Consolidated Financial Statements of
(In US dollars)

TRUECONTEXT CORPORATION

(Formerly ProntoForms Corporation)
For the years ended December 31, 2023 and 2022

TRUECONTEXT CORPORATION

Table of Contents
(In US dollars)

For the years ended December 31, 2023 and 2022

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa, ON K2P 2P8
Canada
Telephone 613 212 5764
Fax 613 212 2896

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TrueContext Corporation

Opinion

We have audited the consolidated financial statements of TrueContext Corporation (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' deficit for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the Entity's going concern assumption

Description of the matter

We draw attention to Note 2(b), 3(n), and 18(e) to the financial statements. As at December 31, 2023, the Entity had not yet achieved profitable operations and has an accumulated deficit. The Entity concluded that its current cash and cash equivalents combined with certain sales-related efforts, continued positive cash flows from operations 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 Entity prepared a cash flow forecast with significant assumptions including forecasted recurring revenue growth, forecasted financial covenant compliance and continued availability of financing.

Why the matter is a key audit matter

We identified the evaluation of the Entity's going concern assumption as a key audit matter. Significant auditor judgment was required to evaluate the Entity's cash flow forecast due to the high degree of estimation uncertainty relating to the significant assumptions noted above.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We assessed the Entity's ability to accurately forecast recurring revenue growth by comparing the Entity's historical recurring revenue growth forecasts to actual revenue results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made in arriving at the forecasted recurring revenue growth.

We assessed the sensitivity of possible changes in the forecasted recurring revenue growth on the cash flow forecast and the resulting impact on the forecasted financial covenant compliance and continued availability of financing.

We assessed the Entity's disclosures related to its going concern assumption by comparing the disclosures to the evidence obtained throughout the audit.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian general accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Andrew Watson.

Ottawa, Canada

March 18, 2024

TRUECONTEXT CORPORATION

Consolidated Statements of Loss and Comprehensive Loss

Years ended December 31, 2023 and 2022
(in US dollars)

	Notes	Year Ended December 31, 2023	2022
Revenue:			
Recurring revenue		$ 23,329,564	$ 20,374,733
Professional and other services		1,041,448	952,055
	16	24,371,012	21,326,788
Cost of revenue:			
Recurring revenue		2,106,047	2,109,645
Professional and other services		1,030,089	1,038,120
		3,136,136	3,147,765
Gross margin		21,234,876	18,179,023
Expenses:			
Research and development	5	6,809,884	6,916,115
Selling and marketing		11,051,034	11,637,968
General and administrative		5,034,348	3,950,529
	21	22,895,266	22,504,612
Operating loss		(1,660,390)	(4,325,589)
Foreign exchange (loss) gain		(134,938)	122,741
Finance income		171,196	44,403
Finance costs		(528,900)	(290,321)
Net loss and comprehensive loss		$ (2,153,032)	$ (4,448,766)
Net loss and comprehensive loss per common share basic and diluted	14	$ (0.02)	$ (0.03)
Weighted average number of common shares basic and diluted	14	130,441,384	128,289,657

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

TRUECONTEXT CORPORATION

Consolidated Statements of Financial Position

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

	Notes	December 31, 2023	December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents		$ 7,129,527	$ 6,112,071
Accounts receivable	4	4,272,557	4,179,088
Investment tax credits receivable	5	305,798	197,553
Unbilled receivables		44,348	88,453
Related party loan receivable	17	81,244	79,331
Prepaid expenses and other receivables	6	1,253,675	1,077,015
Contract acquisition costs	7	598,501	311,494
		13,685,650	12,045,005
Property, plant and equipment	8	417,116	286,834
Contract acquisition costs	7	451,905	190,585
Right-of-use asset	9	902,620	148,515
		$ 15,457,291	$ 12,670,939
Liabilities and Shareholders' Deficit			
Current liabilities:			
Accounts payable and accrued liabilities		$ 3,001,921	$ 2,686,288
Deferred revenue	10	9,225,299	6,508,986
Lease obligation	11	332,781	172,947
		12,560,001	9,368,221
Long-term debt	12	5,778,034	6,007,585
Deferred revenue	10	118,399	-
Lease obligation	11	733,349	-
		19,189,783	15,375,806
Shareholders' deficit:			
Share capital	13	32,468,783	32,166,781
Contributed surplus		864,907	864,907
Share-based payment reserve		4,221,651	3,398,246
Deficit		(41,472,268)	(39,319,236)
Accumulated other comprehensive income		184,435	184,435
		(3,732,492)	(2,704,867)
	21		
		$ 15,457,291	$ 12,670,939

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

TRUECONTEXT CORPORATION

Consolidated Statements of Shareholders' Deficit

Years ended December 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	-		-		-		1,233,654				-		1,233,654
Net loss	-		-		-		-		-		(4,448,766)		(4,448,766)
Issuance of common shares on exercise of options	2,281,388		1,025,643		-		(380,076)		-		-		645,567
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	-		-		-		919,082		-		-		919,082
Net loss	-		-		-		-		-		(2,153,032)		(2,153,032)
Issuance of common shares on exercise of options	804,212		302,002		-		(95,677)		-		-		206,325
Balance December 31, 2023	133,544,083	$	32,468,783	$	864,907	$	4,221,651	$	184,435	$	(41,472,268)	$	(3,732,492)

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

TRUECONTEXT CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(in US dollars)

	Notes	Years ended December 31, 2023	2022
Cash used in:			
Operating activities:			
Net loss		$ (2,153,032)	$ (4,448,766)
Items not involving cash:			
Share-based compensation	13	919,082	1,233,654
Amortization of property, plant and equipment	8	158,605	146,207
Amortization of right-of-use assets	9	283,890	254,628
Unrealized foreign exchange loss (gain)		90,858	(212,496)
Gain (loss) from disposal of property, plant and equipment		(138)	389
Finance costs net of finance income		357,704	264,066
Interest paid		(468,509)	(279,903)
Interest received		171,196	44,696
Changes in non-cash operating working capital items	20	2,267,748	(135,900)
		1,627,404	(3,133,425)
Financing activities			
Payment of lease obligations	11	(220,562)	(296,834)
Lease interest paid	11	(35,423)	(18,442)
Leasehold incentive		94,953	-
Payment of loan extension fee	12	(7,351)	(7,528)
Procceds from drawdown (repayment) of credit facility	12	(378,441)	3,178,124
Proceeds from the exercise of options	13	206,325	645,567
		(340,499)	3,500,887
Investing activities			
Purchase of property, plant and equipment	8	(290,574)	(101,324)
Proceed from sale of property, plant and equipment		1,825	-
Additions to right of use asset		(55,921)	-
		(344,670)	(101,324)
Effect of exchange rate changes on cash		75,221	(236,356)
Increase in cash and cash equivalents		1,017,456	29,782
Cash and cash equivalents, beginning of period		6,112,071	6,082,289
Cash and cash equivalents, end of period		$ 7,129,527	$ 6,112,071

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

1. Description of the business:

TrueContext Corporation ("TrueContext" or the "Company"), formerly ProntoForms Corporation, researches, develops, and markets mobile business solutions which help customers quickly and flexibly automate field sales, field service and other 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 "TCXT" and has its registered address at 250-2500 Solandt Road, Ottawa, Ontario.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with IFRS Accounting standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 18, 2024.

(b) Basis of measurement and going concern assumption:

These 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 comprehensive loss are presented using the function classification for expenses. The preparation of these consolidated financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern.

As at December 31, 2023, the Company had not yet achieved profitable operations, had a net loss for the year ended December 31, 2023 and has an accumulated deficit. Despite the net loss in 2023, the Company produced $1,627,404 cash from operations. The Company concluded that its current cash and cash equivalents, combined with certain sales-related efforts, continued positive cash flows from operations 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.

2. Basis of preparation (continued):

(b) Basis of measurement and going concern assumption (continued):

As at December 31, 2023, the Company had current assets of $13,685,650, including cash of $7,129,527. Net working capital (current assets less current liabilities) was $1,125,649 and included $9,225,299 of deferred revenue. In addition, the Company has an outstanding balance on its credit facility of $5,778,034 in long-term liabilities (note 12). The credit facility has covenants around growth rates and cash flow measures. The covenants are currently in compliance and management believes that it will be able to meet the covenants for the foreseeable future. However, uncertainty exists over future growth rates and cash flows and if the covenants are not met and the Company is unable to negotiate new terms, then the credit facility could become a current liability or possibly be required to be repaid on demand. This scenario could negatively affect the net working capital position and potentially the ability to continue operations in the current manner.

Management believes that if it were faced with this possible downside scenario it would be able to take mitigating action including;

- reducing or slowing its spending in sales and marketing or other operating expenses,
- seeking to renegotiate the existing credit facility covenants,
- or seeking to obtain new financing

to ensure that a positive net cash and net working capital are maintained. However, there is no assurance that the Company can ultimately accomplish these actions. Based on these factors, Management continues to have a reasonable expectation that the Company has adequate resources to continue in operation for the at least the next 12 months and that the going concern basis of accounting remains appropriate.

(c) Basis of consolidation:

The consolidated financial statements include the accounts of TrueContext Corporation and its wholly-owned subsidiaries TrueContext Inc. (Canadian company), TrueContext Limited (U.K. company), and TrueContext, Inc. (U.S. company). Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the 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:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and highly liquid investments with original maturity dates of three months or less.

(b) Foreign currency translation:

All figures presented in the consolidated financial statements and tabular disclosures to the consolidated financial statements are reflected in United States dollars, which is the functional and presentation currency of the Company and each of its subsidiaries.

Foreign currency transactions are translated into United States dollars, at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to United States dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Property, plant and equipment:

Property, plant and equipment are measured at cost less accumulated amortization and impairment losses. Amortization is provided using the following terms and method:

Asset	Method	Estimated useful life
Computer equipment	Straight line	3 years
Furniture	Straight line	10 years
Office equipment	Straight line	3 years
Leasehold improvements	Straight line	Shorter of useful life or remaining term of related lease

An asset's residual value, useful life and amortization method are reviewed at each financial year and adjusted prospectively if appropriate. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. Material accounting policies (continued):

(d) Impairment of long-lived assets:

Long-lived assets, including property, plant and equipment are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the -generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded net of depreciation/amortization had no impairment loss been recognized previously.

(e) Revenue recognition:

The Company reports its revenue as recurring revenue and professional services. Recurring revenue is derived from subscription fees for cloud-based software. Subscription revenue allows customers to use hosted software over the contract period. Professional services revenue consists mainly of consulting and implementation services and feature development.

The Company's arrangements are generally noncancelable and nonrefundable. The Company's subscription arrangements do not provide customers with the right to take possession of the software supporting the platform and, as a result, are accounted for as service arrangements. This revenue recognition policy is consistent for sales generated directly with customers and sales generated indirectly through channel partners.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

3. Material accounting policies (continued):

(e) Revenue recognition (continued):

Recurring Revenue

Subscriptions are recognized on a ratable basis over the contractual term. The terms of the contracts range from monthly, annual or multi-year subscription terms. Revenue recognition begins on the date that the Company's service is made available to the customer. The Company earns revenue based on the services it delivers either directly to its customers or indirectly through resellers. Additionally, if an agreement contains non-standard acceptance or requires non-standard performance criteria to be met, revenues are deferred until the satisfaction of these conditions.

Unbilled receivables arise where professional services are performed or product is delivered prior to the Company's ability to invoice in accordance with the contract terms.

Deferred revenue arises when customers are invoiced in advance of revenue recognition criteria being met. The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Professional Services Revenue

Professional services are typically billed on a time and material basis and revenue is recognized over time as the services are performed. For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Any probable losses are recognized immediately in operating expenses. In certain situations where the outcome of an arrangement cannot be estimated reliably, costs associated with the arrangement are recognized as incurred. In this situation, revenues are recognized only to the extent of the costs incurred that are probable of recovery.

Contract Acquisition Costs

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable and has determined that certain sales incentive programs meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive renewal commission. The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the contract period is less than one year.

3. Material accounting policies (continued):

(e) Revenue recognition (continued):

Contracts with Multiple Performance Obligations

The Company may sell subscription service agreements with multiple-element arrangements that also include professional services. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price, including any variable consideration, is allocated to the separate performance obligations on a relative Stand-alone Selling Price (SSP) basis. The Company determines SSP based on, if available, observable prices for those related services when sold separately. When observable prices are not available, the Company determines SSP based on overarching pricing objectives and strategies, taking into consideration market conditions and other factors, including customer size, volume purchased, market and industry conditions, product-specific factors and historical sales of the deliverables.

(f) Research and development:

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit and loss as incurred. To date, no development costs have been capitalized.

3. Material accounting policies (continued):

(g) Income taxes:

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

(h) Investment tax credits and other government assistance:

The Company is entitled to certain Canadian investment refundable tax credits for qualifying research and development activities performed in Canada. Investment tax credits are recorded as a reduction of the related expense or as a reduction of the cost of the related asset. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation provided there is reasonable assurance of realization.

Also, from time to time, the Company receives funding under various federal or provincial Government research and development or hiring assistance programs.

Government assistance is recorded as a reduction of the related expense. The benefits are recognized when the Company has complied with the terms and conditions of the approved government assistance program provided there is reasonable assurance of realization. A liability for government assistance payable is recorded when the amount is determinable, and it is considered likely that amounts will be repaid. The benefit of a government loan at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

3. Material accounting policies (continued):

(i) Share-based compensation:

The Company has an employee share option plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share options granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of share options is recorded as share capital and the related share-based compensation is transferred from share-based payment reserve to share capital.

(j) Earnings per share:

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting any profit attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued.

(k) Financial instruments:

Trade receivables without a significant financing component are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

3. Material accounting policies (continued):

(k) Financial instruments (continued):

Financial assets

All financial assets are recognized and de-recognized on trade date. The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets are classified as follows:

Financial asset	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Unbilled receivables	Amortized cost

Amortized cost

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss.

Impairment of financial assets

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and is becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets are written off when there is no reasonable expectation of recovery.

3. Material accounting policies (continued):

(k) Financial instruments (continued):

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are classified as follows:

Financial liability	Classification under IFRS 9
Trade payables and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Lease obligation	Amortized cost

Amortized cost

Financial liabilities at amortized cost are measured using the effective interest rate method.

De-recognition of financial liabilities

The Company de-recognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(l) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3. Material accounting policies (continued):

(l) Provisions (continued):

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(m) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero. Variable costs are not included in the measurement of the lease liability.

3. Material accounting policies (continued):

(m) Leases (continued):

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(n) Critical accounting estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Going Concern

Judgement is required in assessing whether events or conditions represent the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, including the estimation of future cash flows.

Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple license and service elements. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables. The Company has elected to recognize the arrangement fee to be allocated to the elements on a relative fair value basis. Judgment and estimates are required when determining the relative fair value of elements utilizing standalone prices for similar deliverables where it exists or third party evidence of standalone price or internally generated estimates of standalone price.

Revenue for subscription services is recognized when delivered. Judgment is required in determining when delivery has occurred including assessing if significant obligations to install the product exist that must be completed, the timing of when the significant risks and rewards of ownership have been transferred, and if a risk of return exists due to non-compliance with product specifications.

3. Material accounting policies (continued):

(n) Critical accounting estimates and judgments (continued):

Revenue recognition (continued)

Revenue for service elements is recognized as the services are performed. Estimates of proportional performance of service arrangements are required to recognize revenue including effort spent to date versus total effort expected to complete.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted and the expected life of the option are used.

(o) Adoption of new standards, amendments and interpretations

The following amended standards were adopted by the Company when they became effective on January 1, 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

(p) Future changes in accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the Company's consolidated financial statements:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1), effective on January 1, 2024
- Disclosure of Supplier Finance Arrangement (Amendments to IFRS 7 and IAS 7), effective on January 1, 2024

(In US dollars)

4. Accounts receivable

	December 31, 2023	December 31, 2022
Trade receivables	$ 4,454,285	$ 4,404,345
Loss allowance	(181,728)	(225,257)
	$ 4,272,557	$ 4,179,088

Movement in the loss allowance is as follows:

	December 31, 2023	December 31, 2022
Balance at the beginning of the period	$ (225,257)	$ (127,686)
Increase in provision	(185,110)	(230,200)
Receivables balances written off	228,639	133,912
Amounts recovered	-	(1,283)
	$ (181,728)	$ (225,257)

5. Investment tax credits and other government assistance

During the year, the Company recorded investment tax credits of $204,339 (2022 - $90,438) as a reduction of 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 year, the Company recorded government assistance of $19,998 (2022 - $19,627), relating to the Information and Communications Technology Council (ICTC) as a reduction of research and development expenses. Specifically, the program seeks to fund a portion of the co-operative student salaries.

(In US dollars)

6. Prepaid expenses and other receivables

	December 31, 2023	December 31, 2022
Prepaids	$ 1,147,311	$ 979,779
Commodities tax receivable	62,074	51,431
Other	44,290	45,805
	$ 1,253,675	$ 1,077,015

7. Contract acquisition costs:

	December 31, 2023	December 31, 2022
Balance at the beginning of the period	$ 502,079	$ 430,755
Additions	1,133,248	420,815
Amortization	(584,921)	(349,491)
Balance at the end of the period	$ 1,050,406	$ 502,079
Less current portion	(598,501)	(311,494)
Non-current portion	$ 451,905	$ 190,585

8. Property, plant and equipment:

Cost	Computer equipment	Office equipment	Furniture	Leasehold improvements	Total
Balance, December 31, 2021	$ 363,490	$ 155,717	$ 330,106	$ 53,764	$ 903,077
Additions	93,586	7,738	-	-	101,324
Disposals	(152,360)	(55,955)	-	-	(208,315)
Balance, December 31, 2022	304,716	107,500	330,106	53,764	796,086
Additions	71,040	120,910	98,624	-	290,574
Disposals	(3,776)	-	-	-	(3,776)
Balance, December 31, 2023	$ 371,980 1,082,884	$ 228,410	$ 428,730	$ 53,764	$

(In US dollars)

8. Property, plant and equipment (continued):

Accumulated depreciation	Computer equipment	Office equipment	Furniture	Leasehold improvements	Total
Balance, December 31, 2021	$ 252,705	$ 122,498	$ 156,892	$ 39,265	$ 571,360
Depreciation	80,239	22,343	33,937	9,688	146,207
Disposals	(152,360)	(55,955)	-	-	(208,315)
Balance, December 31, 2022	$ 180,584	$ 88,886	$ 190,829	$ 48,953	$ 509,252
Depreciation	79,270	35,956	38,568	4,811	158,605
Disposals	(2,089)	-	-	-	(2,089)
Balance, December 31, 2023	$ 257,765	$ 124,842	$ 229,397	$ 53,764	$ 665,768

Carrying value	Computer equipment	Office equipment	Furniture	Leasehold improvements	Total
December 31, 2022 286,834	$ 124,132	$ 18,614	$ 139,277	$ 4,811	$
December 31, 2023	114,215	103,568	199,333	-	417,116

All assets are pledged as security against the long-term debt. Amortization of property, plant and equipment is allocated proportionally to each department.

9. Right-of-use asset:

	Office right-of-use asset
Balance, December 31, 2021	$ 403,143
Amortization	(254,628)
Balance, December 31, 2022	$ 148,515
Additions and modifications	1,037,995
Amortization	(283,890)
Balance, December 31, 2023	$ 902,620

Additions and modifications made in the year ended December 31, 2023 to right of use assets and lease liabilities were discounted using an incremental borrowing rate at 6.5%

10. Deferred revenue and performance obligations:

Deferred revenue

Deferred revenue, which is a contract liability, consists primarily of payments received in advance of revenue recognition under the Company's contracts with customers and is recognized as the revenue recognition criteria are met.

Recurring revenue recognized during the years ended December 31, 2023 and 2022 that was included in the deferred revenue balances at the beginning of the respective periods was $6,187,398 and $5,036,349, respectively. Professional services revenue recognized in the years ended December 31, 2023 and 2022 from deferred revenue balances at the beginning of the respective periods was $300,922 and $375,031, respectively.

	December 31, 2023	December 31, 2022
Balance at the beginning of the period	$ 6,508,896	$ 5,444,448
Amounts invoiced and revenue deferred	9,323,122	6,475,828
Recognition of deferred revenue included in the balance at the beginning of the year	(6,488,320)	(5,411,380)
Balance at the end of the period	$ 9,343,698	$ 6,508,896
Less current portion	(9,225,299)	(6,508,896)
Non current portion	$ 118,399	$ -

11. 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 December 31, 2023 were as follows:

Fiscal year	
2024	$ 353,905
2025	401,985
2026 and future years	406,642
Total future minimum payments	1,162,532
Imputed interest	(96,402)
Total lease liabilities	1,066,130
Less current portion	(332,781)
Non current portion	$ 733,349

(In US dollars)

11. Lease obligation (continued):

The following table presents payments for lease obligations:

	December 31, 2023	December 31, 2022
Principal payments	$ 220,562	$ 296,834
Interest payments	35,423	18,442
Operating costs	267,768	211,895
Total cash outflows for leases	$ 523,753	$ 527,171
Lease incentives received	(94,953)	-
Net cash outflow for leases	$ 428,800	$ 527,171

12. Long-term debt:

	December 31, 2023	December 31, 2022
Toronto Dominion credit facility (CAD $10,000,000) Amended 2023 Loan, interest is a combination of prime rate + 1% and 30 days banker acceptance rate of + 2.5% (7.97%)	$ 5,927,141	$ 6,305,582
Finance costs	(71,241)	(63,890)
Amortization of finance costs	53,809	43,295
Translation adjustment	(131,675)	(277,402)
	$ 5,778,034	$ 6,007,585

(In US dollars)

12. Long-term debt (continued):

The following table presents changes in the Toronto Dominion credit facility for the year ended December 31, 2023:

	December 31, 2023	December 31, 2022
Balance at the beginning of the period	$ 6,007,585	$ 3,261,825
Amortization of transaction costs	10,514	10,417
Translation adjustment	145,727	(435,253)
Loan (repayment) drawdowns	(378,441)	3,178,124
Loan extension fee	(7,351)	(7,528)
Balance at the end of the period	$ 5,778,034	$ 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 an extension in September 2023 to its current maturity date of October 30, 2025. On March 9, 2022 the Company expanded the revolving credit facility with Toronto-Dominion bank by $4,000,000 resulting in a total revolving credit facility of CAD $10,000,000. An additional $3,178,124 ($4,000,000 CAD) was withdrawn in 2022. In 2023, $378,441 USD ($500,000 CAD) of the credit facility was repaid.

The Company incurred interest and accretion finance costs of $479,023 (2022 - $290,614).

All covenants associated with the TD credit facility are in compliance on December 31, 2023.

(In US dollars)

13. Share capital:

Authorized

An unlimited number of common shares:

2023

During the year ended December 31, 2023, 804,212 common shares were issued upon the exercise of options, for proceeds of $206,325.

2022

During the year ended December 31, 2022, 2,281,388 common shares were issued upon the exercise of options, for proceeds of $645,567.

Option plan

The Company has a share option plan (the "Plan") that is administered by the Board of Directors of the Company who establish exercise prices, at not less than market price at the date of grant, and vesting periods, which to date have been set between one and three years. Options under the Plan remain exercisable for five years from the date of grant. The maximum number of common shares reserved for issuance for options that may be granted under the Plan as at December 31, 2023 was 22,679,583 (2022 – 21,679,583).

	Outstanding	Weighted average exercise price CAD$
Balance, December 31, 2021	16,525,389	0.71
Granted	3,733,000	0.39
Exercised	(2,281,388)	0.38
Cancelled/forfeited	(1,119,470)	0.85
Expired	(373,681)	0.38
Balance, December 31, 2022	16,483,850	0.68
Granted	3,671,000	0.50
Exercised	(804,212)	0.35
Cancelled/forfeited	(1,365,319)	0.71
Expired	(92,139)	0.77
Balance, outstanding as at December 31, 2023	17,893,180	0.66
Balance, exercisable as at December 31, 2023	12,240,941	0.69

(In US dollars)

13. Share capital (continued):

Option plan (continued)

The following tables summarize information concerning share options outstanding as at December 31, 2023

	Options outstanding		Options exercisable	
Exercise price CAD$	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
0.34-0.35	4,244,051	2.43	2,706,966	1.70
0.36-0.50	3,741,778	4.05	1,086,749	3.86
0.51-0.75	2,417,640	0.89	2,319,084	0.76
0.76-0.99	3,963,244	2.19	3,390,584	2.06
1.00-1.21	3,526,467	2.55	2,737,558	2.52
	17,893,180	2.53	12,240,941	1.99

Share-based compensation

The Company recorded $919,082 (2022 – $1,233,654) 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.

	December 31, 2023	December 31, 2022
Cost of revenue	$ 10,101	$ 21,607
Research and development	141,297	298,744
Selling and marketing	159,053	485,720
General and administrative	608,631	427,583
	$ 919,082	$ 1,233,654

(In US dollars)

13. Share capital (continued):

Share-based compensation (continued)

The weighted average grant date fair value of options granted during the year is CAD$0.50 (2022 – CAD $0.39). In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions

	2023	2022
Risk-free interest rate	3.30%-4.13%	1.87%-3.62%
Expected life in years	4.09-4.13	4.13-4.16
Expected dividend yield	0%	0%
Volatility	60%-65%	50%-61%
Forfeiture rate	11%	
11%		

Volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

14. 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 anti-dilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the period presented are 17,893,180 (2022 - 16,483,580).

(In US dollars)

15. Income taxes

The Company has non-capital losses available to reduce future years' taxable income which expire as follows:

	Canada	United States
2025	$ –	$ 87,000
2026	–	1,013,000
2027	1,617,000	819,000
2028	1,430,000	290,000
2029	747,000	223,000
2030	865,000	305,000
2031	1,390,000	–
2032	1,471,000	–
2033	269,000	–
2034	66,000	–
2035	58,000	–
2036	820,000	–
2037	1,584,000	–
2038	639,000	–
2039	204,000	–
2040	205,000	–
2041	425,000	–
2042	1,913,000	–
2043	616,000	–
Total	$ 14,319,000	$ 2,737,000

The U.S. losses may be subject to limitation under Internal Revenue Code Section 382.

The Company also has unclaimed research and development expenditures (SR&ED) of approximately $12,815,000 which may be carried forward indefinitely to reduce future years' taxable income. The Company also has investment tax credits of approximately $2,495,000 and $524,000 available to reduce future years' federal and provincial income tax payable, respectively.

The federal investment tax credits begin to expire in 2026 whereas the provincial credits commence to expire in 2032. The potential benefits relating to the available non-capital losses, unclaimed SR&ED expenditures and investment tax credit carry forward balances have not been recognized in the consolidated financial statements.

(In US dollars)

16. Segmented information

IFRS 8 Operating Segments defines an operating segment as (a) a component of an entity that engages in business activities from which it may earn revenues an incur expense (including revenues and expenses relating to transactions with our components of the same entity), (b) operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance and (c) for which discrete financial information is available.

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:

	December 31, 2023	December 31, 2022
United States	$ 15,802,591	$ 14,208,393
Canada	3,764,720	3,115,991
Europe	2,882,216	2,259,840
Latin America	774,800	693,518
Other	1,146,685	1,049,046
	$ 24,371,012	$ 21,326,788

For the year ended December 31, 2023, the Company had no customers that individually accounted for more than 10% of revenue (2022 – no customers accounted for more than 10%).

All property, plant and equipment and right-of-use assets are located in Canada.

(In US dollars)

17. Related party transactions and commitments:

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors, who control approximately 27% (2022 – 28%) of the outstanding shares of the Company.

Compensation provided to key management is as follows:

	December 31, 2023	December 31, 2022
Salaries and short-term benefits	$ 1,938,333	$ 1,653,519
Board member compensation	156,474	137,276
Variable compensation	863,136	510,465
Share based compensation	748,040	863,405
	$ 3,705,983	$ 3,164,665

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. If terminated for other than just cause, the Company's executive officers are entitled to between six and twelve months' prior to written notice or payment in lieu thereof at the rate in effect at the time of termination.

Loans totaling $406,333 ($537,407 CAD) have been issued to the CEO to purchase common shares. The loans are non-interest bearing and principal is 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 share purchase loans were modified in February 2023, to be payable upon sale of shares or if the Company's share price reaches $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 December 31, 2023 was $1,412,351 (2022 - $925,968).

(In US dollars)

17. Related party transactions and commitments (continued):

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 $81,244 related party loan receivable for related tax remittances is treated as a current receivable.

The Company leases office premises from a company controlled by a Board Director. Included in the consolidated statement of financial position is $607,364 of right-of-use assets and $658,693 of lease obligations. Operating expenses under the related party lease plus commitments for other office leases have the following minimum annual payments:

	Related party commitment
2024	274,055
2025	274,055
2026	159,866
	$ 707,976

For the year ended December 31, 2023 the expense incurred under these leases was $267,768 (2022 - $211,895)

18. Financial instruments:

(a) Currency risk:

The Company reported a foreign exchange loss of $134,938 for the year ended December 31, 2023 (2022 - foreign exchange gain of $122,741). The foreign exchange loss primarily arose due to effect on our net Canadian Dollar liability position as the US Dollar weakened against the Canadian Dollar. The Company has not used derivative financial instruments to manage this risk.

As at December 31, 2023, a 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar would have decreased (increased) comprehensive loss by approximately $438,000 based on the Company’s net Canadian monetary assets as at December 31, 2023. While the Company attempts to maintain a Canadian dollar cash balance to match its short-term Canadian denominated obligations, it pays a significant portion of its expenses in Canadian denominated payments exposing it to additional Canadian currency exchange risk.

18. Financial instruments (continued):

(b) Interest rate risk:

The Company's exposure to interest rate risk is minimal as the long-term debt has a rate of interest that is subject to interest rate market fluctuation. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. The Company does not use derivative instruments to reduce its exposure to interest rate fluctuations.

(c) Credit risk:

The Company provides credit to its customers in the normal course of operations. The Company has monitoring processes to mitigate credit risk.

The carrying amount of cash and cash equivalents, accounts receivable, unbilled receivables and related party loan receivable represents the maximum exposure to credit risk and at December 31, 2023, this amounted to $11,527,676 (2022 - $10,458,943). The cash is held by the Company's banks which are large Canadian and International banks. Since the inception of the Company, no losses have been suffered in relation to cash held in bank. No allowance for credit losses other than doubtful accounts has been made.

(d) Concentration of risk:

Management determines concentration risk through regular review of areas such as customer, vendor and geographic characteristics within all financial instruments.

As at December 31, 2023, the Company has concentrated credit risk with one customer totaling 52% and another totaling 12% of its accounts receivable (2022 - one customer totaling 39% of its accounts receivable). As at December 31, 2023, the Company's aging of receivables was approximately 86% under sixty days and 14% over sixty days (2022 - 74% under sixty days and 26% over sixty days).

(e) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements.

(In US dollars)

18. Financial instruments (continued):

(e) Liquidity risk (continued):

The Company believes there is sufficient liquidity to meet its current and planned financial obligations in the foreseeable future. The Company's future financing requirements will depend on many factors including its growth rate, subscription renewal activity, the timing and extend of spending to support development of its platform, and the expansion of sales and marketing activities. The TD Bank debt matures on October 30, 2025 and while it is expected that the Company will have sufficient cash flow for it to continue operations in its present form, there is a risk that the Company may not be able to comply with long-term debt covenants, obtain sufficient other additional financing or that such arrangements may result in dilution to existing shareholders. Turmoil and uncertainty in the financial and business markets may impact the Company's ability to raise additional financing proceeds and the terms relating to the financing.

In addition to the commitments disclosed in note 17, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Years 2-3
Accounts payable and accrued liabilities	$ 3,001,921	$ 3,001,921	$ 3,001,921	$ –
Long-term debt	5,778,034	6,642,280	461,899	6,180,381
Lease obligations	1,066,130	1,162,532	353,905	808,627
	$ 9,846,085	$10,806,733	$ 3,817,725	$ 6,989,008

Fair values

The carrying values of cash and cash equivalents, accounts receivable, unbilled receivables, related party loan and accounts payable and accrued liabilities approximate their fair value due to their short-term to maturity. Long-term debt fair value approximates carrying value due to the floating market rate of interest.

18. Financial instruments (continued):

(e) Liquidity risk (continued):

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement 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 13 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 year, there were no transfers of amounts between Level 1, Level 2 and Level 3.

19. Capital management:

The Company’s objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company’s shareholders’ equity and debt. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company has not historically paid any dividends to its shareholders.

There were no changes in the Company’s approach to capital management during the period. The Company has externally imposed restrictions related to covenant calculations on its long-term debt (note 12).

(In US dollars)

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

	December 31, 2023	December 31, 2022
Accounts receivable	$ (93,469)	$ (979,872)
Investment tax credits receivable	(108,245)	(79,954)
Unbilled receivables	44,101	(52,047)
Prepaid expenses and other receivables	(176,660)	(71,324)
Contract acquisition costs	(548,324)	(169,787)
Accounts payable and accrued liabilities	315,633	152,546
Deferred revenue	2,834,712	1,064,538
	$ 2,267,748	$ (135,900)

21. Nature of expenses

The following table shows the breakdown of expenses by nature for each function on the consolidated statements of loss and comprehensive loss:

	December 31, 2023	December 31, 2022
Salaries and benefits	$ 13,416,344	$ 13,719,077
Variable compensation	2,294,630	1,792,582
Systems and administration	2,150,584	1,970,646
Advertising, promotion and marketing	1,699,300	1,913,906
Contractors and consultants	1,482,296	1,222,742
Travel and entertainment	671,362	617,436
Occupancy costs	546,315	484,965
Professional fees	379,538	350,166
Loss allowance	185,468	230,200
Amortization	158,605	146,207
Communications	135,160	166,750
Investment tax credits and other government assistance	(224,336)	(110,065)
	$ 22,895,266	$ 22,504,612

21. Subsequent Events

Subsequent to year end, the Company entered into an arrangement agreement providing for a plan of arrangement pursuant to which all the issued and outstanding shares of the Company would be acquired by 1000827877 Ontario Inc., a company controlled by Battery Ventures, for cash consideration of CDN$1.07 per share. The transaction is expected to close in the second quarter of 2024 and is subject to various regulatory and other approvals including approval by the shareholders of the Company, court approval and satisfaction of closing conditions customary for a transaction of this nature.