Condensed Consolidated Interim Financial Statements of

Kinaxis Inc.

Nine months ended September 30, 2017 and September 30, 2016

(Unaudited)

Kinaxis Inc.

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2017 and December 31, 2016
(Expressed in thousands of U.S. dollars)
(Unaudited)

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 151,435	$ 127,910
Trade and other receivables (note 5)	28,854	23,820
Investment tax credits receivable	–	1,583
Investment tax credits recoverable	1,287	755
Prepaid expenses	3,272	3,333
	184,848	157,401
Non-current assets:		
Property and equipment (note 4)	12,515	10,652
Deferred tax assets	193	239
	$ 197,556	$ 168,292
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (note 6)	$ 11,239	$ 10,495
Deferred revenue	58,500	55,458
	69,739	65,953
Non-current liabilities:		
Lease inducement	–	18
Deferred revenue	10,120	13,198
Deferred tax liability	1,113	1,412
	11,233	14,628
Shareholders' equity:		
Share capital (note 7)	106,220	97,164
Contributed surplus	18,712	13,924
Accumulated other comprehensive loss	(388)	(519)
Deficit	(7,960)	(22,858)
	116,584	87,711
Contingencies (note 15)		
	$ 197,556	$ 168,292

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board of Directors:

(signed) Douglas Colbeth Director *(signed) John (Ian) Giffen* Director

Kinaxis Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

For the three and nine months ended September 30, 2017 and 2016
(Expressed in thousands of U.S. dollars, except share and per share data)
(Unaudited)

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Revenue (note 9)	$ 33,486	$ 29,921	$ 98,894	$ 85,687
Cost of revenue	9,681	9,466	30,043	26,284
Gross profit	23,805	20,455	68,851	59,403
Operating expenses:				
Selling and marketing	7,100	8,085	21,398	21,847
Research and development (note 10)	5,986	5,684	18,083	15,157
General and administrative	3,116	2,617	10,381	8,245
	16,202	16,386	49,862	45,249
	7,603	4,069	18,989	14,154
Other income (expense):				
Foreign exchange (loss) gain	(30)	(53)	(53)	25
Net finance income	276	96	753	229
	246	43	700	254
Profit before income taxes	7,849	4,112	19,689	14,408
Income tax expense (note 11)	1,817	1,687	4,791	5,374
Profit	6,032	2,425	14,898	9,034
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations	2	20	131	154
Total comprehensive income	$ 6,034	$ 2,445	$ 15,029	$ 9,188
Basic earnings per share	$ 0.24	$ 0.10	$ 0.59	$ 0.37
Weighted average number of basic Common Shares (note 8)	25,417,766	24,739,556	25,265,637	25,585,823
Diluted earnings per share	$ 0.23	$ 0.09	$ 0.56	$ 0.35
Weighted average number of diluted Common Shares (note 8)	26,507,279	26,113,401	26,440,167	25,905,597

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2017 and 2016
(Expressed in thousands of U.S. dollars)
(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balance, December 31, 2015	$ 90,808	$ 8,873	$ (474)	$ (33,603)	$ 65,604
Profit	–	–	–	9,034	9,034
Other comprehensive income	–	–	154	–	154
Total comprehensive income	–	–	154	9,034	9,188
Share options exercised	4,393	(1,426)	–	–	2,967
Deferred share units vested	151	(151)	–	–	–
Share based payments (note 7)	–	6,190	–	–	6,190
Total shareholder transactions	4,544	4,613	–	–	9,157
Balance, September 30, 2016	$ 95,352	$ 13,486	$ (320)	$ (24,569)	$ 83,949
Balance, December 31, 2016	$ 97,164	$ 13,924	$ (519)	$ (22,858)	$ 87,711
Profit	–	–	–	14,898	14,898
Other comprehensive income	–	–	131	–	131
Total comprehensive income	–	–	131	14,898	15,029
Share options exercised	9,056	(2,624)	–	–	6,432
Share based payments (note 7)	–	7,412	–	–	7,412
Total shareholder transactions	9,056	4,788	–	–	13,844
Balance, September 30, 2017	$ 106,220	$ 18,712	$ (388)	$ (7,960)	$ 116,584

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the three and nine months ended September 30, 2017 and 2016
(Expressed in thousands of U.S. dollars)
(Unaudited)

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Cash flows from operating activities:				
Profit	$ 6,032	$ 2,425	$ 14,898	$ 9,034
Items not affecting cash:				
Depreciation of property and equipment (note 4)	911	683	2,517	1,746
Share-based payments (note 7)	2,299	2,060	7,412	6,190
Amortization of lease inducement	–	(10)	(18)	(32)
Investment tax credits recoverable	310	397	(532)	941
Income tax expense	1,817	1,687	4,791	5,374
Change in operating assets and liabilities (note 12)	(7,436)	(8,493)	(4,270)	(7,968)
Income taxes paid	(662)	(259)	(3,749)	(1,248)
	3,271	(1,510)	21,049	14,037
Cash flows used in investing activities:				
Purchase of property and equipment (note 4)	(2,660)	(2,712)	(4,304)	(5,125)
Cash flows from financing activities:				
Common shares issued on exercise of stock options	510	1,199	6,432	2,967
Increase in cash and cash equivalents	1,121	(3,023)	23,177	11,879
Cash and cash equivalents, beginning of period	150,425	114,836	127,910	99,390
Effects of exchange rates on cash and cash equivalents	(111)	(152)	348	392
Cash and cash equivalents, end of period	$ 151,435	$ 111,661	$ 151,435	$ 111,661

See accompanying notes to condensed consolidated interim financial statements.

1. Corporate information:

Kinaxis Inc. (“Kinaxis” or the "Company") is incorporated under the Canada Business Corporations Act and domiciled in Ontario, Canada. The address of the Company’s registered office is 700 Silver Seven Road, Ottawa, Ontario. The consolidated financial statements of the Company as at September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016 comprise the Company and its subsidiaries.

Kinaxis is a leading provider of cloud-based subscription software that enables its customers to improve and accelerate analysis and decision-making across their supply chain operations. Kinaxis is a global enterprise with offices in Chicago, United States; Tokyo, Japan; Hong Kong, China; Eindhoven, The Netherlands; Seoul, South Korea; and Ottawa, Canada.

2. Basis of preparation:

(a) Statement of compliance:

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2016.

The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 1, 2017.

(b) Use of estimates and judgments:

In preparing these unaudited condensed consolidated interim financial statements, Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

3. Significant accounting policies:

The accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ending December 31, 2016.

(a) Standards and interpretations in issue not yet adopted:

IFRS 9: Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early application is permitted. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard and accordingly cannot yet reasonably estimate its effect on the consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, with amendments in 2016, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. The standard also provides guidance relating to recognition of customer contract acquisition and fulfillment costs. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance. This standard will be effective January 1, 2018 and allows early adoption. The Company does not intend to adopt this standard early. IFRS 15 may be applied retrospectively to each prior period presented (full retrospective method) or with the cumulative effect of adoption recognized as at the date of initial application (modified retrospective method).

The Company continues its implementation plan for IFRS 15. The project plan includes developing the necessary accounting policies, estimates and judgments required to adopt IFRS 15, as well as any changes required to business processes, systems and internal controls to implement the policies and disclosures required upon adoption of IFRS 15. While the Company is continuing to assess all potential impacts of the new revenue recognition standard, the Company currently believes that the most significant impacts will relate to accounting for its on-premise, fixed term subscription arrangements, capitalization of contract acquisition costs and expanded disclosure on revenue, performance obligations and

3. Significant accounting policies (continued):

contract balances. In some instances, a fixed term license is provided to the customer for their use on-premise. Under current revenue recognition policies, license revenue from on-premise, fixed term subscription arrangements is deferred and recognized ratably over the contract term. Under IFRS 15, revenue attributable to the implied software component for on-premise license arrangements will be recognized upon term commencement and revenue associated with the implied maintenance and support component will be recognized ratably over the term. Under the Company's current accounting policies, contract acquisition costs, including incremental commissions paid to employees, are expensed upon commencement of the related contract revenue. Under IFRS 15, the Company expects to capitalize and amortize such contract acquisition costs where revenue is recognized ratably over the term. The Company plans on adopting the standard using the modified retrospective method. The actual determination of revenue recognition under both existing and new guidance is dependent on contract-specific terms. The Company continues to evaluate the impact of adopting this standard including analysis of individual contracts and accordingly cannot yet reasonably quantify its effect on the consolidated financial statements.

IFRS 16: Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 has also been applied. IFRS 16 may be applied retrospectively to each prior period presented (full retrospective method) or with the cumulative effect of adoption recognized as at the date of initial application (modified retrospective method). The Company intends to adopt this standard effective January 1, 2018 using the modified retrospective method.

The Company is currently evaluating the impact of adopting this standard; however, it expects the adoption of this standard to increase assets and liabilities as it will be required to record a right-of-use asset and a corresponding lease liability in its financial statements.

(b) Standards and interpretations in issue:

Amendments to IAS 7: Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7. These amendments require entities to provide disclosures that help users of the financial statements to better understand changes in liabilities that arise from financing activities, including both changes arising from cash flow and non-cash changes. These amendments became effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

(Expressed in thousands of U.S. dollars, except share and per share amounts)

3. Significant accounting policies (continued):

Amendments to IAS 12: Income Taxes ("IAS 12")

In January 2016, the IASB issued amendments to IAS 12. The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments became effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

4. Property and equipment:

The following table presents the property and equipment for the Company:

Cost	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
Balance, December 31, 2016	$ 14,505	$ 803	$ 129	$ 2,949	$ 18,386
Additions	3,923	22	–	359	4,304
Dispositions	(84)	–	–	–	(84)
Effects of movement in exchange rates	84	–	–	–	84
Balance, September 30, 2017	$ 18,428	$ 825	$ 129	$ 3,308	$ 22,690

Accumulated depreciation	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
Balance, December 31, 2016	$ 4,893	$ 503	$ 97	$ 2,241	$ 7,734
Depreciation	2,270	116	12	119	2,517
Dispositions	(84)	–	–	–	(84)
Effects of movement in exchange rates	8	–	–	–	8
Balance, September 30, 2017	$ 7,087	$ 619	$ 109	$ 2,360	$ 10,175

Carrying value	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
December 31, 2016	$ 9,612	$ 300	$ 32	$ 708	$ 10,652
September 30, 2017	11,341	206	20	948	12,515

(Expressed in thousands of U.S. dollars, except share and per share amounts)

4. Property and equipment (continued):

For the nine months ended September 30, 2017, there were no proceeds associated with the asset dispositions (year ended December 31, 2016 – no asset dispositions).

The following table presents the depreciation expense by function for the three and nine months ended September 30:

	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Cost of revenue	$ 692	$ 527	$ 1,883	$ 1,301
Selling and marketing	1	1	3	2
Research and development	152	102	428	296
General and administrative	66	53	203	147
	$ 911	$ 683	$ 2,517	$ 1,746

5. Trade and other receivables:

The following table presents the trade and other receivables for the Company:

	September 30, 2017	December 31, 2016
Trade accounts receivable	$ 25,216	$ 20,362
Other	4,129	3,696
	29,345	24,058
Allowance for doubtful accounts	(491)	(238)
	$ 28,854	$ 23,820

There have been no balances written off for the nine months ended September 30, 2017 or the year ended December 31, 2016. Trade and other receivables includes the $2,532 referenced under Contingencies in Note 15.

6. Trade payables and accrued liabilities:

The following table presents the trade payables and accrued liabilities for the Company:

	September 30, 2017	December 31, 2016
Trade accounts payable	$ 3,743	$ 2,201
Accrued liabilities	4,521	5,832
Taxes payable	2,975	2,462
	$ 11,239	$ 10,495

(Expressed in thousands of U.S. dollars, except share and per share amounts)

7. Share capital:

Authorized

The Company is authorized to issue an unlimited number of Common Shares.

Issued

	Common shares	
	Shares	Amount
Shares outstanding at December 31, 2015	24,420,004	$ 90,808
Shares issued from exercised options	399,385	4,393
Shares issued from exercised deferred share units	6,917	151
Shares outstanding at September 30, 2016	24,826,306	$ 95,352
Shares outstanding at December 31, 2016	24,940,114	$ 97,164
Shares issued from exercised options	501,824	9,056
Shares outstanding at September 30, 2017	25,441,938	$ 106,220

Stock options plans

A summary of the status of the plans is as follows:

	Nine months ended September 30, 2017		Year ended December 31, 2016	
	Shares	Weighted average exercise price (U.S. dollars)	Shares	Weighted average exercise price (U.S. dollars)
Options outstanding, beginning of period	2,459,872	$ 21.42	2,571,206	$ 15.62
Granted	253,300	55.65	336,000	44.64
Exercised	(501,824)	12.80	(435,334)	7.53
Forfeited	(204,563)	29.43	(12,000)	13.20
Options outstanding, end of period	2,006,785	$ 28.96	2,459,872	$ 21.42
Options exercisable, end of period	753,235	$ 14.30	926,372	$ 11.16

(Expressed in thousands of U.S. dollars, except share and per share amounts)

7. Share capital (continued):

Stock options plans (continued)

The following table summarizes information about stock options outstanding at September 30, 2017:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at 09/30/17	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 09/30/17	Weighted average exercise price
$ 1.50 to 3.50	299,454	3.96	$ 1.88	299,454	$ 1.88
9.00 to 10.50	381,250	6.36	9.74	233,750	9.74
13.00 to 14.50	78,750	7.06	13.99	21,250	13.70
20.00 to 25.50	113,750	7.54	22.26	11,250	21.80
30.00 to 32.00	90,800	8.09	30.94	30,800	30.75
36.00 to 37.00	508,875	8.23	36.31	99,375	36.31
48.00 to 52.50	316,406	8.45	49.73	57,356	49.53
60.50 to 61.00	217,500	9.43	60.59	–	–
	2,006,785	7.31	$ 28.96	753,235	$ 14.30

The Company has outstanding stock options issued under its 2010 and 2012 stock option plans. No further options may be granted under the 2010 and 2012 stock option plans. In June 2017, the Company adopted a new Canadian Resident Plan and a new Non-Canadian Resident Plan. Stock options granted under the new plans will have an exercise price equal to or greater than the stock's TSX price at the date of grant as determined by the Board of Directors and the maximum term of these options will be five years. Options are granted periodically and typically vest over four years.

At September 30, 2017, there were 2,264,200 stock options available for grant under the Plans. During the nine months ended September 30, 2017, the Company granted 253,300 (year ended December 31, 2016 – 336,000) options and recorded share-based compensation expense for the nine months ended September 30, 2017 of $5,052 (nine months ended September 30, 2016 – $4,570) related to the vesting of options granted in 2017 and previous years. The per share weighted-average fair value of stock options granted during the nine months ended September 30, 2017 was $18.04 (year ended December 31, 2016 – $14.14) on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: exercise price is equal to the price of the underlying share, expected dividend yield of 0%, risk-free interest rate of 1.84% (year ended December 31, 2016 – 1.16%), an expected life of 2 to 6 years (year ended December 31, 2016 – 3 to 6 years), and estimated volatility of 42% (year ended December 31, 2016 – 41%). Volatility is estimated by benchmarking to comparable publicly traded companies operating in a similar market segment. The forfeiture rate was estimated at 10% (year ended December 31, 2016 – 10%). The forfeiture rate is estimated based upon an analysis of actual forfeitures.

(Expressed in thousands of U.S. dollars, except share and per share amounts)

7. Share capital (continued):

Share Unit Plan

At September 30, 2017, there were 426,133 share units available for grant under the Plan. During the nine months ended September 30, 2017, the Company granted 45,500 (year ended December 31, 2016 – 58,588) restricted share units (“RSU”) and 16,197 were forfeited (year ended December 31, 2016 – nil). There were 100,031 (year ended December 31, 2016 – 70,728) RSUs outstanding at September 30, 2017. Each RSU entitles the participant to receive one Common Share. The RSUs vest based over time in three equal annual tranches. The fair value of the RSUs granted during the nine months ended September 30, 2017 was $55.71 (year ended December 31, 2016 – $25.27) per unit using the fair value of a Common Share at time of grant. The Company recorded share-based compensation expense for the nine months ended September 30, 2017 of $1,460 (nine months ended September 30, 2016 – $1,125) related to the RSUs.

During the nine months ended September 30, 2017, the Company granted 16,194 (year ended December 31, 2016 – 19,585) deferred share units (“DSU”). There were 37,862 (year ended December 31, 2016 – 21,668) DSUs outstanding at September 30, 2017. Each DSU entitles the participant to receive one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service. The fair value of the DSUs granted was $55.71 (year ended December 31, 2016 – $25.27) per unit using the fair value of a Common Share at time of grant. The Company recorded share-based compensation expense for the nine months ended September 30, 2017 of $900 (nine months ended September 30, 2016 – $495) related to the DSUs.

The following table presents the share-based payments expense by function for the three and nine months ended September 30:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Cost of revenue	$ 294	$ 349	$ 940	$ 894
Selling and marketing	691	431	1,893	1,148
Research and development	273	315	846	908
General and administrative	1,041	965	3,733	3,240
	$ 2,299	$ 2,060	$ 7,412	$ 6,190

(Expressed in thousands of U.S. dollars, except share and per share amounts)

8. Earnings per share:

The following table summarizes the calculation of the weighted average number of basic and diluted common shares for the three and nine months ended September 30:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Issued Common Shares at beginning of period	25,405,144	24,680,234	24,940,114	24,420,004
Effect of shares issued from exercise of options	12,622	55,563	325,523	164,557
Effect of shares issued from vesting of deferred share units	–	3,759	–	1,262
Weighted average number of basic Common Shares at September 30	25,417,766	24,739,556	25,265,637	24,585,823
Effect of share options on issue	982,359	1,213,475	1,078,920	1,183,461
Effect of share units on issue	107,154	160,370	95,610	136,313
Weighted average number of diluted Common Shares	26,507,279	26,113,401	26,440,167	25,905,597

For the three and nine months ended September 30, 2017, 222,500 and 533,906 (three and nine months ended September 30, 2016 – 261,000 and 967,000) options were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

9. Revenue:

The following table presents the revenue of the Company for the three and nine months ended September 30:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Subscription	$ 25,796	$ 20,753	$ 73,852	$ 59,178
Professional services	7,431	8,918	24,267	25,760
Maintenance and support	259	250	775	749
	$ 33,486	$ 29,921	$ 98,894	$ 85,687

(Expressed in thousands of U.S. dollars, except share and per share amounts)

10. Research and development:

The following table presents the research and development expenses of the Company for the three and nine months ended September 30:

	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Research and development expenses	$ 6,442	$ 5,936	$ 19,423	$ 16,250
Investment tax credits	(456)	(252)	(1,340)	(1,093)
	$ 5,986	$ 5,684	$ 18,083	$ 15,157

11. Income tax expense:

The Company's consolidated effective tax rate for the nine months ended September 30, 2017 was 24% (nine months ended September 30, 2016 – 37%). The decrease in effective tax rate was mainly due to one-time adjustments to filed positions and estimates included in tax provisions, as well as foreign exchange losses incurred upon converting results to Canadian dollars for Canadian tax purposes.

12. Statement of cash flow:

Changes in operating assets and liabilities:

	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Trade and other receivables	$ (6,914)	$ (18,065)	$ (5,005)	$ (15,944)
Investment tax credit receivable	–	26	1,583	(85)
Prepaid expenses	(167)	168	66	(1,310)
Trade payables and accrued liabilities	582	(603)	(606)	(82)
Deferred revenue	(937)	9,981	(308)	9,453
	$ (7,436)	$ (8,493)	$ (4,270)	$ (7,968)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

13. Financial instruments:

(a) Fair value of financial instruments:

The fair value of financial assets and liabilities, together with their carrying amounts are as follows:

	September 30, 2017		December 31, 2016	
Financial assets	Carrying value	Fair value	Carrying value	Fair value
Loans and receivables, measured at amortized cost:				
Cash and cash equivalents	$ 151,435	$ 151,435	$ 127,910	$ 127,910
Trade and other receivables	28,854	28,854	23,820	23,820
Investment tax credits receivable	–	–	1,583	1,583
	$ 180,289	$ 180,289	$ 153,313	$ 153,313

	September 30, 2017		December 31, 2016	
Financial liabilities	Carrying value	Fair value	Carrying value	Fair value
Other financial liabilities, measured at amortized cost:				
Trade payables and accrued liabilities	$ 11,239	$ 11,239	$ 10,495	$ 10,495
	$ 11,239	$ 11,239	$ 10,495	$ 10,495

(b) Credit risk:

The maximum exposure to credit risk for net trade receivables by geographic region was as follows:

	September 30, 2017	December 31, 2016
United States	$ 20,586	$ 17,969
Canada	865	1,164
Other foreign	3,274	991
	$ 24,725	$ 20,124

(Expressed in thousands of U.S. dollars, except share and per share amounts)

13. Financial instruments (continued):

(b) Credit risk (continued):

The aging of the net trade receivables at the reporting date was as follows:

	September 30, 2017	December 31, 2016
Current	$ 16,586	$ 11,806
Past due:		
0 – 30 days	4,082	5,746
31 – 60 days	2,265	1,603
Greater than 60 days	1,792	969
	$ 24,725	$ 20,124

At September 30, 2017, one customer accounted for greater than 10% of total trade receivables (December 31, 2016 – two customers). For the three months ended September 30, 2017, no customers accounted for greater than 10% of revenue (2016 – one customer). For the nine months ended September 30, 2017 one customer accounted for greater than 10% of revenue (2016 – one customer).

14. Segmented information:

The Company's Chief Executive Officer ("CEO") has been identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company's internal management system at a consolidated level. The Company has determined that it has only one operating segment.

Geographic information

Revenue from external customers is attributed to geographic areas based on the location of the contracting customers. External revenue on a geographic basis for the three and nine months ending September 30 is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
United States	$ 29,078	$ 25,143	$ 86,258	$ 73,418
Asia	2,587	3,470	8,006	6,380
Europe	1,312	627	2,863	1,987
Canada	509	681	1,767	3,902
	$ 33,486	$ 29,921	$ 98,894	$ 85,687

(Expressed in thousands of U.S. dollars, except share and per share amounts)

14. Segmented information (continued):

Total property and equipment on a geographic basis is as follows:

	September 30, 2017	December 31, 2016
Canada	$ 8,652	$ 7,410
United States	2,308	1,741
Asia	1,555	1,501
	$ 12,515	$ 10,652

15. Contingencies:

During the second quarter of 2017, an Asian-based customer did not make certain scheduled payments under its contract. During the third quarter of 2017, the Company terminated the contract, the Company ceased providing services to this customer, and, as per the dispute resolution procedures in its contract with the customer, the Company has initiated confidential, binding arbitration proceedings for payment of all amounts due under the contract and damages. The customer has denied the Company's claims, alleges breach by the Company, and has asserted its own counterclaims. The Company has not recorded any liability for the customer's counterclaims as it believes the customer's positions and assertions are without merit. While the Company did not recognize revenue for this customer effective with the second quarter of 2017, as at September 30, 2017, trade and other receivables from this customer totaled $2,532. The Company believes the receivables recorded are collectible and it will be successful in asserting its claims.