Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

June 30, 2018

(Expressed in Canadian Dollars)

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

Expressed in Canadian dollars

	June 30, 2018	December 31, 2017 [(a)]
	$	$
Assets		
Current assets		
Cash	**5,887,753**	3,482,318
Accounts receivable and other (note 3)	**938,027**	737,372
Deferred contract acquisition costs	**53,422**	-
	6,879,202	4,219,690
Accounts receivable (note 3)	**1,053,087**	623,790
Deferred contract acquisition costs	**15,956**	-
Property and equipment (note 4)	**531,179**	513,402
Intangible asset (note 5)	**4,072,847**	3,438,163
Total assets	**12,552,271**	8,795,045
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**810,513**	590,389
Loan payable and accrued interest (note 7)	**999,676**	12,293
Contract liabilities	**285,803**	396,302
Lease incentives	**9,481**	9,273
	2,105,473	1,008,257
Lease incentives	**194,010**	194,398
Loan payable and accrued interest (note 7)	**-**	977,587
Total liabilities	**2,299,483**	2,180,242
Equity		
Shareholders' equity	**10,252,788**	6,614,803
Total liabilities and equity	**12,552,271**	8,795,045

(a) kneat.com, inc. has adopted IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 2 (c) for details.

Going concern (note 1)
Commitments and contingencies (note 15)

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 23, 2018.

"*Ian Ainsworth*" Director

"*Wade Dawe* " Director

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

Expressed in Canadian dollars

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017 [(a)]	**Six-month period ended June 30, 2018**	Six-month period ended June 30, 2017 [(a)]
	$	$	**$**	$
Revenue (note 9)	**132,471**	66,681	**594,900**	214,269
Expenses				
Amortization of intangible asset	**327,421**	251,380	**620,484**	469,418
Administrative expenses (note 10)	**1,168,391**	989,698	**2,319,082**	1,791,308
Interest expense	**6,124**	5,882	**12,234**	11,430
Interest income	**(8,874)**	(302)	**(11,970)**	(1,045)
Foreign exchange loss (gain)	**117,009**	(192,973)	**(306,365)**	(230,872)
Loss before income taxes	**1,477,600**	987,004	**2,038,565**	1,825,970
Income taxes (note 11)	**-**	-	**-**	-
Net loss for the period	**1,477,600**	987,004	**2,038,565**	1,825,970
Other comprehensive loss (income)				
Foreign currency translation adjustment to presentation currency	**(49,453)**	58,272	**128,703**	(27,313)
Comprehensive loss for the period	**1,428,147**	1,045,276	**2,167,268**	1,798,657
Loss per share – basic and diluted	**0.03**	0.02	**0.04**	0.05
Weighted-average number of common shares outstanding - Basic and diluted	**50,748,331**	41,230,351	**47,656,008**	40,397,017

(a) kneat.com, inc. has adopted IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 2(c) for details.

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 (note 8 (a))	Common Shares	Warrants	Contributed Surplus	Translation Reserve	Retained Earnings (Deficit)	Total
		$	$	$	$	$	$
Balance, January 1, 2017 [a]	**39,563,684**	**22,941,601**	**67,424**	**937,506**	**161,372**	**(16,820,815)**	**7,287,088**
Net loss for the period [a]	-	-	-	-	-	(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 8 (a))	5,000,000	3,000,000	-	-	-	-	3,000,000
Share issue costs (note 8 (a))	-	(21,745)	-	-	-	-	(21,745)
Share-based compensation expense	-	-	-	209,132	-	-	209,132
Expiry of warrants	-	-	(67,424)	67,424	-	-	-
Balance, June 30, 2017 [a]	**44,563,684**	**25,919,856**	**-**	**1,214,062**	**188,685**	**(18,646,785)**	**8,675,818**
Balance, January 1, 2018 [a]	**44,563,684**	**25,919,856**	**-**	**1,325,457**	**185,222**	**(20,815,732)**	**6,614,803**
Impact of change in accounting policy [a]	-	-	-	-	-	(7,687)	(7,687)
Adjusted balance, January 1, 2018	**44,563,684**	**25,919,856**	**-**	**1,325,457**	**185,222**	**(20,823,419)**	**6,607,116**
Net loss for the period	-	-	-	-	-	(2,038,565)	(2,038,565)
Other comprehensive loss for the period	-	-	-	-	(128,703)	-	(128,527)
	-	-	-	-	(128,703)	(2,038,565)	(2,167,268)
Shares issued pursuant to private placement (note 8 (a))	6,871,830	6,184,647	-	-	-	-	6,184,647
Share issue costs (note 8 (a))	-	(513,215)	-	-	-	-	(513,215)
Broker warrants (note 8 (b))	-	(140,394)	140,394	-	-	-	-
Share-based compensation expense	-	-	-	141,508	-	-	141,508
Balance, June 30, 2018	**51,435,514**	**31,450,894**	**140,394**	**1,466,965**	**56,519**	**(22,861,984)**	**10,252,788**

(a) kneat.com, inc. has adopted IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 2 (c) for details.

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

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

Expressed in Canadian dollars

	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017 [a]
	$	$
Operating activities		
Net loss for the period	**(2,038,565)**	(1,825,970)
Charges to loss not involving cash:		
Depreciation of property and equipment	**69,526**	38,082
Share-based compensation	**72,822**	108,397
Interest on long-term liabilities	**12,234**	11,430
Amortization of the intangible asset	**620,484**	469,418
Amortization of deferred contract acquisition costs	**19,772**	-
Unrealized foreign exchange gain	**(286,965)**	(230,872)
Increase in non-current accounts receivable	**(7,964)**	(3,047)
Decrease in non-current accounts payable and accrued liabilities	**(4,767)**	(2,330)
Increase in non-current contract liabilities	**-**	85,877
Net change in non-cash working capital related to operations (note 12)	**(192,651)**	484,171
Net cash used in operating activities	**(1,736,074)**	(864,844)
Financing activities		
Proceeds received upon the completion of private placement (note 8 (a))	**6,184,647**	3,000,000
Share issuance costs associated with private placement (note 8 (a))	**(513,215)**	(21,745)
Payment of interest on the loan payable	**(24,671)**	(23,714)
Net cash provided by financing activities	**5,646,761**	2,954,541
Investing activities		
Additions to the intangible asset	**(1,506,470)**	(1,095,740)
Additions to property and equipment	**(93,813)**	(30,207)
Net cash used in investing activities	**(1,600,283)**	(1,125,947)
Effects of exchange rates on cash	**95,031**	124,915
Increase in cash during the period	**2,405,435**	1,088,665
Cash, beginning of period	**3,482,318**	4,988,601
Cash, end of period	**5,887,753**	6,077,266

(a) *kneat.com, inc. has adopted IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 2 (c) for details.*

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" or "Kneat"), was incorporated on December 12, 2013 under the laws of the Canada Business Corporations Act. On June 27, 2016, the Company completed a transaction with Kneat Solutions Limited whereby kneat.com acquired 100% of the issued and outstanding ordinary shares of Kneat Solutions Limited by way of a scheme of arrangement in Ireland. The Company commenced trading on the TSX Venture Exchange as kneat.com on July 5, 2016 under the symbol KSI. kneat.com's head office is located at Unit 7, Castletroy 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 is in the business of developing and marketing a software application for modelling regulated data intensive processes for regulated industries, focusing on the life science industry.

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 $22,861,984 as at June 30, 2018.

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, 2018, the Company incurred a net loss of $2,038,565 with negative cash flows from operations of $1,736,074 and capitalized development cost spend of $1,506,470 (year ended December 31, 2017 – $3,994,917, $2,517,396 and $2,268,903, respectively). With limited revenue from customers and negative cash flow from operations, the Company has relied primarily on financing activities, similar to the brokered private placement that closed during the six month period-ended June 30, 2018 (note 8(a)), to meet its working capital and operating requirements, including funds needed to further develop its software application and expand its sales function. Such circumstances create material uncertainties that may cast significant doubt as to the ability of the Company to continue as a going concern 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. 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 if the going concern assumption was determined to be inappropriate and these adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of Compliance and Basis of Consolidation

The unaudited condensed interim consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved these unaudited condensed interim consolidated financial statements for issue on August 23, 2018.

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, 2017.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of August 23, 2018, the date the Board of Directors approved the unaudited condensed interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2018 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 consolidated financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2017, with the exception of the changes as the result of the adoption of new accounting standards as outlined in note 2(c). Refer to Note 3, *Summary of Significant Accounting Policies*, of the kneat.com, inc. annual consolidated financial statements for the year ended December 31, 2017 for information on the other accounting policies, critical accounting judgements and estimates, as well as new accounting standards not yet effective.

b) Foreign currency translation

Items included in the unaudited condensed interim 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 unaudited condensed interim 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 of 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, inc., 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 exchange rates at the transaction dates.

c) New accounting standards adopted during the period

Effective January 1, 2018, the Company adopted the following new accounting standards. These changes in accounting policies will also be reflected in the Company's subsequent quarters and annual financial statements as at and for the year ended December 31, 2018.

i) IFRS 9, Financial Instruments ("IFRS 9")

Description of IFRS 9

IFRS 9 replaces provisions of the IASB's IAS 39, *Financial Instruments: Recognition and Measurement ("IAS 39")* that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Company has adopted IFRS 9 using the retrospective approach from January 1, 2018.

Impact of adoption of IFRS 9

Financial liabilities that are considered modified must be accounted for by discounting the new cash flows at the original effective interest rate, resulting in an immediate impact to the Company's net loss. Management identified one financial liability that was modified prior to January 1, 2018; however, the related gain was considered immaterial.

IFRS 9 requires the Company to use the Expected Credit Loss ("ECL") impairment model in calculating impairment provisions which differs from the incurred credit loss model under IAS 39. The ECL model is a probability weighted estimate of credit losses. Management has determined that there is no impact on the financial statements due to this change in impairment models.

The Company determines the measurement of financial assets and liabilities at initial recognition and classifies them at amortized cost. The Company completed an assessment of its financial assets and liabilities as at January 1, 2018 and concluded that there were no changes in measurement due to the transition to IFRS 9.

Cash and accounts receivable that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost under IFRS 9. There has been no impact on classification of the Company's financial liabilities.

Accounting policies associated with IFRS 9

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified into one of the following specified categories: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the unaudited condensed interim consolidated statement of loss.

The Company's financial instruments are classified and subsequently measured as follows:

Financial instrument	**Classification**
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost

Impairment of financial assets at amortized cost
The Company recognizes an allowance using the ECL model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all accounts receivable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss.

ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

Description of IFRS 15
The IASB issued IFRS 15, effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a new control-based revenue recognition model and replaces IAS 18, *Revenue* ("IAS 18"), IAS 11, *Construction Contracts* ("IAS 11") and some revenue-related interpretations. The new standard is intended to enhance disclosures about revenue, provide more comprehensive guidance for transactions that were not previously addressed and improve guidance for multiple-element arrangements. IFRS 15 permits two methods of adoption: (i) retrospectively to each prior reporting period presented ("full retrospective method"); or (ii) retrospectively with the cumulative effect of the transition recognized at the date of initial application ("cumulative effect method"). The Company adopted the standard using the cumulative effect method and, therefore, the comparative information has not been restated and continues to be reported under IAS 18. The adoption of IFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

Impact of adoption of IFRS 15
The Company completed its analysis and has reached conclusions on key accounting impacts related to all revenue streams. The Company determined that the most significant impact relates to accounting for its installation services, which had previously been recognized as a separately identifiable service under IAS 18. Under IFRS 15, installation services now form part of the related on-premise or SaaS license delivery and thus are recognized consistently with the form of license sold to the customer. This resulted in an adjustment to opening retained earnings of $22,587.

In addition, prior to IFRS 15, contract acquisition costs were expensed upon commencement of the related contract revenue. Effective January 1, 2018, the Company now recognizes an asset related to such costs and amortizes these costs over the term of the related revenues. Refer to the accounting policy noted below for *Deferred contract acquisition costs.* This resulted in an adjustment to opening retained earnings of $14,900.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts will be included in contract assets. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of contract liabilities.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

The following table details the impact on the Company's opening consolidated statement of financial position as a result of adopting IFRS 15:

Statement of financial position	December 31, 2017 prior to adoption of IFRS 15	Adjustment	December 31, 2017 after adoption of IFRS 15
	$	$	$
Assets			
Current assets			
Cash	3,482,318	-	3,482,318
Accounts receivable and other	737,372	-	737,372
Deferred contract acquisition costs	-	13,153	13,153
	4,219,690	13,153	4,232,843
Accounts receivable	623,790	-	623,790
Deferred contract acquisition costs	-	1,747	1,747
Property and equipment	513,402	-	513,402
Intangible asset	3,438,163	-	3,438,163
Total assets	8,795,045	14,900	8,809,945
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	590,389	-	590,389
Loan payable and accrued interest	12,293	-	12,293
Deferred income	396,302	(396,302)	-
Contract liabilities	-	418,889	418,889
Lease incentives	9,273	-	9,273
	1,008,257	22,587	1,030,844
Lease incentives	194,398	-	194,398
Loan payable and accrued interest	977,587	-	977,587
Total liabilities	2,180,242	22,587	2,202,829
Equity			
Shareholders' equity	6,614,803	(7,687)	6,607,116
Total liabilities and equity	8,795,045	14,900	8,809,945

Accounting policies associated with IFRS 15

Revenue from contracts

The Company derives its revenues under license agreements from the sale of proprietary software licenses and provides software-related services including training, installation, upgrades, consulting and maintenance, which include product support services. Revenues are recognized when control of these licenses and services is transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

Revenue recognition is determined through the following five steps:

- Identification of the contract with the customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Revenues generated by the Company include the following:

i) *On-premise licenses and installation fees*

On-premise licenses and installation fees entitle the customer to deploy the Kneat Gx platform on the customers' own servers. Revenues from on-premise perpetual license sales are recognized at a point in time, upon delivery, when transfer of control of the software has passed to the customer, there are no uncertainties surrounding product acceptance and consideration is known and considered collectible.

ii) *SaaS license, hosting and installation fees*

SaaS license and hosting agreements (also referred to as "subscription fees") entitle the customer to utilize the Kneat Gx platform, which is hosted by the Company on a cloud server, for a specified number of users without taking possession. SaaS license and hosting fee revenue is recognized rateably over the contract term, commencing on the date when Kneat's services are made available to the customer. Customers are typically invoiced and pay annually in advance for subscription fees upon execution of the initial contract or subsequent renewals.

iii) *Maintenance fees*
Maintenance fees for on-premise software licenses generally require the Company to provide technical support and unspecified software updates to customers. Maintenance revenues for technical support and unspecified software update rights are recognized rateably over the term of the contract. The Company typically invoices and collects maintenance fees annually in advance.

iv) *Professional services and other*
The Company provides consulting, training and other services for its customers. Revenues from such services are generally recognized at the point in time when performance obligations are satisfied.

The Company also performs services related to deployment. Services related to deployment are not a distinct performance obligation and thus are recognized consistent with the licenses for which they relate.

v) *Contracts with multiple performance obligations*
Many of the Company's contracts involve multiple performance obligations that include licenses, maintenance and various professional services. The Company evaluates each product and service in a contract to determine if they represent distinct performance obligations and thus require separate accounting treatment. For these contracts, the transaction price is allocated to the separate performance obligations based on their estimated stand-alone selling prices. The stand-alone selling prices of each performance obligation in these contracts is based on such factors as historical selling prices for these performance obligations in similar transactions, current pricing practices and other factors.

Deferred contract acquisition costs
Deferred contract acquisition costs are incremental selling costs that are associated with acquiring customer contracts and consist of sales commissions paid or due to the sales team. Capitalized contract acquisition costs are amortized consistently with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive renewal commission. The Company determines the amortization period by considering the customer specific contract deliverables, term and other factors. Amortization of deferred contract acquisition costs is included in sales, marketing and advertising costs in administrative expenses, as detailed in note 10. The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

Contract liabilities
Contract liabilities consist of deferred revenue for payments received in advance of revenue recognition from contracts with customers and is recognized as revenue recognition criteria are met.

Critical accounting judgements and estimates associated with IFRS 15
As noted above, contracts with customers often include promises to deliver multiple products and services. Determining whether these products and services represent distinct performance obligations may require significant judgment. In addition, the determination of the stand-alone selling price for distinct performance obligations may also require judgment and estimates. As the Company does not have a significant history of generating revenue, management uses judgement, based on customer specific contracts and comparable sales, to determine the appropriate stand-alone selling value for each performance obligation. In addition, certain of these performance obligations have a term of more than one year and thus the identification and stand-alone selling price of the individual performance obligations impacts the timing of revenue recognition. A change in the stand-alone selling price allocated to each performance obligation could materially impact the revenue recognized in the current and future periods and the contract asset and liability balance at period-end.

Impact of adopting IFRS 15 on the current period

The following tables summarize the impact of adopting IFRS 15 for the current period on the unaudited interim consolidated statement of financial position at June 30, 2018 and the unaudited interim consolidated statement of loss and comprehensive loss for the six-month period ended June 30, 2018. The impact to the unaudited interim consolidated statement of cash flows was considered immaterial.

Statement of financial position	As reported	IFRS 15 adjustments	Balance without IFRS 15
	$	$	$
Assets			
Current assets			
Cash	5,887,753	-	5,887,753
Accounts receivable and other	938,027	-	938,027
Deferred contract acquisition costs	53,422	(53,422)	-
	6,879,202	(53,422)	6,825,780
Accounts receivable	1,053,087	-	1,053,087
Deferred contract acquisition costs	15,956	(15,956)	-
Property and equipment	531,179	-	531,179
Intangible asset	4,072,847	-	4,072,847
Total assets	12,552,271	(69,378)	12,482,893
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	810,513	(41,929)	768,584
Loan payable and accrued interest	999,676	-	999,676
Deferred income	-	258,493	258,493
Contract liabilities	285,803	(285,803)	-
Lease incentives	9,481	-	9,481
	2,105,473	(69,239)	2,036,234
Lease incentives	194,010	-	194,010
Total liabilities	2,299,483	(69,239)	2,230,244
Equity			
Shareholders' equity	10,252,788	(139)	10,252,649
Total liabilities and equity	12,552,271	(69,378)	12,482,893

Statement of loss and comprehensive loss for the six-month period ended June 30, 2018	As reported	IFRS 15 adjustments	Amount without IFRS 15
	$	$	$
Revenue	594,900	4,347	599,247
Expenses			
Amortization of intangible asset	620,484	-	620,484
Administrative expenses	2,319,082	12,009	2,331,091
Interest expense	12,234	-	12,234
Interest income	(11,970)	-	(11,970)
Foreign exchange gain	(306,365)	-	(306,365)
Loss before income taxes	2,038,565	7,662	2,046,227
Income tax recovery	-	-	-
Net loss for the period	2,038,565	7,662	2,046,227
Other comprehensive loss	128,703	164	128,867
Comprehensive loss for the period	2,167,268	7,826	2,175,094
Loss per share – Basic and diluted	0.04		0.04

Statement of loss and comprehensive loss for the three-month period ended June 30, 2018	As reported	IFRS 15 adjustments	Amount without IFRS 15
	$	$	$
Revenue	132,471	(3,080)	129,391
Expenses			
Amortization of intangible asset	327,421	-	327,421
Administrative expenses	1,168,391	27,251	1,195,642
Interest expense	6,124	-	6,124
Interest income	(8,874)	-	(8,874)
Foreign exchange loss	117,009	-	117,009
Loss before income taxes	1,477,600	30,331	1,507,931
Income tax recovery	-	-	-
Net loss for the period	1,477,600	30,331	1,507,931
Other comprehensive gain	(49,453)	687	(48,766)
Comprehensive loss for the period	1,428,147	31,018	1,459,165
Loss per share – Basic and diluted	0.03		0.03

The impact of adopting IFRS 15 by type of revenue for the six-month period ended June 30, 2018 is outlined in the table below:

	As reported	IFRS 15 adjustments	Amount without IFRS 15
	$	$	$
SaaS license and hosting fees	48,488	-	48,488
On-premise licenses fees	157,112	-	157,112
Maintenance fees	120,793	-	120,793
Professional services and other	268,507	4,347	272,854
Total revenue	594,900	4,347	599,247

The impact of adopting IFRS 15 by type of revenue for the three-month period ended June 30, 2018 is outlined in the table below:

	As reported	IFRS 15 adjustments	Amount without IFRS 15
	$	$	$
SaaS license and hosting fees	24,718	-	24,718
Maintenance fees	62,737	-	62,737
Professional services and other	45,016	(3,080)	41,936
Total revenue	132,471	(3,080)	129,391

3. ACCOUNTS RECEIVABLE AND OTHER

	June 30, 2018	December 31, 2017
	$	$
Current		
Research and development tax credits receivable	547,069	533,127
Trade debtors	68,802	49,226
Amounts earned but not billed	27,906	-
Other debtors	55,757	24,434
Sales tax recoverable	79,716	50,505
Prepayments	158,777	80,080
	938,027	737,372
Non-current		
Research and development tax credits receivable	1,053,087	623,790
	1,991,114	1,361,162

4. PROPERTY AND EQUIPMENT

Cost	Property and equipment	Leasehold improvements	Total
	$	$	$
As at January 1, 2017	189,078	226,756	415,834
Additions	102,548	158,151	260,699
Write-offs	(5,138)	-	(5,138)
Effect of movements in exchange rates	13,841	17,729	31,570
As at December 31, 2017	300,329	402,636	702,965
Additions	75,849	-	75,849
Effect of movements in exchange rates	6,285	9,015	15,300
As at June 30, 2018	382,463	411,651	794,114

Accumulated depreciation	Property and equipment	Leasehold improvements	Total
	$	$	$
As at January 1, 2017	66,564	27,722	94,286
Depreciation charge	63,657	26,923	90,580
Write-offs	(3,248)	-	(3,248)
Effect of movements in exchange rates	5,574	2,371	7,945
As at December 31, 2017	132,547	57,016	189,563
Depreciation charge	43,864	25,662	69,526
Effect of movements in exchange rates	2,714	1,132	3,846
As at June 30, 2018	179,125	83,810	262,935

Carrying amount	Property and equipment	Leasehold improvements	Total
	$	$	$
Balance, December 31, 2017	167,782	345,620	513,402
Balance, June 30, 2018	203,338	327,841	531,179

5. INTANGIBLE ASSET

Cost	$
As at January 1, 2017	4,170,824
Additions, net of research and development tax credits of $607,535	1,822,606
Effect of movements in exchange rates	297,122
As at December 31, 2017	6,290,552
Additions, net of research and development tax credits of $393,790	1,181,372
Effect of movements in exchange rates	134,138
As at June 30, 2018	7,606,062

Accumulated amortization	$
As at January 1, 2017	1,681,214
Amortization charge	1,043,186
Effect of movements in exchange rates	127,989
As at December 31, 2017	2,852,389
Amortization charge	620,484
Effect of movements in exchange rates	60,342
As at June 30, 2018	3,533,215

Carrying amount	$
Balance, December 31, 2017	3,438,163
Balance, June 30, 2018	4,072,847

In addition to the capitalized development costs, the Company incurred research costs of $7,406 for the six-month period ended June 30, 2018 (six-month period ended June 30, 2017 – $12,190) which were expensed through the unaudited condensed interim consolidated statement of loss as they did not meet the criteria for capitalization. Research costs consist primarily of employee salaries, wages and benefits.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2018	December 31, 2017
Current	$	$
Trade payables	90,143	101,846
Accruals	225,950	102,137
Accrued directors' fees (note 13)	274,050	211,671
Social insurance cost payable	123,170	106,978
Sales tax payable	6,572	-
Other payables	90,628	67,757
	810,513	590,389

7. LOAN PAYABLE AND ACCRUED INTEREST

	June 30, 2018	December 31, 2017
	$	$
Balance – Beginning of period	989,880	934,210
Interest accrual	12,234	23,371
Interest repayment	(24,671)	(23,371)
Effects of movements in exchange rates	22,233	55,670
Balance – End of period	999,676	989,880
Less: Current portion	(999,676)	(12,293)
Non-current portion	-	977,587

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, 2018, the loan payable and accrued interest balance on the unaudited condensed interim consolidated statement of financial position was comprised of a principal balance of $817,711 and accrued interest of $181,965 (December 31, 2017 – principal balance of $799,804 and accrued interest of $190,076).

8. 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, 2017	39,563,684	22,941,601
Shares issued pursuant to the private placement	5,000,000	3,000,000
Shares issuance costs pursuant to the private placement	-	(21,745)
Outstanding, December 31, 2017	44,563,684	25,919,856
Shares issued pursuant to the private placement	6,871,830	6,184,647
Shares issuance costs pursuant to the private placement	-	(513,215)
Broker warrants	-	(140,394)
Outstanding, June 30, 2018	51,435,514	31,450,894

As at December 31, 2017, 17,048,720 common shares of the Company were subject to an escrow agreement pursuant to the terms of the Transaction. On January 4, 2018, these shares were released from escrow in accordance with the escrow agreement. As at June 30, 2018, no shares were held in escrow.

Private placement financing

On April 10, 2018, the Company completed a brokered private placement for gross proceeds of $6,184,647. Through a syndicate of agents, the Company issued 6,871,830 common shares at an issue price of $0.90 per common share. The Company paid the agents a cash commission of equal to six percent (6%) of the gross proceeds of the offering and issued warrants entitling the agents to purchase that number of common shares equal to six percent (6%) of the common shares sold as part of the offering at an exercise price of $0.90 per common share for a period of 18 months (excluding 922,221 common shares issued under the president's list as part of the offering). The Company incurred share issuance costs of $653,609, including commissions, professional and regulatory fees and broker warrants. All securities issued pursuant to the financing were subject to a statutory four-month holding period in accordance with Canadian securities legislation.

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 were subject to a statutory four-month holding period in accordance with Canadian securities legislation.

b) Warrants

As part of the brokered private placement completed on April 10, 2018, the Company issued 356,977 broker warrants, valued at $140,394, which entitle the agents to purchase 356,977 common shares at an exercise price of $0.90 per common share for a period of 18 months.

The fair value of the warrants was estimated at the grant date using the Black-Scholes pricing model using a risk free interest rate of 1.81%, an expected life of 18 months, volatility of 103%, expected dividends of 0% and an exercise price of $0.90. There were no warrants issued during the year ended December 31, 2017:

The following table reconciles the warrant activity during the six-month period ended June 30, 2018 and the year ended December 31, 2017:

	Number of warrants	Weighted-average exercise price
	#	$
Balance, January 1, 2017	267,857	0.90
Expired	(267,857)	0.90
Balance, December 31, 2017	-	-
Granted	356,977	0.90
Balance, June 30, 2018	356,977	0.90

As at June 30, 2018, 356,977 broker warrants are outstanding, exercisable at $0.90 per share into common shares of the Company and expiring on October 10, 2019.

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, 2018, 2,649,269 remain available for grant under the terms of the stock option plan.

The following are the weighted-average assumptions used in calculating the value of the stock options granted during the six-month period ended June 30, 2018 and the year ended December 31, 2017:

	June 30, 2018	December 31,2017
Risk-free interest rate	2.06%	1.11%
Expected life	4.5 years	4.5 years
Expected volatility	105%	116%
Expected dividend per share	0.0%	0.0%
Weighted-average exercise price	$0.80	$0.60

The following table reconciles the stock option activity during the six-month period ended June 30, 2018 and the year ended December 31, 2017:

	Number of options	Weighted-average exercise price
	#	$
Balance, January 1, 2017	1,985,859	0.86
Granted	554,000	0.60
Forfeited	(241,083)	0.79
Balance, December 31, 2017	2,298,776	0.80
Granted	213,000	0.80
Forfeited	(17,494)	0.90
Balance, June 30, 2018	2,494,282	0.80

For the six-month period ended June 30, 2018, the estimated value of options earned during the period and recorded in the unaudited condensed interim consolidated statement of loss and comprehensive loss was $72,822 (six-month period ended June 30, 2017 – $108,397). The estimated value of options earned during the six-month period ended June 30, 2018 and recorded as an addition to the intangible asset was $68,686 (six-month period ended June 30, 2017 – $100,735).

The following table summarizes information relating to outstanding and exercisable stock options as at June 30, 2018:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
March 19, 2019	0.7	200,000	200,000	$ 0.90
January 2, 2020	1.5	66,667	66,667	$ 0.90
November 10, 2020	2.4	33,333	33,333	$ 0.90
July 4, 2021	3.0	1,246,695	998,398	$ 0.90
September 26, 2021	3.2	10,587	7,940	$ 0.90
October 3, 2021	3.3	216,000	72,000	$ 0.55
January 11, 2022	3.5	193,000	64,333	$ 0.58
February 1, 2022	3.6	100,000	33,333	$ 0.57
April 4, 2022	3.8	100,000	33,333	$ 0.57
May 29, 2022	3.9	15,000	5,000	$ 0.68
November 1, 2022	4.3	100,000	-	$ 0.70
February 1, 2023	4.6	208,000	-	$ 0.80
April 25, 2023	4.8	5,000	-	$ 0.85

9. REVENUE

Revenue has been earned from the following sources:

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
	$	$	$	$
SaaS license and hosting fees	24,718	11,242	48,488	26,290
On-premise licenses fees	-	-	157,112	-
Maintenance fees	62,737	55,439	120,793	109,885
Professional services and other	45,016	-	268,507	78,094
	132,471	66,681	594,900	214,269

10. EXPENSES BY NATURE

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
Included in administrative expenses:	$	$	$	$
Audit and accounting fees	34,146	17,195	52,983	31,971
Cloud hosting and other services	59,032	51,835	103,075	88,216
Consultancy fees	42,582	44,394	84,295	88,080
Depreciation of plant and equipment	35,266	19,890	69,526	38,082
Director and key management salaries and benefits	173,456	176,959	351,731	341,388
Employee salaries, wages and benefits	500,386	379,709	970,397	634,716
Other administrative costs	115,696	128,986	234,367	203,558
Professional fees	18,480	25,539	46,300	56,948
Research and development tax credit recovery	(1,843)	(1,986)	(1,852)	(3,047)
Rent and rates	10,999	10,168	24,136	19,378
Sales, marketing and advertising	61,452	10,441	142,889	76,078
Securities and regulatory fees	19,141	19,446	35,418	30,928
Share-based compensation	38,592	61,879	72,822	108,397
Travel expenses	61,006	45,243	132,995	76,615
	1,168,391	989,698	2,319,082	1,791,308

11. 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:

	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
	$	$
Loss before income taxes	(2,038,565)	(1,825,970)
Statutory rate	13.82%	15.01%
Tax recovery at statutory rate	(281,729)	(274,078)
Expense for losses and deductible temporary differences not recognized in current and prior years	359,625	243,989
Permanent differences and other	(77,896)	30,089
Income tax recovery	-	-

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
	$	$
Decrease (increase) in accounts receivable and other	(182,155)	693,249
Increase (decrease) in accounts payable and accrued liabilities	139,074	(419,672)
Increase (decrease) in contract liabilities	(149,570)	210,594
	(192,651)	484,171

13. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Company received $9,201 from a director of the Company in repayment of a director's receivable balance. Amounts receivable from officers and directors were $nil as at June 30, 2018 and December 31, 2017.

During the six-month period ended June 30, 2018, 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 $15,356 (six-month period ended June 30, 2017 – $18,000) and incurred rent and office costs from Numus in the amount of $13,860 (six-month period ended June 30, 2017 – $13,860). As at June 30, 2018, the amount owing to Numus was $3,007 (December 31, 2017 – $nil).

As at June 30, 2018, the Company had $17,446 receivable from Beek Investment Limited ("Beek"), a company controlled by directors and officers of kneat.com, relating to professional fees paid on behalf of Beek during the year ended December 31, 2016 (year ended December 31, 2017 – $17,063).

During the six-month period ended June 30, 2018, the Company accrued directors' fees of $57,970 for the independent directors (six-month period ended June 30, 2017 – $72,213). As at June 30, 2018, the amount owing to directors was $274,050 (December 31, 2017 – $211,671).

On May 31, 2017, directors of the Company subscribed to an aggregate of 1,175,066 of the common shares issued pursuant to the non-brokered private placement for gross proceeds of $705,040.

On April 10, 2018, directors of the Company subscribed to an aggregate of 599,999 of the common shares for gross proceeds of $539,999. In addition, Numus Capital Corp., a company controlled by a director of the Company, acted as a selling agent in the brokered private placement and received 106,266 broker warrants and $95,640 in cash commissions.

14. 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, 2018	December 31, 2017
	$	$
Equity	10,252,788	6,614,803
Less: cash	(5,887,753)	(3,482,318)
	4,365,035	3,132,485

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, 2018.

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, accounts receivable, accounts payable and accrued liabilities approximate their fair values based on the immediate or short-term maturities of these financial instruments. In addition, the loan payable does not have a fair value that differs significantly from its 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, 2018 and December 31, 2017, the Company's financial assets exposed to credit risk amounted to the following:

	June 30, 2018	December 31, 2017
	$	$
Cash	5,887,753	3,482,318
Accounts receivable	280,501	153,740

During the six-month period ended June 30, 2018 and the year ended December 31, 2017, the Company did not hold any financial assets that were past due or impaired. Trade debtors of $68,802 are included in accounts receivable as at June 30, 2018 (December 31, 2017 – $49,226). 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, 2018:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	803,942	-	-	-	803,942
Loan payable	999,676	-	-	-	999,676
	1,803,618	-	-	-	1,803,618

f) Currency Risk

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

The Company is exposed to currency risk on cash, the loan payable, intercompany balances and accounts payable and accrued liabilities balances that are held in currencies that are not in the transacting entity's functional currency. As at June 30, 2018, a 5% decrease in the exchange rate between the functional currency and foreign currencies would increase the net loss by approximately $707,000; a 5% increase would decrease the net loss by approximately $707,000. 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 unaudited condensed interim 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, 2018 and December 31, 2017, 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.

15. 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's commitments under operating leases, in the form of non-cancellable future lease payments are not reflected as a liability on its unaudited condensed interim consolidated statements of financial position. The lease agreements gives the Company the option to terminate the leases on the fifth and tenth anniversaries of the lease signings. Non-cancellable lease payments are as follows:

Payments due by period as of June 30, 2018:

Within 1 year	2-3 years	4-5 years	Over 5 years	Total
$	$	$	$	$
96,396	41,402	29,436	-	167,234

Lease incentives relate to the reimbursement of fit out costs from the lessor and to the reduced rent period. A reduction of the total lease expense of $4,741 was recognized for the six-month period ended June 30, 2018 in relation to the reimbursement of the fit out costs from the lessor (year ended December 31, 2017 - $9,275). 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 2018 which will result in the Company paying $31,130 throughout the remainder 2018.

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.

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, 6,666 stock options were exercised at a price of $0.58 per share, for gross proceeds of $3,866. In addition, 11,111 stock options were forfeited.