

Condensed Interim Consolidated Financial Statements of

**PRONTOFORMS
CORPORATION**

For the three and six months ended June 30, 2022 and
2021

(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, 2022 and 2021 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 17, 2022

“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, 2022 and 2021

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PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2022 and 2021
(in US dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Revenue:					
Recurring revenue	10	\$ 4,968,802	4,550,398	9,859,517	8,856,706
Professional and other services	10	242,814	290,649	393,207	597,804
		5,211,616	4,841,047	10,252,725	9,454,510
Cost of revenue:					
Recurring revenue		555,304	451,556	1,107,376	845,385
Professional and other services		262,132	292,818	517,509	574,753
		817,436	744,374	1,624,885	1,420,138
Gross margin		4,394,180	4,096,673	8,627,840	8,034,372
Expenses:					
Research and development	4	1,814,774	1,880,988	3,586,525	3,692,412
Selling and marketing		2,922,742	2,369,151	5,856,982	4,668,951
General and administrative		973,382	911,802	1,990,756	1,805,253
		5,710,898	5,161,941	11,434,263	10,166,616
Loss from operations		(1,316,718)	(1,065,268)	(2,806,423)	(2,132,244)
Foreign exchange loss (gain)		29,212	(29,276)	1,374	(38,949)
Finance costs		(55,127)	(30,072)	(81,187)	(58,236)
Net loss and comprehensive loss		\$ (1,342,633)	(1,124,616)	(2,886,236)	(2,229,429)
Net loss and comprehensive loss					
per common share basic and diluted	9	\$ (0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of common shares					
basic and diluted	9	128,278,739	125,277,003	128,048,879	124,499,218

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, 2022 and December 31, 2021
(in US dollars)

	Notes	June 30, 2022	December 31, 2021
Assets			
Current assets:			
Cash and cash equivalents		\$ 7,518,063	\$ 6,082,289
Accounts receivable		1,961,279	3,199,216
Investment tax credits receivable	4	154,727	117,599
Unbilled receivables		59,506	36,406
Related party loan receivable	11	83,382	84,757
Prepaid expenses and other receivables		1,468,311	907,228
Contract acquisition costs		250,811	273,062
		11,496,079	10,700,557
Property, plant and equipment		296,264	331,717
Contract acquisition costs		123,725	157,693
Right-of-use asset	5	275,829	403,143
		\$ 12,191,897	\$ 11,593,110
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 2,206,842	\$ 2,533,743
Deferred revenue - current portion		5,394,756	5,411,380
Lease obligation - current portion	6	306,829	303,650
		7,908,427	8,248,773
Long-term debt	7	6,316,459	3,261,825
Deferred revenue		4,835	33,068
Lease obligation	6	26,304	184,766
		14,256,025	11,728,432
Shareholders' equity:			
Share capital	8	31,457,611	31,141,138
Contributed surplus		864,907	864,907
Share-based payment reserve		3,185,625	2,544,668
Deficit		(37,756,706)	(34,870,470)
Accumulated other comprehensive income		184,435	184,435
		(2,064,128)	(135,322)
		\$ 12,191,897	\$ 11,593,110

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, 2022 and 2021
(in US dollars)

	Share capital number	Amount	Contributed surplus	Share-based payment reserve	Accumulated other comprehensive income	Deficit	Total Equity
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	-	-	-	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
Balance June 30, 2021	128,154,268	\$ 29,290,771	\$ 864,907	\$ 3,161,804	\$ 184,435	\$ (32,635,711)	\$ 866,206
Balance, December 31, 2021	130,458,483	31,141,138	\$ 864,907	\$ 2,544,668	\$ 184,435	\$ (34,870,470)	\$ (135,322)
Share-based compensation	-	\$ -	-	744,039	-	-	744,039
Net loss	-	-	-	-	-	(2,886,236)	(2,886,236)
Issuance of common shares on exercise of options	711,888	316,473	-	(103,082)	-	-	213,391
Balance June 30, 2022	131,170,371	\$ 31,457,611	\$ 864,907	\$ 3,185,625	\$ 184,435	\$ (37,756,706)	\$ (2,064,128)

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, 2022 and 2021

(in US dollars)

	Notes	Six months ended June 30,	
		2022	2021
Cash used in:			
Operating activities:			
Net loss		\$ (2,886,236)	\$ (2,229,429)
Items not involving cash:			
Share-based compensation	8	744,039	275,774
Accretion on lease obligations		11,435	19,349
Accretion of transaction costs	7	3,945	14,090
Amortization of property, plant and equipment		75,727	81,461
Amortization of right-of-use asset	5	127,314	127,314
Unrealized foreign exchange losses (gains)		(76,033)	31,136
Other finance costs		77,242	44,146
Interest paid		(86,012)	(49,840)
Interest received		8,770	5,694
Lease interest paid	6	(11,435)	(19,349)
Changes in non-cash operating working capital items	13	301,087	847,631
		(1,710,157)	(852,023)
Financing activities			
Payment of lease obligations	6	(149,789)	(133,114)
Proceeds from drawdown of credit facility		3,178,124	-
Proceeds from the exercise of options	8	213,391	326,992
		3,241,726	193,878
Investing activities			
Purchase of property, plant and equipment		(40,274)	(36,311)
		(40,274)	(36,311)
Effect of exchange rate changes on cash		(55,521)	75,091
Increase in cash and cash equivalents		1,435,774	(619,365)
Cash and cash equivalents, beginning of period		6,082,289	7,747,542
Cash and cash equivalents, end of period		\$ 7,518,063	\$ 7,128,177

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 months ended June 30, 2022 and 2021

(In US dollars)

(Unaudited)

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, 2021.

These condensed interim consolidated financial statements should be read in conjunction with the Company's 2021 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 17, 2022.

(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 June 30, 2022, the Company had not yet achieved profitable operations, had a net loss for the period and had 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 months ended June 30, 2022 and 2021
(In US dollars)
(Unaudited)

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 2021 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, 2022, the Company recorded refundable investment tax credits of \$19,569 and \$39,648 (2021 - \$20,286 and \$39,882) 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, 2022, the Company recorded government assistance of \$Nil and \$19,627 related to provincial and federal employment assistance programs (2021 - \$13,262 and \$22,006) against research and development expenses.

PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three months ended June 30, 2022 and 2021

(In US dollars)

(Unaudited)

5. Right-of-use asset:

	June 30, 2022
Office right-of-use asset:	
Balance, December 31, 2021	\$ 403,143
Amortization	(127,314)
Balance, June 30, 2022	\$ 275,829

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, 2022 were as follows:

Remainder of 2022 (July to December) 2023	\$ 158,612 185,048
Total future minimum payments	343,660
Imputed interest	(10,527)
Total lease liabilities	333,133
Less current portion	306,829
Non-current portion	\$ 26,304

Interest expense on lease obligations for the three and six months ended June 30, 2022 was \$5,179 and \$11,435 (2021 - \$9,396 and \$19,349). Variable lease payments for operating costs not included in the measurement of lease obligations for the three and six months ended June 30, 2022 were \$44,938 and \$122,651 (2021 - \$67,121 and \$142,991). Total cash outflow for leases was \$161,224 (2021 - \$152,463), including \$149,789 (2021 - \$133,114) of principal payments on lease obligations.

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Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2022 and 2021
(In US dollars)
(Unaudited)

7. Long-term debt:

	June 30, 2022	December 31, 2021
Toronto Dominion Credit Facility 2020 Loan, interest is a combination of prime rate + 1% and 30 days banker acceptance rate of 4.44%	\$ 6,305,582	\$ 3,127,458
Finance costs	(56,362)	(56,362)
Amortization of finance costs	36,823	32,878
Translation adjustment	30,416	157,851
	<u>\$ 6,316,459</u>	<u>\$ 3,261,825</u>

The following table presents changes in the Toronto Dominion Credit Facility for the six months ended June 30, 2022:

Balance, December 31, 2021	\$ 3,261,825
Additional draw down	3,178,124
Amortization of transaction costs	3,945
Translation adjustment	(127,435)
<u>Balance, June 30, 2022</u>	<u>\$ 6,316,459</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. In July 2021, the maturity date was extended to October 30, 2023. The initial drawdown of the facility was used to fully settle a prior credit facility from BDC Capital Inc. and the related derivative liability. Finance costs for the three and six months ended June 30, 2022 were \$56,805 and \$86,012 (2021 – \$30,072 and \$58,236) of interest and accretion.

On March 9, 2022, this revolving credit facility was expanded to CAD \$10,000,000 with the interest rates and maturity date remaining the same.

On March 29, 2022, a further CAD \$3,000,000 was drawn from the facility.

On June 30, 2022, a further CAD \$1,000,000 was drawn from the facility.

All covenants associated with the TD credit facility are in compliance on June 30, 2022.

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Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2022 and 2021
(In US dollars)
(Unaudited)

8. Share capital:

During the six months ended June 30, 2022, 711,888 common shares were issued upon the exercise of options, for proceeds of \$213,391.

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.

Share-based compensation

For the three and six months ended June 30, 2022, the Company recorded \$315,836 and \$744,039 (2021 – \$113,237 and \$275,774) 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, 2022	June 30, 2021
Cost of revenue	\$ 5,040	\$ 2,348
Research and development	72,550	32,790
Selling and marketing	116,892	14,080
General and administrative	121,354	64,019
	<u>\$ 315,836</u>	<u>\$ 113,237</u>

	Six months ended	
	June 30, 2022	June 30, 2021
Cost of revenue	\$ 10,399	\$ 3,214
Research and development	174,217	82,866
Selling and marketing	286,981	40,326
General and administrative	272,442	149,368
	<u>\$ 744,039</u>	<u>\$ 275,774</u>

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Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2022 and 2021
(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, 2022	Average exercise price (CAD)	June 30, 2021	Average exercise price (CAD)
Options	15,560,522	\$ 0.72	12,854,831	\$ 0.51

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Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2022 and 2021
(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, 2022	June 30, 2021
United States	\$ 3,493,266	\$ 3,205,053
Canada	772,998	726,381
Europe	527,565	438,519
Latin America	165,882	212,840
Other	261,905	258,254
	<u>\$ 5,221,616</u>	<u>\$ 4,841,047</u>

	Six months ended	
	June 30, 2022	June 30, 2021
United States	\$ 6,817,312	\$ 6,337,425
Canada	1,477,651	1,359,336
Europe	1,072,977	845,029
Latin America	336,128	403,802
Other	548,657	508,918
	<u>\$ 10,252,725</u>	<u>\$ 9,454,510</u>

For the three and six months ended June 30, 2022, the Company had no customers that individually accounted for more than 10% (2021 – no customers) of revenue and one customer accounted for 19% (June 30, 2021 – one customer accounted for 10%) of accounts receivable as at June 30, 2022.

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, 2022 and 2021

(In US dollars)

(Unaudited)

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 \$275,829 of right-of-use assets and \$333,133 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
2022 (July through December)	\$ 144,654
2023 (January through July)	168,764
	<u>\$ 313,418</u>

Loans totaling \$417,028 (\$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, 2022 was \$931,836 (\$1,200,820 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 \$83,382 (\$107,451 CAD) Related Party Loan Receivable for related tax remittances is treated as a current receivable.

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Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and six months ended June 30, 2022 and 2021

(In US dollars)

(Unaudited)

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, 2022, 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, 2022 and 2021

(In US dollars)

(Unaudited)

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

	Six months ended	
	June 30, 2022	June 30, 2021
Accounts receivable	\$ 1,237,937	\$ 1,653,763
Investment tax credits receivable	(37,128)	(43,284)
Unbilled receivables	(23,100)	(9,252)
Prepaid expenses and other receivables	(561,083)	(398,721)
Contract acquisition costs	56,219	(19,191)
Accounts payable and accrued liabilities	(326,901)	(141,524)
Deferred revenue	(44,857)	(194,160)
	\$ 301,087	\$ 847,631