Condensed Interim Consolidated Financial Statements of

PRONTOFORMS CORPORATION

For the three and six months ended June 30, 2023 and 2022

(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, 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: July 25th, 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 and six months ended June 30, 2023 and 2022

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PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2023 and 2022
(in US dollars)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2023	2022	2023	2022
Revenue:					
Recurring revenue	10	$ 5,788,346	$ 4,968,802	$ 11,217,082	$ 9,859,517
Professional and other services	10	335,246	242,814	678,363	393,208
		6,123,592	5,211,616	11,895,445	10,252,725
Cost of revenue:					
Recurring revenue		529,535	555,304	1,049,639	1,107,376
Professional and other services		312,520	262,132	578,114	517,509
		842,055	817,436	1,627,753	1,624,885
Gross margin		5,281,537	4,394,180	10,267,692	8,627,840
Expenses:					
Research and development	4	1,796,044	1,814,774	3,531,589	3,586,525
Selling and marketing		3,219,246	2,922,742	6,083,927	5,856,982
General and administrative		1,235,504	973,382	2,657,153	1,990,756
		6,250,794	5,710,898	12,272,669	11,434,263
Loss from operations		(969,257)	(1,316,718)	(2,004,977)	(2,806,423)
Foreign exchange (loss) gain		(93,217)	29,212	(103,009)	1,374
Finance income		38,585	5,451	71,910	8,770
Finance costs		(127,693)	(60,578)	(243,772)	(89,957)
Net loss and comprehensive loss		$ (1,151,582)	$ (1,342,633)	$ (2,279,848)	$ (2,886,236)
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	130,291,419	128,278,739	130,186,960	128,048,879

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 June 30, 2023 and December 31, 2022
(in US dollars)

	Notes	June 30, 2023	December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents		$ 6,251,277	$ 6,112,071
Accounts receivable		2,248,579	4,179,088
Investment tax credits receivable	4	151,060	197,553
Unbilled receivables		185,529	88,453
Related party loan receivable	11	81,158	79,331
Prepaid expenses and other receivables		1,878,757	1,077,015
Contract acquisition costs		484,856	311,494
		11,281,216	12,045,005
Property, plant and equipment		387,323	286,834
Contract acquisition costs		460,616	190,585
Right-of-use asset	5	1,033,645	148,515
		$ 13,162,800	$ 12,670,939
Liabilities and Shareholders' Deficit			
Current liabilities:			
Accounts payable and accrued liabilities		$ 2,704,132	$ 2,686,288
Deferred revenue		7,254,692	6,508,986
Lease obligation	6	261,264	172,947
		10,220,088	9,368,221
Long-term debt	7	6,152,006	6,007,585
Deferred revenue		260,342	-
Lease obligation	6	900,214	-
		17,532,650	15,375,806
Shareholders' deficit:			
Share capital	8	32,290,967	32,166,781
Contributed surplus		864,907	864,907
Share-based payment reserve		3,888,925	3,398,246
Deficit		(41,599,084)	(39,319,236)
Accumulated other comprehensive income		184,435	184,435
		(4,369,850)	(2,704,867)
		$ 13,162,800	$ 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 six months ended June 30, 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	-	-	-	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)
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	-	-	-	530,140	-	-	530,140
Net loss	-	-	-	-	-	(2,279,848)	(2,279,848)
Issuance of common shares on exercise of options	339,250	124,186	-	(39,461)	-	-	84,725
Balance June 30, 2023	133,079,121	$ 32,290,967	$ 864,907	$ 3,888,925	$ 184,435	$ (41,599,084)	$ (4,369,850)

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, 2023 and 2022
(in US dollars)

	Notes	Six months ended June 30, 2023	2022
Cash used in:			
Operating activities:			
Net loss		$ (2,279,848)	$ (2,886,236)
Items not involving cash:			
Share-based compensation	8	530,140	744,039
Accretion on lease obligations		12,213	11,435
Accretion of transaction costs	7	5,618	3,945
Amortization of property, plant and equipment		71,175	75,727
Amortization of right-of-use assets	5	121,683	127,314
Unrealized foreign exchange loss (gain)		101,935	(76,033)
Other finance costs		154,031	77,242
Interest paid		(225,941)	(86,012)
Interest received		71,910	8,770
Changes in non-cash operating working capital items	13	1,751,473	301,087
		314,389	(1,698,722)
Financing activities			
Payment of lease obligations	6	(138,980)	(149,789)
Lease interest paid	6	(12,213)	(11,435)
Procceds from drawdown of credit facility		-	3,178,124
Proceeds from the exercise of options	8	84,725	213,391
		(66,468)	3,230,291
Investing activities			
Purchase of property, plant and equipment		(171,664)	(40,274)
		(171,664)	(85,803)
Effect of exchange rate changes on cash		62,949	(55,521)
Increase in cash and cash equivalents		139,206	1,435,774
Cash and cash equivalents, beginning of period		6,112,071	6,082,289
Cash and cash equivalents, end of period		$ 6,251,277	$ 7,518,063

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 July 25th, 2023.

2. Basis of preparation:

(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, 2023, the Company had not yet achieved profitable operations and had a net loss operations for the period ended June 30, 2023 and has an accumulated deficit, however, the Company concluded that its current cash and cash equivalents, combined with certain sales-related efforts and available capacity in the credit facility agreement at the date of authorization of the financial statements, will provide sufficient cash flow to meet its obligations as they come due. In making this significant judgment, the Company prepared a cash flow forecast with significant assumptions including recurring forecasted revenue growth, forecasted financial covenant compliance and continued availability of financing.

(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 and six months ended June 30, 2023, the Company recorded refundable investment tax credits of $18,557 and $59,523 (2022 - $19,569 and $39,648) 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, 2023, the Company recorded government assistance of $19,998 and $19,998 related to provincial and federal employment assistance programs (2022 – $NIL and $19,627) against research and development expenses.

5. Right-of-use assets:

		June 30, 2023
Office right-of-use assets:		
Balance, December 31, 2022	$	148,515
Additions/Modifications		1,006,813
Amortization		(121,683)
Balance, June 30, 2023	$	1,033,645

Additions and modifications made in the quarter ended June 30, 2023 to right of use assets and lease liabilities were discounted using an incremental borrowing rate at 6.5%.

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 June 30, 2023 were as follows:

Remainder of 2023	$	145,802
2024		353,531
2025		401,560
2026		285,267
2027		120,944
Total future minimum payments		1,307,104
Imputed interest		(145,626)
Total lease liabilities		1,161,478
Less: current portion		261,264
Non-current portion	$	900,214

Interest expense on lease obligations for the three and six months ended June 30, 2023 was $10,209 and $12,213 (2022 - $5,179 and $11,435). Variable lease payments for operating costs not included in the measurement of lease obligations for the three and six months ended June 30, 2023 were $45,717 and $116,460 (2022 - $44,938 and $122,651). Total cash outflow for leases for the six months ended June 30, 2023 was $151,193 (2022 - $161,224), including $138,980 (2022 - $149,789) of principal payments on lease obligations.

(In US dollars)

7. Long-term debt:

	June 30, 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 7.68%	$ 6,305,582	$ 6,305,582
Finance costs	(63,890)	(63,890)
Amortization of finance costs	48,913	43,295
Translation adjustment	(138,599)	(277,402)
	$ 6,152,006	$ 6,007,585

On October 30, 2020, the Company entered into a financial agreement with Toronto-Dominion ("TD") 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 six months ended June 30, 2023 were $114,675 and $225,947 (2022 – $56,805 and $86,012) 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, 2023.

(In US dollars)

8. Share capital:

During the six months ended June 30, 2023, 339,250 common shares were issued upon the exercise of options, for proceeds of $84,725. Additional options to purchase 3,200,000 common shares at $0.50 were granted in February 2023.

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

Share-based compensation

For the three and six months ended June 30, 2023, the Company recorded $284,863 and $530,140 (2022 – $315,836 and $744,039) 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, 2023	Three months ended June 30, 2022
Cost of revenue	$ 3,267	$ 5,040
Research and development	38,462	72,550
Selling and marketing	53,499	116,892
General and administrative	189,635	121,354
	$ 284,863	$ 315,836

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cost of revenue	$ 9,467	$ 10,399
Research and development	89,426	174,217
Selling and marketing	88,928	286,981
General and administrative	342,319	272,442
	$ 530,140	$ 744,039

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, 2023	Average exercise price (CAD)	June 30, 2022	Average exercise price (CAD)
Options	18,682,459	$ 0.65	15,560,522	$ 0.72

(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	
	June 30, 2023	June 30, 2022
United States	$ 3,975,820	$ 3,493,266
Canada	930,947	772,998
Europe	732,569	527,565
Latin America	214,307	165,882
Other	269,949	261,905
	$ 6,123,592	$ 5,221,616

	Six months ended	
	June 30, 2023	June 30, 2022
United States	$ 7,679,450	$ 6,817,312
Canada	1,873,741	1,477,651
Europe	1,372,914	1,072,977
Latin America	390,506	336,128
Other	578,834	548,657
	$ 11,895,445	$ 10,252,725

For the three and six months ended June 30, 2023, the Company had no customers that individually accounted for more than 10% (2022 – no customers) of revenue and one customer accounted for 11% (2022 – one customer accounted for 19%) of accounts receivable as at June 30, 2023.

Substantially 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 $744,922 of right-of-use assets and $765,013 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
Remainder of 2023	$ 138,083
2024	273,765
2025	273,765
2026	159,698
Total future payments	$ 845,311

Loans totaling $405,904 ($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 days subject to certain conditions being met. The market value of the underlying common shares for the CEO Share Purchase Loans as at June 30, 2023 was $1,108,530 ($1,467,668 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 $81,158 ($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 receivable, 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, 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:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Accounts receivable	$ 1,930,509	$ 1,237,937
Deferred revenue	1,006,048	(44,857)
Investment tax credits receivable	46,493	(37,128)
Accounts payable and accrued liabilities	17,844	(326,901)
Unbilled receivables	(97,076)	(23,100)
Contract acquisition costs	(443,393)	56,219
Prepaid expenses and other receivables	(708,952)	(561,083)
	$ 1,751,473	$ 301,087