Unaudited Condensed Interim Consolidated Financial Statements of

KNEAT.COM, INC.

March 31, 2019

(Expressed in Canadian Dollars)

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that these unaudited condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

Expressed in Canadian dollars

	March 31, 2019	December 31, 2018
	$	$
Assets		
Current assets		
Cash	**9,376,965**	2,765,507
Amounts receivable (note 3)	**1,383,242**	1,196,048
Deferred contract acquisition costs	**85,411**	55,618
	10,845,618	4,017,173
Amounts receivable (note 3)	**1,009,742**	787,044
Deferred contract acquisition costs	**48,405**	14,313
Property and equipment (note 4)	**1,090,149**	512,520
Intangible asset (note 5)	**5,027,187**	4,783,332
Total assets	**18,021,101**	10,114,382
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**1,264,723**	901,135
Contract liabilities (note 7)	**582,603**	383,179
Loan payable and accrued interest (note 8)	**180,372**	1,026,752
Lease liabilities (note 9)	**146,998**	-
Lease incentives	**-**	9,618
	2,174,696	2,320,684
Contract liabilities (note 7)	**401,331**	8,731
Loan payable (note 8)	**811,199**	-
Lease liabilities (note 9)	**584,824**	-
Lease incentives	**-**	192,020
Total liabilities	**3,972,050**	2,521,435
Equity		
Shareholders' equity	**14,049,051**	7,592,947
Total liabilities and equity	**18,021,101**	10,114,382

Going concern (note 1)
Commitments and contingencies (note 18)

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

Approved on behalf of the Board of Directors on May 27, 2019.

"*Ian Ainsworth*"
Director

"*Wade Dawe* "
Director

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

Expressed in Canadian dollars

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	$	$
Revenue (note 12)	**414,272**	461,505
Cost of revenues (note 13)	**(366,876)**	(187,837)
Gross margin	**47,396**	273,668
Expenses (income)		
Research and development (note 13)	**710,278**	552,080
Sales and marketing (note 13)	**346,164**	381,474
General and administrative (note 13)	**342,472**	322,098
Interest expense	**17,012**	6,111
Interest income	**(3,581)**	(3,096)
Foreign exchange loss (gain)	**605,521**	(424,500)
Loss before income taxes	**(1,970,470)**	(560,499)
Income taxes (note 14)	**-**	-
Net loss for the period	**(1,970,470)**	(560,499)
Other comprehensive income (loss)		
Foreign currency translation adjustment to presentation currency	**293,468**	(178,156)
Comprehensive loss for the period	**(1,677,002)**	(738,655)
Loss per share – basic and diluted	**(0.04)**	(0.01)
Weighted-average number of common shares outstanding - Basic and diluted	**55,122,374**	44,563,684

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

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

Expressed in Canadian dollars

	Number of Common Shares	Common Shares	Warrants	Contributed Surplus	Translation Reserve	Retained Earnings (Deficit)	Total
	#	$	$	$	$	$	$
Balance, January 1, 2018	**44,563,684**	**25,919,856**	**-**	**1,325,457**	**185,222**	**(20,815,732)**	**6,614,803**
Impact of adoption of IFRS 15	-	-	-	-	-	(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	-	-	-	-	-	(560,499)	(560,499)
Other comprehensive loss for the period	-	-	-	-	(178,156)	-	(178,156)
	-	-	-	-	(178,156)	(560,499)	(738,655)
Share-based compensation	-	-	-	70,157	-	-	70,157
Balance, March 31, 2018	**44,563,684**	**25,919,856**	**-**	**1,395,614**	**7,066**	**(21,383,918)**	**5,938,618**
Balance, December 31, 2018	**51,442,180**	**31,459,760**	**140,394**	**1,565,325**	**(140,579)**	**(25,431,953)**	**7,592,947**
Net loss for the period	-	-	-	-	-	(1,970,470)	(1,970,470)
Other comprehensive income for the period	-	-	-	-	293,468	-	293,468
	-	-	-	-	293,468	(1,970,470)	(1,677,002)
Shares issued pursuant to public equity financing	6,037,500	6,339,376	-	-	-	-	6,339,376
Shares issued pursuant to non-brokered private placement	2,074,437	2,178,160	-	-	-	-	2,178,160
Share issuance costs	-	(686,921)	-	-	-	-	(686,921)
Broker warrants	-	(150,870)	150,870	-	-	-	-
Shares issued pursuant to option exercise	215,000	311,047	-	(122,797)	-	-	188,250
Share-based compensation	-	-	-	114,241	-	-	114,241
Balance, March 31, 2019	**59,769,117**	**39,450,552**	**291,264**	**1,556,769**	**152,889**	**(27,402,423)**	**14,049,051**

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

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

Expressed in Canadian dollars

	Three-month period ended March 30, 2019	Three-month period ended March 30, 2018
	$	$
Operating activities		
Net loss for the period	**(1,970,470)**	(560,499)
Charges to loss not involving cash:		
Depreciation of property and equipment	**66,121**	34,256
Share-based compensation	**74,915**	34,210
Interest expense	**17,012**	6,111
Amortization of the intangible asset	**369,387**	292,911
Amortization of deferred contract acquisition costs	**(14,687)**	15,421
Amortization of lease incentives	**-**	(2,394)
Unrealized foreign exchange loss (gain)	**605,521**	(424,500)
Increase in non-current contract liabilities	**391,216**	-
Net change in non-cash working capital related to operations (note 15)	**254,398**	(138,046)
Net cash used in operating activities	**(206,587)**	(742,530)
Financing activities		
Proceeds received from the public equity financing	**6,339,376**	-
Proceeds received from the non-brokered private placement	**2,178,160**	-
Share issuance costs associated with equity financings	**(686,921)**	-
Proceeds from the issuance of shares on the exercise of options	**188,250**	-
Net cash provided by financing activities	**8,018,865**	-
Investing activities		
Additions to the intangible asset	**(1,025,167)**	(711,865)
Additions to property and equipment	**(84,254)**	(1,004)
Net cash used in investing activities	**(1,109,421)**	(712,869)
Effects of exchange rates on cash	**(91,399)**	33,935
Increase (decrease) in cash during the period	**6,611,458**	(1,421,464)
Cash, beginning of period	**2,765,507**	3,482,318
Cash, end of period	**9,376,965**	2,060,854

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 sciences 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 $27,402,423 as at March 31, 2019.

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 three-month period ended March 31, 2019, the Company incurred a net loss of $1,970,470 with negative cash flows from operations of $206,587 and capitalized development cost spend of $1,025,167 (year ended December 31, 2018 – $4,608,534, $3,619,041 and $3,210,971, respectively). With limited revenue from customers and negative cash flow from operations, the Company has relied primarily on financing activities, similar to the equity financings that closed during the three-month period ended March 31, 2019 (note 11(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 May 27, 2019.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with

IFRS, as issued by the IASB, has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2018.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of May 27, 2019, 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, 2019 could result in the restatement of these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements include certain assets, liabilities and results of operations of the Company, including the following subsidiaries:

Subsidiary	Principal Activity	Country of Incorporation
Kneat Solutions Limited	Operations	Ireland
Kneat Solutions Inc.	Operations	United States

The Company consolidates the wholly-owned subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies.

These unaudited condensed interim consolidated financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2018, with the exception of the changes as the result of the adoption of new accounting standards and policies as outlined in note 2(c) and 2(d). Refer to note 2, *Summary of Significant Accounting Policies*, of the kneat.com, inc. annual consolidated financial statements for the year ended December 31, 2018 for information on the other accounting policies, critical accounting judgments and estimates.

b) Foreign currency translation

Earnings of foreign operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Kneat Solutions Limited is the Euro ("€") and the functional currency of Kneat Solutions Inc. is the United States dollar. The legal parent entity, kneat.com, has a Canadian dollar functional currency. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars. On consolidation assets and liabilities of each foreign entity are translated into Canadian dollars at the exchange rate in effect on the unaudited condensed interim consolidated statements of financial position date. Revenue and expenses are translated at the average rate in effect during the period. Unrealized translation gains and losses are recorded as a cumulative translation adjustment, which is included in other comprehensive loss, which is a component of shareholders' equity.

Foreign currency transactions are translated as follows: (i) monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at the unaudited condensed interim consolidated statements of financial position date; and (ii) non-monetary assets and liabilities denominated in foreign currencies and measured in terms of historic costs are translated using rates of exchange at the transaction dates.

c) Share-based payments

The Company has a Deferred Share Unit ("DSU") plan where DSUs are granted to members of its Board of Directors who are not employees or officers of the Company. All DSUs vest over a three year period and cannot be redeemed until the holder is no longer a director of the Company. All services received in exchange for the grant of DSUs are measured at their fair values. The redemption value of a DSU will be based on the market value of the Company's common shares at the time of redemption. On an ongoing basis, the Company values its obligation with respect to DSUs at the current market value of a corresponding number of common shares and records any increase or decrease in the DSU obligation which is recognized over this period on a graded vesting basis. Compensation expense is recognized over the vesting period in general and administrative expenses on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

d) New accounting standards adopted during the period

Effective January 1, 2019, the Company adopted the following new accounting standard. This change in accounting policy will also be reflected in the Company's subsequent quarters and annual financial statements as at and for the year ending December 31, 2019.

IFRS 16, Leases ("IFRS 16")

The Company adopted IFRS 16 effective January 1, 2019. IFRS 16 was applied using the modified retrospective approach whereby 2018 figures were not restated and the cumulative effect of initial application was recognized in retained earnings at January 1, 2019.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. IFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease. In addition, the Company applied section C8(b)(ii) of the standard and recognized leased assets at an amount equal to the lease liability, adjusted for prepayments recognized before initial application. As a result of the adoption of IFRS 16, $423,625 of right-of-use assets and $630,444 of lease liabilities were recognized at January 1, 2019 based on leases that were in place at December 31, 2018. The difference in amounts recognized with respect to right-of-use assets and lease liabilities relates to lease incentives that reduce the right-of-use asset value under IFRS 16. The right-of-use assets and lease liabilities recognized are for the Company's office spaces that were previously classified as operating leases.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at the date of adoption. The incremental borrowing rate was estimated by assessing the amount of the total lease payments, the underlying assets and the term of each lease. The weighted average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 5.7%.

The reconciliation of commitments disclosed in the December 31, 2018 financial statements to the lease liability recognized on transition to IFRS 16 is:

	$
Operating lease commitments as at December 31, 2018	895,028
Recognition exemptions for:	
Leases of low value assets	(8,033)
Non-lease commitments	(79,997)
Extension option reasonably certain to be recognized	107,802
Commitment for lease entered into on January 1, 2019	(182,449)
Impact of discount using incremental borrowing rate at January 1, 2019	(101,907)
Lease liability recognized on transition at January 1, 2019	630,444

Effective January 1, 2019 in accordance with IFRS 16, the Company assesses whether a contract is or contains a lease based on the criteria outlined in the standard. When a contract meets the definition of a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received. The right-of-use asset is then depreciated on a straight-line basis from the commencement date to the end of the lease term. The carrying amount of the right-of-use asset may be reduced by impairment losses or adjusted for certain remeasurements of the lease liability, if any.

The lease liability is initially measured at the present value of future lease payments, discounted using the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured if the Company changes its assessment of whether it will exercise a purchase, extension or termination options.

The Company has elected not to recognize assets and lease liabilities for short-term leases with a term of 12 months or less, and leases of low value assets. The lease payments associated with these leases are recognized as an expense in the consolidated statement of loss and comprehensive loss over the lease term. Low value assets consist primarily of computers.

3. AMOUNTS RECEIVABLE

	March 31, 2019	December 31, 2018
	$	$
Current		
Research and development tax credits receivable	658,624	686,068
Trade debtors	281,781	227,538
Contract assets	45,730	21,586
Other debtors	51,727	58,834
Sales tax recoverable	105,718	39,186
Prepayments	239,662	162,836
	1,383,242	1,196,048
Non-current		
Research and development tax credits receivable	1,009,742	787,044
	2,392,984	1,983,092

4. PROPERTY AND EQUIPMENT

Cost	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
As at January 1, 2018	225,787	74,542	-	402,636	702,965
Additions	125,156	-	-	-	125,156
Write-offs	(56,613)	(9,422)	-	-	(66,035)
Effect of movements in exchange rates	9,736	2,594	-	14,998	27,328
As at December 31, 2018	304,066	67,714	-	417,634	789,414
Additions	10,688	24,483	584,812	49,123	669,106
Effect of movements in exchange rates	(12,233)	(2,914)	(4,664)	(17,150)	(36,961)
As at March 31, 2019	302,521	89,283	580,148	449,607	1,421,559

Accumulated depreciation	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
As at January 1, 2018	106,977	25,570	-	57,016	189,563
Depreciation charge	80,761	9,412	-	51,201	141,374
Write-offs	(56,613)	(6,021)	-	-	(62,634)
Effect of movements in exchange rates	4,444	1,021	-	3,126	8,591
As at December 31, 2018	135,569	29,982	-	111,343	276,894
Depreciation charge	20,550	2,311	30,330	12,930	66,121
Effect of movements in exchange rates	(5,576)	(1,220)	(249)	(4,560)	(11,605)
As at March 31, 2019	150,543	31,073	30,081	119,713	331,410

Carrying amount	Computers and servers	Furniture and fixtures	Right-of-use assets	Leasehold improvements	Total
	$	$	$	$	$
Balance - December 31, 2018	168,497	37,732	-	306,291	512,520
Balance - March 31, 2019	151,978	58,210	550,067	329,894	1,090,149

Depreciation of property and equipment of $66,121 is included in the unaudited condensed interim consolidated statements of loss and comprehensive loss in cost of revenue, research and development, sales and marketing and general administration costs for $8,566, $47,957, $3,757 and $5,841, respectively (three-month period ended March 31, 2018 – $34,256 included in cost of revenues $3,723; research and development $24,575; sales and marketing $2,048; and general administration $3,910).

5. INTANGIBLE ASSET

Cost	$
As at January 1, 2018	6,290,552
Additions, net of research and development tax credits of $802,743	2,579,678
Effect of movements in exchange rates	284,833
As at December 31, 2018	9,155,063
Additions, net of research and development tax credits of $256,291	808,202
Effect of movements in exchange rates	(372,882)
As at March 31, 2019	9,590,383
Accumulated amortization	$
As at January 1, 2018	2,852,389
Amortization charge	1,385,953
Effect of movements in exchange rates	133,389
As at December 31, 2018	4,371,731
Amortization charge	369,387
Effect of movements in exchange rates	(177,922)
As at March 31, 2019	4,563,196
Carrying amount	$
Balance - December 31, 2018	4,783,332
Balance - March 31, 2019	5,027,187

Amortization of the intangible asset of $369,387 (three-month period ended March 31, 2018 - 292,911) is included in research and development costs on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2019	December 31, 2018
	$	$
Trade payables	334,336	110,774
Accruals	307,484	225,308
Accrued directors' fees (note 16)	350,733	336,510
Employee remittances	190,748	154,277
Sales tax payable	15,196	10,751
Other payables	66,226	63,515
	1,264,723	901,135

7. CONTRACT LIABILITIES

	March 31, 2019	December 31, 2018
	$	$
Balance - Beginning of period	391,910	396,302
IFRS 15 opening adjustment	-	22,587
Cash receipts from customers	789,926	720,303
Recognition of deferred revenue	(190,726)	(778,240)
Effect of movement in exchange rate	(7,176)	30,958
Balance - End of period	983,934	391,910
Less: current portion of contract liabilities	(582,603)	(383,179)
Non-current portion of contract liabilities	401,331	8,731

8. LOAN PAYABLE AND ACCRUED INTEREST

	March 31, 2019	December 31, 2018
	$	$
Balance - Beginning of period	1,026,752	989,880
Interest accrual	5,940	24,410
Interest repayment	-	(24,410)
Effects of movements in exchange rates	(41,121)	36,872
Balance - End of period	991,571	1,026,752
Less: Current portion	(180,372)	(1,026,752)
Non-current portion	811,199	-

As at December 31, 2018, the loan payable and accrued interest balance on the consolidated statements of financial position was comprised of a principal balance of $829,595 and accrued interest of $197,157, with the total balance being due in June 2019. On February 28, 2019, Enterprise Ireland and the Company agreed to a revised loan payment schedule. The revised schedule results in payments being made over a three-year period on a quarterly basis. Management has determined that the revised terms of the loan payable do not differ substantially from the terms of the original loan. As such, the loan was accounted for as a non-substantial modification of the original loan. As at March 31, 2019, the loan payable and accrued interest balance on the unaudited condensed interim consolidated statement of financial position was comprised of a principal balance of $973,438 and accrued interest of $18,133.

The minimum annual principal repayments of the loan payable over the next three years as of March 31, 2019 are as follows:

Within 1 year	2 years	3 years	Total
$	$	$	$
162,240	324,479	486,719	973,438

9. LEASE LIABILITY

	March 31, 2019	December 31, 2018
	$	$
Balance - Beginning of period	-	-
Leases recognized upon transition to IFRS 16	630,444	-
Additions	166,565	-
Repayments of lease obligations	(44,609)	-
Accreted interest	11,072	-
Effects of movements in exchange rates	(31,650)	-
Balance - End of period	731,822	-
Less: Current portion	(146,998)	-
Non-current portion	584,824	-

10. DEFERRED SHARE UNITS

The maximum number of common shares which the Company is entitled to issue from treasury in connection with the redemption of DSUs granted under the DSU plan is 666,667 common shares. As at March 31, 2019, 655,555 remain available for grant under the terms of the DSU plan.

DSU activity for the three-month period ended March 31, 2019 and year ended December 31, 2018 is as follows:

	March 31, 2019	December 31, 2018
	#	#
Outstanding - Beginning of period	-	-
Granted	11,112	-
Outstanding - End of period	11,112	-

11. SHARE CAPITAL

a) Common shares

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

	Number of shares	Amount
	#	$
Outstanding - January 1, 2018	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)
Shares issued pursuant to the stock option exercise	6,666	8,866
Outstanding - December 31, 2018	51,442,180	31,459,760
Shares issued pursuant to public equity financing	6,037,500	6,339,376
Shares issued pursuant to non-brokered private placement	2,074,437	2,178,160
Shares issuance costs pursuant to the equity financings	-	(686,921)
Broker warrants	-	(150,870)
Shares issued pursuant to the stock option exercise	215,000	311,047
Outstanding - March 31, 2019	59,769,117	39,450,552

During the year ended December 31, 2018, an employee exercised 6,666 options with an exercise price of $0.58 per share, for proceeds of $3,866.

During the three-month period ended March 31, 2019, an employee exercised 15,000 options with an exercise price of $0.55 per share for proceeds of $8,250; and a director exercised 200,000 options with an exercise price of $0.90 per share for proceeds of $180,000..

<u>Equity financings</u>

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 equal to six percent of the gross proceeds of the offering and issued warrants entitling the agents to purchase that number of common shares equal to six percent 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 which expired on August 10, 2018.

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

b) Warrants

The following are the weighted-average assumptions used in calculating the value of the warrants granted during the three-month period ended March 31, 2019 and the year ended December 31, 2018:

	March 31, 2019	December 31, 2018
Risk-free interest rate	1.77%	1.81%
Expected life	2.0 years	1.5 years
Expected volatility	76%	103%
Expected dividend per share	0.0%	0.0%
Weighted-average exercise price	$1.05	$0.90

The following table reconciles the warrant activity during the three-month period ended March 31, 2019 and the year ended December 31, 2018:

	Number of warrants	Weighted-average exercise price
	#	$
Outstanding - January 1, 2018	-	-
Granted	356,977	0.90
Outstanding - December 31, 2018	356,977	0.90
Granted	343,860	1.05
Outstanding - March 31, 2019	700,837	0.97

The following table summarizes information relating to outstanding warrants as at March 31, 2019:

Expiry date	Weighted-average remaining contractual life (in years)	Number of warrants outstanding	Weighted-average exercise price
October 10, 2019	0.5	356,977	$ 0.90
February 20, 2021	1.9	343,860	$ 1.05

c) Share-based compensation

The Company has adopted a stock option plan, providing the Board of Directors with the discretion to issue an equivalent number of options of up to 10% of the issued and outstanding share capital of the Company. Generally stock options are granted with an exercise price of not less than the closing share price the date preceding the date of grant. As at March 31, 2019, 2,861,407 remain available for grant under the terms of the stock option plan.

The following are the weighted-average assumptions used in calculating the value of the stock options granted during the three-month period ended March 31, 2019 and the year ended December 31, 2018:

	March 31, 2019	December 31, 2018
Risk-free interest rate	1.70%	2.12%
Expected life	4.5 years	4.5 years
Expected volatility	85%	96%
Expected dividend per share	0.0%	0.0%
Weighted-average exercise price	$1.04	$0.91

The following table reconciles the stock option activity during the three-month period ended March 31, 2019 and the year ended December 31, 2018:

	Number of options	Weighted-average exercise price
	#	$
Outstanding - January 1, 2018	2,298,776	0.80
Granted	438,000	0.91
Exercised	(6,666)	0.58
Forfeited	(72,605)	0.54
Outstanding - December 31, 2018	2,657,505	0.83
Granted	673,000	1.03
Exercised	(215,000)	0.88
Outstanding - March 31, 2019	3,115,505	0.87

For the three-month period ended March 31, 2019, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss was $74,915 and is included in cost of revenues for $13,975, research and development for $7,893, sales and marketing for $35,968 and general and administration for $17,079 (three-month period ended March 31, 2018 – $34,210 included in cost of revenues for $5,090, research and development for ($3,167), sales and marketing for $22,811 and general and administration for $9,476). The estimated value of options earned during the three-month period ended March 31, 2019 and recorded as an addition to the intangible asset was $39,326 (three-month period ended March 31, 2018 – $35,947).

The following table summarizes information relating to outstanding and exercisable stock options as at March 31, 2019:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
January 2, 2020	0.8	66,667	66,667	$ 0.90
November 10, 2020	1.6	33,333	33,333	$ 0.90
July 4, 2021	2.3	1,235,584	1,122,428	$ 0.90
September 26, 2021	2.5	10,587	10,587	$ 0.90
October 3, 2021	2.5	201,000	134,000	$ 0.55
January 11, 2022	2.8	177,334	118,223	$ 0.58
February 1, 2022	2.8	100,000	66,666	$ 0.57
April 4, 2022	3.0	100,000	33,333	$ 0.57
May 29, 2022	3.2	15,000	5,000	$ 0.68
November 1, 2022	3.6	100,000	33,333	$ 0.70
February 1, 2023	3.8	198,000	66,000	$ 0.80
April 25, 2023	4.1	5,000	-	$ 0.85
November 1, 2023	4.6	100,000	-	$ 1.02
December 18, 2023	4.7	100,000	-	$ 0.97
January 3, 2024	4.8	380,000	-	$ 1.00
March 7, 2024	4.9	293,000	-	$ 1.06

12. REVENUE

Revenue has been earned from the following sources:

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	$	$
SaaS license fees	65,290	29,092
On-premise licenses fees	93,056	210,627
Maintenance fees	97,237	58,052
Professional services and other	158,689	163,734
	414,272	461,505

13. EXPENSES BY NATURE

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	$	$
Amortization of the intangible asset	369,387	292,911
Cloud hosting and other services	97,642	56,452
Consultancy fees	43,869	41,708
Depreciation of plant and equipment	66,121	34,256
Salaries, wages and benefits	912,111	648,789
Other administrative cost	122,562	105,553
Professional and audit fees	43,890	46,609
Research and development tax credit recovery	(29,739)	-
Rent and rates	6,992	13,146
Sales, marketing and advertising	14,150	81,448
Securities and regulatory fees	13,040	16,277
Share-based compensation	74,915	34,210
Travel	30,850	72,130
	1,765,790	1,443,489

14. INCOME TAXES

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

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	$	$
Loss before income taxes	(1,970,470)	(560,499)
Statutory rate	20.37%	4.56%
Tax recovery at statutory rate	(401,384)	(25,558)
Recovery for losses and deductible temporary differences not recognized in current and prior years	173,282	177,280
Permanent differences and other	228,102	(151,722)
Income tax recovery	-	-

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	$	$
Increase in amounts receivable and other	(240,691)	(108,049)
Increase in accounts payable and accrued liabilities	309,921	157,147
Increase (decrease) in contract liabilities	207,985	(187,144)
Decrease in lease liabilities	(22,817)	-
	254,398	(138,046)

16. RELATED PARTY TRANSACTIONS

Amounts receivable from officers and directors were $nil as at March 31, 2019 (December 31, 2018 - $115).

During the three-month period ended March 31, 2019, the Company incurred costs for accounting services from a related party, Numus Financial Inc. (“Numus”), a company controlled by a director of kneat.com, in the amount of $7,678 (three-month period ended March 31, 2018 – $6,825) and reimbursed rent and office costs to Numus in the amount of $6,375 (three-month period ended March 31, 2018 – $7,480). As at March 31, 2019, the amount owing to Numus was $6,389 (December 31, 2018 – $12,021).

As at March 31, 2019, the Company had $16,991 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, 2018 – $17,699).

During the three-month period ended March 31, 2019, the Company accrued directors’ fees of $27,914 for the directors who are not employees or officers of the Company (three-month period ended March 31, 2018 – $41,589). As at March 31, 2019, the amount owing to directors was $350,733 (December 31, 2018 – $336,510).

On March 31, 2019, the Company issued 11,112 DSUs to members of the Board of Directors who are not employees or officers of the Company (note 10).

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 (note 11 (a)).

On February 20, 2019, directors of the Company subscribed to 761,905 common shares for gross proceeds of $799,999. In addition, Numus Capital Corp. acted as selling agent in the non-brokered private placement and received 124,466 broker warrants and $130,689 in cash finders’ fees (note 11 (a)).

17. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital Management

The Company manages its capital to ensure that it will be able to continue as a going-concern while maximizing the return to stakeholders through the optimization of debt and equity balances.

The capital of the Company consists of items included in equity, net of cash, as follows:

	March 31, 2019	December 31, 2018
	$	$
Equity	14,049,051	7,592,947
Less: cash	(9,376,965)	(2,765,507)
	4,672,086	4,827,440

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or return capital to shareholders. No changes were made to the objectives, policies or processes for managing capital during the three-month period ended March 31, 2019 or the year ended December 31, 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, amounts receivable, and accounts payable and accrued liabilities, approximate their fair values based on the immediate or short-term maturities of these financial instruments. In addition, non-current amounts receivable and the loan payable, although not due in the current year, do not have fair values that differ significantly from their carrying values.

c) Financial Risk Management Objectives

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

d) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. At March 31, 2019 and December 31, 2018, the Company's financial assets exposed to credit risk amounted to the following:

	March 31, 2019	December 31, 2018
	$	$
Cash	9,376,965	2,765,507
Amounts receivable and other	618,900	470,794

During the three-month period ended March 31, 2019 and the year ended December 31, 2018, the Company did not hold any financial assets that were past due or impaired. Trade debtors of $281,781 are included in amounts receivable as at March 31, 2019 (December 31, 2018 – $227,538). Trade debtors are monitored on a regular basis, with reference to the expected credit loss impairment model, in order to minimize material aging and to ensure adequate collection. Historically there have been no significant trade debtor collection issues and the Company does not believe it is subject to significant concentration of credit risk.

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

e) Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing. 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 March 31, 2019:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	890,385	-	-	-	890,385
Loan payable	180,372	811,199	-	-	991,571
	1,070,757	811,199	-	-	1,881,956

f) Currency Risk

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

The Company is exposed to currency risk on cash, intercompany balances, accounts payable and accrued liabilities balances, and the loan payable balance that are held in currencies that are not in the transacting entities functional currencies. As at March 31, 2019, a 5% decrease in the exchange rate between the functional currencies and foreign currencies would increase the net loss by approximately $1,160,000 for the three-month period ended March 31, 2019; a 5% increase would decrease the net loss by approximately $1,160,000 for the three-month period ended March 31, 2019. The Company currently does not hedge its currency risk.

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

	Three-month period ended March 31, 2019			Three-month period ended March 31, 2019		
	As reported	Exchange rate effect	5% Stronger	As reported	Exchange rate effect	5% Stronger
	$	$	$	$	$	$
Revenues	414,272	20,713	434,985	461,505	23,075	484,580
Expenses	(2,384,742)	(79,312)	(2,464,054)	(1,022,004)	(67,020)	(1,089,024)
Net loss	(1,970,470)	(58,599)	(2,029,069)	(560,499)	(43,945)	(604,444)

(1) A 5% weakening of the of the Euro and the United States dollar when compared to the Canadian dollar would have an equal and opposite impact on the Company's revenues, expenses and net loss as presented in the table.

g) Interest Rate Risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. An immaterial amount of interest rate exposure exists in respect of cash balances and the loan payable on the unaudited condensed interim consolidated statements of financial position. The Company holds a loan payable with a fixed interest rate. This is privately-issued, with no secondary market. It is measured at amortized cost. As a result, the Company is not exposed to cash flow interest rate risk on its loan payable.

h) Fair Value Measurements Recognized in the Statement of Financial Position

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

At March 31, 2019 and December 31, 2018, the Company had no financial instruments that were measured and recognized on the unaudited condensed interim consolidated statement of financial position at fair value. In addition, there were no transfers between levels during the period.

18. COMMITMENTS AND CONTINGENCIES

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

The Company has committed to sponsor several conferences and other services which will result in the Company paying $90,962 throughout the remainder of 2019 and $39,105 in 2020.

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

19. COMPARATIVE FIGURES

Certain comparative figures in the unaudited condensed interim consolidated financial statements have been reclassified in order to conform with current period presentation.

20. SUBSEQUENT EVENTS

Subsequent to March 31, 2019, 60,000 stock options were granted to employees of the Company. The stock options are exercisable at prices ranging from $1.22 to $1.30 per share and expire between April 24, 2024 and May 13, 2024. The options granted vest over a three-year period.

On May 1, 2019, 100,000 DSUs were issued to a director who is not an employee or officer of the Company. The DSUs vest over a three-year period and cannot be redeemed until the holder is no longer a director of the Company.