Condensed Interim Consolidated Financial Statements of

ProntoForms Corporation

For the Three Months Ended March 31, 2018 and 2017

(in US dollars)
(Unaudited)

“Notice to Reader”

The accompanying condensed unaudited interim consolidated financial statements of ProntoForms Corporation for the three months ended March 31, 2018 and 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company’s external auditors.

Dated: May 9th, 2018

*”David Croucher”*___________
David Croucher
Chief Financial Officer

*”Alvaro Pombo”*_________
Alvaro Pombo
Chief Executive Officer

ProntoForms Corporation
Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017

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PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three months ended March 31, 2018 and 2017

(Unaudited in US dollars)

	Three Months Ended March 31,	
	2018	2017
	$	$
Revenue		
Recurring revenue	**2,495,068**	2,164,211
Professional and other services	**253,480**	174,535
	2,748,548	2,338,746
Cost of Revenue		
Recurring revenue	**268,197**	196,785
Professional and other services	**217,301**	196,322
	485,498	393,107
Gross Margin	**2,263,050**	1,945,639
Expenses		
Research and development (Note 5)	**1,053,281**	890,407
Selling and marketing	**1,406,594**	1,244,855
General and administrative	**579,876**	576,909
	3,039,751	2,712,171
Loss from operations	**(776,701)**	(766,532)
Foreign exchange gain (loss)	**90,071**	(11,262)
Interest and accretion (Note 6)	**(80,926)**	(66,967)
Change in fair value of derivative liability (Note 6)	**(7,607)**	(25,529)
Net loss	**(775,163)**	(870,290)
Other Comprehensive loss		
Foreign currency translation adjustment	**(47,660)**	7,395
Total comprehensive loss	**(822,823)**	(862,895)
Net loss per common share		
basic and diluted (Note 8)	**(0.01)**	(0.01)
Weighted average number of common shares		
basic and diluted (Note 8)	**107,524,142**	90,635,594
Share-based compensation included in accounts:		
Cost of revenue	**14,055**	9,029
Research and development	**26,018**	23,299
Selling and marketing	**43,934**	50,894
General and administrative	**59,865**	58,848
	143,872	142,070

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Condensed Interim Consolidated Statements of Financial Position
as at March 31, 2018 and December 31, 2017

(Unaudited in US dollars)

	March 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Assets			
Current assets			
Cash and cash equivalents	**4,530,944**	5,074,489	2,875,715
Accounts receivable	**1,202,501**	1,030,803	787,394
Investment tax credits receivable (Note 5)	**231,905**	239,130	96,952
Unbilled receivables	**152,624**	111,017	63,911
Related party loan receivable (Note 10)	**83,339**	85,649	80,030
Prepaid expenses and other receivables	**425,136**	491,584	347,631
	6,626,449	7,032,672	4,251,633
Property, plant and equipment	**310,411**	314,920	333,664
Intangible assets	**2,180**	7,419	43,689
	6,939,040	7,355,011	4,628,986
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**1,523,011**	1,596,036	1,136,314
Deferred revenue	**1,377,128**	998,117	480,866
Long-term debt - current portion (Note 6)	—	—	651,409
Derivative liability - current portion (Note 6)	—	—	614,948
	2,900,139	2,594,153	2,883,537
Long-term debt (Note 6)	**2,451,080**	2,484,574	1,228,338
Derivative liability (Note 6)	**265,848**	275,361	114,863
	5,617,067	5,354,088	4,226,738
Shareholders' equity			
Share capital (Note 7)	**20,721,783**	20,721,783	16,972,146
Contributed Surplus	**757,165**	757,165	—
Share-based payment reserve	**3,240,542**	3,096,669	2,562,362
Warrant reserve	**1,384,394**	1,384,394	1,081,667
Deficit	**(24,930,186)**	(24,155,023)	(20,293,094)
Accumulated other comprehensive income (loss)	**148,275**	195,935	79,167
	1,321,973	2,000,923	402,248
	6,939,040	7,355,011	4,628,986

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(Unaudited in US dollars)

	2018	2017
	$	$
Net inflow (outflow) of cash related to the following activities:		
Cash flow from operating activities		
Net loss	**(775,163)**	(870,290)
Items not affecting cash		
Share-based compensation	**143,872**	142,070
Accretion on long-term debt	**33,521**	23,630
Change in fair value of derivative liability	**7,607**	25,529
Amortization of property, plant and equipment	**36,868**	26,836
Amortization of intangible asset	**5,038**	13,104
Changes in non-cash operating working capital items (Note 12)	**158,970**	131,235
	(389,287)	(507,886)
Cash flow from financing activities		
Proceeds from long-term debt (Note 6)	—	751,300
Issuance costs related to long-term debt	—	(536)
Proceeds from the exercise of warrants	—	86,609
Proceeds from the exercise of options	—	3,428
	—	840,801
Cash flow from investing activities		
Purchase of property, plant and equipment	**(40,853)**	(15,375)
	(40,853)	(15,375)
Effect of Exchange Rate Changes on Cash	**(113,405)**	25,678
Net cash inflow (outflow)	**(543,545)**	343,218
Cash and cash equivalents, beginning of year	**5,074,489**	2,875,715
Cash and cash equivalents, end of period	**4,530,944**	3,218,933

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Condensed Interim Consolidated statements of changes in shareholders' equity (deficiency)

For the three months ended March 31, 2018 and 2017

(Unaudited in US dollars)

	Share capital		Contributed	Share-based payment	Warrant	Accumulated Other Comprehensive		Shareholders' equity
	Number	Amount	Surplus	reserve	reserve	Income (Loss)	Deficit	(deficiency)
		$	$	$	$	$	$	$
Balance at January 1, 2017	93,187,918	16,972,146	—	2,562,362	1,081,667	79,167	(20,293,094)	402,248
Share-based compensation	—	—	—	142,070	—	—	—	142,070
Net loss	—	—	—	—	—	—	(870,290)	(870,290)
Translation adjustment	—	—	—	—	—	7,395	—	7,395
Issuance of warrants related to long-term debt (Note 6)	—	—	—	—	187,463	—	—	187,463
Expiry of warrants	—	—	738,395	—	(738,395)	—	—	—
Issuance of common shares on exercise of warrants	379,400	86,609	—	—	—	—	—	86,609
Issuance of common shares on exercise of options	23,115	6,183	—	(2,781)	—	—	—	3,402
Balance at March 31, 2017	93,590,433	17,064,938	738,395	2,701,651	530,735	86,562	(21,163,384)	(41,103)
Balance at December 31, 2017	110,192,630	20,721,783	757,165	3,096,669	1,384,394	195,935	(24,155,023)	2,000,923
Share-based compensation	—	—	—	143,873	—	—	—	143,873
Net loss	—	—	—	—	—	—	(775,163)	(775,163)
Translation adjustment	—	—	—	—	—	(47,660)	—	(47,660)
Balance at March 31, 2018	**110,192,630**	**20,721,783**	**757,165**	**3,240,542**	**1,384,394**	**148,275**	**(24,930,186)**	**1,321,973**

See accompanying notes to the condensed interim consolidated financial statements

1. Description of business

ProntoForms Corporation ("ProntoForms" or the "Company") researches, develops, and markets mobile business solutions which help customers quickly and flexibly automate field sales, field service and field data collection business processes. The Company was incorporated and is domiciled in Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange Venture Exchange ("TSXV") under the symbol "PFM" and has its registered address at 250-2500 Solandt Road, Ottawa, Ontario.

2. Change in presentation currency

Effective January 1, 2018, the Company changed its presentation currency from the Canadian dollar to the Unites States dollar. The change in presentation currency is to better reflect the Company's business activities and focus and improves users' ability to compare the financial results with other businesses in the industry. The change in presentation currency should result in less volatility from the effect of foreign currencies on reported revenue.

The Company has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the effects of changes in foreign exchange rates, the financial statements for all periods presented have been translated to the new United States dollar presentation currency. Assets and liabilities have been translated using period end exchange rates, equity transactions have been translated using the exchange rate in effect on the date of the specific transaction or the average exchange rate during the respective period, and revenues, expenses, gains and losses, and cash flow amounts have been translated into presentation currency using the average rate during the respective period.

3. Basis of preparation

(a) Statement of compliance

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") using the accounting policies disclosed below.

The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at March 31, 2018. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2018 could result in a restatement of these condensed consolidated interim financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company's 2017 annual consolidated financial statements. The policies set out below were consistently applied to all the periods presented.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on May 9, 2018.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The consolidated statements of comprehensive loss are presented using the function classification for expenses. Derivative liabilities are measured at fair value after initial recognition.

3. Basis of preparation (continued)

(c) Basis of consolidation

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

that control commences until the date that control ceases. The accounting policies of subsidiaries align with the policies adopted by the Company. All inter-company transactions, balances, profits and expenses have been eliminated.

(d) Going concern

The preparation of financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at March 31, 2018, the Company had not yet achieved profitable operations, and has accumulated losses to date. The Company believes that certain sales-related efforts and financing initiatives will provide sufficient cash flow for it to continue as a going concern in its present form. However, there can be no assurance that the Company will achieve such results. In the absence of raising additional debt or equity financing or attaining sufficient revenues to achieve and sustain profitability there is substantial doubt regarding the Company's ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue its operations.

4. Significant accounting policies

The significant accounting policies used in preparing these condensed interim consolidated financial statements are unchanged from those disclosed in the Company's 2017 annual consolidated financial statements, and have been applied consistently to all periods presented in these condensed interim consolidated financial statements. The application of future and/or new accounting standards is described below.

(a) Changes to standards and interpretation

i) New and revised IFRS adopted in the period

IFRS 9 Financial Instruments ("IFRS 9")

The IASB issued the final version of IFRS 9 on July 24, 2014, which replaces IAS 39 Financial Instruments: Recognition and Measurement. This final version of IFRS 9 represents the completion of this project and it includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 does not address the specific accounting for open portfolios or macro hedging as these items are part of a separate IASB project that is currently ongoing. This final Standard introduces a single, principles-based approach that amends both the categories and associated criteria for the classification and measurement of financial assets, which is driven by the entity's business model for the portfolio in which the assets are held and the contractual cash flows of these financial assets. Certain amendments have been made to the financial asset classification and measurement principles in prior versions of IFRS 9. This Standard introduces an amended hedging model which aligns hedge accounting more closely with an entity's risk management activities and also includes a new financial asset impairment model which is based on expected losses rather than incurred losses. This new Standard supersedes all prior versions of IFRS 9. The effective date for this standard began for annual periods beginning on or after January 1, 2018. The Company has transitioned to the standard effective January 1, 2018. IFRS 9 requires the Company to record expected credit losses on all trade receivables, either on a 12-month or lifetime basis. There was no impact on previously reported results. The Company has determined that the adoption of this new standard did not have a material impact on the current period financial statements.

4. Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

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 period beginning on or after January 1, 2018.

The Company has transitioned to the standard effective January 1, 2018 and is using the modified retrospective approach. The Company has capitalized certain sales commissions and expensed these contract costs on a straight-line basis over the expected life of the related customer relationship. The Company did not make any retrospective adjustment and has determined that the adoption of this new revenue standard did not have a significant impact on the current period financial statements.

ii) New and revised IFRS in issue but not yet effective

The following is a list of standards and amendments that have been issued but are not yet effective and have not yet been adopted by the Company:

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.

5. Investment tax credits and other government assistance

During the three months ended March 31, 2018, the Company recorded refundable investment tax credits of $18,958 (2017 – $59,975) as a reduction to research and development expenses. The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency.

During the three months ended March 31, 2018, the Company recorded non-refundable government assistance of $40,614 (2017 – nil) related to other government programs (2016 – nil) against research and development expenses.

(Unaudited in Canadian dollars)

6. Long-term debt and derivative liability

	March 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Business Development Bank of Canada loan:			
2012 Loan, interest at 8.5% per annum, compounded annually	**-**	-	722,500
2016 Loan, interest at 7% per annum, compounded annually	**3,073,200**	3,073,200	1,524,800
Debt issue costs	**(57,592)**	(57,592)	(57,056)
Derivative liability	**(570,790)**	(570,790)	(439,064)
Warrants	**(495,684)**	(495,684)	(145,997)
Accretion of discount	**489,299**	455,778	285,438
Accrued interest	**2,559**	2,559	2,559
Foreign exchange effect	**10,088**	77,103	(13,433)
	2,451,080	2,484,574	1,879,747
Less current portion	**-**	-	(651,409)
Long-term debt	**2,451,080**	2,484,574	1,228,338

In 2012, the Company entered into an agreement with BDC Capital Inc. ("BDCC") a wholly-owned subsidiary of the Business Development Bank of Canada for long-term debt financing (the "2012 Loan") of $722,500 ($1,000,000 CAD). The 2012 Loan bore interest at 8.5% per annum, compounded annually. In addition, there were additional bonus payments eligible including bonuses on revenue generated for 2015 and 2016. The royalty payments related to 2015 and 2016 revenue were paid in six equal installments from

June through November 2017. On the maturity date of the loan on November 15th, 2017, the Company settled the 2012 Loan.

The bonus interest payments represented embedded derivatives that were bifurcated from the debt. The debt component was accreted up to its fair value over the term of the loan and the derivatives were revalued each reporting period with the changes recorded through the statement of comprehensive loss until they were settled.

In 2016, the Company entered into a financing agreement with BDCC, for a $3,073,200 ($4 million CAD) five-year secured term credit facility bearing interest at a fixed rate of 7% per year (the "2016 Loan"). The credit facility provided for the disbursement of funds in stages subject to the Company meeting certain conditions. The disbursements were received as follows:

- $1,524,800 ($2 million CAD) was received in September 2016,
- $751,300 ($1 million CAD) was received in March 2017 and
- $797,100 ($1 million CAD) was settled against the remaining 2012 Loan obligation in November 2017.

6. Long-term debt and derivative liability (continued)

In addition, pursuant to the financing agreement, BDCC received warrants entitling it to acquire up to 4,350,000 common shares of the Company at a price per share of CAD $0.45. The term of the warrants is five years and BDCC's ability to exercise the warrants was vested as the disbursements were received according to the schedule as follows:

- 2,175,000 warrants vested in September 2016
- 1,087,500 vested March 2017 and
- 1,087,500 vested November 2017

The value of the 2,175,000 warrants was estimated using the following variables: share price of $0.33, expected life of five years, nil dividends, 88% volatility and risk-free interest rate of 0.65%. The $343,272 ($450,971 CAD) value of the warrants was recorded as an increase to warrant reserve and a $197,275 ($258,766 CAD) reduction of the derivative liability relating to the bonus on sale associated with the 2012 Loan and a $145,997 ($192,205 CAD) discount on the 2016 Loan.

The value of the 1,087,500 March 2017 warrants was estimated using the following variables: share price of CAD $0.38, expected life of four and a half years, nil dividends, 85% volatility and risk free interest rate of 0.65%. The $187,463 ($250,713 CAD) value of the warrants was recorded as an increase to warrant reserve and a discount on the 2016 Loan.

The value of the 1,087,500 November 2017 warrants was estimated using the following variables: share price of CAD $0.36 CAD, expected life of three years and ten months, nil dividends, 81% volatility and risk free interest rate of 0.65%. The $162,224 ($207,209 CAD) value of the warrants was recorded as an increase to warrant reserve and a discount on the 2016 Loan.

Furthermore, annual recurring revenue growth ("ARRG") of less than 30% will result in an increase of 1.25% in the overall interest rate. The ARRG is calculated based on the audited year-end financial statements beginning with the year ended December 31, 2016. The additional increase in interest if ARRG is less than 30% represents an embedded derivative and accordingly, the 2016 Loan was bifurcated between the debt, the derivative and warrants. The debt component will be accreted up to its fair value over the term of the loan and the derivative is revalued each reporting period. The derivative for the potential increase in interest payments was valued based on the present value of management's best estimate of future annual recurring revenue, using an appropriate discount rate. The fair value for the derivative liability recorded at the time the proceeds were obtained totaled $107,563 ($141,085 CAD). Any changes in fair value are recorded through the statement of comprehensive loss. The overall interest rate on the 2016 Loan has increased by 1.25% to 8.25% in 2018 as a result of the ARRG growth in 2017 being less than 30%.

(Unaudited in Canadian dollars)

6. Long-term debt and derivative liability (continued)

The following table sets out the derivative liability as at March 31, 2018 and December 31, 2017.

	March 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Derivative portion of 2012 loan proceeds	-	331,500	331,500
Derivative portion of 2016 loan proceeds	**239,289**	239,289	107,563
Termination of bonus on sale of company provision from 2012 loan	-	(197,283)	(197,283)
Settlement of 2012 deritviate by payment		(724,510)	
Partial settlement of 2016 derivative	**(9,694)**	-	-
Cumulative fair value adjustment of 2012 loan	-	516,721	451,773
Cumulative fair value adjustment of 2016 loan	**36,166**	28,559	9,847
Foreign exchange effect	**87**	81,085	26,411
	265,848	275,361	729,811
Less current portion	**-**	-	(614,948)
Derivative liability	**265,848**	275,361	114,863

The change in fair value of the derivatives for the three ended March 31, 2018 was $7,607 (2017 – $25,529).

7. Share capital

There were no changes to the share capital during the three months ended March 31, 2018.

During the three months ended March 31, 2017, 379,400 common shares were issued upon the exercise of agents' warrants and 23,115 common shares were issued upon the exercise of options, for proceeds of $86,609 and $3,402 respectively.

8. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period. The common shares pledged as security for loans receivable are excluded from the calculation of weighted average number of common shares outstanding.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

(Unaudited in Canadian dollars)

8. Loss per share (continued)

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the periods presented are as follows:

	March 31, 2018	**Weighted Average Exercise Price (CAD)**	March 31, 2017	Weighted Average Exercise Price (CAD)
		$		$
Options	**11,434,052**	**0.33**	10,151,593	0.30
Warrants	**11,947,890**	**0.47**	4,350,000	0.45
Agent warrants	**814,683**	**0.38**	-	-
	24,196,625	**0.40**	14,501,593	0.34

9. Segmented information

The Company operates in one operating segment being mobile computer software solutions. This segment engages in business activities from which it earns license, support and professional services revenues, and incurs expenses.

Revenues from external customers are attributed to geographic areas based on the location of the contracting customers. The following table sets forth external revenue by geographic areas:

	Three Months Ended	
	March 31, 2018	March 31, 2017
COUNTRY		
United States	**1,947,773**	1,751,843
Canada	**397,098**	259,465
UK	**85,233**	85,473
Mexico	**88,083**	90,105
Other	**230,361**	151,860
	$ 2,748,548	$ 2,338,746

For the three months ended March 31, 2018, the Company had one customer that individually accounted for 20% (2017 - 28%) of revenue and 21% (2017 - 17%) of accounts receivable at March 31, 2018.

All property, plant and equipment and intangible assets are located in Canada.

(Unaudited in Canadian dollars)

10. Related party transactions and commitments

The Company leases office premises from a company controlled by the Chairman of the Board. In addition to lease payments, the Company has insignificant software as a service commitments. The existing and new leases, and software commitments have the following minimum annual payments:

	$
2018 (April through December)	457,894
2019	603,829
2020	603,495
2021	593,882
2022	606,212
2023 and beyond	353,624

For the three months ended March 31, 2018, the expense incurred under this lease was $145,196 (2017 - $138,183) The Company had $Nil (2017 - $Nil) owing related to rent associated with these leased premises at March 31, 2018.

Loans totalling $416,813 ($537,407 CAD) 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 three months ended September 30, 2017, the maturity dates of the CEO Share

Purchase Loans were extended from September 5, 2017 to September 5, 2018.

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 March 31, 2018 was $703,690 ($907,286 CAD).

Despite their legal form, the CEO Share Purchase Loans are accounted for similar to the grant of an option under IFRS. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. The $83,339 ($107,451 CAD) Related Party Loan Receivable for related tax remittances is treated as a current receivable.

11. Financial instruments

The carrying values of cash and cash equivalents, accounts receivable, unbilled receivables, related party loan and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. Long-term debt has a fair value of $2,711,065 (carrying value of $2,451,080) which is based on the present value of future interest and principal payments, using a discount rate of 12%.

Fair value hierarchy
Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

(Unaudited in Canadian dollars)

11. Financial instruments (continued)

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and the fair value of underlying common shares described in Note 10 are classified as a Level 1 financial instrument and the derivative liability is classified as a Level 3 financial instrument (see Note 6 for further details related to the derivative liability). The fair value of the long-term debt is also classified as a Level 3 disclosure. During the year, there were no transfers of amounts between Level 1, Level 2 and Level 3.

12. Changes in non-cash working capital items

	March 31, 2018	March 31, 2017
	$	$
Accounts receivable	**(171,698)**	(110,084)
Investment tax credits receivable	**7,225**	(60,821)
Unbilled receivables	**(41,607)**	(30,861)
Related party loan receivable	**2,310**	(698)
Prepaid expenses and other receivables	**66,448**	5,308
Accounts payable and accrued liabilities	**(82,719)**	281,283
Deferred revenue	**379,011**	47,108
	158,970	131,235