(4,761,889)	(10,401,162)	(8,807,437)
Sales and marketing	(6,129,942)	(4,368,485)	(11,246,419)	(8,400,169)
General and administrative	<u>(3,792,405)</u>	<u>(2,194,999)</u>	<u>(6,304,034)</u>	<u>(4,300,588)</u>
Operating loss	(3,997,544)	(2,631,733)	(5,399,819)	(4,881,568)
Finance expense	(877,545)	(870,905)	(1,766,090)	(1,738,356)
Interest income	151,053	172,999	349,692	208,075
Foreign exchange gain	<u>4,429,193</u>	<u>258,049</u>	<u>8,691,793</u>	<u>19,286</u>
(Loss) income before income taxes	(294,843)	(3,071,590)	1,875,576	(6,392,563)
Income tax expense (note 13)	<u>(84,299)</u>	<u>(28,553)</u>	<u>(108,729)</u>	<u>(44,440)</u>
Net (loss) income for the period	(379,142)	(3,100,143)	1,766,847	(6,437,003)
Other comprehensive loss				
Foreign currency translation adjustment to presentation currency	<u>(1,833,771)</u>	<u>(234,170)</u>	<u>(3,832,292)</u>	<u>(43,276)</u>
Comprehensive loss for the period	<u>(2,212,913)</u>	<u>(3,334,313)</u>	<u>(2,065,445)</u>	<u>(6,480,279)</u>
(Loss)/Earnings per share - Basic and diluted (note 17)	(0.00)	(0.04)	0.02	(0.08)
Weighted-average number of common shares outstanding:				
Basic	94,728,598	85,581,420	94,469,559	83,293,224
Diluted	94,728,598	85,581,420	97,985,267	83,293,224

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

kneat.com, inc.**Unaudited Condensed Interim Consolidated Statements of Changes in Equity**

	Number of common shares #	Common shares \$	Contributed surplus \$	Translation reserve \$	Deficit \$	Total \$
Balance - December 31, 2023	78,298,796	79,790,964	7,465,532	169,372	(71,299,684)	16,126,184
Net loss for the period	-	-	-	-	(6,437,003)	(6,437,003)
Other comprehensive loss for the period	-	-	-	(43,276)	-	(43,276)
	-	-	-	(43,276)	(6,437,003)	(6,480,279)
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))	589,878	1,712,684	(660,897)	-	-	1,051,787
Shares issued pursuant to RSU vesting (note 10(a))	679,136	1,860,590	(1,860,590)	-	-	-
Share-based compensation expense (note 10)	-	-	2,151,163	-	-	2,151,163
Balance - June 30, 2024	85,721,690	101,738,091	7,095,208	126,096	(77,736,687)	31,222,708
Balance - December 31, 2024	93,916,472	137,772,179	7,152,426	(825,950)	(79,026,812)	65,071,843
Net income for the period	-	-	-	-	1,766,847	1,766,847
Other comprehensive loss for the period	-	-	-	(3,832,292)	-	(3,832,292)
	-	-	-	(3,832,292)	1,766,847	(2,065,445)
Shares issued pursuant to option exercises (note 10(a))	382,191	1,599,894	(610,833)	-	-	989,061
Shares issued pursuant to RSU vesting (note 10(a))	701,568	2,216,462	(2,216,462)	-	-	-
Share-based compensation expense (note 10)	-	-	2,381,338	-	-	2,381,338
Balance - June 30, 2025	95,000,231	141,588,535	6,706,469	(4,658,242)	(77,259,965)	66,376,797

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

Unaudited Condensed Interim Consolidated Statement of Cash Flows

	Six-month period ended June 30, 2025	Six-month period ended June 30, 2024
Operating activities	\$	\$
Net income (loss) for the period	1,766,847	(6,437,003)
Charges to income (loss) not involving cash:		
Depreciation of property and equipment	358,719	381,615
Share-based compensation	1,787,193	2,151,163
Interest expense	1,672,870	1,738,356
Tax expense	108,729	44,440
Amortization of the intangible asset	6,002,381	4,523,062
Amortization of loan issuance costs	93,220	76,194
Foreign exchange gain	(8,691,793)	(19,286)
(Decrease)/increase in non-current contract liabilities	(31,359)	38,241
Net change in non-cash operating working capital related to operations (note 14)	12,481,190	7,533,596
Net cash provided by operating activities	15,547,997	10,030,378
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	(3,154,648)	(1,232,889)
Proceeds from the exercise of stock options	989,061	1,051,787
Repayment of lease liabilities	(394,650)	(364,423)
Net cash (used in)/provided by financing activities	(2,560,237)	17,828,328
Investing activities		
Additions to the intangible asset	(10,599,886)	(9,675,371)
Additions to property and equipment	(96,462)	(50,397)
Collection of research and development tax credits	1,887,789	2,336,619
Net cash used in investing activities	(8,808,559)	(7,389,149)
Effects of exchange rates on cash	3,703,224	170,762
Net change in cash during the period	7,882,425	20,640,319
Cash – Beginning of period	58,889,572	15,252,526
Cash – End of period	66,771,997	35,892,845

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

1. Nature of operations

kneat.com, inc. (the “Company” or “kneat.com” or “Kneat”), was incorporated on December 12, 2013 under the laws of the Canada Business Corporations Act. On June 27, 2016, the Company completed a transaction (“Transaction”) with Kneat Solutions Limited whereby kneat.com acquired 100% of the issued and outstanding ordinary shares of Kneat Solutions Limited by way of a scheme of arrangement in Ireland. The Company commenced trading on the TSX Venture Exchange as kneat.com on July 5, 2016 under the symbol KSI. The Company graduated to, and began trading on, the main Toronto Stock Exchange (TSX) on November 15, 2021. kneat.com’s head office is located at Hawthorn House, Plassey Business Campus, Castletroy, Limerick, Ireland. The registered office of kneat.com is located at Scotia Plaza, 40 King Street West, Suite 2400, Box 215, Toronto, Canada, ON M5H 3Y2.

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

2. Summary of material accounting policies

a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS Accounting Standards (“IFRS”), as issued by the IASB, has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2024.

These unaudited condensed interim consolidated financial statements have been prepared using the same policies and methods of computation as the audited consolidated financial statements of the Company for the year ended December 31, 2024. Refer to note 2, Summary of Material Accounting Policies, of the kneat.com, inc. audited consolidated financial statements for the year ended December 31, 2024 for information on the other accounting policies, critical accounting judgements and estimates.

The Board of Directors approved these unaudited condensed interim consolidated financial statements for issue on August 5th, 2025.

b) Use of judgement and estimates

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

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are disclosed in Note 2 of the audited consolidated financial statements as at December 31, 2024.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

2. Summary of material accounting policies (continued)

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

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

IFRS 18, Presentation and Disclosure in Financial Statements

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

IFRS 18 is applicable to the Company beginning on January 1, 2027. The Company is currently evaluating the impact of the adoption of IFRS 18 on its consolidated financial statements.

IFRS 9, Financial Instruments and IFRS 7, Financial Instruments disclosures

In May 2024, IASB issued limited amendments to IFRS 9 and IFRS 7. These amendments provide clarity on the timing of recognition and derecognition of financial assets and liabilities, the assessment of contractual cash flow characteristics, and the resulting classification and disclosure of financial assets with environmental, social, and governance linked or other contingent features. Additionally, the amendments clarify that a financial liability is derecognized on the settlement date, with the accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date, provided specific conditions are met. Additional disclosures are required for financial instruments with contingent features and investments in equity instruments designated at fair value through other comprehensive income with these amendments. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets. The Company is currently evaluating the potential impact of these amendments on its consolidated financial statements.

While under review, we do not anticipate that the adoption of these new standards will have a material impact on our reported financial results.

3. Amounts Receivable

	June 30, 2025	December 31, 2024
Current	\$	\$
Trade debtors	6,903,340	12,325,454
Research and development tax credits receivable	3,253,758	4,867,717
Contract assets	170,894	221,799
Other debtors	297,645	242,895
Sales tax receivable	550,786	719,144
	11,176,423	18,377,009
Non-current		
Research and development tax credits receivable	4,798,361	2,368,006
	15,974,784	20,745,015

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

4. Property and equipment

	Computers and servers \$	Furniture and fixtures \$	Right-of-use assets * \$	Leasehold improvements \$	Total \$
Cost					
As at January 1, 2024	1,276,375	209,820	7,882,508	215,914	9,584,617
Additions	131,782	25,696	-	10,730	168,208
Disposals	(7,672)	-	-	-	(7,672)
Effect of movements in exchange rates	32,452	4,552	171,023	4,684	212,711
As at December 31, 2024	1,432,937	240,068	8,053,531	231,328	9,957,864
Additions	99,764	-	1,070,005	-	1,169,769
Disposals	(2,630)	-	-	-	(2,630)
Effect of movements in exchange rates	87,722	17,037	571,499	16,414	692,672
As at June 30, 2025	1,617,793	257,105	9,695,035	247,742	11,817,675
Accumulated depreciation					
As at January 1, 2024	835,154	63,115	1,379,440	96,955	2,374,664
Depreciation charge	291,680	28,167	398,503	27,289	745,639
Disposals	(7,672)	-	-	-	(7,672)
Effect of movements in exchange rates	24,911	1,651	34,103	2,389	63,054
As at December 31, 2024	1,144,073	92,933	1,812,046	126,633	3,175,685
Depreciation charge	121,264	15,482	207,747	14,226	358,719
Disposals	(2,630)	-	-	-	(2,630)
Effect of movements in exchange rates	75,387	7,181	136,463	9,525	228,556
As at June 30, 2025	1,338,094	115,596	2,156,256	150,384	3,760,330
Carrying amount					
Balance - December 31, 2024	288,864	147,135	6,241,485	104,695	6,782,179
Balance - June 30, 2025	279,699	141,509	7,538,779	97,358	8,057,345

* Additions to Right-of-use assets relates to increase in lease obligation (rent review). Refer to Note 9.

Depreciation of property and equipment for the six months ended June 30, 2025, included in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive loss is \$358,719 (six months ended June 30, 2024 – \$381,615).

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

5. Intangible asset

Cost	\$
As at January 1, 2024	52,796,857
Additions, net of research and development tax credits of \$3,669,090	16,173,122
Effect of movements in exchange rates	1,107,969
As at December 31, 2024	<u>70,077,948</u>
Additions, net of research and development tax credits of \$2,262,316	9,356,097
Effect of movements in exchange rates	4,972,899
As at June 30, 2025	<u>84,406,944</u>
Accumulated amortization	\$
As at January 1, 2024	23,791,765
Amortization charge	9,389,343
Effect of movements in exchange rates	605,971
As at December 31, 2024	<u>33,787,079</u>
Amortization charge	6,002,381
Effect of movements in exchange rates	2,618,065
As at June 30, 2025	<u>42,407,525</u>
Carrying amount	\$
Balance - December 31, 2024	<u>36,290,869</u>
Balance - June 30, 2025	<u>41,999,419</u>

Amortization of the intangible asset of \$6,002,381 (six months ended June 30, 2024 - \$4,523,062) is included in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive loss.

6. Accounts payable and accrued liabilities

	June 30, 2025	December 31, 2024
Current	\$	\$
Trade payables	1,636,977	920,211
Accruals	6,677,423	6,105,289
Employee remittances	2,418,784	1,260,813
Sales tax payable	104,166	44,276
Income tax payable	59,408	146,540
Other payables	174,570	102,975
	<u>11,071,328</u>	<u>8,580,104</u>

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

7. Contract liabilities

	June 30, 2025	December 31, 2024
	\$	\$
Balance - Beginning of period	21,664,809	13,688,155
Deferral of revenue	34,959,460	58,449,315
Recognition of deferred revenue	(29,977,442)	(48,888,579)
Effect of movements in exchange rate	(92,858)	(1,584,082)
	<hr/>	<hr/>
Balance - End of period	26,553,969	21,664,809
Less: current portion	<hr/> (26,550,906)	<hr/> (21,631,416)
Non-current portion	<hr/> 3,063	<hr/> 33,393

8. Loan payable and accrued interest

	June 30, 2025	December 31, 2024
	\$	\$
Balance - Beginning of period	23,154,926	21,657,423
Interest and fees accrual	1,578,095	3,331,298
Principal and interest repayments	(3,154,648)	(2,475,283)
Amortization of loan issuance costs	93,220	171,593
Effect of movements in exchange rate	1,678,663	469,895
	<hr/>	<hr/>
Balance - End of period	23,350,256	23,154,926
Less: current portion	<hr/> (6,012,075)	<hr/> (4,116,723)
Non-current portion of loan payable and accrued interest	<hr/> 17,338,181	<hr/> 19,038,203

On June 26, 2023 the Company entered into a secured debt facility with IPF Partners (the “IPF Facility”). The IPF Facility consists of three term commitments or tranches of €5 million (\$8 million) each to be availed of by Kneat Solutions Limited. The Company drew down the first, second and third tranches from the IPF Facility on June 30, 2023, September 22, 2023 and December 22, 2023, respectively. The first and second tranches mature on December 31, 2027 with the first principal payments made on March 31, 2025. The third tranche matures March 31, 2028, with the first principal payment made on June 30, 2025. Each of the facilities carries an annual cash interest of three-month EURIBOR +7.0% payable quarterly, and capitalized interest of 2.0% accrued and capitalized quarterly, in addition to customary structuring and exit fees. The total cash cost of the arrangement is dependent on whether the debt is repaid on each maturity date or earlier. The IPF Facility is guaranteed by the Company and its U.S. wholly owned subsidiary, and is secured by a perfected, sole first-priority security interest in all existing and after acquired tangible and intangible assets of Kneat Solutions Limited, the Company and its U.S. wholly owned subsidiary. The IPF Facility is also subject to a financial covenant in the form of a minimum cash balance held in favour of the lender in an amount sufficient to cover the higher of the last six months and next six months cash runway subject to a cap of €2 million, €4 million and €6 million after the drawdown of tranche one, two and three respectively. At June 30, 2025 the minimum cash balance to be held was €6 million (\$9.6 million). The Company was in compliance with the financial covenant as of June 30, 2025.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

9. Lease liabilities

	June 30, 2025	December 31, 2024
	\$	\$
Balance - Beginning of period	6,106,048	6,512,212
Increase in lease obligation (rent review)	1,070,005	-
Repayments of lease obligations	(394,650)	(744,061)
Accreted interest	94,775	196,603
Effects of movements in exchange rates	436,925	141,294
Balance - End of year	<u>7,313,103</u>	<u>6,106,048</u>
Less: Current portion	(401,739)	(434,096)
Non-current portion	<u><u>6,911,364</u></u>	<u><u>5,671,952</u></u>

10. Share Capital

a) Common shares

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

	Number of shares #	Amount \$
Outstanding - January 1, 2024	78,298,796	79,790,964
Shares issued pursuant to public equity financing	13,653,880	55,625,110
Share issuance costs pursuant to the equity financing	-	(3,869,212)
Shares issued pursuant to stock option exercise	923,547	3,360,483
Shares issued pursuant to RSU vesting	<u>1,040,249</u>	<u>2,864,834</u>
Outstanding - December 31, 2024	<u>93,916,472</u>	<u>137,772,179</u>
Shares issued pursuant to stock option exercise	382,191	1,599,894
Shares issued pursuant to RSU vesting	<u>701,568</u>	<u>2,216,462</u>
Outstanding - June 30, 2025	<u><u>95,000,231</u></u>	<u><u>141,588,535</u></u>

Six months ended June 30, 2025

During the six months ended June 30, 2025, employees exercised 382,191 options with a weighted average exercise price of \$2.59 per share for cash proceeds of \$989,061 plus an ascribed value of \$610,833.

During the six months ended June 30, 2025, 641,028 RSUs vested of which 626,098 common shares with an ascribed value of \$2,009,063 were issued to employees and 14,930 common shares will be issuable to U.S. employees following the removal of their restrictive legends. In addition during the period ended June 30, 2025, 75,470 common shares were issued to U.S. employees that related to vestings in prior years with an ascribed value of \$207,399, as the restrictive legend was removed.

Year ended December 31, 2024

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

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

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

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

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

b) Share-based compensation – stock options

The Company has adopted an Omnibus Equity Incentive Plan, providing the Board of Directors with the discretion to grant and issue an equivalent number of stock options of up to 6% of the issued and outstanding share capital of the Company.

Stock options are granted with an exercise price of not less than the closing share price of the date preceding the date of grant. As at June 30, 2025, 4,900,991 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 six months ended June 30, 2025 and the year ended December 31, 2024:

	Number of options	Weighted-average exercise price
	#	\$
Outstanding - January 1, 2024	2,222,446	2.79
Exercised	(923,547)	2.26
Forfeited	(77,027)	3.73
Expired	(28,409)	2.42
Outstanding - December 31, 2024	1,193,463	3.14
Exercised	(382,191)	2.59
Forfeited	(12,249)	3.45
Outstanding - June 30, 2025	799,023	3.36

For the six months ended June 30, 2025, the stock-based compensation expense related to options recorded in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive loss was \$90,290 (six months ended June 30, 2024 – \$151,932).

There were no share options granted during the six months ended June 30, 2025 or during the year ended December 31, 2024.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

10. Share Capital (continued)

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

The following table summarizes information relating to outstanding and exercisable stock options as at June 30, 2025:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price \$
August 26, 2025	0.2	69,750	56,250	2.50
August 12, 2026	1.1	442,851	399,671	3.45
September 23, 2026	1.2	10,000	9,375	4.10
January 07, 2027	1.5	180,000	157,500	3.60
February 24, 2027	1.7	32,250	24,375	2.93
August 12, 2027	2.1	64,172	55,005	3.05
		799,023	702,176	

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 June 30, 2025, 5,947,726 RSUs and/or DSUs remain available for grant under the terms of the Omnibus Equity Incentive plan.

DSU activity for the six months ended June 30, 2025 and year ended December 31, 2024 is as follows:

	June 30, 2025	December 31, 2024
	#	#
Outstanding - Beginning of period	654,592	599,550
Granted	28,036	55,042
Outstanding - End of period	682,628	654,592

28,036 DSUs with a weighted-average fair value of \$6.29 per unit were granted in the six months ended June 30, 2025 and 55,042 DSUs with a weighted-average fair value of \$4.54 per unit were granted in the year ended December 31, 2024. For the six months ended June 30, 2025, the stock-based compensation expense related to DSUs recorded in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive loss was \$127,373 (six months ended June 30, 2024 – \$122,115).

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

10. Share Capital (continued)

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

RSU activity for the six months ended June 30, 2025 and year ended December 31, 2024 is as follows:

	June 30, 2025 #	December 31, 2024 #
Outstanding - Beginning of period	1,816,857	2,213,391
Granted	784,602	950,461
Vested	(641,028)	(1,143,536)
Forfeited	(40,764)	(203,459)
Outstanding - End of period	<u>1,919,667</u>	<u>1,816,857</u>

784,602 RSUs with a weighted-average fair value of \$6.47 per unit were granted in the six months ended June 30, 2025. 950,461 RSUs with a weighted-average fair value of \$3.86 per unit were granted in the year ended December 31, 2024. For the six months ended June 30, 2025, the stock-based compensation expense related to RSUs recorded in the unaudited condensed interim consolidated statements of income/(loss) and comprehensive loss was \$1,569,530 (six months ended June 30, 2024 – \$1,877,116). RSUs typically vest over a three-year period and will be settled through the issuance of common shares.

11. Revenue

Revenue consists of the following:

	Three-month period ended June 30, 2025 \$	Three-month period ended June 30, 2024 \$	Six-month period ended June 30, 2025 \$	Six-month period ended June 30, 2024 \$
SaaS license fees	14,145,367	10,835,107	27,951,340	20,553,609
Maintenance fees	17,749	63,888	39,844	134,478
Professional services and other	1,241,993	776,739	2,161,566	1,754,648
	<u>15,405,109</u>	<u>11,675,734</u>	<u>30,152,750</u>	<u>22,442,735</u>

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

	Three-month period ended June 30, 2025 \$	Three-month period ended June 30, 2024 \$	Six-month period ended June 30, 2025 \$	Six-month period ended June 30, 2024 \$
Americas	8,417,921	7,633,567	17,874,129	15,076,290
Europe	6,570,326	3,895,334	11,642,316	7,068,329
Asia Pacific	416,862	146,833	636,305	298,116
	<u>15,405,109</u>	<u>11,675,734</u>	<u>30,152,750</u>	<u>22,442,735</u>

In the three and six months ended June 30, 2025, no revenue from any customer amounted to 10% or more of the Company's total revenue (three and six months ended June 30, 2024 – 1 customer).

For the three and six months ended June 30, 2025, the Company's top 10 customers made up 51% of the Company's revenues (three and six months ended June 30, 2024 – 52%).

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

12. Expenses by nature

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

	Three-month period ended June 30, 2025	Three-month period ended June 30, 2024	Six-month period ended June 30, 2025	Six-month period ended June 30, 2024
	\$	\$		
Amortization of the intangible asset	3,155,635	2,688,851	6,002,381	4,523,062
Depreciation of plant and equipment	181,718	190,394	358,719	381,615
Salaries, wages and benefits	9,505,641	6,402,079	17,811,289	13,268,514
Share-based compensation	1,090,175	1,338,990	1,787,193	2,151,163

13. Income taxes

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

	Six-month period ended June 30, 2025	Six-month period ended June 30, 2024
	\$	\$
Income (loss) before income taxes	1,875,576	(6,392,563)
Statutory rate (Canadian federal and provincial)	26.50%	29.00%
Tax expense (recovery) at statutory rate	497,028	(1,853,843)
Recovery for losses and deductible differences previously not recognized in prior years	(1,326,873)	565,927
Expense (recovery) for losses and deductible temporary differences not recognized in current year	161,413	-
Permanent differences and other	(85,941)	198,986
Foreign tax rate variance	863,102	1,133,370
Income tax expense	108,729	44,440

14. Supplemental cash flow information

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

	Six-month period ended June 30, 2025	Six-month period ended June 30, 2024
	\$	\$
Decrease in amounts receivable and prepayments	5,759,710	819,388
Increase/(decrease) in accounts payable and accrued liabilities	1,834,718	(562,329)
Increase in contract liabilities	4,886,762	7,276,537
	12,481,190	7,533,596

15. Related party transactions

During the six months ended June 30, 2025, the Company granted 28,036 DSUs to members of the Board of Directors who are not employees or officers of the Company (note 10) (six months ended June 30, 2024 – 31,111).

During the six months ended June 30, 2025, Key Management of the Company exercised 200,000 stock options at an exercise price of \$2.20 for gross proceeds of \$440,000. During the six months ended June 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 six months ended June 30, 2025, the Company granted 83,215 RSUs to Executive Directors and 270,402 RSUs to Key Management. During the six months ended June 30, 2024, the Company granted 107,422 RSUs to Executive Directors and 248,375 RSUs to Key Management.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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:

	June 30, 2025	December 31, 2024
	\$	\$
Equity	66,376,797	65,071,843
Debt	23,350,256	23,154,926
Less: Cash	(66,771,997)	(58,889,572)
	<u>22,955,056</u>	<u>29,337,197</u>

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity, return capital to shareholders or raise debt funding. In the year ended December 31, 2023, the Company signed the IPF Facility allowing for debt funding of up to €15 million (\$24 million) and drew down the first, second and third tranches of this facility on June 30, 2023, September 22, 2023 and December 22, 2023, respectively. The IPF Facility is also subject to a financial covenant in the form of a minimum cash balance held in favour of the lender in an amount sufficient to cover the higher of the last six months and next six months cash runway subject to a cap of €2 million, €4 million and €6 million after the drawdown of tranche one, two and three respectively. At June 30, 2025 the minimum cash balance to be held was €6 million (\$9.6 million). The Company was in compliance with the financial covenant as of June 30, 2025.

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

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

No other changes were made to the objectives, policies or processes for managing capital during the six months ended June 30, 2025 or the year ended December 31, 2024.

b) Fair values of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The carrying amounts reported in the unaudited condensed interim consolidated statements of financial position for cash, amounts receivable, accounts payable and accrued liabilities, approximate their fair values based on the immediate or short-term maturities of these financial instruments. In addition, non-current amounts receivable and the loan payable do not have fair values that differ significantly from their carrying values.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

b) Fair values of financial instruments (continued)

The table below presents the classification of the Company's financial assets and liabilities as at June 30, 2025 and December 31, 2024:

	Financial assets and liabilities at amortized cost June 30, 2025	Financial assets and liabilities at amortized cost December 31, 2024
	\$	\$
Financial assets:		
Cash	66,771,997	58,889,572
Amounts receivable*	7,371,879	12,790,148
Financial liabilities:		
Accounts payable and accrued liabilities	11,071,328	8,580,104
Loan payable and accrued interest current	6,012,075	4,116,723
Loan payable and accrued interest non-current	17,338,181	19,038,203

*includes trade debtors, contract assets & other debtors

c) Financial risk management objectives

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

d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. At June 30, 2025 and December 31, 2024, the Company's financial assets exposed to credit risk amounted to the following:

	June 30, 2025	December 31, 2024
	\$	\$
Cash	66,771,997	58,889,572
Amounts receivable and other*	7,371,879	12,790,148

*includes trade debtors, contract assets & other debtors

During the six months ended June 30, 2025 and the year ended December 31, 2024, the Company did not hold any financial assets that were impaired. Trade debtors of \$6,903,340 are included in amounts receivable as at June 30, 2025 (December 31, 2024 – \$12,325,454).

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.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 June 30, 2025:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total	Carrying Value
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	11,071,328	-	-	-	11,071,328	11,071,328
Lease payments (undiscounted)	591,027	1,182,054	1,182,054	5,910,272	8,865,407	7,313,103
IPF Facility payable (undiscounted)*	7,992,745	20,857,049	-	-	28,849,794	23,350,256
	<u>19,655,100</u>	<u>22,039,103</u>	<u>1,182,054</u>	<u>5,910,272</u>	<u>48,786,529</u>	<u>41,734,688</u>

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

The Company's operations to date have been financed through the sale of shares, issuance of debt, revenue generated from customers and research and development tax credits. The Company has incurred significant operating losses and negative cash flows from operations since inception and has an accumulated deficit of \$77,259,965 as at June 30, 2025. For the six months ended June 30, 2025, the Company generated net income of \$1,766,847 with positive cash flows from operations of \$15,547,997 and capitalized development cost spend of \$10,599,886. (June 30, 2024 (\$6,437,003), \$10,030,378 and \$9,654,368, respectively). 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 (\$24 million) in secured debt financing from IPF Partners which consisted of three term commitments or tranches of €5 million each to be availed of by Kneat Solutions Limited. Each tranche matures 18 quarters from its initial drawdown date. On June 30, 2023, September 22, 2023 and December 22, 2023, the Company drew down the first, second and third tranches, respectively (Refer to note 8).

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

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

e) Liquidity risk (continued)

During the first half of 2025 and throughout 2024, financial markets have been negatively impacted by political uncertainties and economic instability due to factors including the impact of international conflicts, the rate of inflation, interest rates and tariffs. These factors may adversely impact our operations, credit risk, our ability to serve our customers and our ability to raise new funding. This has resulted in significant economic uncertainty, and even though the Company has to date experienced no significant impact to its operations, any potential impact on our future financial results is difficult to reliably measure. The Company is regularly assessing the situation and remains in contact with its partners, customers and suppliers to assess any impacts and risk.

The Directors believe that the Company's cash resources when combined with the proceeds from customer receipts, will be sufficient to fund operations for at least twelve months from the reporting date of the unaudited condensed interim consolidated financial statements.

f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Company entering into transactions which are denominated in currencies other than its functional currency.

The Company is exposed to currency risk on its cash balances, amounts receivable, loan payable, intercompany balances and accounts payable and accrued liabilities that are held in currencies that are not in the transacting entity's functional currencies.

For the six months ended June 30, 2025, the impact on monetary assets and liabilities of a 5% decrease in the exchange rate between the functional currencies and foreign currencies (weakening of the Euro/USD versus CAD) would increase the net loss by approximately \$5.4 million; a 5% increase would decrease the net loss by approximately \$5.4 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⁾

	Six-month period ended June 30, 2025			Six-month period ended June 30, 2024		
	As reported	Exchange rate effect	5% Stronger	As reported	Exchange rate effect	5% Stronger
	\$	\$	\$	\$	\$	\$
Revenue	30,152,750	1,507,638	31,660,388	22,442,735	1,122,137	23,564,872
Expenses	(28,385,903)	(1,853,870)	(30,239,773)	(28,879,738)	(1,407,063)	(30,286,801)
Net income (loss)	1,766,847	(346,232)	1,420,615	(6,437,003)	(284,926)	(6,721,929)

(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.

16. Fair value of financial instruments and risk management (continued)**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 six months ended June 30, 2025, a change of 100 basis points in either interest rate would have had an effect of approximately \$222,000 on deposit interest income and \$118,000 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 June 30, 2025 and December 31, 2024 the Company had no financial instruments that were measured and recognized at fair value on the unaudited condensed interim consolidated statement of financial position and audited consolidated statement of financial position, respectively. In addition, there were no transfers between levels during the period.

17. (Loss) Earnings per share

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

	Three-month period ended June 30, 2025	Three-month period ended June 30, 2024	Six-month period ended June 30, 2025	Six-month period ended June 30, 2024
<i>Numerator:</i>				
Net (loss) earnings for the period attributable to ordinary shareholders	(379,142)	(3,100,143)	1,766,847	(6,437,003)
<i>Denominator:</i>				
Weighted-average number of common shares outstanding: Basic	94,728,598	85,581,420	94,469,559	83,293,224
Weighted-average number of common shares outstanding: Diluted	94,728,598	85,581,420	97,985,267	83,293,224
(Loss) earnings per share (basic and diluted)	<u>(0.00)</u>	<u>(0.04)</u>	<u>0.02</u>	<u>(0.08)</u>

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	June 30, 2025	June 30, 2024
Options to purchase common shares	799,023	1,557,552
Deferred share units (DSUs)	682,628	630,661
Restricted share units (RSUs)	1,919,667	2,227,458

For the six months ended June 30, 2025, the above potential common shares are included in the computation of diluted net earnings per share. For the six months ended June 30, 2024, the Company excluded the above potential common shares from the computation of diluted net loss per share because including them would have had an anti-dilutive effect.

18. Commitments and contingencies

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

The Company has committed to purchase certain services which will result in the Company paying \$6,212,117 within one year and \$9,422,005 in two to three years.

The Company has employment arrangements with the Chief Executive Officer, Director of IT Security & Operations, Chief Innovation Officer and Chief Financial Officer which provide that, should a change in control event occur, as defined in the employment arrangements, these individuals will receive lump sum payments equal to 24 months of their then current base salary.

19. Subsequent events

The Company performed a review of events subsequent to the unaudited condensed interim consolidated statement of financial position date through to the date the unaudited condensed interim consolidated financial statements were issued and determined that there were no such events requiring recognition or disclosure in the unaudited condensed interim consolidated financial statements.