

Condensed Interim Consolidated Financial Statements of

**PRONTOFORMS  
CORPORATION**

For the three and nine months ended September 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 nine months ended September 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: November 2, 2022

*“David Croucher”*

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David Croucher  
Chief Financial Officer

*“Alvaro Pombo”*

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Alvaro Pombo  
Chief Executive Officer

# PRONTOFORMS CORPORATION

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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# PRONTOFORMS CORPORATION

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2022 and 2021  
(in US dollars)

	Notes	Three months ended Sept 30,		Nine months ended Sept 30,	
		2022	2021	2022	2021
Revenue:					
Recurring revenue	10	\$ 5,225,580	4,663,400	15,085,098	13,520,106
Professional and other services	10	237,726	229,114	630,933	826,918
		5,463,306	4,892,514	15,716,031	14,347,024
Cost of revenue:					
Recurring revenue		530,000	490,935	1,637,376	1,336,320
Professional and other services		273,675	278,464	791,183	853,217
		803,675	769,399	2,428,559	2,189,537
Gross margin		4,659,631	4,123,115	13,287,472	12,157,487
Expenses:					
Research and development	4	1,730,394	1,662,040	5,316,920	5,354,452
Selling and marketing		3,046,357	2,647,524	8,903,340	7,316,475
General and administrative		956,917	810,781	2,947,673	2,616,034
		5,733,668	5,120,345	17,167,933	15,286,961
Loss from operations		(1,074,037)	(997,230)	(3,880,461)	(3,129,474)
Foreign exchange loss (gain)		143,655	(89,495)	145,030	(128,442)
Finance costs		(81,295)	(28,165)	(162,483)	(86,401)
Net loss and comprehensive loss		\$ (1,011,677)	(1,114,890)	(3,897,914)	(3,344,317)
Net loss and comprehensive loss per common share basic and diluted	9	\$ (0.01)	(0.01)	(0.03)	(0.03)
Weighted average number of common shares basic and diluted	9	128,763,361	125,918,010	128,289,657	125,231,045

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

	Notes	September 30, 2022	December 31, 2021
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 6,045,647	\$ 6,082,289
Accounts receivable		3,058,999	3,199,216
Investment tax credits receivable	4	163,715	117,599
Unbilled receivables		83,428	36,406
Related party loan receivable	11	78,396	84,757
Prepaid expenses and other receivables		1,222,424	907,228
Contract acquisition costs		237,548	273,062
		10,890,157	10,700,557
Property, plant and equipment		284,242	331,717
Contract acquisition costs		117,146	157,693
Right-of-use asset	5	212,172	403,143
		\$ 11,503,717	\$ 11,593,110
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 2,245,573	\$ 2,533,743
Deferred revenue - current portion		5,501,863	5,411,380
Lease obligation - current portion	6	242,538	303,650
		7,989,974	8,248,773
Long-term debt	7	5,933,742	3,261,825
Deferred revenue		-	33,068
Lease obligation	6	-	184,766
		13,923,716	11,728,432
Shareholders' equity:			
Share capital	8	32,166,781	31,141,138
Contributed surplus		864,907	864,907
Share-based payment reserve		3,132,262	2,544,668
Deficit		(38,768,384)	(34,870,470)
Accumulated other comprehensive income		184,435	184,435
		(2,419,999)	(135,322)
		\$ 11,503,717	\$ 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 nine months ended September 30, 2022 and 2021  
(in US dollars)

	Share capital number	Amount	Contributed surplus	Share-based payment reserve	Accumulated other comprehensive income	Deficit	Total Equity
<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	-	-	-	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
<b>Balance September 30, 2021</b>	130,402,358	\$ 31,097,291	\$ 864,907	\$ 2,152,545	\$ 184,435	\$ (33,750,599)	\$ 548,579
<b>Balance, December 31, 2021</b>	130,458,483	31,141,138	\$ 864,907	\$ 2,544,668	\$ 184,435	\$ (34,870,470)	\$ (135,322)
Share-based compensation	-	\$ -	-	967,668	-	-	967,668
Net loss	-	-	-	-	-	(3,897,914)	(3,897,914)
Issuance of common shares on exercise of options	2,281,388	1,025,643	-	(380,074)	-	-	645,569
<b>Balance September 30, 2022</b>	132,739,871	\$ 32,166,781	\$ 864,907	\$ 3,132,262	\$ 184,435	\$ (38,768,384)	\$ (2,419,999)

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, 2022 and 2021

(in US dollars)

	Notes	Nine months ended September 30,	
		2022	2021
Cash used in:			
Operating activities:			
Net loss		\$ (3,897,914)	\$ (3,344,317)
Items not involving cash:			
Share-based compensation	8	967,668	452,648
Accretion on lease obligations		15,478	27,575
Accretion of transaction costs	7	7,609	21,135
Amortization of property, plant and equipment		111,060	121,628
Amortization of right-of-use asset	5	190,971	190,971
Unrealized foreign exchange loss (gain)		(338,289)	120,086
Other finance costs		154,874	65,266
Interest paid		(175,760)	(74,438)
Interest received		20,886	9,173
Lease interest paid	6	(15,478)	(27,575)
Changes in non-cash operating working capital items	13	(422,811)	644,390
		(3,381,706)	(1,793,458)
Financing activities			
Payment of lease obligations	6	(224,653)	(204,918)
Payment of loan renewal fee		(7,528)	-
Proceeds from drawdown of credit facility		3,178,124	-
Proceeds from the exercise of options	8	645,569	947,379
		3,591,512	742,461
Investing activities			
Purchase of property, plant and equipment		(63,585)	(65,707)
		(63,585)	(65,707)
Effect of exchange rate changes on cash		(182,863)	(118,769)
Decrease in cash and cash equivalents		(36,642)	(1,235,473)
Cash and cash equivalents, beginning of period		6,082,289	7,747,542
Cash and cash equivalents, end of period		\$ 6,045,647	\$ 6,512,069

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 September 30, 2022 and 2021

(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, 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 November 2, 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 September 30, 2022, the Company had not yet achieved profitable operations, had a net loss for the period and had an accumulated deficit. 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 September 30, 2022 and 2021  
(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 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 nine months ended September 30, 2022, the Company recorded refundable investment tax credits of \$18,934 and \$58,582 (2021 - \$19,712 and \$59,594) 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, 2022, the Company recorded government assistance of \$Nil and \$19,627 related to provincial and federal employment assistance programs (2021 - \$5,914 and \$27,921) against research and development expenses.

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and nine months ended September 30, 2022 and 2021

(In US dollars)

(Unaudited)

## 5. Right-of-use asset:

	September 30, 2022
Office right-of-use asset:	
Balance, December 31, 2021	\$ 403,143
Amortization	(190,971)
Balance, September 30, 2022	\$ 212,172

## 6. Lease obligation:

The Company's leases are for office space denominated in Canadian dollars but presented in US dollars. Maturities of lease liabilities as at September 30, 2022 were as follows:

Remainder of 2022 (October to December)	\$ 74,565
2023 (July)	173,983
Total future minimum payments	248,548
Imputed interest	(6,010)
Total lease liabilities	242,538
Less current portion	242,538
Non-current portion	\$ -

Interest expense on lease obligations for the three and nine months ended September 30, 2022 was \$4,043 and \$15,478 (2021 - \$8,225 and \$27,575). Variable lease payments for operating costs not included in the measurement of lease obligations for the three and nine months ended September 30, 2022 were \$75,832 and \$198,483 (2021 - \$77,416 and \$220,408). Total cash outflow for leases was \$240,131 (2021 - \$232,493), including \$224,653 (2021 - \$204,918) of principal payments on lease obligations.

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and nine months ended September 30, 2022 and 2021

(In US dollars)

(Unaudited)

## 7. Long-term debt:

	September 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 6.17%	\$ 5,608,707	\$ 3,127,458
Finance costs	(63,890)	(56,362)
Amortization of finance costs	40,487	32,878
Translation adjustment	348,438	157,851
	<u>\$ 5,933,742</u>	<u>\$ 3,261,825</u>

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

Balance, December 31, 2021	\$ 3,261,825
Additional draw down	3,178,124
Additional transaction costs	(7,528)
Amortization of transaction costs	7,609
Translation adjustment	(506,288)
<u>Balance, September 30, 2022</u>	<u>\$ 5,933,742</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. This loan was extended further in September 2022 to October 30, 2024. 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 nine months ended September 30, 2022 were \$89,747 and \$175,759 (2021 – \$28,165 and \$86,401) 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 September 30, 2022.

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and nine months ended September 30, 2022 and 2021

(In US dollars)

(Unaudited)

## 8. Share capital:

During the nine months ended September 30, 2022, 2,281,388 common shares were issued upon the exercise of options, for proceeds of \$645,569.

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.

### *Share-based compensation*

For the three and nine months ended September 30, 2022, the Company recorded \$223,629 and \$967,668 (2021 – \$176,873 and \$452,648) 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, 2022	September 30, 2021
Cost of revenue	\$ (1,551)	\$ 7,047
Research and development	54,741	32,481
Selling and marketing	90,683	60,712
General and administrative	79,756	76,633
	<u>\$ 223,629</u>	<u>\$ 176,873</u>

	Nine months ended	
	September 30, 2022	September 30, 2021
Cost of revenue	\$ 8,848	\$ 10,261
Research and development	228,958	115,347
Selling and marketing	377,664	101,039
General and administrative	352,198	226,001
	<u>\$ 967,668</u>	<u>\$ 452,648</u>

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and nine months ended September 30, 2022 and 2021

(In US dollars)

(Unaudited)

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## 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, 2022	Average exercise price (CAD)	September 30, 2021	Average exercise price (CAD)
Options	16,637,431	\$ 0.68	14,806,416	\$ 0.68

# PRONTOFORMS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements (continued)

For the three and nine months ended September 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	
	September 30, 2022	September 30, 2021
United States	\$ 3,565,132	\$ 3,336,599
Canada	849,231	692,166
Europe	604,503	422,568
Latin America	183,615	182,678
Other	260,825	258,503
	<u>\$ 5,463,306</u>	<u>\$ 4,892,514</u>

	Nine months ended	
	September 30, 2022	September 30, 2021
United States	\$ 10,382,444	\$ 9,674,799
Canada	2,326,882	2,050,870
Europe	1,677,480	1,263,962
Latin America	519,743	583,615
Other	809,482	773,778
	<u>\$ 15,716,031</u>	<u>\$ 14,347,024</u>

For the three and nine months ended September 30, 2022, the Company had no customers that individually accounted for more than 10% (2021 – no customers) of revenue and no customers (2021 – one customer accounted for 9%) of accounts receivable as at September 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 nine months ended September 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 \$212,172 of right-of-use assets and \$242,538 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 (October through December)	\$ 68,002
2023 (January through July)	158,673
	<u>\$ 226,675</u>

Loans totaling \$392,092 (\$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, 2022 was \$1,070,811 (\$1,467,668 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 \$78,396 (\$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 nine months ended September 30, 2022 and 2021

(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 September 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 nine months ended September 30, 2022 and 2021

(In US dollars)

(Unaudited)

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

	Nine months ended	
	September 30, 2022	September 30, 2021
Accounts receivable	\$ 140,217	\$ 764,874
Investment tax credits receivable	(46,116)	(58,433)
Unbilled receivables	(47,022)	111,797
Prepaid expenses and other receivables	(315,196)	(379,307)
Contract acquisition costs	76,061	(62,416)
Accounts payable and accrued liabilities	(288,170)	348,026
Deferred revenue	57,415	(80,151)
	\$ (422,811)	\$ 644,390