SUMMARY FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

March 8, 2017

The following "Summary Financial Information and Management's Discussion and Analysis of Results of Operations and Financial Condition" ("MD&A") was prepared by Management of ProntoForms Corporation ("ProntoForms" or the "Company") and approved by the Board of Directors of the Company (the "Board of Directors"). Throughout this MD&A, unless otherwise specified, "ProntoForms", "Company", "we", "us" and "our" refer to ProntoForms Corporation and its subsidiaries.

This annual MD&A discusses material changes in our financial condition, financial performance and cash flows for the years ended December 31, 2016 and 2015. Such discussion and comments on liquidity and capital resources of the Company should be read in conjunction with our audited financial statements and related notes for the years ended December 31, 2016 and 2015, which has been prepared in Canadian dollars using International Financial Reporting Standards ("IFRS").

All amounts herein are in Canadian dollars unless otherwise stated.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in the annual filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed this MD&A and the accompanying financial statements.

Alvaro Pombo, Chief Executive Officer, and David Croucher, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the annual financial report and this MD&A (the "the annual Filings") and that, based on their knowledge having exercised reasonable diligence, that (a) the annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the annual filings; and (b) the annual financial report together with the other financial information included in the annual Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the annual Filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A may constitute forward-looking statements, including those identified by the expressions such as "anticipate", "believe", "estimate", "expect", "foresee", "intend", "plan", or similar expressions to the extent that they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company's current assumptions and expectations regarding future events. Forward-looking statements in this MD&A include but are not limited to statements regarding subscriber additions, the variability of our revenues going forward, anticipated market trends and technology adoption by our customers and industry peers, anticipated growth in revenue and expenses, the potential impacts of additional expenditures on revenue growth rates, the sufficiency of cash on hand and the Company's ability to obtain financing necessary to continue operations. There can be no assurance that such statements will prove to be accurate, and actual results and future events may differ materially from those anticipated in such statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions, including but not limited to the following: (i) there can be no assurance that the Company will earn any profits in the future or that profitability, if achieved, will be sustained; (ii) if the Company is not able to achieve profitability, it will require additional equity or debt financing, and there can be no assurances that the Company will be able to obtain additional financial resources on favourable commercial terms or at all; (iii) the Company's quarterly revenues and operating results may fluctuate, which may harm its results of operations; (iv) the loss of business from a major customer, operator or other reseller could reduce the Company's sales and harm its business and prospects; (v) a portion of the Company's sales are through operators and other resellers, and an adverse change in the Company's relationship with any of such operators or other resellers may result in decreased sales; (vi) the market for software as a service is at a relatively early stage of development, and if it does not develop or develops more slowly than expected, the Company's business will be harmed; (vii) the Company faces competition from other software solution providers, which may reduce its market share or limit the prices it can charge for its software solutions; (viii) a global economic downturn or market volatility may adversely affect our business and/or our ability to complete new financings; (ix) the business of the Company may be harmed if it does not continue to penetrate markets; (x) the success of the business depends on the Company's ability to develop new products and enhance its existing products; (xi) the Company's growth depends in part on the success of its strategic relationships with third parties; (xii) the financial condition of third parties may adversely affect the Company; (xiii) the US dollar may fluctuate significantly compared to the Canadian dollar, causing reduced revenue and cash flow as most of our revenues are received in US dollars while most of our expenses are payable in Canadian dollars; (xiv) subscription services which produce the majority of the Company's revenue are hosted by a third party service for the Company and any interruption in service could harm its results of operations; (xv) the Company may be liable to its customers or third parties if it is unable to collect data or it otherwise loses data; (xvi) the Company may be liable for the handling of personal information; (xvii) intellectual property claims against the Company may be time consuming, costly to defend, and disruptive to the business; (xviii) the Company uses open source software in connection with its products which exposes it to uncertainty and potential liability; (xix) economic uncertainty and downturns in the software market may lead to decreases in the Company's revenue and margins; (xx) any significant changes in the technological paradigm utilized for building or delivering applications in Smartphone devices could harm the Company's business and prospects; and (xxi) if the Company loses any of its key personnel, its operations and business may suffer. Please see "Risk Factors Affecting Future Results" for a more complete discussion of these and other risks. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

BUSINESS OVERVIEW

The ProntoForms Solution is a mobile workflow platform used by more than 60,000 subscribers in over 3,500 businesses to collect and analyze field data with smartphones and tablets. The platform is an intuitive, secure and scalable software as a service solution for mobilizing business processes, with a low total cost of ownership. Our customers use the solution to increase productivity and reduce cost, improve quality of service and mitigate risks. We have a broad cross section of customers in diverse industries, however our prime focus is in three key markets; Energy (Utilities, Gas and Oil), Field Services and Facility Management.

We co-market our solution with multiple industry-leading brands to build market demand and we sell directly and through software and IT resellers and tier-one carriers such as AT&T. AT&T sells ProntoForms as a private label solution (AT&T Mobile Forms).

The mobile business application market that we compete in remains highly fragmented. Recent developments have seen early consolidation among niche providers focused on a narrow set of technology, or targeted to a very specific vertical industry segment. Additionally, more wireless carriers globally have App stores for business applications, and continue to invest heavily in capturing business market share. Other factors affecting our industry include the continued decline in the cost of smartphones, tablets and wireless data plans, as competition in the mobile smartphone market increases. While we do not consider these patterns to be unusual for an emerging industry, these industry dynamics, combined with our company size, suggest that the abundance of applications, devices and network service providers will continue to impact decision making and implementation cycles by our customers. As a result, our revenue will continue to have significant variability for the foreseeable future, and we caution readers that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and should not be relied upon as indications of likely future performance or annual operating results.

We remain confident that enterprises view the adoption of mobile business software solutions as a competitive requirement to their future business successes. Further, growing customer feedback continues to suggest that enterprises are finding meaningful return on investment on mobile applications, especially with the declining cost of smartphones, tablets and data plans. A growing number of enterprises are now beginning to assess the value of mobile business applications to their field operations, leaving market participants optimistic for future growth.

OUTLOOK

We believe that the smartphone and tablet platform should continue to grow in the enterprise marketplace in the next several years. Additionally, adoption of mobile-connected cloud services for data storage, sharing and analysis to measure and improve business processes is another favorable trend supporting our growth.

The ever-improving capabilities of mobile devices are making it more attractive for businesses to equip field workers with smartphones and tablets. The built-in rich media features in the devices (photos, videos, barcode scans, as well as time stamps and GPS location) combined with faster and more reliable wireless network coverage, are helping to support the market conditions for increasingly sophisticated mobile applications. As these devices continue to gain in popularity, we expect that market demand may increase for a wide variety of applications that run on mobile platforms and that we may benefit from this increased demand for applications. We also believe that with the growth in popularity of mobile devices, the market may see new device brand entrants, each with proprietary operating systems. We will need to ensure that we provide support to the devices introduced by these new entrants in order to maintain and grow our market share over time. While we believe that the recent movement from certain wireless network carriers to require device manufacturers to standardize on operating systems will continue to gain momentum, and that such a standardization will result in increased competition, this movement will likely take several years. Furthermore, we believe that our advanced commercial position with multiple tier-one carriers, and our advanced product/technology position with its open architecture approach, has positioned us to take advantage of the business mobility growth in the market over the next several years.

As at December 31, 2016, we had not yet achieved profitable operations and had accumulated losses since inception. Our success depends on our ability to increase revenues and achieve profitable operations or obtain additional financing through debt and/or equity arrangements. We believe that our cash on hand at the date of this report is sufficient to fund our operations through at least 2017.

While we currently expect that certain sales-related efforts and financing initiatives, if needed, will provide sufficient cash flow for us to continue operations in our present form, there is a risk that we may not be able to 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 our ability to raise additional financing proceeds and the terms related to the financing. If we are unable to secure required additional financing, we may not be able to meet our obligations as they come due, or to fully implement our intended plan of operations, raising substantial doubts as to our ability to continue as a going concern. There is no assurance that we will attain sufficient revenues to achieve and sustain profitability.

See “Forward Looking Statements” above.

RECENT DEVELOPMENTS

2016

During the year ended December 31, 2016, 1,549,084 common shares were issued upon the exercise of options for proceeds of $233,718.

In August 2016, the Company entered into a financing agreement with BDC Capital Inc. ("BDCC"), a wholly-owned subsidiary of Business Development Bank of Canada, for a $4 million five-year secured term credit facility bearing interest at a fixed rate of 7% per year. The credit facility provides for the disbursement of funds in stages subject to the Company meeting certain conditions. The first disbursement of $2 million was received in September 2016. Subject to specific conditions, the second disbursement of $1 million will be available to be received in March 2017 at the discretion of the Company, and the final disbursement will be available in November 2017.

In addition, pursuant to the financing agreement, BDCC received warrants entitling BDCC to acquire up to 4,350,000 common shares of the Company at a price per share of $0.45. The term of the warrants is 5 years and BDCC’s ability to exercise the warrants will be pro-rated according to the portion of the loan that has been advanced at any point in time. On September 23, 2016, 2,175,000 warrants vested, in connection to the receipt of the first disbursement of $2 million.. In addition, the bonus on sale associated with the November 27, 2012 BDCC long-term debt financing was terminated.

Furthermore, annual recurring revenue (“ARR”) growth of less than 30% will result in an increase of 1.25% in the overall interest rate. ARR growth is calculated based on the audited year-end financial statements beginning the year ended December 31, 2016.

2015

During the year ended December 31, 2015, 430,500 common shares were issued upon the exercise of options for proceeds of $76,800.

On September 21, 2015, the Company completed a private placement resulting in gross proceeds of $3,450,000. The private placement involved the sale of 11,500,000 units at an issue price of $0.30 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to acquire one common share of the Company at an additional purchase price of $0.45 per share at any time up to eighteen months from the closing date.

$2,700,000 of the proceeds were brokered and subject to commissions of $162,600 plus 542,000 compensation options that entitles the holder to purchase common shares at $0.30 per share for a period of 18 months from the closing date.

PRESENTATION OF FINANCIAL STATEMENTS

Selected Annual Financial Information

Statement of Operations Data

	Year ended December 31,		
	2016	**2015**	**2014**
Revenue	**$ 11,787,891**	$ 9,192,287	$ 6,277,250
Loss from operations	**(3,359,757)**	(2,686,506)	(1,188,120)
Net loss	**(3,721,942)**	(2,609,354)	(1,349,961)
Non-GAAP Loss from operations [1]	**(2,719,807)**	(2,076,016)	(774,569)
Non-GAAP Net loss [1]	**(2,901,863)**	(1,762,568)	(696,858)
Basic and diluted loss per share	**$ (0.04)**	$ (0.03)	$ (0.02)

	As at December 31,		
	2016	**2015**	**2014**
Cash and cash equivalents	**$ 3,861,057**	$ 3,987,388	$ 2,305,625
Net working capital [1]	**1,836,864**	4,299,347	2,894,872
Total assets	**6,215,072**	7,243,792	4,588,603
Long-term liabilities [2]	**1,803,438**	1,820,451	1,584,155
Total liabilities	**5,674,996**	4,306,413	2,929,660
Total shareholders' equity	**$ 540,076**	$ 2,937,379	$ 1,658,943

[1] Net working capital includes a reduction for the current portions of long-term debt and derivatives and does not include proceeds that are potentially availalbe and not yet drawn.

[2] Long-term liabilities excludes the current portion of the long-term debt and derivative liability

DISCUSSION OF OPERATIONS

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

	Year ended December 31, 2016	Year ended December 31, 2015	Change from 2015 to 2016	
Revenue				
Recurring revenue	**$ 10,621,011**	$ 8,101,311	$ 2,519,700	31%
Professional and other services	**1,166,880**	1,090,976	75,904	7%
	11,787,891	9,192,287	2,595,604	28%
Cost of revenue				
Recurring revenue	**1,137,774**	786,881	350,893	45%
Professional and other services	**990,836**	1,103,351	(112,515)	-10%
	2,128,610	1,890,232	238,378	13%
Gross margin	**9,659,281**	7,302,055	2,357,226	32%
Expenses				
Research and development	**4,101,109**	2,877,484	1,223,625	43%
Selling and marketing	**6,083,639**	4,743,965	1,339,674	28%
General and administrative	**2,834,290**	2,367,112	467,178	20%
	13,019,038	9,988,561	3,030,477	30%
Loss from operations	**(3,359,757)**	(2,686,506)	(673,251)	25%
Foreign exchange gain (loss)	**(58,748)**	398,859	(457,607)	nm
Interest and accretion	**(262,023)**	(182,111)	(79,912)	nm
Change in fair value of derivative liability	**(41,414)**	(139,596)	98,182	nm
NET LOSS AND COMPREHENSIVE LOSS	**$ (3,721,942)**	$ (2,609,354)	(1,112,588)	43%

nm - not considered meaningful

The Company had a net loss of $3,721,942 for the year ended December 31, 2016 compared to a net loss of $2,609,354 for the year ended December 31, 2015. Non-GAAP net loss (see Non-GAAP Measures below) was $2,901,863 for the year ended December 31, 2016 compared to $1,762,568 in 2015.

Loss from operations (see Additional GAAP Measures below) was $3,359,757 for the year ended December 31, 2016 up from $2,686,506 for the year ended December 31, 2015 representing an increased operating loss of $673,251 or 25%. The increase in operating loss over 2015 can be attributed to a conscious approach to add more operational and sales productivity and product development. The Non-GAAP loss from operations (see Non-GAAP Measures below) was $2,719,807 for the year ended December 31, 2016 compared to $2,076,016 in 2015.

We anticipate that revenue will continue to grow for the foreseeable future as the recurring revenue base continues to increase. We have increased our growth in operating expenses in 2016 with the intention of adding more operational and sales productivity to create a positive impact on revenue growth rates in future periods. See "Forward Looking Statements" above.

Revenue

We earn recurring revenue primarily from our ProntoForms and related services provided on a subscription basis. Recurring revenue also includes maintenance and support earned from legacy license implementations.

We also generate other services revenue by offering professional services such as consultancy, form customization, software integration and installation. Subsequent to the initial license sale, customers may purchase additional professional services for the development of incremental forms, or integration to other back-office applications.

Our revenue is generated through a combination of direct and indirect sales. We have entered into distribution agreements with several resellers across North America, South America and Western Europe, as well as certain system integrators, mobile device manufacturers, and mobile operators. Our current focus is on building our direct sales team as we believe this provide us with the best opportunity for broad based subscription revenue growth. We expect that this increasingly global distribution network will provide us with broad worldwide reach to capitalize on the expected growth in the mobile business application software market.

Revenue detail – annual

	Year ended			
	December 31, 2016	December 31, 2015	Change from 2015 to 2016	
Revenue				
Recurring revenue	$ 10,621,011	$ 8,101,311	$ 2,519,700	31%
Professional services revenue	778,330	497,177	281,153	57%
Other services revenue	388,550	593,799	(205,249)	-35%
	11,787,891	9,192,287	2,595,604	28%

Total revenue for the year ended December 31, 2016 was $11,787,891 compared to $9,192,287 for the year ended December 31, 2015 representing an increase of 28%.

Recurring revenue for the year ended December 31, 2016 was $10,621,011 compared to $8,101,311 in 2015 representing an increase of 31%. Approximately 87% of the recurring revenue base is in US dollars and the strengthening of the US dollar against the Canadian dollar had an impact on our recurring revenue growth and results.

Recurring revenue from non-operator channel increased to $5,785,939 for the year ended December 31, 2016, compared to $3,536,063 for 2015, representing non-operator revenue growth of 64%. Non-operator recurring revenue continues to show consistent growth and represents 54% of recurring revenue for the year ended December 31, 2016, compared to 44% in 2015.

Recurring revenue from operator channels increased to $4,835,072 for the year ended December 31, 2016 compared to $4,565,248 for 2015, representing operator revenue growth of 6%. Growth in operator recurring revenue tends to fluctuate from quarter to quarter depending on the variability of larger deals closing, and changes in their sales operations. In 2014, we launched a "standard" version of our product which sells for approximately half the price of our "professional" version. We realized $628,449 of revenue on this new product included in recurring revenue for the year ended December 31, 2016, compared to $555,033 for 2015. We do not plan to report revenue results on the standard product going forward.

We believe that our recurring revenue growth can be impacted by our operational expenditures and more specifically sales and marketing efforts. In 2016, we increased spending and operating expenses by 30% due to increase spend in sales and marketing efforts and product development to impact revenue growth rates. See "Forward Looking Statements" above.

Professional and other services revenue

Professional and other services revenue increased to $1,166,880 in 2016 from $1,090,976 in 2015. Professional services increased by 57% over prior period from $494,177 in 2015 to $778,330 in 2016.

Other services revenue decreased by 35% over prior period from $593,799 in 2015 to $388,550 in 2016. Revenue from these contracts is recognized as the services are performed and is subject to variability from the availability of contracts from customers and availability of resources to perform the work due to competing marketing and product development objectives.

Cost of Revenue and Gross Margin

Cost of revenue for recurring revenue consists of hosting, software and support department costs related to recurring revenue. Cost of revenue for professional and other services includes personnel and other costs for deployment and analytics services and other marketing and development costs as needed.

	Year ended	
	December 31, 2016	December 31, 2015
Gross Margin On:		
Total revenue	82%	79%
Recurring revenue	89%	90%
Professional and other services	15%	-1%

Total revenue gross margin for the year ended December 31, 2016 was $9,659,281 representing 82% of revenue compared to $7,302,055 representing 79% for the year ended December 31, 2015.

Recurring revenue gross margin was $9,483,237 representing 89% of recurring revenue in 2016, compared $7,314,430 representing 90% in 2015.

Professional and other services gross margin was $176,044 in 2016 or 15% compared to ($12,375), representing a negative margin of 1% in 2015.

Research and Development Expenses

Research and development expenses consist primarily of remuneration paid to engineering personnel and independent contractors whom we occasionally use to provide additional technical capacity on a short-term basis. Other research and development expenses include travel, rent and other occupancy costs for our engineering and technical support personnel.

For the year ended December 31, 2016, research and development expense increased to $4,101,109 from $2,877,484 for 2015. Research and development expenses are shown net of investment tax credits ("ITC's") of approximately $120,000 and proceeds from other Government programs of approximately $177,000 for 2016 compared to $138,000 of ITC's and other Government proceeds of approximately $35,000 for the same period in 2015. We expect that the ITC's will accrue at approximately $25,000 to $30,000 per quarter in the short term and we will continue to pursue additional funding under Government funding programs.

Gross research and development costs increased over the course of 2016 as we added resources to speed development of the product. We expect R&D expense to grow at a moderate pace into 2017.

Selling and Marketing Expenses

Our sales and marketing expenses consist primarily of compensation, including sales commissions, paid to our sales and marketing personnel. Other significant sales and marketing expenses include travel and living costs for the sales and marketing staff, and other advertising, promotion and trade show costs.

Our sales and marketing expenses increased in the year ended December 31, 2016 to $6,083,639 from $4,743,965 for 2015. Sales and marketing expense increased from prior year primarily due to an increased number of sales representatives and increased spending on other advertising, promotion, and trade shows. We expect that sales and marketing expense will increase with added resources and with the accrual of variable sales compensation on increased sales.

General and Administrative Expenses

Our general and administrative expenses consist primarily of remuneration paid to executive, finance, legal and corporate administrative staff. Other significant general and administrative expenses include legal and accounting professional fees, travel and insurance.

Our general and administrative expenses increased to $2,834,290 for the year ended December 31, 2016 compared to $2,367,112 for the same period in 2015. We expect that general and administrative expenses will continue to increase moderately as we add infrastructure to support growth in operations and subscribers.

Foreign Exchange Gain (Loss) and Interest Expense

Foreign exchange gain (loss) relates primarily to the impact of the relative strength of the Canadian dollar against the US dollar on US originated revenues and net receivables. The Company realized a loss of approximately $59,000 in 2016 due to the effect on net US dollar monetary assets from the US dollar decreasing in value compared to the Canadian dollar. The 2016 loss consists of a first quarter loss of $158,000 offset by gains accumulating to approximately $99,000 for the remainder of 2016.

Interest and accretion

Interest and accretion relates to interest of 8.5% per annum that is accrued and paid monthly on the $1,000,000 BDCC 2012 loan plus accretion of the discounts applied at the inception of the loan resulting from loan costs and the bifurcation of the derivative liabilities from the loan amount.

In addition, interest and accretion relates to interest of 7% per annum that is accrued and paid monthly on the $2,000,000 BDCC 2016 loan. In addition, accretion of the discounts applied at the inception of the loan resulting from loan costs and the bifurcation of the derivative liability and the warrants issued to the debt holder from the loan amount.

Change in fair value of derivative liability

The derivative liability relates to bonus payments as a percentage of future sales of the Company. The derivative liability is revalued by management at the end of each reporting period. The sales related derivative will be settled in equal tranches from June 2017 through November 2017.

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

	Three months ended December 31, 2016	Three months ended December 31, 2015	Change from Q42015 to Q42016		Three months ended September 30, 2016	Change from Q32016 to Q42016	
Revenue							
Recurring revenue	**$ 2,801,858**	$ 2,425,310	$ 376,548	16%	$ 2,693,546	108,312	4%
Professional and other services	**221,355**	333,669	(112,314)	-34%	335,314	(113,959)	-34%
	3,023,213	2,758,979	264,234	10%	3,028,860	(5,647)	0%
Cost of revenue							
Recurring revenue	**300,620**	252,971	47,649	19%	281,135	19,485	7%
Professional and other services	**226,778**	322,764	(95,986)	-30%	261,108	(34,330)	-13%
	527,398	575,735	(48,337)	-8%	542,243	(14,845)	-3%
Gross margin	**2,495,815**	2,183,244	312,571	14%	2,486,617	9,198	0%
Expenses							
Research and development	**1,099,487**	833,419	266,068	32%	947,062	152,425	16%
Selling and marketing	**1,480,061**	1,439,342	40,719	3%	1,538,770	(58,710)	-4%
General and administrative	**830,021**	669,454	160,567	24%	720,502	109,519	15%
	3,409,569	2,942,215	467,354	16%	3,206,334	203,235	6%
Loss from operations	**(913,754)**	(758,971)	(154,783)	20%	(719,717)	(194,037)	27%
Foreign exchange gain (loss)	**60,629**	139,132	(78,503)	nm	20,757	39,872	nm
Interest and accretion	**(106,941)**	(46,534)	(60,407)	nm	(56,637)	(50,304)	nm
Change in fair value of derivative liability	**(50,595)**	(36,602)	(13,993)	nm	36,693	(87,288)	nm
NET LOSS AND TOTAL COMPREHENSIVE LOSS	**$ (1,010,661)**	$ (702,975)	(307,686)	44%	$ (718,904)	(291,757)	41%

nm - not considered meaningful

The Company had a net loss of $1,010,661 for the quarter ended December 31, 2016 compared to a net loss of $702,975 for the quarter ended December 31, 2015. Loss from operations (see Additional GAAP Measures below) was $913,754 for the quarter ended December 31, 2016 up from $758,971 for the quarter ended December 31, 2015 representing an increase in operating loss of $154,783.

Non-GAAP operating loss (see Non-GAAP Measures below) was $621,708 for the quarter ended December 31, 2016 up from $584,892 for the comparable fourth quarter of 2015 and down from $649,203 for the previous third quarter of 2016. We increased our operating expenses in 2016 with the intention of adding more operational and sales productivity to have a positive impact on revenue growth rates in later periods and to speed development of the product. See "Forward Looking Statements" above.

Non-GAAP loss (see Non-GAAP Measures below) was $616,799 for the quarter ended December 31, 2016 up from $466,919 for the comparable fourth quarter of 2015 and down from $651,139 for the previous third quarter of 2016.

Revenue detail – fourth quarter

	Three months ended December 31, 2016	Three months ended September 30, 2016	Three months ended December 31, 2015	Change from Previous 2016 Q3	Change from Comparable 2015 Q4
Revenue					
Recurring revenue	$ 2,801,858	$ 2,693,546	$ 2,425,310	4%	16%
Professional services revenue	185,280	199,063	187,870	-7%	-1%
Other services revenue	36,075	136,251	145,799	-74%	-75%
	3,023,213	3,028,860	2,758,979	0%	10%

Total revenue for the fourth quarter of 2016 was $3,023,213 and remained flat over total revenue for the 2016 third quarter of $3,028,860 and 10% growth over total revenue of $2,758,979 for the quarter ended December 31, 2015.

Recurring revenue for the three months ended December 31, 2016 was $2,801,858 compared to $2,693,546 in the third quarter of 2016 representing a sequential increase of 4% and compared to $2,425,310 for the fourth quarter in 2015 representing an increase of 16%.

Recurring revenue from non-operator channels increased to $1,683,520 in the fourth quarter of 2016 from $1,502,510 in the third quarter of 2016, representing non-operator revenue increase of 12% over previous quarter and 53% increase over the 2015 fourth quarter non-operator recurring revenue of $1,098,170.

Recurring revenue from operator channels increased to $1,118,338 in the fourth quarter of 2016 from $1,191,036 in the third quarter of 2016, representing operator revenue decrease of 6% over previous quarter and 16% decrease over the 2015 fourth quarter operator recurring revenue of $1,327,140.

Professional and other services revenue was $221,355 for the fourth quarter of 2016 compared to $335,314 in the third quarter of 2016 and $333,669 for the comparable fourth quarter in 2015.

Professional services revenue was $185,280 for the fourth quarter of 2016, compared to $199,063 in the third quarter of 2016 and $187,870 for the comparable fourth quarter in 2015.

Other services revenue was $36,075 for the fourth quarter of 2016 compared to $136,251 in the third quarter of 2016 and $145,799 for the comparable fourth quarter in 2015.

Gross margin – quarterly detail

	Three months ended		
	December 31, 2016	September 30, 2016	December 31, 2015
Gross Margin On:			
Total revenue	83%	82%	79%
Recurring revenue	89%	90%	90%
Professional and other services	-2%	22%	3%

Total revenue gross margin for the fourth quarter of 2016 was $2,495,815 representing 83% of revenue compared to gross margin of $2,486,617 representing 82% in the 2016 third quarter, and $2,183,244 representing 79% of revenue in the 2015 fourth quarter.

Recurring revenue gross margin was $2,501,238 representing 89% of recurring revenue in 2016, compared $2,412,411 representing 90% in the 2016 third quarter, and $2,172,339 representing 90% in the 2015 fourth quarter.

Professional and other services revenue margin was ($5,423) in fourth quarter of 2016 representing a negative margin of 2% compared to $74,206 or 22% in the 2016 third quarter, and $10,905 or 3% in the 2015 fourth quarter.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had cash and cash equivalents of $3,861,057 and net working capital of $1,836,864. Net working capital includes a reduction for the current portions of long-term debt and derivatives and does not include the additional $2M that is potentially available under the BDCC 2016 Loan that has not yet been drawn. We manage our capital, being cash and cash equivalents, shareholders' equity and debt, with the primary objective of safeguarding working capital for use in operations. We may periodically use debt in the future to finance capital requirements. The Board of Directors has not established capital benchmarks or other targets.

Operations

Cash used in operating activities for the year ended December 31, 2016 totaled $2,035,160 compared to $1,251,194 for 2015. The increase in cash used in operations can primarily be attributed to an increase in net loss of $1,113,000 offset by an increase in changes in cash from working capital items of $251,000 compared to 2015.

We intend to continue to increase spending with the objective of growing our subscriber base and resulting revenues but we plan to control the amount we spend so that the net cash outflow from operations is managed against available liquidity and operational targets. See "Forward Looking Statements" above.

Financing Activities

On August 29, 2016 the Company entered into a financing agreement with BDCC for a $4 million five-year secured term credit facility bearing interest at a fixed rate of 7% per year. The credit facility provides for the disbursement of funds in stages subject to the Company meeting certain conditions. The first disbursement of $2 million was received in September 2016. Subject to specific conditions, the second disbursement of $1 million will be available to be received in March 2017 at the discretion of the Company, and the final disbursement will be available in November 2017. (*see Recent Developments above for additional detail*)

During the year ended December 31, 2016, 1,549,084 common shares were issued upon the exercise of options for proceeds of $233,718.

Investing Activities

Purchases of property and equipment increased from $175,532 for the year ended December 31, 2015 to $268,641 for the year ended December 31, 2016 and relate primarily for computers and office equipment for the day to day activities of employees. Purchases of intangibles decreased from $155,745 for the year ended December 31, 2015 to $10,341 for the year ended December 31, 2016 and relate to the purchase of new sales methodology and framework intellectual property and computer software. We currently have no material commitments for capital expenditures.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on July 24, 2014, and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 16 – Leases ("IFRS 16")

The IASB issued a new standard, IFRS 16 on January 13, 2016, which supersedes IAS 17 Leases. The new standard brings most leases on the balance sheet for lessees under a single model and eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged. The new standard will come into effect for periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements and will be applying retrospective application of this standard.

RELATED PARTY TRANSACTIONS, OTHER OBLIGATIONS AND CONTINGENCIES

We lease office premises from a company controlled by the Chairman of the Board. On, January 26th, 2016, we signed a new seven year lease from the same company that will commence August 2016 through to July 2023. The current lease will be terminated by the landlord immediately prior to commencement of the new lease. In addition to lease payments, we have insignificant software as a service commitments. The existing and new leases, and software commitments have the following minimum annual payments:

	$
2017	843,181
2018	843,181
2019	791,619
2020	756,501
2021	765,706
2022 and beyond	1,237,539

For the year ended December 31, 2016, the expense incurred under this lease was $487,685 (2015 - $242,456). The Company had $Nil (December 31, 2015 - $Nil) owing related to rent associated with these leased premises at December 31, 2016.

Loans totaling $537,407 have been issued to the CEO to purchase common shares. The loans are non-interest bearing and principal is repayable at any time on or before the maturity dates. During the year ended December 31, 2016, the maturity dates of the CEO Share Purchase Loans were extended to September 5, 2017.

The 2,668,488 common shares acquired under the CEO Share Purchase Loans are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the sale of the common shares or upon the termination of employment, subject to certain conditions being met. The market value of the underlying common shares for the CEO Share Purchase Loans as at December 31, 2016 was $720,492.

1,386,000 common shares were issued during the year ended December 31, 2016 to certain Management and Members of the Board of Directors upon the exercise of options at an average exercise price of $0.15.

The following table provides a summary of the rent and the Company's other contractual obligations outstanding as at December 31, 2016:

	Payments due by period			
	Total	**Less than 1 year**	**1-3 Years**	**Greater than 3 Years**
Office and equipment lease obligations	$ 5,237,728	$ 843,181	$ 2,391,301	$ 2,003,246
Derivative Liability – BDCC Loan	1,136,395	911,395	75,000	150,000
Long-term Debt - BDCC Loan	3,000,000	1,000,000	-	2,000,0000
	$ 9,374,123	$ 2,754,576	$ 2,466,301	$ 4,153,246

SUMMARY OF OUTSTANDING SHARES AND DILUTIVE INSTRUMENTS

The authorized capital of the Company consists of an unlimited number of common shares, of which 93,187,918 common shares were issued and outstanding as of the date of this MD&A. In addition, the Company has warrants outstanding to purchase up to an aggregate of 10,100,000 common shares (including 2,175,000 shares under warrants that are not vested under the BDCC 2016 Loan) and agents' warrants to purchase an additional 542,000 common shares.

The stock option plan (the "Option Plan") of the Company is administered by the Board of Directors, which is responsible for establishing the exercise price (at not less than the Discounted Market Price as defined in the policies of the TSX Venture Exchange) and the vesting and expiry provisions. The maximum number of common shares reserved for issuance for options that may be granted under the Option Plan is 12,429,583. Options granted under the Option Plan to purchase up to an aggregate of 9,486,999 common shares are issued and outstanding.

Assuming that all of the outstanding options and warrants are vested and exercised, 113,316,917 common shares would be issued and outstanding on a fully diluted basis.

QUARTERLY INFORMATION

	Three months ended December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenue	$ 3,023,213	$ 3,028,860	$ 2,879,573	$ 2,856,245
Loss from operations	(913,754)	(719,717)	(827,408)	(898,878)
Net loss and comprehensive loss	(1,010,661)	(718,904)	(864,704)	(1,127,673)
Weighted average number of shares outstanding, basic and diluted	90,489,865	90,421,333	89,350,391	89,023,423
Net loss per common share, basic and diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

	Three months ended December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Revenue	$ 2,758,979	$ 2,416,162	$ 2,149,367	$ 1,867,779
Loss from operations	(758,971)	(630,735)	(571,908)	(724,892)
Net loss and comprehensive loss	(702,975)	(560,737)	(709,293)	(636,349)
Weighted average number of shares outstanding, basic and diluted	88,906,351	78,327,846	77,140,154	77,039,846
Net loss per common share, basic and diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

The financial data in the preceding tables was prepared in accordance with IFRS and is presented in Canadian dollars.

ADDITIONAL GAAP AND NON-GAAP MEASURES

This MD&A makes reference to certain Additional GAAP and Non-GAAP financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use Loss from Operations as an Additional GAAP Measure and we use Non-GAAP financial measures, including Non-GAAP Loss from Operations and Non-GAAP Net Loss, to provide investors with supplemental measures of our operating performance and to highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

Loss from Operations

The Company uses "Loss from Operations" as an additional GAAP financial measure within the financial statements and MD&A but it is not a defined term under IFRS to assess performance. Management believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period.

Loss from operations is calculated as total revenues less total operating expenses derived from the Consolidated Statements of Comprehensive Loss. It is used by management to analyze operating performance but it is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

Non-GAAP Loss from Operations

The Company uses "Non-GAAP Loss from Operations" as a non-GAAP financial measure within the MD&A but it is not a defined term under IFRS to assess performance. Non-GAAP Loss from Operations is calculated as follows:

	Year ended December 31,	
Non-GAAP Loss from Operations	**2016**	**2015**
GAAP Loss from Operations	(3,359,757)	(2,686,506)
Add back:		
Share based compensation	639,950	610,490
	(2,719,807)	(2,076,016)

	Three months ended		
Non-GAAP Loss from Operations	December 31, 2016	September 30, 2016	December 31, 2015
GAAP Loss from Operations	(913,754)	(719,717)	(758,971)
Add back:			
Share based compensation	292,046	70,514	174,079
	(621,708)	(649,203)	(584,892)

Management use this information to measure operating results in relation to available working capital and cash and believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period. We believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers.

Non-GAAP Net Loss

The Company uses "Non-GAAP Net Loss" as a non-GAAP financial measure within the MD&A but it is not a defined term under IFRS to assess performance. Non-GAAP Loss from Operations is calculated as follows:

	Year ended December 31,	
Non-GAAP Net Income (Loss)	**2016**	**2015**
GAAP Net Loss	(3,721,942)	(2,609,354)
Add back:		
Share based compensation	639,950	610,490
Accretion on long-term debt	138,715	96,700
Change in fair value of derivative	41,414	139,596
	(2,901,863)	(1,762,568)

	Three months ended		
Non-GAAP Net Loss	December 31, 2016	September 30, 2016	December 31, 2015
GAAP Net Loss	(1,010,661)	(718,904)	(702,975)
Add back:			
Share based compensation	292,046	70,514	174,079
Accretion on long-term debt	51,221	33,944	25,375
Change in fair value of derivative	50,595	(36,693)	36,602
	(616,799)	(651,139)	(466,919)

Management use this information to measure financial results in relation to available working capital and cash and believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period. We believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers.

RISK FACTORS AFFECTING FUTURE RESULTS

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.

Risks Related to the Business

Lack of Profitability

At December 31, 2016, the Company had not yet achieved profitable operations and has accumulated losses since inception. There is no assurance that the Company will earn any profits in the future, or that profitability, if achieved, will be sustained. If the Company is not able to achieve profitability, it will require additional equity or debt financing, and there can be no assurances that the Company will be able to obtain additional financial resources on favourable commercial terms or at all. Failure to obtain such additional financial resources could affect the Company's plans for growth, or result in it being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the Company's business and its financial condition.

The Company's quarterly revenues and operating results may fluctuate, which may harm its results of operations

The Company recognizes subscription and support revenue over the terms of its customer agreements. As a result, most of the Company's quarterly revenue results from agreements that commenced in previous quarters. Consequently, a shortfall in demand for the Company's applications in any quarter may not significantly reduce its subscription and support revenue for that quarter, but could negatively affect subscription and support revenue in future quarters.

Some of the factors affecting the Company's revenue and results, many of which are outside of its control, include:

- competitive conditions in the Company's industry, including new products, product announcements and incentive pricing offered by its competitors;

- the Company's ability to hire, train and retain sufficient technical, sales, and professional services staff;

- the Company's ability to maintain existing relationships with channel partners and customers and to create new relationships with potential channel partners and customers;

- varying size, timing and contractual terms of orders for the Company's licenses or other services, which may delay the recognition of revenue;

- the discretionary nature of the Company's customers' purchase and budget cycles and changes in their budgets for, and timing of, software, equipment and related purchases;

- the length and variability of the sales cycles for the Company's products;

- order cancellations;
- market acceptance of new and enhanced versions of the Company's software applications;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the Company's ability to complete its service obligations related to sales in a timely manner;
- general weakening of the economy resulting in a decrease in the overall demand for the Company's applications and services;
- the geographical mix of the Company's sales, together with fluctuations in foreign currency exchange rates;
- changes in personnel and related costs;
- changes in the Company's pricing policies and the pricing policies of its competitors; and
- timing of product development and new product initiatives.

Because the Company's quarterly revenue could be dependent upon a relatively small number of large customer deployments, even minor variations in the rate and timing of conversion of its sales prospects into revenue could cause the Company to plan or budget inaccurately, and those variations could adversely affect its financial results.

In addition, because the expenses associated with generating customer agreements are generally incurred up front, but the resulting subscription and support revenue is recognized over the life of the customer agreement, increased growth in the number of customers may result in the Company's recognition of more upfront costs than offsetting subscription and support revenue in the earlier periods of the terms of the Company's agreements.

In light of the foregoing, quarter-to-quarter comparisons of the Company's operating results are not necessarily meaningful and should not be relied upon as indications of likely future performance or annual operating results. Reductions in revenue or net income between quarters or the Company's failure to achieve expected quarterly earnings per share could cause the market price of the common shares to decline or have a material adverse effect on its business, financial condition and results of operations.

Reliance on major customers, operators or other resellers

The Company currently relies on a limited number of major customers, operators and other resellers for a significant portion of its revenues. The loss of business from a major customer and an adverse change in the Company's relationship with any operators or other resellers could reduce the Company's sales and harm its business and prospects. If the Company is unable to retain and expand its business with key customers, operators and other resellers on favourable terms, or develop new relationships with customers, operators or other resellers, then the business, financial condition and results of operations of the Company could be adversely affected.

The Company's business may be harmed if it does not continue to penetrate markets and continue to grow

If the Company fails to further penetrate its core markets and existing geographic markets, or to successfully expand its business into new markets or through the right sales channels, the growth in sales of the Company's products, along with its operating results, could be negatively impacted. Some of the Company's competitors are larger and better capitalized and as a result, they may be better able to expand more quickly and through more sales channels. Some of the Company's competitors provide end-to-end solutions. If the various core markets in which the Company's products are offered fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish new markets for its products, the Company's business, operating results and financial condition could be materially adversely affected.

The Company's success depends on its ability to develop new products and enhance its existing products

The markets for the Company's products are competitive and are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To keep pace with the technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, the Company must enhance and improve existing products and it must continue to introduce new products and services. Currently, the Company's products embody complex technology and are designed to be compatible with current and evolving industry standards. If the Company is unable to successfully develop new products or enhance and improve its existing products or if it fails to position and/or price its products to meet market demand, the Company's business and operating results will be adversely affected. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development that could adversely affect its operating results. Further, any new products the Company develops could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue. As the Company develops new products, they may render some of its older products redundant or obsolete. As the Company discontinues the sale of these older products, it must manage the supplier commitments and customer expectations. If the Company is unable to properly manage the possible discontinuation of these older products, it could have a material adverse effect on its business, financial condition and results of operations.

Subscription services are hosted by a third party service for the Company

Subscription services, which produce the majority of the Company's revenue, are hosted by a third party services for the Company. The success and growth of the Company's subscription services are highly dependent on the Company's ability to provide reliable services. Any interruption in service could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be liable to its customers or third parties and may lose customers if it is unable to collect data or it otherwise loses data

Because of the large amount of data that the Company collects and manages through the activities of its customers using the Company's application, it is possible that errors in the Company's systems or in third party systems used by the Company to deliver its service could cause the information that it collects to be incomplete or contain inaccuracies that the Company's customers or third parties regard as significant. Furthermore, the Company's ability to collect and report data may be interrupted by a number of factors, including its inability to access the Internet, the failure of its network or software systems or third party network or software systems relied upon by the Company, security breaches or computer viruses. The Company may be liable to its customers or third parties for damages they may incur resulting from such events. The Company's errors and omissions insurance may be inadequate to compensate the Company for such liability, may not cover all claims or may not be available in the future on acceptable terms or at all. In addition, if the Company supplies inaccurate or incomplete information or experiences interruptions in its ability to capture, store and supply information in real time or at all, the Company's reputation could be harmed and it could lose customers. The Company currently carries professional liability errors & omissions insurance of $3 million to cover the risk of significant loss due to errors made by its employees or technology systems that result in third-party claims against the Company.

The Company may be liable for the handling of personal information

Personal information collected by the Company's customers using the Company's applications is stored on handheld devices that are not owned by the Company and is temporarily stored on servers that are owned by the Company or third parties contracted by the Company. Government bodies and agencies around the world have adopted or are considering adopting laws regarding the collection, use and disclosure of personal information. The Company's compliance with privacy laws and regulations and its reputation among the public may depend on its customers' adherence to such laws and regulations.

The Company relies on representations made to it by its customers that their own use of the Company's application and the information collected by them via the Company's application do not violate any applicable privacy laws or regulations. If these representations are false, if the Company's customers do not comply with applicable privacy laws and regulations or if personal information is compromised at the customer level or on servers owned or used by the Company, the Company could face potential adverse publicity and possible legal or other regulatory action.

Failure to manage the Company's growth successfully may adversely impact its operating results

The growth of the Company's operations places a strain on managerial, financial and human resources. The Company's ability to manage future growth depends upon a number of factors, including its ability to rapidly:

- build and train sales and marketing staff to create an expanding presence in the evolving marketplace for the Company's products, and to keep staff informed regarding the technical features, issues and key selling points of its products;

- attract and retain qualified technical personnel in order to continue to develop reliable and saleable products and services that respond to evolving customer needs;

- expand its distribution channels to ensure that resellers across multiple industry and geographic segments will perceive the Company as a credible market participant and reliable supplier that will enable the profitable growth of their business;

- develop customer support capacity as sales increase, so that the Company can deliver cost-effective scalable support services to support its sales efforts in a manner that does not divert resources from product development efforts; and

- expand the Company's internal management, financial and IT controls significantly, so that it can maintain control over its operations and provide support to other functional areas within the Company's business as the number of personnel and size of its business increases.

Any failure to manage the Company's growth or achieve profitability could have a material adverse effect on its business, financial condition or results of operations.

The Company may lose sales, or sales may be delayed, due to the long sales and implementation cycle for its products

The Company's customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase the Company's applications. Generally, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take many months after the Company's first contact with a customer before a sale can actually be completed. The Company may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of the Company's products varies among its customers and may last several months, depending on its customers' needs, the resources they apply to a project and the products deployed.

During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example:

- purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty;

- the Company or its competitors may announce or introduce new products; or

- the customer's own budget and purchasing priorities may change.

If these events were to occur, sales of the Company's products or services may be cancelled or delayed, which would reduce its revenue.

If the Company is required to change its pricing models to compete successfully, its margins and operating results may be adversely affected

The highly competitive market in which the Company conducts its business may require the Company to reduce its prices. If the Company's competitors offer discounts on certain products or services in an effort to recapture or gain market share of other software products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such change would likely reduce its margins and could adversely affect its operating results. Some of the Company's competitors may bundle software products that compete with the Company for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that the Company can charge for its products. If the Company cannot offset price reductions with a corresponding increase in the number of sales or with lower spending, then the reduced software licence revenue resulting from lower prices would adversely affect its margins and operating costs.

The Company's growth depends in part on the success of its strategic relationships with third parties.

The Company anticipates that it will increasingly depend on various third-party relationships in order to grow its business. In addition to growing its indirect sales channels, the Company intends to pursue additional relationships with other third parties, such as implementation partners and technology and content providers. The Company also intends to have third parties perform more professional services. Identifying partners and negotiating and documenting relationships with them require significant time and resources as does integrating third-party content and technology. The Company's agreements with technology and content providers are typically non- exclusive and do not prohibit them from working with the Company's competitors or from offering competing services. The Company's competitors may be effective in providing incentives to third parties, including its partners, to favour their products or services or to prevent or reduce subscriptions to the Company's application suite either by disrupting the Company's relationship with existing customers or by limiting its ability to win new customers. In addition, global economic conditions could adversely affect the businesses of the Company's partners, and it is possible that they may not be able to devote the additional resources the Company's expects to the relationship. Although the Company believes that it has a good relationship with its existing third parties and partners, if the Company is unsuccessful in establishing or maintaining its relationships with these third parties, the Company's ability to compete in the marketplace or to grow its revenue could be impaired and its operating results would suffer. Even if it is successful, continued establishment and maintenance of these third party relationships may not result in increased customer usage of the Company's application suite or revenue.

The financial condition of third parties may adversely affect the Company

The Company relies on third party suppliers to provide it with components and services necessary for the completion and delivery of its products. In addition, the Company periodically outsources limited aspects of the development and testing of its products to third parties and a significant increase in the price of the services provided by these third parties, or delays in their deliveries, could have a material adverse effect on the Company's business, financial condition and results of operations. In the event that any of the third parties with whom the Company has significant relationships, including its channel partners and third party suppliers, files a petition in or is assigned into bankruptcy or becomes insolvent, or makes an assignment for the benefit of creditors or makes any arrangements or otherwise becomes subject to any proceedings under bankruptcy or insolvency laws with a trustee, or a receiver is appointed in respect of a substantial portion of its property, or such third party liquidates or winds up its daily operations for any reason whatsoever, then the Company's business, financial position and results of operations may be materially and adversely affected.

The Company's success depends in part on its ability to protect its rights in its intellectual property

The Company relies on various intellectual property protections, including contractual provisions, patents, copyright, trade secrets, trademarks and know-how to preserve its intellectual property rights. Although it currently has patents and patent applications, most of the Company's core technology is primarily protected by trade secrets and copyright. The Company typically enters into agreements with its employees, consultants, customers, channel partners and vendors in an effort to control ownership of its intellectual property and access to and distribution of its software, documentation and other proprietary information. Despite these precautions, there may be authors of some of the intellectual property that forms part of the Company's software products who have not assigned their intellectual property rights to the Company and who have not waived their moral rights with respect thereto. The steps the Company takes may not prevent misappropriation of its intellectual property, and the agreements it enters into may not be enforceable. It may also be possible for third parties to obtain and use the Company's intellectual property without its authorization. Policing unauthorized use of intellectual property is difficult, time-consuming and costly. Further, some foreign laws do not protect proprietary rights to the same extent as the laws of Canada or the United States. Trademark protection is an important factor in establishing product recognition. The Company's ability to protect its trademarks from infringement could result in injury to any goodwill which may be developed in its trademarks. Moreover, the Company may be unable to use one or more of its trademarks because of successful third party claims. To protect its intellectual property, the Company may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of its business or adversely affect its revenue, financial condition and results of operations.

Intellectual property claims brought against the Company could be time consuming, costly to defend and disruptive to its business

The Company cannot determine with certainty whether any existing third party patents or the issuance of any third party patent would require the Company to alter its technology, obtain licenses or cease certain activities. The Company may become subject to claims by third parties that its technology infringes their property rights due to the growth of software products in the Company's target markets, the overlap in functionality of these products and the prevalence of software products. The Company may become subject to these claims either directly or through indemnities against these claims that it routinely provides to its customers. Litigation may be necessary to determine the scope, enforceability and validity of such third party proprietary rights or to establish the Company's proprietary rights. Some of the Company's competitors have substantially greater resources than it does, and those competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Company. Regardless of their merit, any such disputes could:

- be time consuming;
- be expensive to defend;
- divert management's attention and focus away from the Company's business;
- cause product shipment delays or stoppages;
- subject the Company to significant liabilities; and
- require the Company to enter into costly royalty or licensing agreements or to modify or stop using the infringing technology.

Further, if the Company is found to have infringed any patents, trademarks or other intellectual property rights, a court could award significant damages and enjoin the Company from distributing its products that infringe the patents, trademarks or other intellectual property in jurisdictions in which such rights are affected. This could result in a material adverse effect on the Company's business, results of operations and financial condition.

The loss of the Company's rights to use software currently licensed to it by third parties could increase its operating expenses by forcing the Company to seek alternative technology and adversely affect its ability to compete

The Company licenses certain software used in its products and operations from third parties, generally on a nonexclusive basis, and it uses components from suppliers which are reliant on intellectual property used by such suppliers. The termination of any of these licences, or the failure of these licensors or suppliers to adequately maintain, protect or update their software or intellectual property rights, could delay the Company's ability to ship its products or offer its products under a software as a service model while it seeks to implement alternative technology offered by other sources and could require significant unplanned investments on the Company's part. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third party technology licences relating to one or more of the Company's products or relating to current or future technologies to enhance its product offerings. There is a risk that the Company may not be able to obtain licensing rights to the needed technology or components on commercially reasonable terms, if at all.

The Company uses open source software in connection with its products which exposes it to uncertainty and potential liability

Certain of the Company's products make use of or incorporate open source software components. These components are developed by third parties over whom the Company has no control. It has no assurances that those components do not infringe upon the intellectual property rights of others. The Company could be exposed to infringement claims and liability in connection with the use of those open source software components. The developers of open source software are under no obligation to maintain or update that software, and the Company may be forced to replace such software components with internally developed or commercially licensed software. Certain open source software licences provide that any software that makes use of or incorporates software distributed under that licence will itself become subject to the same general distribution rights and other terms of that licence. As a result, there is a risk that third parties, including the Company's competitors, could have the right to use and distribute certain elements of its products.

The Company's ability to recruit and retain management and other qualified personnel is crucial to its ability to develop, market and support its products

Several members of the Company's senior management team are critical to its business and if these individuals do not remain with the Company in the future, their absence may have a negative impact on its financial condition and results of operations. The Company's future success depends, in part, on the continued efforts and abilities of its senior management team. Their skills, experience and industry contacts significantly benefit the Company. Although the Company offers competitive compensation packages to attract and retain its senior management team and although it has employment and non-competition agreements with these employees, it cannot be certain that they or other key employees will all choose to remain employed by the Company. The Company does not carry key person insurance on any of these employees for the benefit of the Company If the Company loses the services of one or more of these individuals, or if one or more of them decide to join a competitor or otherwise compete directly with the Company, its business, operating results, and financial condition could be harmed.

The Company also depends on the services of its key technical, sales and management personnel. Many of these individuals would be difficult to replace if they were to leave the Company's employment. The loss of the services of any of these persons could have a material adverse effect on its business, results of operations and financial condition. The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and the Company cannot assure that it will be able to attract or retain highly qualified technical and managerial personnel in the future. The Company's inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect its future growth and profitability. It may be necessary for the Company to increase the level of compensation paid to existing or new employees to a degree that its operating expenses could be materially increased.

The Company's ability to develop new software solutions and to enhance its existing software solutions depends, in part, on its ability to recruit and to retain top quality software programmers. If the Company is unable to hire and to retain sufficient numbers of qualified programming personnel, it may not be able to develop new software solutions or to improve its existing software solutions in the time frame necessary to execute its business plan.

Any significant changes in the technological paradigm used for building or delivering applications in Smartphone devices may harm the Company's business and prospects

The technological paradigm used for building or delivering applications in Smartphone devices may be subject to significant changes. The Company's business and future success depends, in part, on its ability to accurately predict and anticipate the evolving technology and to keep pace with such changes in technology and industry standards. If the Company is unable to successfully address these developments on a timely basis or at all, then the Company's business, financial position and results of operations may be materially and adversely affected.

The Company's software products may contain errors or defects that could result in lost revenue, delayed or limited market acceptance, or product liability claims with substantial litigation costs

As a result of their complexity, software products may contain undetected errors or failures when entering the market. Despite testing performed by the Company and testing and use by current and potential customers, defects and errors may be found in new software products after commencement of commercial shipments or the offering of a service using these software products. In addition, because the Company's products are sold and marketed in different countries, the products must function in and meet the requirements of many different communication environments and be compatible with various communication systems and mobile handsets and associated products. In these circumstances, the Company may be unable to successfully correct the errors in a timely manner or at all. The occurrence of errors and failures in the Company's software products could result in negative publicity and a loss of, or delay in, market acceptance of those software products. Such publicity could reduce revenue from new licenses and lead to increased customer attrition. Alleviating these errors and failures could require significant expenditure of capital and other resources by the Company. The consequences of these errors and failures could have a material adverse effect on the Company's business, results of operations and financial condition. Any errors, defects, or other performance problems with the Company's products could result in financial or other damage to its customers. The Company's customers or other third parties could seek to recover damages from the Company in the event of actual or alleged failures of its software solutions. Although its license agreements with customers typically contain provisions designed to limit the Company's exposure to potential claims, as well as any liabilities arising from these claims, the provisions may not effectively protect against these claims and the liability and associated costs. Accordingly, any such claim could have a material adverse effect upon the Company's business, results of operations, and financial condition. In addition, defending this kind of claim, regardless of its merits, or otherwise satisfying affected customers, could entail substantial expense and require the devotion of significant time and attention by key management personnel.

Currency exchange rate fluctuations and other risks associated with the Company's international operations may adversely affect its operating results

The Company is subject to risks of doing business internationally, including fluctuations in currency exchange rates, increases in duty rates, difficulties in obtaining export licenses, difficulties in the enforcement of intellectual property rights and political uncertainties. The Company is exposed to foreign currency fluctuations in the US dollar, GBP and Euro, which may have a material adverse effect on its business, financial condition and operating results. In particular, the US dollar may fluctuate significantly compared to the Canadian dollar, causing reduced revenue and cash flow as most of the Company's revenues are received in US dollars while most of the Company's expenses are payable in Canadian dollars.

The Company also plans to continue to expand its international sales and marketing efforts. There are a number of risks inherent in the Company's international business activities, including unexpected changes in governmental policies concerning the import and export of goods, services and technology and other regulatory requirements, tariffs and other trade barriers, costs and risks of localizing products for foreign countries, higher credit risks, potentially adverse tax consequences, limits on repatriation of earnings and the burdens of complying with a wide variety of foreign laws. The financial stability of foreign markets could also affect the Company's international sales. In addition, revenue that the Company earns abroad may be subject to taxation by more than one jurisdiction, which could materially adversely affect its earnings. Additional risks the Company faces in conducting business internationally include longer payment cycles and difficulties in managing international operations. These include constraints associated with local laws regarding employment, difficulty in enforcing agreements through foreign legal systems and financial reporting compliance requirements. Each of these factors could have an adverse effect on its business, financial condition and results of operations.

Software product development delays could harm the Company's competitive position and reduce its revenues

If the Company experiences significant delays in releasing new or enhanced software products, its position in the market could be harmed and its revenue could be substantially reduced, which would adversely affect its operating results. In particular, the Company may experience software product development delays associated with the integration of recently acquired software products and technologies. Delays may occur for many reasons, including the inability to hire a sufficient number of developers, discovery of bugs and errors, or the inability of its current or future software products to conform to customer and industry requirements.

If the Company's customers demand performance guarantees, the costs and risks associated with offering its software solutions will increase

The Company and its competitors are being requested, from time to time, to provide specific performance guarantees with respect to the functionality of certain aspects of its software solutions. Similarly, the Company has been requested to quote fixed-price bids for its software solutions. These requests present risks, because no two implementations of its software solutions are identical, and therefore the Company cannot accurately predict precisely what will be required to meet these performance standards. If this trend continues, the Company's profitability may be affected if it is required to spend more to meet its commitments.

The Company may be subject to challenges by taxing authorities which may adversely affect its business

Although the Company is of the view that all expenses and tax credits claimed by it, including research and development expenses and related tax credits, are reasonable and deductible and have been correctly determined, there can be no assurance that the Canadian taxation authorities will agree. If the Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, the Company's operating results could be adversely affected. If the Canadian taxation authorities reduce the tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, the Company's operating results may be adversely affected.

Risks Relating to the Industry

The market for software as a service is at a relatively early stage of development, and if it does not develop or develops more slowly than the Company expects, the Company's business will be harmed.

The market for software as a service is at a relatively early stage relative to on premise solutions, and these applications may not achieve and sustain high levels of demand and market acceptance. The Company's success depends on the willingness of organizations to increase their use of software as a service. Many companies have invested substantial personnel and financial resources to integrate traditional enterprise software into their businesses, and therefore may be reluctant or unwilling to migrate to software as a service. The Company has encountered customers in the past that have been unwilling to subscribe to the Company's application suite because they could not install it on their premises. Other factors that may affect the market acceptance of software as a service include:

- perceived security capabilities and reliability;
- perceived concerns about ability to scale operations for large enterprise customers;
- concerns with entrusting a third party to store and manage critical employee data; and
- the level of configurability or customizability of the software.

If organizations do not perceive the benefits of software as a service, the market for the Company's software may not develop further, or it may develop more slowly than the Company expects, either of which would adversely affect the Company's business.

The Company faces competition from other software solution providers, which may reduce its market share or limit the prices it can charge for its software solutions

The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. Many of its competitors and potential competitors have significantly greater financial, technical, marketing, service and other resources than the Company has. Many of these companies also have a larger installed base of users, have longer operating histories or have greater name recognition than the Company. The Company's relatively smaller size may be considered negatively by prospective customers. Its competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or may devote greater resources to the development, promotion and sale of their products than the Company does. Many competitive factors affect the market for its products and its ability to earn maintenance, professional services and new license revenue. Some of these factors are: vendor and product reputation; industry specific expertise; cost of ownership; ease and speed of implementation: customer support; product architecture, quality, price and performance; product performance attributes, such as flexibility, scalability, compatibility, functionality and ease of use; and vendor financial stability.

Economic uncertainty and downturns in the software market may lead to decreases in the Company's revenue and margins

The market for the Company's products depends on economic conditions affecting the broader software market. The current significant global economic downturn may cause businesses to delay or cancel software projects, reduce their overall information technology budgets or reduce or cancel orders for the Company's products. In this environment, customers may experience financial difficulty, fail to purchase or defer the budget for the purchase of the Company's products or cease operations. This, in turn, may lead to longer sales cycles, delays or failures in payment and collection, and price pressures, causing the Company to realize lower revenue and margins. In addition, customers may be reluctant to purchase products from smaller suppliers such as the Company and this could result in reduced customer wins. If growth in software deployments does not continue or is significantly slower than forecasted by the market experts, this could have an adverse effect on the Company's business, financial condition and results of operations. A deterioration in the economic environment may accelerate the effect of the various risk factors described in this MD&A, as well as result in other unforeseen events that could impact our business and financial condition.

The impact of geopolitical and other global or local events may have a significant effect on the Company's operations

Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war, political instability, terrorism, and contagious illness outbreaks, or the perceived threat of these events, may cause a disruption of the Company's normal operations and may disrupt the domestic and international travel of the Company's sales and other personnel. Any disruption in the ability of its personnel to travel could have a material and adverse impact on the Company's ability to provide service to its customers, which could, in turn, have a material adverse effect on its business, results of operations and financial condition. In addition, these events or the perceived threat of these events may require the Company to reorganize its day-to-day operations to minimize the associated risks. Any expense related to the reorganization of its day-to-day operations, even on a short-term basis, could also have a material adverse effect on the Company's business, results of operations and financial condition.

Government regulation of the Internet may have an adverse effect on the Company's business

The application of existing laws and regulations to the Company, relating to issues such as user privacy, defamation, pricing, advertising, taxation, promotions, consumer protection, content regulation, quality of products and services, and intellectual property ownership and infringement, can be unclear. In addition, the Company will also be subject to new laws and regulations directly applicable to its activities. Any existing or new legislation applicable to the Company could expose it to substantial liability, including significant expenses necessary to comply with such laws and regulations.

International government regulations may adversely affect the Company's business

Because regulatory schemes vary by country, the Company (as well as parties it carries on business with) may be subject to rules and regulations in foreign countries of which it is not presently aware. If that were to be the case, then the Company could be subject to sanctions by a foreign government that could materially adversely affect its ability to deploy its products in such country or to subscribers in such country. The Company cannot guarantee that it will be able to obtain the necessary licenses and regulatory approvals in the future or that such licenses and approvals will be granted on a timely basis, if at all. The failure to obtain the necessary licenses and authorizations internationally could have a material adverse effect on the Company's ability to generate revenue and on its overall competitive position.

Additional Risk Factors

The Company's share price will fluctuate

The trading price of the Company's common shares is subject to change and could in the future fluctuate significantly. The fluctuations could be in response to numerous factors beyond the Company's control, including: quarterly variations in results of operations; announcements of technological innovations or new products by the Company, its customers or competitors; changes in securities analysts' recommendations; announcements of acquisitions; changes in earnings estimates made by independent analysts; general fluctuations in the stock market; or revenue and results of operations below the expectations of public market securities analysts or investors. Any of these could result in a sharp decline in the market price of the common shares.

In addition, stock markets have occasionally experienced extreme price and volume fluctuations. The market prices for high-technology companies have been particularly affected by these market fluctuations and such effects have often been unrelated to the opening performance of such companies. These broad market fluctuations may cause a decline in the market price of the common shares.

The Company’s significant shareholders will have the ability to control certain corporate actions

The Company’s significant shareholders may be in a position to exercise significant influence over all matters requiring shareholder approval, including the election of directors, determination of significant corporate actions, amendments to the Company’s articles and by-laws and the approval of any business combinations.

Dividends

The Company does not currently intend to pay any cash dividends on its common shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company’s current policy is to retain earnings to finance the development of new lines of products and to otherwise reinvest in the Company. The Company’s dividend policy will be reviewed from time to time by the board of directors of the Company in the context of its earnings, financial condition and other relevant factors. Until the Company pays dividends, which it may never do, its shareholders will not be able to receive a return on its common shares unless they sell them.

Additional information relating to the Company may be found at www.SEDAR.com.