Condensed Interim Consolidated Financial Statements of

PRONTOFORMS CORPORATION

For the three months ended March 31, 2023 and 2022

(In US dollars)
(Unaudited)

“Notice to Reader”

The accompanying condensed unaudited interim consolidated financial statements of ProntoForms Corporation for the three months ended March 31, 2023 and 2022 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: May 9, 2023

*“David Croucher”*______________
David Croucher
Chief Financial Officer

*“Alvaro Pombo”*______________
Alvaro Pombo
Co-Chief Executive Officer

*“Philip Deck”*______________
Philip Deck
Co-Chief Executive Officer

PRONTOFORMS CORPORATION

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

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PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2023 and 2022
(in US dollars)

	Notes	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenue:			
Recurring revenue	10	$ 5,428,736	$ 4,890,716
Professional and other services	10	343,117	150,394
		5,771,853	5,041,110
Cost of revenue:			
Recurring revenue		520,103	552,072
Professional and other services		265,593	255,377
		785,696	807,449
Gross margin		4,986,157	4,233,661
Expenses:			
Research and development	4	1,735,545	1,771,752
Selling and marketing		2,864,681	2,934,240
General and administrative		1,421,649	1,017,374
		6,021,875	5,723,366
Loss from operations		(1,035,718)	(1,489,705)
Foreign exchange loss		(9,793)	(27,843)
Finance income		33,325	3,319
Finance costs		(116,080)	(29,379)
Net loss and comprehensive loss		$ (1,128,266)	$ (1,543,608)
Net loss and comprehensive loss per common share basic and diluted	9	$ (0.01)	$ (0.01)
Weighted average number of common shares basic and diluted	9	130,081,341	127,819,003

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

PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Financial Position

as at March 31, 2023 and December 31, 2022
(in US dollars)

	Notes		March 31, 2023		December 31, 2022
Assets					
Current assets:					
Cash and cash equivalents		$	7,041,930	$	6,112,071
Accounts receivable			2,176,952		4,179,088
Investment tax credits receivable	4		129,307		197,553
Unbilled receivables			72,419		88,453
Related party loan receivable	11		79,395		79,331
Prepaid expenses and other receivables			1,621,582		1,077,015
Contract acquisition costs			309,265		311,494
			11,430,850		12,045,005
Property, plant and equipment			282,499		286,834
Contract acquisition costs			167,484		190,585
Right-of-use asset	5		84,858		148,515
		$	11,965,691	$	12,670,939
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities		$	2,100,692	$	2,686,288
Deferred revenue			7,323,106		6,508,986
Lease obligation	6		99,568		172,947
			9,523,366		9,368,221
Long-term debt	7		6,015,292		6,007,585
			15,538,658		15,375,806
Shareholders' deficit:					
Share capital	8		32,188,618		32,166,781
Contributed surplus			864,907		864,907
Share-based payment reserve			3,636,575		3,398,246
Deficit			(40,447,502)		(39,319,236)
Accumulated other comprehensive income			184,435		184,435
			(3,572,967)		(2,704,867)
		$	11,965,691	$	12,670,939

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

PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

For the 3 Months ended March 31, 2023 and 2022
(in US dollars)

	Share capital number		Amount		Contributed surplus		Share-based payment reserve		Accumulated other comprehensive		Deficit		Total Deficit
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	-		-		-		428,203				-		428,203
Net loss	-		-		-		-		-		(1,543,608)		(1,543,608)
Issuance of common shares on exercise of options	260,388		151,979		-		(64,163)		-		-		87,816
Balance March 31, 2022	130,718,871	$	31,293,117	$	864,907	$	2,908,708	$	184,435	$	(36,414,078)	$	(1,162,911)
Balance, December 31, 2022	132,739,871	$	32,166,781	$	864,907	$	3,398,246	$	184,435	$	(39,319,236)	$	(2,704,867)
Share-based compensation	-		-		-		245,277		-		-		245,277
Net loss	-		-		-		-		-		(1,128,266)		(1,128,266)
Issuance of common shares on exercise of options	59,750		21,837		-		(6,948)		-		-		14,889
Balance March 31, 2023	132,799,621	$	32,188,618	$	864,907	$	3,636,575	$	184,435	$	(40,447,502)	$	(3,572,967)

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 three months ended March 31, 2023 and 2022
(in US dollars)

	Notes	Three months ended March 31, 2023	2022
Cash used in:			
Operating activities:			
Net loss		$ (1,128,266)	$ (1,543,608)
Items not involving cash:			
Share-based compensation	8	245,277	428,203
Accretion on lease obligations		2,004	6,256
Accretion of transaction costs	7	2,809	282
Amortization of property, plant and equipment		34,567	38,666
Amortization of right-of-use asset	5	63,657	63,657
Unrealized foreign exchange (gain) loss		9,533	21,949
Other finance costs		77,946	25,778
Interest paid		(111,271)	(29,097)
Interest received		33,325	3,319
Changes in non-cash operating working capital items	13	1,795,703	(90,870)
		1,025,284	(1,075,465)
Financing activities			
Payment of lease obligations	6	(73,796)	(74,610)
Lease interest paid	6	(2,004)	(6,256)
Procceds from drawdown of credit facility		-	2,402,124
Proceeds from the exercise of options	8	14,889	87,816
		(60,911)	2,409,074
Investing activities			
Purchase of property, plant and equipment		(30,232)	(13,675)
		(30,232)	(85,803)
Effect of exchange rate changes on cash		(4,282)	29,741
Increase in cash and cash equivalents		929,859	1,349,675
Cash and cash equivalents, beginning of period		6,112,071	6,082,289
Cash and cash equivalents, end of period		$ 7,041,930	$ 7,431,964

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, 2022.

These condensed interim consolidated financial statements should be read in conjunction with the Company's 2022 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 May 9, 2023.

(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 March 31, 2023, 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.

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. Material accounting policies (previously significant accounting policies):

The material accounting policies used in preparing these condensed interim consolidated financial statements are unchanged from those disclosed in the Company's 2022 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 months ended March 31, 2023, the Company recorded refundable investment tax credits of $Nil (2022 - $19,627) 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 months ended March 31, 2023, the Company recorded government assistance of $40,965 related to provincial and federal employment assistance programs (2022 - $20,079) against research and development expenses.

5. Right-of-use asset:

		March 31, 2023
Office right-of-use asset:		
Balance, December 31, 2022	$	148,515
Amortization		(63,657)
Balance, March 31, 2023	$	84,858

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 March 31, 2023 were as follows:

2023 (Until July)		100,686
Total future minimum payments		100,686
Imputed interest		(1,118)
Total lease liabilities		99,568
Less current portion		99,568
Non-current portion	$	-

Interest expense on lease obligations for the three months ended March 31, 2023 was $2,004 (2022 - $8,225). Variable lease payments for operating costs not included in the measurement of lease obligations for the three months ended March 31, 2023 were $70,743 (2022 - $77,713). Total cash outflow for leases was $75,800 (2022 - $80,866), including $73,796 (2022 - $74,610) of principal payments on lease obligations.

(In US dollars)

7. Long-term debt:

	March 31, 2023	December 31, 2022
Toronto Dominion Credit Facility		
2020 Loan, interest is a combination of prime rate + 1% and 30 days banker acceptance rate of 7.45%	$ 6,305,582	$ 6,305,582
Finance costs	(63,890)	(63,890)
Amortization of finance costs	46,104	43,295
Translation adjustment	(272,504)	(277,402)
	$ 6,015,292	$ 6,007,585

The following table presents changes in the Toronto Dominion Credit Facility for the three months ended March 31, 2023:

Balance, December 31, 2022	$ 6,007,585
Amortization of transaction costs	2,809
Translation adjustment	4,898
Balance, March 31, 2023	$ 6,015,292

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 months ended March 31, 2023 were $114,080 (2022 – $29,379) 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 March 31, 2023.

(In US dollars)

8. Share capital:

During the three months ended March 31, 2023, 59,750 common shares were issued upon the exercise of options, for proceeds of $14,889. Additional options to purchase 3,200,000 common shares at $0.50 were granted in February 2023.

During the three months ended March 31, 2022, 260,388 common shares were issued upon the exercise of options, for proceeds of $87,816.

Share-based compensation

For the three months ended March 31, 2023, the Company recorded $245,277 (2022 – $428,203) 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	
	March 31, 2023	March 31, 2022
Cost of revenue	$ 6,200	$ 5,360
Research and development	50,964	101,667
Selling and marketing	35,429	170,088
General and administrative	152,684	151,088
	$ 245,277	$ 428,203

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:

	March 31, 2023	Average exercise price (CAD)	March 31, 2022	Average exercise price (CAD)
Options	19,538,003	$ 0.65	16,153,626	$ 0.71

(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 March 31, 2023	Three months ended March 31, 2022
United States	$ 3,703,630	$ 3,377,671
Canada	942,794	693,183
Europe	640,345	524,120
Latin America	176,199	169,849
Other	308,885	276,286
	$ 5,771,853	$ 5,041,109

For the three months ended March 31, 2023, the Company had no customers that individually accounted for more than 10% (2022 – no customers) of revenue and one customer accounted for 12% (2022 – one customer accounted for 37%) of accounts receivable as at March 31, 2023.

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 a board member. Included in the statement of financial position are $84,858 of right-of-use assets and $99,568 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
2023 (April through July)	$ 91,826

Loans totaling $397,090 ($537,407 CAD) have been issued to a CO-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 sales of the common shares or upon the termination of employment, subject to certain conditions being met. The share purchase loans were modified in February 2023, to be payable upon sale of shares or if the Company's share price reaches CAD $1.50 or greater for a period of at least thirty (30) days subject to certain conditions being met. The market value of the underlying common shares for the CEO Share Purchase Loans as at March 31, 2023 was $1,005,590 ($1,360,929 CAD).

Despite their legal form, the CO-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 $79,395 ($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 March 31, 2023, 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:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Accounts receivable	$ 2,002,136	$ (67,515)
Deferred revenue	814,120	647,768
Investment tax credits receivable	68,246	(21,966)
Contract acquisition costs	25,329	16,636
Unbilled receivables	16,034	(13,781)
Prepaid expenses and other receivables	(544,567)	(507,688)
Accounts payable and accrued liabilities	(585,595)	(144,324)
	$ 1,795,703	$ (90,870)