

Condensed Interim Consolidated Financial Statements of

ProntoForms Corporation

For the Three and Nine Months Ended September 30, 2019 and 2018

(in US dollars)

(Unaudited)

“Notice to Reader”

The accompanying condensed unaudited interim consolidated financial statements of ProntoForms Corporation for the three and nine months ended September 30, 2019 and 2018 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: November 6, 2019

“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 nine months ended September 30, 2019 and 2018

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PRONTOFORMS CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and nine months ended September 30, 2019 and 2018

(Unaudited in US dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue				
Recurring revenue	3,502,035	2,780,814	9,965,565	7,900,562
Professional and other services	337,966	397,032	1,067,888	931,997
	3,840,001	3,177,846	11,033,453	8,832,559
Cost of Revenue				
Recurring revenue	336,224	338,029	1,037,298	909,865
Professional and other services	294,584	261,886	849,376	683,005
	630,808	599,915	1,886,674	1,592,870
Gross Margin	3,209,193	2,577,931	9,146,779	7,239,689
Expenses				
Research and development (Note 5)	1,229,575	1,046,828	3,514,823	3,130,861
Selling and marketing	1,790,166	1,415,250	4,893,993	4,228,203
General and administrative	648,942	626,828	2,013,026	1,795,370
	3,668,683	3,088,906	10,421,842	9,154,434
Loss from operations	(459,490)	(510,975)	(1,275,063)	(1,914,745)
Foreign exchange gain (loss)	33,839	(57,427)	(19,306)	78,889
Interest and accretion	(97,163)	(87,558)	(281,014)	(253,973)
Change in fair value of derivative liability (Note 7)	101,703	13,894	91,296	(1,214)
Net loss	(421,111)	(642,066)	(1,484,087)	(2,091,043)
Other Comprehensive loss				
Foreign currency translation adjustment	-	21,070	-	(60,585)
Total comprehensive loss	(421,111)	(620,996)	(1,484,087)	(2,151,628)
Net loss per common share				
basic and diluted (Note 10)	(0.00)	(0.01)	(0.01)	(0.02)
Weighted average number of common shares				
basic and diluted (Note 10)	115,545,497	107,766,859	111,404,404	107,766,859
Share-based compensation included in accounts:				
Cost of revenue	10,548	8,894	32,890	27,345
Research and development	28,887	15,699	61,449	50,458
Selling and marketing	15,191	23,644	83,315	81,177
General and administrative	26,616	39,505	97,420	118,201
	81,242	87,742	275,074	277,181

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Condensed Interim Consolidated Statements of Financial Position

as at September 30, 2019 and December 31, 2018

(Unaudited in US dollars)

	September 30, 2019	December 31, 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,699,738	3,325,241
Accounts receivable	2,071,870	2,178,420
Investment tax credits receivable (Note 5)	135,918	158,966
Unbilled receivables	161,054	156,865
Related party loan receivable (Note 12)	81,136	78,761
Prepaid expenses and other receivables	1,005,833	523,573
	9,155,549	6,421,826
Property, plant and equipment	380,009	315,629
Right-of-use assets (Note 6)	994,786	-
	10,530,344	6,737,455
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,116,589	1,885,351
Deferred revenue	2,826,290	2,254,400
Lease obligation - current portion (Note 8)	254,198	-
	5,197,077	4,139,751
Long-term debt (Note 7)	2,620,306	2,424,136
Lease obligations (Note 8)	796,970	-
Derivative liability (Note 7)	122,279	235,990
	8,736,632	6,799,877
Shareholders' equity		
Share capital (Note 9)	24,517,205	20,912,276
Contributed surplus	864,907	801,888
Share-based payment reserve	3,673,930	3,431,280
Warrant reserve	692,959	1,263,336
Deficit	(28,139,724)	(26,655,637)
Accumulated other comprehensive income	184,435	184,435
	1,793,712	(62,422)
	10,530,344	6,737,455

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2019 and 2018

(Unaudited in US dollars)

	2019	2018
	\$	\$
Net inflow (outflow) of cash related to the following activities:		
Cash flow from operating activities		
Net loss	(1,484,087)	(2,091,043)
Items not affecting cash		
Share-based compensation	275,074	277,181
Accretion on long-term debt (Note 7)	122,877	107,238
Accretion on lease obligations	46,397	-
Change in fair value of derivative liability (Note 7)	(91,296)	1,214
Amortization of property, plant and equipment	94,531	95,948
Amortization of intangible asset	-	7,416
Amortization of right-of-use assets (Note 6)	202,203	-
Unrealized foreign exchange losses	2,149	-
Lease interest paid (Note 8)	(46,397)	-
Changes in non-cash operating working capital items (Note 14)	417,510	542,762
	(461,039)	(1,059,284)
Cash flow from financing activities		
Payment of lease obligations (Note 8)	(181,684)	-
Proceeds from the exercise of warrants (Note 9)	2,433,948	-
Proceeds from the exercise of options (Note 9)	631,199	84,447
	2,883,463	84,447
Cash flow from investing activities		
Purchase of property, plant and equipment	(158,911)	(100,093)
	(158,911)	(100,093)
Effect of exchange rate changes on cash	110,984	(145,016)
Net cash inflow (outflow)	2,374,497	(1,219,946)
Cash and cash equivalents, beginning of period	3,325,241	5,074,489
Cash and cash equivalents, end of period	5,699,738	3,854,543

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the nine months ended September 30, 2019 and 2018

(Unaudited in US dollars)

	Share capital		Contributed Surplus	Share-based payment reserve	Warrant reserve	Accumulated		Shareholders' equity (deficiency)
	Number	Amount				Comprehensive Income (Loss)	Other	
		\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2017	110,192,630	20,721,783	738,395	3,096,669	1,326,830	272,270	(24,155,023)	2,000,924
Share-based compensation	-	-	-	277,181	-	-	-	277,181
Net loss	-	-	-	-	-	-	(2,091,043)	(2,091,043)
Translation adjustment	-	-	-	-	-	(60,585)	-	(60,585)
Expiry of warrants	-	-	238,562	-	(238,562)	-	-	-
Issuance of common shares on exercise of options	490,000	142,810	-	(58,363)	-	-	-	84,447
Balance at September 30, 2018	110,682,630	20,864,593	976,957	3,315,487	1,088,268	211,685	(26,246,066)	210,924
Balance at December 31, 2018	111,029,963	20,912,276	801,888	3,431,280	1,263,336	184,435	(26,655,637)	(62,422)
Share-based compensation	-	-	-	275,074	-	-	-	275,074
Net loss	-	-	-	-	-	-	(1,484,087)	(1,484,087)
Issuance of common shares on exercise of warrants	6,758,399	2,041,306	-	-	(507,358)	-	-	2,433,948
Expiry of warrants	-	-	63,019	-	(63,019)	-	-	-
Issuance of common shares on exercise of options	2,105,385	663,623	-	(32,424)	-	-	-	631,199
Balance at September 30, 2019	119,893,747	24,517,205	864,907	3,673,930	692,959	184,435	(28,139,724)	1,793,712

See accompanying notes to the condensed interim consolidated financial statements

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited in United States 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 functional 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 was made to better reflect the Company's business activities and focus and improves the user's ability to compare the financial results with other businesses in the industry. The Company applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency.

Prior to January 1, 2019, despite changing the reporting currency to US dollars, the Company's functional currency remained the Canadian dollar. For periods prior to January 1, 2019, assets and liabilities were translated using period end exchange rates; equity transactions were 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 were translated into presentation currency using the actual or average rate during the respective period.

The Company determined as at January 1, 2019, its functional currency changed from the Canadian dollar to the U.S. dollar based on management's analysis of changes in the primary economic environment in which the Company operates in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rate*. The change in functional currency is accounted for prospectively from January 1, 2019 and financial statements prior to and including the period ended December 31, 2018 have not been restated for the change in functional currency.

For periods commencing January 1, 2019, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Opening balances related to non-monetary assets and liabilities are based on January 1, 2019 translation rates, and non-monetary assets and non-monetary liabilities incurred after January 1, 2019 are translated at the exchange rate prevailing at the date of the transaction. Revenue and expense transactions are translated at the exchange rate in effect at the time of the transaction. Foreign exchange gains and losses are included in the statement of operations and comprehensive loss as foreign exchange gains and losses.

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.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2019 and 2018 (Unaudited in United States dollars)

3. Basis of preparation (continued)

(a) Statement of compliance (continued)

The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at December 31, 2018.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s 2018 annual consolidated financial statements. The policies set out below were consistently applied to all the periods presented, apart from the adoption of IFRS 16 effective January 1, 2019.

These condensed interim consolidated financial statements were approved and authorised for issue by the Board of Directors on November 6, 2019.

(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.

(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 September 30, 2019, 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 2018 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed interim consolidated financial statements, apart from the adoption of IFRS 16 effective January 1, 2019.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited in United States dollars)

4. Significant accounting policies (continued)

(a) New accounting policies

(i) Leases

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The application of future and/or new accounting standards is described below.

(b) Changes to standards and interpretation

IFRS 16 Leases ("IFRS 16")

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of \$1,196,989 were recorded as of January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019 of 5.5%. The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2019 and 2018 (Unaudited in United States dollars)

4. Significant accounting policies (continued)

(b) Changes to standards and interpretation (continued)

IFRS 16 Leases ("IFRS 16") (continued)

The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The following table reconciles the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments	2,653,142
Recognition exemption for short term leases	(47,219)
Lease operating costs not included in the measurement of lease obligations	(1,252,504)
Operating lease commitments (undiscounted)	1,353,419
<hr/>	
Discounted using the incremental borrowing rate and recognised as at January 1, 2019	1,196,989

5. Investment tax credits and other government assistance

During the three and nine months ended September 30, 2019, the Company recorded refundable investment tax credits of \$15,102 and \$46,190 (2018 – \$18,454 and \$55,898) as a reduction to research and development expenses. The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency.

During the three and nine months ended September 30, 2019, the Company recorded non-refundable government assistance of \$Nil and \$25,861 (2018 – \$Nil and \$40,832) against research and development expenses.

6. Right-of-use assets

	Office right- of-use assets
	\$
Balance, January 1, 2019 (Note 4)	1,196,989
Amortization	(202,203)
Balance, September 30, 2019	994,786

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2019 and 2018 (Unaudited in United States dollars)

7. Long-term debt and derivative liability

	September 30, 2019	December 31, 2018
	\$	\$
2016 Loan, interest at 7% per annum, compounded	3,073,200	3,073,200
Debt issue costs	(57,592)	(57,592)
Derivative liability	(239,289)	(239,289)
Warrants	(495,684)	(495,684)
Accretion of discount	392,786	269,909
Accrued interest	-	2,559
Foreign exchange effect	(53,117)	(128,967)
	2,620,304	2,424,136

In 2016, the Company entered into a financing agreement with Business Development Bank of Canada ("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.

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 that expire on September 15, 2021.

The value of the 4,350,000 warrants was estimated using the following variables: share price of \$0.33-\$0.38 CAD, expected life of between three years and ten months and five years, nil dividends, 81%-88% volatility and risk-free interest rate of 0.65%.

The value of the warrants was recorded as an increase to warrant reserve of \$692,959 (\$908,893 CAD), a reduction of the derivative liability relating to the bonus on sale associated with the 2012 Loan of \$197,275 (\$258,766 CAD) and a \$495,684 (\$650,127 CAD) discount on the 2016 Loan.

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited in United States dollars)

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

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 \$239,289. 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 and another 0.75% in 2019 as a result of the ARRG growth in 2017 and 2018 being less than 30%. The interest rate will remain fixed at 9% until August 15, 2021.

The following table sets out the derivative liability as at September 30, 2019 and December 31, 2018.

	September 30, 2019	December 30, 2019
Derivative portion of 2016 Loan proceeds	239,290	239,290
Partial settlement of 2016 derivative	(36,538)	(6,188)
Cumulative fair value adjustment of 2016 loan	(74,550)	16,746
Period end foreign exchange adjustment	(5,923)	(13,858)
	122,279	235,990
Less current portion:	-	-
	122,279	235,990

The change in fair value of the derivatives for the three and nine months ended September 30, 2019 were gains of \$101,703 and \$91,296 (2018 – gain of \$13,894 and loss of \$1,214).

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2019 and 2018 (Unaudited in United States dollars)

8. Lease obligations

The Company's leases are for office space denominated in Canadian dollars. Maturities of lease liabilities as at September 30, 2019 were as follows:

Fiscal Year	Operating leases USD
Remainder of 2019	76,102
2020	304,408
2021	296,672
2022	308,676
2023	180,061
Total future minimum payments	<u>1,165,919</u>
Imputed interest	(114,751)
Total lease liabilities	<u>1,051,168</u>
Less: current portion	(254,198)
Non-current portion	<u>796,970</u>

Interest expense on lease obligations for the three and nine months ended September 30, 2019 was \$14,824 and \$46,397. Variable lease payments for operating costs not included in the measurement of lease obligations for the three and nine months ended September 30, 2019 were \$67,626 and \$201,582. Expenses relating to short-term leases and leases of low value assets for the three and nine months ended September 30, 2019 were \$5,652 and \$16,972. Total cash outflow for leases was \$228,081, including \$181,684 of principal payments on lease obligations.

9. Share capital

During the nine months ended September 30, 2019, 6,758,399 common shares were issued upon the exercise of warrants and 2,105,385 common shares were issued upon the exercise of options, for proceeds of \$2,433,948 and \$631,199 respectively. Warrants to purchase 839,491 common shares expired during the nine months ended September 30, 2019.

During the nine months ended September 30, 2018, 490,000 common shares were issued upon the exercise of options, for proceeds of \$84,447.

10. 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:

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2019 and 2018 (Unaudited in United States dollars)

10. Loss per share (continued)

	September 30, 2019	Average Exercise Price (CAD)	September 30, 2018	Average Exercise Price (CAD)
		\$		\$
Options	14,532,975	0.40	14,104,760	0.34
Warrants	4,350,000	0.45	11,947,890	0.47
	18,882,975	0.41	26,052,650	0.40

11. 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		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
COUNTRY/REGION				
United States	2,764,710	2,257,035	7,656,458	6,259,663
Canada	454,602	448,914	1,440,245	1,276,781
Europe	330,811	155,487	772,264	407,924
Latin America	179,883	189,003	619,546	531,519
Other	109,995	127,407	544,939	356,672
	3,840,001	3,177,846	11,033,453	8,832,559

For the three and nine months ended September 30, 2019, the Company had one customer that individually accounted for 18% and 17% (2018 – 17% and 18%) of revenue and 24% (2018 - 0%) of accounts receivable at September 30, 2019.

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

ProntoForms Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018

(Unaudited in United States dollars)

12. Related party transactions and commitments

The Company leases office premises from a company controlled by the Chairman of the Board. Included in the Balance Sheet are \$994,786 of right-of-use assets and \$1,051,168 of lease obligations. Operating expenses under the related party lease plus commitments for other office leases and other, have the following minimum annual payments:

	Related party commitments	Other commitments	\$
2019 (October through December)	70,378	4,678	75,056
2020	281,513	1,623	283,136
2021	281,513	-	281,513
2022	281,513	-	281,513
2023	164,216	-	164,216
	<u>1,079,133</u>	<u>6,301</u>	<u>1,085,434</u>

Loans totalling \$405,796 (\$537,407 CAD) have been issued to the CEO to purchase common shares. The loans are non-interest bearing and repayable on demand.

The 2,668,488 common shares acquired under the CEO Share Purchase Loans are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the 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 September 30, 2019 was \$1,168,686 (\$1,547,723 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 \$81,136 (\$107,451 CAD) Related Party Loan Receivable for related tax remittances is treated as a current receivable.

13. 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 \$3,203,868 (carrying value of \$2,620,306) 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);

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

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Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2019 and 2018 (Unaudited in United States dollars)

13. Financial instruments (continued)

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 12 are classified as a Level 1 financial instrument and the derivative liability is classified as a Level 3 financial instrument (see Note 7 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.

14. Changes in non-cash operating working capital items

	September 30, 2019	September 30, 2018
	\$	\$
Accounts receivable	106,550	(113,257)
Investment tax credits receivable	23,048	72,103
Unbilled receivables	(4,189)	(91,839)
Related party loan receivable	(2,375)	2,643
Prepaid expenses and other receivables	(482,260)	(15,522)
Accounts payable and accrued liabilities	204,846	98,628
Deferred revenue	571,890	590,006
	417,510	542,762