

Condensed Interim Consolidated Financial Statements of

**PRONTOFORMS  
CORPORATION**

For the three and six months ended June 30, 2021 and  
2020

*(In US dollars)*  
*(Unaudited)*

## **“Notice to Reader”**

The accompanying condensed unaudited interim consolidated financial statements of ProntoForms Corporation for the three and six months ended June 30, 2021 and 2020 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

Dated: August 18, 2021

*“David Croucher”*

\_\_\_\_\_  
David Croucher  
Chief Financial Officer

*“Alvaro Pombo”*

\_\_\_\_\_  
Alvaro Pombo  
Chief Executive Officer

# PRONTOFORMS CORPORATION

Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2021 and 2020

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# PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three and six months ended June 30 2021 and 2020  
(in US dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
<b>Revenue:</b>					
Recurring revenue	10	\$ 4,550,398	3,890,920	\$ 8,856,706	7,832,875
Professional and other services	10	290,649	271,424	597,804	572,183
		4,841,047	4,162,344	9,454,510	8,405,058
<b>Cost of revenue:</b>					
Recurring revenue	4	451,556	275,865	845,385	597,665
Professional and other services	4	292,818	216,129	574,753	514,100
		744,374	491,994	1,420,138	1,111,765
Gross margin		4,096,673	3,670,350	8,034,372	7,293,293
<b>Expenses:</b>					
Research and development	4	1,880,988	1,161,873	3,692,412	2,343,240
Selling and marketing	4	2,369,151	1,545,168	4,668,951	3,411,237
General and administrative	4	911,802	615,590	1,805,253	1,429,051
		5,161,941	3,322,631	10,166,616	7,183,528
Income (loss) from operations		(1,065,268)	347,719	(2,132,244)	109,765
Foreign exchange (loss) gain		(29,276)	(43,813)	(38,950)	123,104
Finance costs		(30,072)	(96,186)	(58,236)	(193,094)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ (1,124,616)</b>	<b>207,720</b>	<b>\$ (2,229,429)</b>	<b>39,775</b>
<b>Net loss and comprehensive loss per common share</b>					
basic and diluted	9	\$ (0.01)	0.00	\$ (0.02)	0.00
<b>Weighted average number of common shares</b>					
basic and diluted	9	125,277,003	117,455,093	124,886,200	117,437,968

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

# PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Financial Position

June 30, 2021 and December 31, 2020  
(in US dollars)

	Notes	June 30, 2021	December 31, 2020
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 7,128,177	\$ 7,747,542
Accounts receivable		1,679,376	3,333,139
Investment tax credits receivable	4	160,376	117,092
Unbilled receivables		244,770	235,518
Related party loan receivable	11	86,691	84,392
Prepaid expenses and other receivables		1,137,136	738,415
Contract acquisition costs		200,872	214,583
		<u>10,637,398</u>	<u>12,470,681</u>
Property, plant and equipment		362,372	407,522
Contract acquisition costs		61,852	28,950
Right-of-use asset	5	530,457	657,771
		<u>\$ 11,592,079</u>	<u>\$ 13,564,924</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 2,292,852	\$ 2,434,376
Deferred revenue - current portion		4,401,836	4,657,581
Lease obligation - current portion	6	300,550	274,312
		<u>6,995,238</u>	<u>7,366,269</u>
Long-term debt	7	3,322,704	3,219,484
Deferred revenue		61,585	-
Lease obligation	6	346,346	486,302
		<u>10,725,873</u>	<u>11,072,055</u>
Shareholders' equity:			
Share capital	8	29,290,771	28,342,861
Contributed surplus		864,907	864,907
Share-based payment reserve		3,161,804	3,506,948
Warrant reserve		-	-
Deficit		(32,635,711)	(30,406,282)
Accumulated other comprehensive income		184,435	184,435
		<u>866,206</u>	<u>2,492,869</u>
		<u>\$ 11,592,079</u>	<u>\$ 13,564,924</u>

The accompanying notes are an integral part of the condensed interim consolidated financial statements

# PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2021 and 2020  
(in US dollars)

	Share capital number	Amount	Contributed surplus	Share-based payment reserve	Warrant reserve	Accumulated other comprehensive income	Deficit	Total Equity
<b>Balance, December 31, 2019</b>	120,074,998	\$ 25,069,032	\$ 864,907	\$ 3,345,960	\$ 692,960	\$ 184,435	\$ (28,921,115)	\$ 1,236,179
Share-based compensation	-	-	-	246,269	-	-	-	246,269
Net income	-	-	-	-	-	-	39,775	39,775
Issuance of common shares on exercise of options	48,583	20,875	-	(8,790)	-	-	-	12,085
<b>Balance June 30, 2020</b>	120,123,581	\$ 25,089,907	\$ 864,907	\$ 3,583,439	\$ 692,960	\$ 184,435	\$ (28,881,340)	\$ 1,534,308
<b>Balance, December 31, 2020</b>	127,102,581	28,342,861	864,907	3,506,948	-	184,435	(30,406,282)	2,492,869
Share-based compensation	-	\$ -	\$ -	\$ 275,774	\$ -	\$ -	\$ -	\$ 275,774
Net loss	-	-	-	-	-	-	(2,229,429)	(2,229,429)
Issuance of common shares on exercise of options	1,051,687	947,910	-	(620,918)	-	-	-	326,992
<b>Balance June 30, 2021</b>	128,154,268	\$ 29,290,771	\$ 864,907	\$ 3,161,804	\$ -	\$ 184,435	\$ (32,635,711)	\$ 866,206

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

# PRONTOFORMS CORPORATION

## Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(in US dollars)

	Notes	Six months ended June 30,	
		2021	2020
Cash provided by (used in):			
Operating activities:			
Net income (loss)		\$ (2,229,429)	\$ 39,775
Items not involving cash:			
Share-based compensation	8	275,774	246,269
Accretion on long-term debt		-	90,913
Accretion on lease obligations		19,349	23,984
Accretion of transaction costs	7	14,090	-
Change in fair value of derivative liability		-	1,537
Amortization of property, plant and equipment		81,461	80,371
Amortization of right-of-use asset	5	127,314	127,314
Unrealized foreign exchange losses (gains)		31,136	(133,599)
Other finance costs		44,146	100,644
Interest paid		(49,840)	(101,494)
Interest received		5,694	850
Lease interest paid	6	(19,349)	(23,984)
Changes in non-cash operating working capital items	13	847,631	(408,600)
		(852,023)	43,980
Financing activities			
Payment of lease obligations	6	(133,114)	(116,808)
Settlement of derivative liability		-	(33,028)
Proceeds from the exercise of options	8	326,992	12,085
		193,878	(137,751)
Investing activities			
Purchase of property, plant and equipment		(36,311)	(41,419)
		(36,311)	(41,419)
Effect of exchange rate changes on cash		75,091	(41,262)
Decrease in cash and cash equivalents		(619,365)	(176,452)
Cash and cash equivalents, beginning of period		7,747,542	5,700,003
Cash and cash equivalents, end of period		\$ 7,128,177	\$ 5,523,551

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

# PRONTOFORMS CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

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### 1. Description of business:

ProntoForms Corporation ("ProntoForms" or the "Company") researches, develops, and markets mobile business solutions which help customers quickly and flexibly automate field sales, field service and field data collection business processes. The Company was incorporated and is domiciled in Ontario, Canada.

The Company is publicly traded on the Toronto Stock Exchange Venture Exchange ("TSXV") under the symbol "PFM" and has its registered address at 250-2500 Solandt Road, Ottawa, Ontario.

### 2. Basis of preparation:

#### (a) Statement of compliance:

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") using the accounting policies disclosed below.

The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at December 31, 2020.

These condensed interim consolidated financial statements should be read in conjunction with the Company's 2020 annual consolidated financial statements. The policies set out below were consistently applied to all the periods presented.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 18, 2021.

#### (b) Basis of measurement and going concern assumption

These condensed interim consolidated financial statements have been prepared on a historical cost basis, with the exception of amounts recorded at fair value as noted in the financial instrument note. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The consolidated statements of income (loss) and comprehensive income (loss) are presented using the function classification for expenses. Derivative liabilities are measured at fair value after initial recognition.

The preparation of these condensed interim consolidated financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at June 30, 2021, the Company had not yet achieved sustained profitable operations, had a net loss for the period and has an accumulated deficit, however, the Company believes that its current cash and cash equivalents, combined with certain sales-related efforts and financing initiatives, will provide sufficient cash flow for it to continue as a going concern in its present form.



# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

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## 2. Basis of preparation:

### (c) Basis of consolidation

The condensed interim consolidated financial statements include the accounts of ProntoForms Corporation and its wholly-owned subsidiaries ProntoForms Inc. (Canadian company), TrueContext Limited (U.K. company), and TrueContext Incorporated (U.S. company). Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries align with the policies adopted by the Company. All inter-company transactions, balances, profits and expenses have been eliminated.

## 3. Significant accounting policies:

The significant accounting policies used in preparing these condensed interim consolidated financial statements are unchanged from those disclosed in the Company's 2020 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

## 4. Investment tax credits and other government assistance:

During the three and six months ended June 30, 2021, the Company recorded refundable investment tax credits of \$20,286 and \$39,882 (2020 - \$7,336 and \$14,560) as a reduction to research and development expenses. The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency.

During the three and six months ended June 30, 2021, the Company recorded government assistance of \$13,262 and \$22,006 related to provincial and federal employment assistance programs (2020 - \$272,090 and \$489,340) against research and development expenses.

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

## 4. Investment tax credits and other government assistance (continued):

During the three months ended June 30, 2021, the Company recorded government assistance of \$nil (2020 - \$635,082) related to the Innovative Assistance Program (IAP). The IAP provides assistance to small and medium-size enterprises in the form of salary subsidy for up to 12 weeks from April 1, 2020 to June 23, 2020. The total IAP amounts received have been recorded as follows:

	Three months ended	
	June 30, 2021	June 30, 2020
Cost of revenue		
Recurring revenue	\$ -	\$ 61,976
Professional services	-	102,087
Research and development	-	53,301
Selling and marketing	-	326,992
General and administrative	-	90,726
	\$ -	\$ 635,082

## 5. Right-of-use asset:

	June 30, 2021
Office right-of-use asset:	
Balance, December 31, 2020	\$ 657,771
Amortization	(127,314)
Balance, June 30, 2021	\$ 530,457

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

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## 6. Lease obligation:

The Company's leases are for office space denominated in Canadian dollars but presented in United States dollars. Maturities of lease liabilities as at June 30, 2021 were as follows:

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Remainder of 2021	\$	163,148
2022		329,816
2023		192,393
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Total future minimum payments		685,357
Imputed interest		(38,461)
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Total lease liabilities		646,896
Less current portion		300,550
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Non-current portion	\$	346,346

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Interest expense on lease obligations for the three and six months ended June 30, 2021 was \$9,396 and \$19,349 (2020 - \$11,528 and \$23,984). Variable lease payments for operating costs not included in the measurement of lease obligations for the three and six months ended June 30, 2021 were \$67,121 and \$142,991 (2020 - \$67,488 and \$138,538). Expenses relating to short-term leases and leases of low value assets for the three and six months ended June 30, 2021 were \$nil and \$nil (2020 - \$4,546 and \$8,913). Total cash outflow for leases was \$152,463 (2020 - \$140,792), including \$133,114 (2020 - \$116,808) of principal payments on lease obligations.

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

## 7. Long-term debt:

	June 30, 2021	December 31, 2020
Toronto Dominion Credit Facility 2020 Loan, interest is a combination of prime rate + 1% and 30 days banker acceptance rate of 3%	\$ 3,360,278	\$ 3,271,149
Transaction costs	(37,574)	(51,665)
	<u>\$ 3,322,704</u>	<u>\$ 3,219,484</u>

The following table presents changes in the Toronto Dominion Credit Facility for the six months ended June 30, 2021:

Balance, December 31, 2020	\$ 3,219,484
Amortization of transaction costs	14,090
Translation adjustment	89,130
<u>Balance, June 30, 2021</u>	<u>\$ 3,322,704</u>

On October 30, 2020, the Company entered into a financial agreement with Toronto-Dominion bank, for a \$6 million CAD, two-year revolving operating facility, bearing interest at prime rate + 1% per annum, with a maturity date of October 30, 2022. The facility was used to fully settle the BDCC loan and the related derivative liability. Finance costs for the three and six months ended June 30, 2021 were \$30,072 and \$58,236 (2020 – \$96,186 and \$193,094) of interest and accretion and \$nil and \$nil (2020 - \$954 and \$1,537) of change in fair value of derivative liability.

All covenants associated with the TD credit facility are in compliance on June 30, 2021.

## 8. Share capital:

During the six months ended June 30, 2021, 1,051,687 common shares were issued upon the exercise of options, for proceeds of \$326,992.

During the six months ended June 30, 2020, 48,583 common shares were issued upon the exercise of options, for proceeds of \$12,085.

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

## 8. Share capital (continued):

### *Share-based compensation*

For the three and six months ended June 30, 2021, the Company recorded \$113,237 and \$275,774 (2020 – \$98,070 and \$246,269) as share-based payment reserve and share-based compensation expense, which is measured at fair-value at the date of grant and is expensed over the option's vesting period.

	Three months ended	
	June 30, 2021	June 30, 2020
Cost of revenue	\$ 2,348	\$ 8,243
Research and development	32,790	24,327
Selling and marketing	14,080	27,937
General and administrative	64,019	37,563
	<u>\$ 113,237</u>	<u>\$ 98,070</u>

	Six months ended	
	June 30, 2021	June 30, 2020
Cost of revenue	\$ 3,214	\$ 29,697
Research and development	82,866	51,918
Selling and marketing	40,326	68,825
General and administrative	149,368	95,829
	<u>\$ 275,774</u>	<u>\$ 246,269</u>

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020

(In US dollars)

(Unaudited)

## 9. Loss per share:

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period. The common shares pledged as security for loans receivable are excluded from the calculation of weighted average number of common shares outstanding.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For all the periods presented, diluted loss per share equals basic loss per share due to the antidilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the periods presented are as follows:

	June 30, 2021	Average exercise price (CAD)	June 30, 2020	Average exercise price (CAD)
Options	12,854,831	\$ 0.51	14,006,751	\$ 0.40
Warrants	–	–	4,350,000	0.45
	12,854,831	\$ 0.51	18,356,751	\$ 0.41

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

## 10. Segmented information:

The Company operates in one operating segment being mobile computer software solutions. This segment engages in business activities from which it earns license, support and professional services revenues, and incurs expenses.

Revenues from external customers are attributed to geographic areas based on the location of the contracting customers. The following table sets forth external revenue by geographic areas:

	Three months ended	
	June 30, 2021	June 30, 2020
United States	\$ 3,205,053	\$ 2,936,970
Canada	726,381	539,392
Europe	438,519	300,944
Latin America	212,840	146,888
Other	258,254	238,150
	<u>\$ 4,841,047</u>	<u>\$ 4,162,344</u>

	Six months ended	
	June 30, 2021	June 30, 2020
United States	\$ 6,337,425	\$ 5,807,971
Canada	1,359,336	1,150,965
Europe	845,029	597,279
Latin America	403,802	334,015
Other	508,918	514,828
	<u>\$ 9,454,510</u>	<u>\$ 8,405,058</u>

For the three and six months ended June 30, 2021, the Company had no customers that individually accounted for more than 10% (2020 – one customer for 14% and 14%) of revenue, one customer accounted for 10% (June 30, 2020 - 28%) of accounts receivable at June 30, 2021.

All property, plant and equipment and right-of-use assets are located in Canada.

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

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## 11. Related party transactions and commitments:

The Company leases office premises from a company controlled by the Chairman of the Board. Included in the statement of financial position are \$530,457 of right-of-use assets and \$646,896 of lease obligations. Operating expenses under the related party lease plus commitments for other office leases, have the following minimum annual payments:

	Related party commitments
2021 (July through December)	\$ 150,396
2022	300,792
2023	175,462
	<hr/>
	\$ 626,650

Loans totaling \$433,580 (\$537,407 CAD) have been issued to the CEO to purchase common shares. The loans are non-interest bearing and repayable on demand.

The 2,668,488 common shares acquired under the CEO Share Purchase Loans are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the sale of the common shares or upon the termination of employment, subject to certain conditions being met. The market value of the underlying common shares for the CEO Share Purchase Loans as at June 30, 2021 was \$2,411,288 (\$3,068,761 CAD).

Despite their legal form, the CEO Share Purchase Loans are accounted for similar to the grant of an option under IFRS. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. The \$86,691 (\$107,451 CAD) Related Party Loan Receivable for related tax remittances is treated as a current receivable.



# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020  
(In US dollars)  
(Unaudited)

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## 12. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, unbilled receivables, related party loan, accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. Long-term debt fair value approximates carrying value due to the floating market rate of interest.

### *Fair value hierarchy*

Financial instruments recorded at fair value on the condensed interim consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and the fair value of underlying common shares described in note 8 are classified as a Level 1 financial instrument. The fair value of the long-term debt and the remaining financial instruments are classified as Level 2. During the period ended June 30, 2021, there were no transfers of amounts between Level 1, Level 2 and Level 3.

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2021 and 2020

(In US dollars)

(Unaudited)

## 13. Changes in non-cash operating working capital items:

	Six months ended	
	June 30, 2021	June 30, 2020
Accounts receivable	\$ 1,653,763	\$ 336,011
Investment tax credits receivable	(43,284)	100,120
Unbilled receivables	(9,252)	8,953
Prepaid expenses and other receivables	(398,721)	(410,710)
Contract acquisition costs	(19,191)	–
Accounts payable and accrued liabilities	(141,524)	(164,269)
Deferred revenue	(194,160)	(278,705)
	\$ 847,631	\$ (408,600)