

Condensed Interim Consolidated Financial Statements of

ProntoForms Corporation

For the Three and Six Months Ended June 30, 2018 and 2017

(in US dollars)

(Unaudited)

“Notice to Reader”

The accompanying condensed unaudited interim consolidated financial statements of ProntoForms Corporation for the three and six months ended June 30, 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: August 22nd, 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 and six months ended June 30, 2018 and 2017

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PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenue				
Recurring revenue	2,624,680	2,204,412	5,119,748	4,368,623
Professional and other services	281,485	217,956	534,965	392,491
	2,906,165	2,422,368	5,654,713	4,761,114
Cost of Revenue				
Recurring revenue	303,639	205,617	571,836	402,402
Professional and other services	203,818	230,383	421,119	426,705
	507,457	436,000	992,955	829,107
Gross Margin	2,398,708	1,986,368	4,661,758	3,932,007
Expenses				
Research and development (Note 5)	1,030,752	930,297	2,084,033	1,820,704
Selling and marketing	1,406,359	1,202,642	2,812,953	2,447,497
General and administrative	588,666	559,668	1,168,542	1,136,577
	3,025,777	2,692,607	6,065,528	5,404,778
Loss from operations	(627,069)	(706,239)	(1,403,770)	(1,472,771)
Foreign exchange gain (loss)	46,245	(61,325)	136,316	(72,587)
Interest and accretion (Note 6)	(85,489)	(101,975)	(166,415)	(168,942)
Change in fair value of derivative liability (Note 6)	(7,501)	(26,136)	(15,108)	(51,665)
Net loss	(673,814)	(895,675)	(1,448,977)	(1,765,965)
Other Comprehensive loss				
Foreign currency translation adjustment	(33,995)	72,988	(81,655)	80,383
Total comprehensive loss	(707,809)	(822,687)	(1,530,632)	(1,685,582)
Net loss per common share				
basic and diluted (Note 8)	(0.01)	(0.01)	(0.01)	(0.02)
Weighted average number of common shares				
basic and diluted (Note 8)	107,524,142	92,760,990	107,524,142	91,718,864
Share-based compensation included in accounts:				
Cost of revenue	4,396	6,308	18,451	15,337
Research and development	8,741	14,830	34,759	38,129
Selling and marketing	13,599	35,014	57,533	85,908
General and administrative	18,831	81,232	78,696	140,080
	45,567	137,384	189,439	279,454

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Condensed Interim Consolidated Statements of Financial Position

as at June 30, 2018, December 31, 2017, and January 1, 2017

(Unaudited in US dollars)

	June 30, 2018	December 31, 2017	January 1, 2017
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	3,759,137	5,074,489	2,875,715
Accounts receivable	1,253,147	1,030,803	787,394
Investment tax credits receivable (Note 5)	245,286	239,130	96,952
Unbilled receivables	83,906	111,017	63,911
Related party loan receivable (Note 10)	81,598	85,649	80,030
Prepaid expenses and other receivables	525,837	491,584	347,631
	5,948,911	7,032,672	4,251,633
Property, plant and equipment	307,840	314,920	333,664
Intangible assets	29	7,419	43,689
	6,256,780	7,355,011	4,628,986
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,406,949	1,596,036	1,136,314
Deferred revenue	1,496,449	998,117	480,866
Long-term debt - current portion (Note 6)	—	—	651,409
Derivative liability - current portion (Note 6)	—	—	614,948
	2,903,398	2,594,153	2,883,537
Long-term debt (Note 6)	2,435,460	2,484,574	1,228,338
Derivative liability (Note 6)	258,192	275,361	114,863
	5,597,050	5,354,088	4,226,738
Shareholders' equity			
Share capital (Note 7)	20,721,783	20,721,783	16,972,146
Contributed Surplus	995,727	757,165	—
Share-based payment reserve	3,286,107	3,096,669	2,562,362
Warrant reserve	1,145,832	1,384,394	1,081,667
Deficit	(25,604,000)	(24,155,023)	(20,293,094)
Accumulated other comprehensive income (loss)	114,280	195,935	79,167
	659,730	2,000,923	402,248
	6,256,780	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 six months ended June 30, 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	(1,448,977)	(1,765,965)
Items not affecting cash		
Share-based compensation	189,439	279,454
Accretion on long-term debt	69,096	65,318
Change in fair value of derivative liability	15,108	51,665
Amortization of property, plant and equipment	64,282	55,938
Amortization of intangible asset	7,390	26,580
Changes in non-cash operating working capital items (Note 12)	58,266	(124,753)
	(1,045,396)	(1,411,763)
Cash flow from financing activities		
Proceeds from long-term debt (Note 6)	—	751,300
Issuance costs related to long-term debt	—	(549)
Proceeds from private placement units	—	4,449,750
Payment of costs related to issuing of units	—	(324,875)
Scheduled payments of 2012 derivative liability	—	(117,077)
Proceeds from the exercise of warrants	—	86,609
Proceeds from the exercise of options	—	174,481
	—	5,019,639
Cash flow from investing activities		
Purchase of property, plant and equipment	(72,013)	(48,347)
	(72,013)	(48,347)
Effect of Exchange Rate Changes on Cash	(197,944)	77,796
Net cash inflow (outflow)	(1,315,352)	3,637,325
Cash and cash equivalents, beginning of year	5,074,489	2,875,715
Cash and cash equivalents, end of period	3,759,137	6,513,040

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

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

For the six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

	Share capital		Contributed Surplus	Share-based payment reserve	Warrant reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Shareholders' equity (deficiency)
	Number	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2016	93,187,918	16,972,146	—	2,562,362	1,081,667	79,167	(20,293,094)	402,248
Share-based compensation	—	—	—	279,454	—	—	—	279,454
Net loss	—	—	—	—	—	—	(1,765,965)	(1,765,965)
Translation adjustment	—	—	—	—	—	80,382	—	80,382
Issuance of warrants related to long-term debt (Note 6)	—	—	—	—	187,463	—	—	187,463
Expiry of warrants	—	—	738,395	—	(738,395)	—	—	—
Issuance of private placement units (Note 7)	15,195,780	3,715,464	—	—	627,942	—	—	4,343,406
Costs related to private placement units	-	(381,530)	—	—	63,493	—	—	(318,037)
Issuance of common shares on exercise of warrants	379,400	86,609	—	—	—	—	—	86,609
Issuance of common shares on exercise of options	1,286,699	234,246	—	(57,802)	—	—	—	176,444
Balance at June 30, 2017	110,049,797	20,626,935	738,395	2,784,014	1,222,170	159,549	(22,059,059)	3,472,004
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	—	—	—	189,438	—	—	—	189,439
Net loss	—	—	—	—	—	—	(1,448,977)	(1,448,977)
Translation adjustment	—	—	—	—	—	(81,655)	—	(81,655)
Expiry of warrants (Note 6)	—	—	238,562	—	(238,562)	—	—	—
Balance at June 30, 2018	110,192,630	20,721,783	995,727	3,286,107	1,145,832	114,280	(25,604,000)	659,730

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

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 United 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 June 30, 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 August 22nd, 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.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

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 June 30, 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.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

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, which replaces 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 previous 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 and prior period financial statements.

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

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 and six months ended June 30, 2018, the Company recorded refundable investment tax credits of \$18,486 and \$37,445 (2017 - \$23,118, and \$83,093) as a reduction to research and development expenses. The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency.

During the three and six months ended June 30, 2018, the Company recorded non-refundable government assistance of \$40,832 (2017 – nil) related to other government programs (2016 – nil) against research and development expenses.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

6. Long-term debt and derivative liability

	June 30, 2018	December 31, 2017	January 1, 2017
	\$	\$	\$
Business Development Bank of Canada loans:			
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	524,874	455,778	285,438
Accrued interest	2,559	2,559	2,559
Foreign exchange effect	(41,107)	77,103	(13,433)
	2,435,460	2,484,574	1,879,747
Less current portion	-	-	(651,409)
Long-term debt	2,435,460	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.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

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%.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

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

The following table sets out the derivative liability as at June 30, 2018 and December 31, 2017.

	June 30, 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 derivative by payment	-	(724,510)	-
Partial settlement of 2016 derivative	(19,187)	-	-
Cumulative fair value adjustment of 2012 loan	-	516,721	451,773
Cumulative fair value adjustment of 2016 loan	43,556	28,558	9,847
Foreign exchange (gain) / loss	(5,466)	81,086	26,411
	258,192	275,361	729,811
Less current portion	-	-	(614,948)
Derivative Liability	258,192	275,361	114,863

The change in fair value of the derivatives for the three and six months ended June 30, 2018 was \$7,390 and \$14,997 (2017 – \$26,136 and \$51,665).

7. Share capital

There were no changes to the share capital during the six months ended June 30, 2018.

During the six months ended June 30, 2017, 1,286,699 common shares were issued upon the exercise of options, for proceeds of \$176,444 (\$231,679 CAD).

On June 21, 2017, the Company completed a private placement resulting in gross proceeds of \$4,343,406 (\$5,774,396 CAD). The private placement involved the sale of 15,195,780 units at an issue price of \$0.38 CAD 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 \$0.48 CAD per share at any time up to 24 months from the closing date.

Proceeds of \$4,064,453 (\$5,274,400 CAD) were brokered subject to a cash fee equal to \$238,562 (\$309,579 CAD) plus 814,683 compensation options that entitles the holder to purchase common shares at the \$0.38 CAD for a period of twelve months from the closing date. These expired unexercised during the six months ended June 30, 2018.

The value of the 7,597,890 warrants was estimated using the following variables: stock price of \$0.40 CAD, expected life of 24 months, NIL dividends, 60% volatility and risk free interest rate of 0.91%. The \$627,942 (\$835,791 CAD) value of the warrants was recorded as a reduction against share capital and an increase to warrant reserve. The value of the 814,683 compensation options was estimated using the following variables: stock price of \$0.40 CAD, expected life of twelve months, NIL dividends, 60% volatility and risk free interest rate of 0.91%. The \$63,493 (\$84,509 CAD) value of the warrants was recorded as a reduction against share capital and an increase to warrant reserve.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

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.

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:

	June 30, 2018	Weighted Average Exercise Price (CAD)	June 30, 2017	Weighted Average Exercise Price (CAD)
		\$		\$
Options	10,960,013	0.33	8,854,802	0.32
Warrants	11,947,890	0.47	11,947,890	0.47
Agent warrants	-	-	814,683	0.38
	22,907,903	0.40	21,617,375	0.41

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:

COUNTRY	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
United States	2,054,855	1,772,823	4,002,628	3,524,665
Canada	430,769	297,775	827,867	557,240
UK	86,905	87,765	172,138	173,238
Mexico	80,755	83,880	168,838	173,985
Other	252,881	180,125	483,242	331,986
	\$ 2,906,165	\$ 2,422,368	\$ 5,654,713	\$ 4,761,114

For the three and six months ended June 30, 2018, the Company had one customer that individually accounted for 19% and 19% (2017 - 25% and 27%) of revenue and 0% (2017 - 35%) of accounts receivable at June 30, 2018.

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

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US dollars)

10. Related party transactions and commitments

The Company leases office premises from a company controlled by the Chairman of the Board, Terence Matthews. In addition to lease payments, the Company has a commitment for exterior signage in 2019 as well as an insignificant software as a service commitments. The existing and new leases, exterior signage and software commitments have the following minimum annual payments:

	\$
2018 (July through Dec)	296,311
2019	610,202
2020	590,890
2021	581,477
2022	593,550
2023 and beyond	346,237

For the three and six months ended June 30, 2018, the expense incurred under this lease was \$138,715 and \$283,910 (2017 - \$132,913 and \$271,096). The Company had \$Nil (2017 - \$Nil) owing related to rent associated with these leased premises at June 30, 2018.

Loans totalling \$408,107 (\$537,407 CAD) have been issued to the CEO, Alvaro Pombo, 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 June 30, 2018 was \$749,786 (\$987,341 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 \$81,598 (\$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 \$2,677,057 (carrying value of \$2,435,460) 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);

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Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and 2017

(Unaudited in US 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

	June 30, 2018	June 30, 2017
Accounts receivable	(222,344)	(123,617)
Investment tax credits receivable	(6,156)	(87,992)
Unbilled receivables	27,111	(52,675)
Related party loan receivable	4,051	(2,772)
Prepaid expenses and other receivables	(34,252)	(135,443)
Accounts payable and accrued liabilities	(208,475)	152,190
Deferred revenue	498,332	125,556
	58,267	(124,753)