

Condensed Interim Consolidated Financial Statements of

ProntoForms Corporation

For the three and nine months ended September 30, 2020 and 2019

(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, 2020 and 2019 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 4, 2020

“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, 2020 and 2019

Table of contents

Condensed interim consolidated statements of net and comprehensive loss	1
Condensed interim consolidated statements of financial position.....	2
Condensed interim consolidated statements of cash flows	3
Condensed interim consolidated statements of shareholders' equity	4
Notes to the condensed interim consolidated financial statements	5-12

ProntoForms Corporation

Condensed interim consolidated statements of net and comprehensive loss

For the three and nine months ended September 30, 2020 and 2019

(in United States dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
Revenue					
Recurring revenue		4,056,073	3,502,035	11,888,948	9,965,565
Professional and other services		494,364	337,966	1,066,547	1,067,888
		4,550,437	3,840,001	12,955,495	11,033,453
Cost of Revenue					
Recurring revenue	4	370,730	336,224	968,395	1,037,298
Professional and other services	4	450,433	294,584	964,533	849,376
		821,163	630,808	1,932,928	1,886,674
Gross Margin		3,729,274	3,209,193	11,022,567	9,146,779
Expenses					
Research and development	4	1,480,276	1,229,575	3,823,516	3,514,823
Selling and marketing	4	1,991,105	1,790,166	5,402,342	4,893,993
General and administrative	4	750,383	648,942	2,179,434	2,013,026
		4,221,764	3,668,683	11,405,292	10,421,842
Loss from operations		(492,490)	(459,490)	(382,725)	(1,275,063)
Foreign exchange (loss) gain		(14,221)	33,839	108,884	(19,306)
Interest and accretion		(101,743)	(97,163)	(293,300)	(281,014)
Change in fair value of derivative liability	6	(1,257)	101,703	(2,794)	91,296
Net loss and comprehensive loss		(609,711)	(421,111)	(569,935)	(1,484,087)
Net comprehensive loss per common share basic and diluted	9	(0.01)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares basic and diluted	9	117,666,390	115,545,497	118,536,260	111,404,404
Share-based compensation included in accounts:					
Cost of revenue		11,823	10,548	41,520	32,890
Research and development		46,455	28,887	98,373	61,449
Selling and marketing		38,762	15,191	107,587	83,315
General and administrative		50,975	26,616	146,804	97,420
		148,015	81,242	394,284	275,074

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

ProntoForms Corporation

Condensed interim consolidated statements of financial position

as at September 30, 2020 and December 31, 2019

(in United States dollars)

	Notes	September 30, 2020 \$	December 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents		5,684,821	5,700,003
Accounts receivable		2,242,143	2,538,530
Investment tax credits receivable	4	13,686	185,213
Unbilled receivables		342,146	197,264
Related party loan receivable	11	80,556	82,694
Prepaid expenses and other receivables		1,142,094	1,031,390
		9,505,446	9,735,094
Property, plant and equipment		421,046	481,242
Right-of-use asset	5, 11	721,428	912,399
		10,647,920	11,128,735
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,195,623	2,493,913
Deferred revenue		3,490,548	3,562,816
Derivative liability - current portion	6	75,235	65,041
Long-term debt - current portion	6	2,789,484	-
Lease obligation - current portion	7, 11	253,299	246,517
		8,804,189	6,368,287
Long-term debt	6	-	2,717,146
Lease obligation	7, 11	533,963	745,599
Derivative liability	6	-	61,524
		9,338,152	9,892,556
Shareholders' equity			
Share capital	8	25,505,822	25,069,032
Contributed surplus		864,907	864,907
Share-based payment reserve		3,552,694	3,345,960
Warrant reserve		692,960	692,960
Deficit		(29,491,050)	(28,921,115)
Accumulated other comprehensive income		184,435	184,435
		1,309,768	1,236,179
		10,647,920	11,128,735

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

ProntoForms Corporation

Condensed interim consolidated statements of cash flows

For the nine months ended September 30, 2020 and 2019

(in United States dollars)

	Notes	Nine months ended September 30,	
		2020	2019
		\$	\$
Operating activities			
Net loss		(569,935)	(1,484,087)
Items not affecting cash			
Share-based compensation		394,284	275,074
Accretion on long-term debt		141,527	122,877
Accretion on lease obligations		35,151	46,397
Change in fair value of derivative liability	6	2,794	(91,296)
Amortization of property, plant and equipment		119,380	94,531
Amortization of right-of-use asset	5	190,971	202,203
Unrealized foreign exchange (gains) losses		(144,741)	51,691
Lease interest paid	7	(35,151)	(46,397)
Changes in non-cash operating working capital items	13	(158,230)	417,510
		(23,950)	(411,497)
Financing activities			
Payment of lease obligations	7	(176,926)	(181,684)
Partial settlement of derivative liability	6	(50,075)	(49,542)
Proceeds from the exercise of warrants	8	-	2,433,948
Proceeds from the exercise of options	8	249,240	631,199
		22,239	2,833,921
Investing activities			
Purchase of property, plant and equipment		(59,184)	(158,911)
Effect of exchange rate changes on cash		45,713	110,984
Net cash (outflow) inflow		(15,182)	2,374,497
Cash and cash equivalents, beginning of year		5,700,003	3,325,241
Cash and cash equivalents, end of year		5,684,821	5,699,738

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

ProntoForms Corporation

Condensed interim consolidated statements of changes in shareholders' equity For the nine months ended September 30, 2020 and 2019

(in United States dollars)

	Share capital Number	Amount \$	Contributed surplus \$	Share-based payment reserve \$	Warrant reserve \$	Accumulated			Shareholders' equity \$
						comprehensive income \$	other income \$	Deficit \$	
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	2,941,306	-	-	(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	
Balance at December 31, 2019	120,074,998	25,069,032	864,907	3,345,960	692,960	184,435	(28,921,115)	1,236,179	
Share-based compensation	-	-	-	394,284	-	-	-	394,284	
Net loss	-	-	-	-	-	-	(569,935)	(569,935)	
Issuance of common shares on exercise of options	1,129,750	436,790	-	(187,550)	-	-	-	249,240	
Balance at September 30, 2020	121,204,748	25,505,822	864,907	3,552,694	692,960	184,435	(29,491,050)	1,309,768	

The accompanying notes are an integral part of 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, 2020 and 2019 (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. 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 December 31, 2019.

These condensed interim consolidated financial statements should be read in conjunction with the Company's 2019 annual consolidated financial statements. The policies set out below were consistently applied to all the periods presented.

These condensed interim consolidated financial statements were approved and authorised for issue by the Board of Directors on November 4, 2020.

(a) Basis of measurement and going concern assumption

These condensed interim 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 loss and comprehensive loss are presented using the function classification for expenses. Derivative liabilities are measured at fair value after initial recognition.

The preparation of these condensed interim consolidated financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at September 30, 2020, the Company had not yet achieved profitable operations, had a net loss for the period and has an accumulated deficit, however, the Company believes that its current cash and cash equivalents, combined with certain sales related efforts and financing initiatives, will provide sufficient cash flow for it to continue as a going concern in its present form.

(b) Basis of consolidation

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

3. 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 2019 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

ProntoForms Corporation

Notes to the condensed interim consolidated financial statements For the three and nine months ended September 30, 2020 and 2019 (Unaudited in United States dollars)

4. Investment tax credits and other government assistance

Scientific research and development investment tax credits

During the three and nine months ended September 30, 2020, the Company recorded refundable investment tax credits of \$28,794 and \$43,445 (2019 – \$15,102 and \$46,190) 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.

Other government assistance related to research and development

During the three and nine months ended September 30, 2020, the Company recorded government assistance of \$Nil and \$489,340 (2019 – \$Nil and \$25,861) related to provincial and federal employment assistant programs against research and development expenses.

Innovative assistance program

During the three and nine months ended September 30, 2020, the Company recorded government assistance of \$Nil and \$635,082 (2019 – \$Nil and \$Nil) related to the Innovative Assistance Program (IAP). The IAP provides assistance to assist small and medium-size enterprises in the form of a salary subsidy for up to 12 weeks from April 1, 2020 to June 23, 2020. The total IAP amounts received have been recorded as follows for the 9 months ended:

Cost of Revenue	
Recurring revenue	61,976
Professional and other services	92,238
Research and development	49,521
Selling and marketing	334,552
General and administrative	96,795
	<hr/>
	635,082

5. Right-of-use asset

The following table presents the right-of-use asset for the office:

Balance, January 1, 2020	912,399
Additions	-
Amortization	(190,971)
	<hr/>
Balance, September 30, 2020	721,428

ProntoForms Corporation

Notes to the condensed interim consolidated financial statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited in United States dollars)

6. Long-term debt and derivative liability

	September 30, 2020 \$	December 31, 2019 \$
Business Development Bank of Canada 2016 Loan, interest at 7% per annum, compounded annually	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	579,795	437,728
Translation adjustment	(70,946)	(1,217)
	2,789,484	2,717,146
Less: current portion	(2,789,484)	-
Non-current portion	-	2,717,146

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").

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 between \$0.33 CAD - \$0.38 CAD, expected life of between three years ten months and five years, nil dividends, volatility of between 81% - 88% and a risk-free interest rate of 0.65%. The \$692,959 value of the warrants was recorded as an increase to warrant reserve and a \$197,275 reduction of the derivative liability relating to the bonus on sale associated with the 2012 Loan and a \$495,684 discount on the 2016 Loan.

Furthermore, annual recurring revenue growth ("ARRG") of less than 30% will result in an increase of up to 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 loss and comprehensive loss. At the discretion of BDCC they have the right to increase the interest on the loan up to a maximum of 1.25% per year, if the Company does not achieve 30% ARRG. The interest rate was increased to 9% in October 2019 and there have been no further increases.

ProntoForms Corporation

Notes to the condensed interim consolidated financial statements For the three and nine months ended September 30, 2020 and 2019 (Unaudited in United States dollars)

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

The following table sets out the derivative liability as at September 30, 2020 and December 31, 2019.

	September 30, 2020 \$	December 31, 2019 \$
Derivative portion of 2016 Loan proceeds	239,289	239,289
Partial settlement of 2016 derivative	(125,397)	(75,321)
Cumulative fair value adjustment of 2016 loan	(30,918)	(33,712)
Foreign exchange effect	(7,738)	(3,691)
	75,236	126,565
Less current portion:	(75,236)	(65,041)
	-	61,524

The change in fair value of the derivatives for the three and nine months ended September 30, 2020 were losses of \$1,257 and \$2,794 (2019 – gain of \$101,703 and gain of \$91,296).

7. Lease obligations

The Company's leases are for office space denominated in Canadian dollars but presented in United States dollars. Maturities of lease liabilities as at September 30, 2020 were as follows:

Fiscal Year	Operating leases
Remainder of 2020	71,509
2021	294,551
2022	306,469
2023	178,773
Total future minimum payments	851,302
Imputed interest	(64,040)
Total lease liabilities	787,262
Less: current portion	(253,299)
Non-current portion	533,963

Interest expense on lease obligations for the three and nine months ended September 30, 2020 was \$11,167 and \$35,151 (2019 – \$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, 2020 was \$70,897 and \$209,434 (2019 – \$67,626 and \$201,582). Expenses relating to short-term leases and leases of low value assets for the three months and nine ended September 30, 2020 was \$1,871 and \$10,784 (2019 – \$5,652 and \$16,972). Total cash outflow for leases was \$212,077 (2019 – \$228,081), including \$176,926 (2019 – \$181,684) of principal payments on lease obligations.

ProntoForms Corporation

Notes to the condensed interim consolidated financial statements

For the three and nine months ended September 30, 2020 and 2019

(Unaudited in United States dollars)

8. Share capital

During the nine months ended September 30, 2020, 1,129,750 common shares were issued upon the exercise of options, for proceeds of \$249,240.

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. 839,491 warrants expired during the nine months ended September 30, 2019.

9. 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:

	September 30, 2020	Average exercise price (CAD) \$	September 30, 2019	Average exercise price (CAD) \$
Options	16,075,875	0.48	14,532,975	0.40
Warrants	4,350,000	0.45	4,350,000	0.45
	20,425,875	0.47	18,882,975	0.41

ProntoForms Corporation

Notes to the condensed interim consolidated financial statements For the three and nine months ended September 30, 2020 and 2019 (Unaudited in United States dollars)

10. 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, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
United States	3,347,403	2,764,710	9,152,561	7,656,458
Canada	536,282	454,602	1,683,842	1,440,245
Europe	276,316	330,811	883,093	772,264
Latin America	154,099	179,883	486,414	619,546
Other	236,337	109,995	749,585	544,940
	4,550,437	3,840,001	12,955,495	11,033,453

For the three and nine months ended September 30, 2020, the Company had one customer that individually accounted for 14% and 14% (2019 – 18% and 17%) of revenue and 9% (2019 – 39%) of accounts receivable at September 30, 2020.

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

11. 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 \$721,428 of right-of-use assets and \$787,262 of lease obligations. In addition to the minimum lease payments (Refer Note 7) the Company has the following variable lease payments under the related party lease and other commitments:

	Related party commitments	Other commitments	Total
	\$	\$	\$
2020 (October through December)	69,875	158	70,033
2021	279,500	-	279,500
2022	279,500	-	279,500
2023	163,041	-	163,041
	791,916	158	792,074

Loans totalling \$402,894 (\$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, 2020 was \$1,600,452 (\$2,134,790 CAD).

ProntoForms Corporation

Notes to the condensed interim consolidated financial statements For the three and nine months ended September 30, 2020 and 2019 (Unaudited in United States dollars)

11. Related party transactions and commitments (continued)

Despite their legal form, the CEO Share Purchase Loans are accounted for similar to the grant of an option under IFRS. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. The \$80,556 (CAD \$107,451) Related Party Loan Receivable for related tax remittances is treated as a current receivable.

12. Financial instruments

The carrying values of cash and cash equivalents, accounts receivable, unbilled receivables, related party loan, accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. Long-term debt has a fair value of \$2,875,022 (carrying value of \$2,789,484) 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 condensed interim 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).

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 11 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). All other financial instruments are classified as Level 2. The fair value of the long-term debt is also classified as a Level 3 disclosure. During the three and nine month periods ended September 30, 2020, there were no transfers of amounts between Level 1, Level 2 and Level 3.

13. Changes in non-cash operating working capital items

	September 30, 2020 \$	September 30, 2019 \$
Accounts receivable	296,387	106,550
Investment tax credits receivable	171,527	23,048
Unbilled receivables	(144,882)	(4,189)
Related party loan receivable	-	(2,375)
Prepaid expenses and other receivables	(110,704)	(482,260)
Accounts payable and accrued liabilities	(298,290)	204,846
Deferred revenue	(72,268)	571,890
	(158,230)	417,510

ProntoForms Corporation

Notes to the condensed interim consolidated financial statements
For the three and nine months ended September 30, 2020 and 2019
(Unaudited in United States dollars)

14. Subsequent events

Bank facility

On October 30, 2020, the Company entered into a revolving credit facility with Toronto Dominion Bank (“TD Bank”) for an amount of CAD \$6,000,000. The new credit facility will bear interest at a rate of prime plus 1% per annum with a 2-year commitment renewing annually.

BDCC loan repayment

A portion of the facility was used to settle the Company’s obligations to BDCC.

Warrant exercise

On October 29, 2020, warrants to purchase 4,350,000 common shares of the Company were exercised and such common shares were issued upon payment of the aggregate purchase price of CAD \$1,957,500 (USD \$1,469,887).