Condensed Interim Consolidated Financial Statements of

PRONTOFORMS CORPORATION

For the three and nine months ended September 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 nine months ended September 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: November 3, 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 nine months ended September 30, 2021 and 2020

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Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30 2021 and 2020
(in US dollars)

	Notes		Three months ended September 30, 2021	Three months ended September 30, 2020		Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue:							
Recurring revenue	10	$	4,663,400	4,056,073	$	13,520,106	11,888,948
Professional and other services	10		229,114	494,364		826,918	1,066,547
			4,892,514	4,550,437		14,347,024	12,955,495
Cost of revenue:							
Recurring revenue	4, 8		490,935	370,730		1,336,320	968,395
Professional and other services	4, 8		278,464	450,433		853,217	964,533
			769,399	821,163		2,189,537	1,932,928
Gross margin			4,123,115	3,729,274		12,157,487	11,022,567
Expenses:							
Research and development	4, 8		1,662,040	1,480,276		5,354,452	3,823,516
Selling and marketing	4, 8		2,647,524	1,991,105		7,316,475	5,402,342
General and administrative	4, 8		810,781	750,383		2,616,034	2,179,434
			5,120,345	4,221,764		15,286,961	11,405,292
Loss from operations			(997,230)	(492,490)		(3,129,474)	(382,725)
Foreign exchange (loss) gain			(89,495)	(14,221)		(128,442)	108,884
Finance costs	7		(28,165)	(103,000)		(86,401)	(296,094)
Net loss and comprehensive loss		$	(1,114,890)	(609,711)	$	(3,344,317)	(569,935)
Net loss and comprehensive loss per common share basic and diluted	9	$	(0.01)	(0.01)	$	(0.03)	(0.00)
Weighted average number of common shares basic and diluted	9		125,918,010	117,666,390		125,231,045	118,536,260

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

PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Financial Position

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

	Notes		September 30, 2021		December 31, 2020
Assets					
Current assets:					
Cash and cash equivalents		$	6,512,069	$	7,747,542
Accounts receivable			2,568,265		3,333,139
Investment tax credits receivable	4		175,525		117,092
Unbilled receivables			123,721		235,518
Related party loan receivable	11		84,338		84,392
Prepaid expenses and other receivables			1,117,722		738,415
Contract acquisition costs			225,786		214,583
			10,807,426		12,470,681
Property, plant and equipment			351,601		407,522
Contract acquisition costs			80,163		28,950
Right-of-use asset	5		466,800		657,771
		$	11,705,990	$	13,564,924
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities		$	2,782,402	$	2,434,376
Deferred revenue - current portion			4,530,012		4,657,581
Lease obligation - current portion	6		298,131		274,312
			7,610,545		7,366,269
Long-term debt	7		3,238,537		3,219,484
Deferred revenue			47,418		-
Lease obligation	6		260,911		486,302
			11,157,411		11,072,055
Shareholders' equity:					
Share capital	8		31,097,291		28,342,861
Contributed surplus			864,907		864,907
Share-based payment reserve			2,152,545		3,506,948
Deficit			(33,750,599)		(30,406,282)
Accumulated other comprehensive income			184,435		184,435
			548,579		2,492,869
		$	11,705,990	$	13,564,924

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

PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 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
Balance, December 31, 2019	120,074,998	$ 25,069,032	$ 864,907	$ 3,345,960	$ 692,960	$ 184,435	$ (28,921,115)	$ 1,236,179
Share-based compensation	-	-	-	394,284	-	-	-	394,284
Net loss	-	-	-	-	-	-	(569,935)	(569,935)
Issuance of common shares on exercise of options	1,129,750	436,790	-	(187,550)	-	-	-	249,240
Balance September 30, 2020	121,204,748	$ 25,505,822	$ 864,907	$ 3,552,694	$ 692,960	$ 184,435	$ (29,491,050)	$ 1,309,768
Balance, December 31, 2020	127,102,581	$ 28,342,861	$ 864,907	$ 3,506,948	$ -	$ 184,435	$ (30,406,282)	$ 2,492,869
Share-based compensation	-	-	-	452,648	-	-	-	452,648
Net loss	-	-	-	-	-	-	(3,344,317)	(3,344,317)
Issuance of common shares on exercise of options	3,299,777	2,754,430	-	(1,807,051)	-	-	-	947,379
Balance September 30, 2021	130,402,358	$ 31,097,291	$ 864,907	$ 2,152,545	$ -	$ 184,435	$ (33,750,599)	$ 548,579

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 nine months ended September 30, 2021 and 2020
(in US dollars)

		Nine months ended September 30,	
	Notes	2021	2020
Cash provided by (used in):			
Operating activities:			
Net loss		$ (3,344,317)	$ (569,935)
Items not involving cash:			
Share-based compensation	8	452,648	394,284
Accretion on long-term debt		-	141,527
Accretion on lease obligations		27,575	35,151
Amortization of transaction costs	7	21,135	-
Change in fair value of derivative liability		-	2,794
Amortization of property, plant and equipment		121,628	119,380
Amortization of right-of-use asset	5	190,971	190,971
Unrealized foreign exchange losses (gains)		120,086	(144,741)
Other finance costs		65,266	151,773
Interest paid		(74,438)	(159,576)
Interest received		9,173	7,803
Lease interest paid	6	(27,575)	(35,151)
Changes in non-cash operating working capital items	13	644,390	(158,230)
		(1,793,458)	(23,950)
Financing activities			
Payment of lease obligations	6	(204,918)	(176,926)
Settlement of derivative liability		-	(50,075)
Proceeds from the exercise of options	8	947,379	249,240
		742,461	22,239
Investing activities			
Purchase of property, plant and equipment		(65,707)	(59,184)
		(65,707)	(59,184)
Effect of exchange rate changes on cash		(118,769)	45,713
Decrease in cash and cash equivalents		(1,235,473)	(15,182)
Cash and cash equivalents, beginning of period		7,747,542	5,700,003
Cash and cash equivalents, end of period		$ 6,512,069	$ 5,684,821

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

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 November 3, 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 loss and comprehensive 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 September 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.

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 nine months ended September 30, 2021, the Company recorded refundable investment tax credits of $19,712 and $59,594 (2020 - $28,794 and $43,445) 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 nine months ended September 30, 2021, the Company recorded government assistance of $5,914 and $27,921 related to provincial and federal employment assistance programs (2020 - $nil and $489,340) against research and development expenses.

(In US dollars)

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

During the nine months ended September 30, 2021, the Company recorded government assistance of $nil (nine months ended September 30, 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:

	Nine months ended	
	September 30, 2021	September 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:

	September 30, 2021
Office right-of-use asset:	
Balance, December 31, 2020	$ 657,771
Amortization	(190,971)
Balance, September 30, 2021	$ 466,800

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 September 30, 2021 were as follows:

Remainder of 2021 (October to December)	$	80,216
2022		320,863
2023		187,170
Total future minimum payments		588,249
Imputed interest		(29,207)
Total lease liabilities		559,042
Less current portion		298,131
Non-current portion	$	260,911

Interest expense on lease obligations for the three and nine months ended September 30, 2021 was $8,225 and $27,575 (2020 - $11,167 and $35,151). Variable lease payments for operating costs not included in the measurement of lease obligations for the three and nine months ended September 30, 2021 were $77,416 and $220,408 (2020 - $70,897 and $209,434). Expenses relating to short-term leases and leases of low value assets for the three and nine months ended September 30, 2021 were $nil and $nil (2020 - $1,871 and $10,784). Total cash outflow for leases was $232,493 (2020 - $212,077), including $204,918 (2020 - $176,926) of principal payments on lease obligations.

(In US dollars)

7. Long-term debt:

	September 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 2.98%	$ 3,269,066	$ 3,271,149
Transaction costs	(30,529)	(51,665)
	$ 3,238,537	$ 3,219,484

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

Balance, December 31, 2020	$ 3,219,484
Amortization of transaction costs	21,135
Translation adjustment	(2,082)
Balance, September 30, 2021	$ 3,238,537

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. In July 2021, the maturity date was extended to October 30, 2023. The facility was used to fully settle the BDCC loan and the related derivative liability. Finance costs for the three and nine months ended September 30, 2021 were $28,165 and $86,401 (2020 – $96,186 and $193,094) of interest and accretion and $nil and $nil (2020 - $1,257 and $2,794) of change in fair value of derivative liability.

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

8. Share capital:

During the nine months ended September 30, 2021, 3,299,777 common shares were issued upon the exercise of options, for proceeds of $947,379.

During the nine months ended September 30, 2020, 1,129,750 common shares were issued upon the exercise of options, for proceeds of $249,240.

(In US dollars)

8. Share capital (continued):

Share-based compensation

For the three and nine months ended September 30, 2021, the Company recorded $176,873 and $452,648 (2020 – $148,015 and $394,284) 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 September 30, 2021	Three months ended September 30, 2020
Cost of revenue	$ 7,047	$ 11,823
Research and development	32,481	46,455
Selling and marketing	60,712	38,762
General and administrative	76,633	50,975
	$ 176,873	$ 148,015

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cost of revenue	$ 10,261	$ 41,520
Research and development	115,347	98,373
Selling and marketing	101,039	107,587
General and administrative	226,001	146,804
	$ 452,648	$ 394,284

(In US dollars)

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:

	September 30, 2021	Average exercise price (CAD)	September 30, 2020	Average exercise price (CAD)
Options	14,806,416	$ 0.68	16,075,875	$ 0.48
Warrants	–	–	4,350,000	0.45
	14,806,416	$ 0.68	20,425,875	$ 0.47

(In US dollars)

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	
	September 30, 2021	September 30, 2020
United States	$ 3,336,599	$ 3,347,403
Canada	692,166	536,282
Europe	422,568	276,316
Latin America	182,678	154,099
Other	258,503	236,337
	$ 4,892,514	$ 4,550,437

	Nine months ended	
	September 30, 2021	September 30, 2020
United States	$ 9,674,799	$ 9,152,561
Canada	2,050,870	1,683,842
Europe	1,263,962	883,093
Latin America	583,615	486,414
Other	773,778	749,585
	$ 14,347,024	$ 12,955,495

For the three and nine months ended September 30, 2021, the Company had no customers that individually accounted for more than 10% (2020 – one customer for 14% and 14%) of revenue and no customer accounted for 10% (September 30, 2020 – one customer accounted for 9%) of accounts receivable at September 30, 2021.

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

(In US dollars)

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 $466,800 of right-of-use assets and $559,042 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 (October through December)	$ 73,157
2022	292,627
2023	170,699
	$ 536,483

Loans totaling $421,811 ($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 September 30, 2021 was $2,262,056 ($2,881,967 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 $84,338 ($107,451 CAD) Related Party Loan Receivable for related tax remittances is treated as a current receivable.

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 September 30, 2021, there were no transfers of amounts between Level 1, Level 2 and Level 3.

(In US dollars)

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

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Accounts receivable	$ 764,874	$ 296,387
Investment tax credits receivable	(58,433)	171,527
Unbilled receivables	111,797	(144,882)
Prepaid expenses and other receivables	(379,307)	(110,704)
Contract acquisition costs	(62,416)	–
Accounts payable and accrued liabilities	348,026	(298,290)
Deferred revenue	(80,151)	(72,268)
	$ 644,390	$ (158,230)