Condensed Interim Consolidated Financial Statements of

PRONTOFORMS CORPORATION

For the three and nine months ended September 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 nine months ended September 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: October 31st, 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 nine months ended September 30, 2023 and 2022

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PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2023 and 2022
(in US dollars)

	Notes	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenue:					
Recurring revenue	10	$ 5,959,451	$ 5,225,580	$ 17,176,533	$ 15,085,098
Professional and other services	10	202,721	237,726	881,084	630,933
		6,162,172	5,463,306	18,057,617	15,716,031
Cost of revenue:					
Recurring revenue		545,124	530,000	1,594,763	1,637,376
Professional and other services		250,497	273,675	828,611	791,183
		795,621	803,675	2,423,374	2,428,559
Gross margin		5,366,551	4,659,631	15,634,243	13,287,472
Expenses:					
Research and development	4	1,716,583	1,730,394	5,248,172	5,316,920
Selling and marketing		2,695,718	3,046,357	8,779,645	8,903,340
General and administrative		1,175,626	956,917	3,832,779	2,947,673
		5,587,927	5,733,668	17,860,596	17,167,933
Operating loss		(221,376)	(1,074,037)	(2,226,353)	(3,880,461)
Foreign exchange gain (loss)		53,641	143,655	(49,368)	145,030
Finance income		43,360	12,116	115,270	20,886
Finance costs		(140,737)	(93,411)	(384,509)	(183,369)
Net loss and comprehensive loss		$ (265,112)	$ (1,011,677)	$ (2,544,960)	$ (3,897,914)
Net loss and comprehensive loss per common share basic and diluted	9	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.03)
Weighted average number of common shares basic and diluted	9	130,567,809	128,763,361	130,315,305	128,289,657

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

	Notes		September 30, 2023		December 31, 2022
Assets					
Current assets:					
Cash and cash equivalents		$	5,434,754	$	6,112,071
Accounts receivable			2,691,356		4,179,088
Investment tax credits receivable	4		174,917		197,553
Unbilled receivables			354,255		88,453
Related party loan receivable	11		79,471		79,331
Prepaid expenses and other receivables			1,420,778		1,077,015
Contract acquisition costs			575,940		311,494
			10,731,471		12,045,005
Property, plant and equipment			457,358		286,834
Contract acquisition costs			505,564		190,585
Right-of-use asset	5		964,039		148,515
		$	12,658,432	$	12,670,939
Liabilities and Shareholders' Deficit					
Current liabilities:					
Accounts payable and accrued liabilities		$	2,520,651	$	2,686,288
Deferred revenue			7,215,372		6,508,986
Lease obligation	6		286,090		172,947
			10,022,113		9,368,221
Long-term debt	7		6,018,985		6,007,585
Deferred revenue			132,329		-
Lease obligation	6		796,295		-
			16,969,722		15,375,806
Shareholders' deficit:					
Share capital	8		32,430,789		32,166,781
Contributed surplus			864,907		864,907
Share-based payment reserve			4,072,776		3,398,246
Deficit			(41,864,197)		(39,319,236)
Accumulated other comprehensive income			184,435		184,435
			(4,311,290)		(2,704,867)
		$	12,658,432	$	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 nine months ended September 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	-	-	-	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
Balance September 30, 2022	132,739,871	$ 32,166,781	$ 864,907	$ 3,132,262	$ 184,435	$ (38,768,384)	$ (2,419,999)
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	-	-	-	758,004	-	-	758,004
Net loss	-	-	-	-	-	(2,544,960)	(2,544,960)
Issuance of common shares on exercise of options	719,337	264,008	-	(83,474)	-	-	180,534
Balance September 30, 2023	133,459,208	$ 32,430,789	$ 864,907	$ 4,072,776	$ 184,435	$ (41,864,196)	$ (4,311,289)

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, 2023 and 2022
(in US dollars)

	Notes	Nine months ended September 30, 2023	2022
Cash used in:			
Operating activities:			
Net loss		$ (2,544,960)	$ (3,897,914)
Items not involving cash:			
Share-based compensation	8	758,004	967,668
Accretion on lease obligations		29,636	15,478
Accretion of transaction costs	7	8,138	7,609
Amortization of property, plant and equipment		116,504	111,060
Amortization of right-of-use assets	5	191,289	190,971
Unrealized foreign exchange loss (gain)		9,666	(338,289)
Other finance costs		231,465	154,874
Interest paid		(346,735)	(175,760)
Interest received		115,270	20,886
Changes in non-cash operating working capital items	13	994,456	(422,811)
		(437,267)	(3,366,228)
Financing activities			
Payment of lease obligations	6	(194,496)	(224,653)
Lease interest paid	6	(29,636)	(15,478)
Leasehold Incentive		92,790	-
Payment of loan renewal fee		(7,351)	(7,528)
Procceds from drawdown of credit facility		-	3,178,124
Proceeds from the exercise of options	8	180,534	645,569
		41,841	3,576,034
Investing activities			
Purchase of property, plant and equipment		(239,937)	(63,585)
Additions to right of use asset		(47,092)	-
		(287,029)	(63,585)
Effect of exchange rate changes on cash		5,138	(182,863)
Decrease in cash and cash equivalents		(677,317)	(36,642)
Cash and cash equivalents, beginning of period		6,112,071	6,082,289
Cash and cash equivalents, end of period		$ 5,434,754	$ 6,045,647

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 October 31st,, 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 September 30, 2023, the Company had not yet achieved profitable operations and had a net loss and negative cash flows from operations for the period ended September, 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 nine months ended September 30, 2023, the Company recorded refundable investment tax credits of $27,374 and $86,897 (2022 - $18,934 and $58,582) 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, 2023, the Company recorded government assistance of $NIL 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:

	September 30, 2023
Office right-of-use assets:	
Balance, December 31, 2022	$ 148,515
Additions/Modifications	1,006,813
Amortization	(191,289)
Balance, September 30, 2023	$ 964,039

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 September 30, 2023 were as follows:

Remainder of 2023	$ 70,546
2024	346,182
2025	393,213
2026	279,337
2027	118,431
Total future minimum payments	1,207,709
Imputed interest	(125,324)
Total lease liabilities	1,082,385
Less: current portion	286,090
Non-current portion	$ 796,295

Interest expense on lease obligations for the three and nine months ended September 30, 2023 was $17,424 and $29,636 (2022 - $4,043 and $15,478). Variable lease payments for operating costs not included in the measurement of lease obligations for the three and nine months ended September 30, 2023 were $76,091 and $192,551 (2022 - $75,832 and $198,483). Total cash outflow for leases for the nine months ended September 30, 2023 was $224,132 (2022 - $240,131), including $194,496 (2022 - $224,653) of principal payments on lease obligations.

(In US dollars)

7. Long-term debt:

	September 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 7.90%	$ 6,305,582	$ 6,305,582
Finance costs	(71,241)	(63,890)
Amortization of finance costs	51,433	43,295
Translation adjustment	(266,789)	(277,402)
	$ 6,018,985	$ 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 an original maturity date of October 30, 2022. The maturity date has been extended for each of the last three years including in September 2023, the loan was extended to its current maturity date of October 30, 2025.

The initial drawdown of the facility was used to fully settle a prior credit facility from BDC Capital Inc. and the related derivative liability.

On March 9, 2022, this revolving credit facility was expanded to CAD $10,000,000 and CAD $4,000,000 was drawn on the facility in 2022.

Finance costs for the three and nine months ended September 30, 2023 were $120,793 and $346,736 (2022 – $89,747 and $175,760) of interest and accretion. All covenants associated with the TD credit facility are in compliance on September 30, 2023.

(In US dollars)

8. Share capital:

During the nine months ended September 2023, 719,337 common shares were issued upon the exercise of options, for proceeds of $180,534. Additional options to purchase 3,200,000 common shares at $0.50 were granted in February 2023.

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.

Share-based compensation

For the three and nine months ended September 30, 2023, the Company recorded $227,864 and $758,004 (2022 – $223,629 and $967,668) 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, 2023	September 30, 2022
Cost of revenue	$ 1,800	$ (1,551)
Research and development	30,374	54,741
Selling and marketing	35,525	90,683
General and administrative	160,165	79,756
	$ 227,864	$ 223,629

	Nine months ended	
	September 30, 2023	September 30, 2022
Cost of revenue	$ 11,267	$ 8,848
Research and development	119,800	228,958
Selling and marketing	124,453	377,664
General and administrative	502,484	352,198
	$ 758,004	$ 967,668

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, 2023	Average exercise price (CAD)	September 30, 2022	Average exercise price (CAD)
Options	18,186,127	$ 0.66	16,637,431	$ 0.68

(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, 2023	Three months ended September 30, 2022
United States	$ 3,992,055	$ 3,565,132
Canada	974,339	849,231
Europe	709,285	604,503
Latin America	198,008	183,615
Other	288,485	260,825
	$ 6,162,172	$ 5,463,306

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
United States	$ 11,671,505	$ 10,382,444
Canada	2,848,080	2,326,882
Europe	2,082,199	1,677,480
Latin America	588,514	519,743
Other	867,319	809,482
	$ 18,057,617	$ 15,716,031

For the three and nine months ended September 30, 2023, the Company had no customers that individually accounted for more than 10% (2022 – no customers) of revenue and two customers accounted for 31% one at 12% and the other at 19% (2022 – no customers) of accounts receivable as at September 30, 2023 of accounts receivable.

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 $692,687 of right-of-use assets and $388,001 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	$ 67,018
2024	268,075
2025	268,075
2026	156,377
Total future payments	$ 759,545

Loans totaling $397,466 ($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 September 30, 2023 was $1,164,432 ($1,574,408 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 $79,471 ($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 September 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:

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Accounts receivable	$ 1,487,732	$ 140,217
Deferred revenue	838,715	57,415
Investment tax credits receivable	22,636	(46,116)
Accounts payable and accrued liabilities	(165,637)	(288,170)
Unbilled receivables	(265,802)	(47,022)
Prepaid expenses and other receivables	(343,763)	(315,196)
Contract acquisition costs	(579,425)	76,061
	$ 994,456	$ (422,811)