
Consolidated financial statements of ProntoForms Corporation

December 31, 2020 and 2019

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KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Tel 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITORS' REPORT

To the Shareholders of ProntoForms Corporation

Opinion

We have audited the consolidated financial statements of ProntoForms Corporation (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian general accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Andrew Watson.

Ottawa, Canada

March 10, 2021

ProntoForms Corporation

Consolidated statements of loss and comprehensive loss

Years ended December 31, 2020 and 2019

(in United States dollars)

	Notes	Year ended December 31,	
		2020	2019
		\$	\$
Revenue			
Recurring revenue		16,194,453	13,740,141
Professional and other services		1,471,627	1,363,778
		17,666,080	15,103,919
Cost of Revenue			
Recurring revenue		1,342,540	1,415,331
Professional and other services		1,289,593	1,129,826
		2,632,133	2,545,157
Gross Margin		15,033,947	12,558,762
Expenses			
Research and development	5	5,406,112	4,794,386
Selling and marketing		7,445,790	6,797,303
General and administrative		3,138,922	2,824,708
		15,990,824	14,416,397
Loss from operations		(956,877)	(1,857,635)
Foreign exchange gain (loss)		49,916	(80,780)
Finance costs	12	(578,206)	(327,063)
Net loss and comprehensive loss		(1,485,167)	(2,265,478)
Net comprehensive loss per common share basic and diluted	14	(0.01)	(0.02)
Weighted average number of common shares basic and diluted	14	118,676,861	112,880,284

ProntoForms Corporation

Consolidated statements of financial position

as at December 31, 2020 and 2019

(in United States dollars)

	Notes	December 31, 2020 \$	December 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents		7,747,542	5,700,003
Accounts receivable	4	3,333,139	2,538,530
Investment tax credits receivable	5	117,092	185,213
Unbilled receivables		235,518	197,264
Related party loan receivable	17	84,392	82,694
Prepaid expenses and other receivables	6	738,415	889,053
Contract acquisition costs	7	214,583	87,486
		12,470,681	9,680,243
Property, plant and equipment	8	407,522	481,242
Contract acquisition costs	7	28,950	54,851
Right-of-use asset	9	657,771	912,399
		13,564,924	11,128,735
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,434,376	2,493,913
Deferred revenue	10	4,657,581	3,562,816
Derivative liability - current portion		-	65,041
Lease obligation - current portion	11	274,312	246,517
		7,366,269	6,368,287
Long-term debt	12	3,219,484	2,717,146
Lease obligation	11	486,302	745,599
Derivative liability		-	61,524
		11,072,055	9,892,556
Shareholders' equity			
Share capital	13	28,342,861	25,069,032
Contributed surplus		864,907	864,907
Share-based payment reserve		3,506,948	3,345,960
Warrant reserve		-	692,960
Deficit		(30,406,282)	(28,921,115)
Accumulated other comprehensive income		184,435	184,435
		2,492,869	1,236,179
		13,564,924	11,128,735

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

Approved by the Board

(signed - Alvaro Pombo), Director

ProntoForms Corporation

Consolidated statements of cash flows Years ended December 31, 2020 and 2019

(in United States dollars)

	Notes	2020 \$	2019 \$
Operating activities			
Net loss		(1,485,167)	(2,265,478)
Items not affecting cash			
Share-based compensation		627,230	454,389
Accretion on long-term debt	12	158,830	167,819
Accretion on early extinguishment of debt	12	192,347	-
Amortization of transaction costs	12	4,697	-
Accretion on lease obligations	11	45,704	59,925
Change in fair value of derivative liability	12	3,270	(50,458)
Amortization of property, plant and equipment	8	159,385	132,615
Amortization of right-of-use asset	9	254,628	269,800
Unrealized foreign exchange (gains) losses		(42,217)	107,899
Loss from disposal of property, plant and equipment	8	615	-
Other finance costs		219,062	209,702
Interest paid		(229,608)	(212,357)
Interest received		10,546	2,655
Lease interest paid	11	(45,704)	(59,925)
Changes in non-cash operating working capital items	20	319,928	880,497
		193,546	(302,917)
Financing activities			
Payment of lease obligations	11	(238,672)	(244,943)
Settlement of derivative liability		(125,936)	(40,656)
Proceeds from the issuance of long-term debt	12	3,127,458	-
Repayment of long term debt	12	(3,003,600)	-
Transaction costs	12	(56,362)	-
Proceeds from the exercise of warrants	13	1,480,575	2,433,948
Proceeds from the exercise of options	13	634,052	675,741
		1,817,515	2,824,090
Investing activities			
Purchase of property, plant and equipment	8	(86,280)	(196,320)
Effect of exchange rate changes on cash		122,758	49,909
Net cash inflow		2,047,539	2,374,762
Cash and cash equivalents, beginning of year		5,700,003	3,325,241
Cash and cash equivalents, end of year		7,747,542	5,700,003

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

ProntoForms Corporation

Consolidated statements of changes in shareholders' equity
Years ended December 31, 2020 and 2019
(in United States dollars)

	Share capital Number	Amount \$	Contributed surplus \$	Share-based payment reserve \$	Warrant reserve \$	Accumulated comprehensive income \$	other income \$	Deficit \$	Shareholders' equity \$
Balance at December 31, 2018	111,029,963	20,912,276	801,888	3,431,280	1,263,337	184,435	-	(26,655,637)	(62,421)
Share-based compensation	-	-	-	454,389	-	-	-	-	454,389
Net loss	-	-	-	-	-	-	-	(2,265,478)	(2,265,478)
Issuance of common shares on exercise of warrants	6,758,399	2,941,306	-	-	(507,368)	-	-	-	2,433,948
Expiry of warrants	-	-	63,019	-	(63,019)	-	-	-	-
Issuance of common shares on exercise of options	2,286,636	1,215,450	-	(539,709)	-	-	-	-	675,741
Balance at December 31, 2019	120,074,988	25,069,032	864,907	3,345,960	692,960	184,435	-	(28,921,115)	1,236,179
Share-based compensation	-	-	-	627,230	-	-	-	-	627,230
Net loss	-	-	-	-	-	-	-	(1,485,167)	(1,485,167)
Issuance of common shares on exercise of options	2,677,583	1,100,294	-	(466,242)	-	-	-	-	634,052
Issuance of common shares on exercise of warrants	4,350,000	2,173,535	-	-	(692,960)	-	-	-	1,480,575
Balance at December 31, 2020	127,102,581	28,342,861	864,907	3,506,948	-	184,435	-	(30,406,282)	2,492,869

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

ProntoForms Corporation
Notes to the consolidated financial statements
December 31, 2020 and 2019
(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 other 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 10, 2021.

(b) Basis of measurement and going concern assumption

These consolidated financial statements have been prepared on a historical cost basis, with the exception of amounts recorded at fair value as noted in the financial instrument note. 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. The preparation of these consolidated financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at December 31, 2020, the Company had not yet achieved profitable operations, had a net loss for the year 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.

(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.

3. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturity dates of three months or less.

(b) Foreign currency translation

All figures presented in the consolidated financial statements and tabular disclosures to the consolidated financial statements are reflected in United States dollars, which is the functional and presentation currency of the Company and each of its subsidiaries.

Foreign currency transactions are translated into United States dollars, which is the functional currency of the Company at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to United States dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated amortization and impairment losses. Amortization is provided using the following terms and method:

Computer equipment	Straight line	3 years
Furniture	Straight line	10 years
Office equipment	Straight line	3 years
Leasehold improvements	Straight line over term of	related lease

An asset's residual value, useful life and amortization method are reviewed at each financial year and adjusted prospectively if appropriate. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(d) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount.

3. Significant accounting policies (continued)

(d) Impairment of long-lived assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded net of depreciation/amortization had no impairment loss been recognized previously.

(e) Revenue recognition

The Company reports its revenue as recurring revenue and professional services. Recurring revenue is derived from subscription fees for cloud-based software. Subscription revenue allows customers to use hosted software over the contract period. Professional services revenue consists mainly of consulting and implementation services and feature development.

The Company's arrangements are generally noncancelable and nonrefundable. The Company's subscription arrangements do not provide customers with the right to take possession of the software supporting the platform and, as a result, are accounted for as service arrangements. This revenue recognition policy is consistent for sales generated directly with customers and sales generated indirectly through channel partners.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Recurring Revenue

Subscriptions are recognized on a ratable basis over the contractual term. The terms of the contracts range from monthly, annual or multi-year subscription terms. Revenue recognition begins on the date that the Company's service is made available to the customer. The Company earns revenue based on the services it delivers either directly to its customers or indirectly through resellers. Additionally, if an agreement contains non-standard acceptance or requires non-standard performance criteria to be met, revenues are deferred until the satisfaction of these conditions.

Professional Services Revenue

Professional services are typically billed on a time and material basis and revenue is recognized over time as the services are performed. For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Any probable losses are recognized immediately in operating expenses. In certain situations where the outcome of an arrangement cannot be estimated reliably, costs associated with the arrangement are recognized as incurred. In this situation, revenues are recognized only to the extent of the costs incurred that are probable of recovery.

Contract Acquisition Costs

The Company recognized an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable, and has determined that certain sales incentive programs meet the requirements to be capitalized. Capitalized contract

3. Significant accounting policies (continued)

(e) Revenue recognition (continued)

acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive renewal commission. The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

Contracts with Multiple Performance Obligations

The Company may sell subscription service agreements with multiple-element arrangements that also include professional services. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price, including any variable consideration, is allocated to the separate performance obligations on a relative Stand-alone Selling Price (SSP) basis. The Company determines SSP based on, if available, observable prices for those related services when sold separately. When observable prices are not available, the Company determines SSP based on overarching pricing objectives and strategies, taking into consideration market conditions and other factors, including customer size, volume purchased, market and industry conditions, product-specific factors and historical sales of the deliverables.

Unbilled receivables arise where professional services are performed or product is delivered prior to the Company's ability to invoice in accordance with the contract terms.

Deferred revenue arises when customers are invoiced in advance of revenue recognition criteria being met. The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

(f) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit and loss as incurred. To date, no development costs have been capitalized.

(g) Income taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

(h) Investment tax credits and other government assistance

The Company is entitled to certain Canadian investment refundable tax credits for qualifying research and development activities performed in Canada. Investment tax

3. Significant accounting policies (continued)

credits are recorded as a reduction of the related expense or as a reduction of the cost of the related asset. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation provided there is reasonable assurance of realization.

Also, from time to time, the Company receives funding under various federal or provincial Government research and development or hiring assistance programs.

Government assistance is recorded as a reduction of the related expense. The benefits are recognized when the Company has complied with the terms and conditions of the approved government assistance program provided there is reasonable assurance of realization. A liability for government assistance payable is recorded when the amount is determinable, and it is considered likely that amounts will be repaid. The benefit of a government loan at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

(i) Share-based compensation

The Company has an employee share option plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share options granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of share options is recorded as share capital and the related share-based compensation is transferred from share-based payment reserve to share capital.

(j) Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting any profit attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued.

3. Significant accounting policies (continued)

(k) Financial instruments

Trade receivables without a significant financing component are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All financial assets are recognized and de-recognized on trade date. The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets are classified as follows:

<u>Financial asset</u>	<u>Classification under IFRS 9</u>
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Unbilled receivables	Amortized cost

Amortized cost

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss.

Impairment of financial assets

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are classified as follows:

<u>Financial liability</u>	<u>Classification under IFRS 9</u>
Trade payables and accrued liabilities	Amortized cost
Derivative liability	Fair value through profit and loss

3. Significant accounting policies (continued)

(l) Financial instruments (continued)

Long-term debt	Amortized cost
Lease obligation	Amortized cost

Amortized cost

Financial liabilities at amortized cost are measured using the effective interest rate method.

De-recognition of financial liabilities

The Company de-recognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(n) 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.

3. Significant accounting policies (continued)

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. Variable costs are not included in the measurement of the lease liability.

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.

(n) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Company is closely monitoring the impact of COVID-19 on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant impact to the reported amounts of assets, liabilities, revenue and expenses in these and any future consolidated financial statements. Examples of accounting estimates and judgments that may be impacted by the pandemic include, but are not limited to: revenue recognition, allowance for expected credit losses and provisions.

Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple license and service elements. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables. The Company has elected to recognize the arrangement fee to be allocated to the elements on a relative fair value basis. Judgment and estimates are required when determining the relative fair value of elements utilizing standalone prices for similar deliverables where it exists or third party evidence of standalone price or internally generated estimates of standalone price.

Revenue for subscription services is recognized when delivered. Judgment is required in determining when delivery has occurred including assessing if significant obligations to install the product exist that must be completed, the timing of when the significant risks and rewards of ownership have been transferred, and if a risk of return exists due to non-compliance with product specifications.

Revenue for service elements is recognized as the services are performed. Estimates of proportional performance of service arrangements are required to recognize revenue including effort spent to date versus total effort expected to complete.

Impairment of trade receivables

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past

3. Significant accounting policies (continued)

the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization. The expense relating to doubtful accounts is included within general and administrative expenses in the consolidated statement of loss and comprehensive loss.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, volatility and the risk-free interest rate are used.

Warrants

In calculating the value of the warrants, key estimates such as the volatility and risk-free interest rate are used.

Derivative liability

In calculating the derivative liability related to the long-term debt, key estimates such as projected future revenue and discount rates are used.

(o) Changes in significant accounting policies

There have been no significant changes in accounting policies applicable for the current year.

Future accounting changes

We have assessed the following new standards and interpretations as having a possible impact on us in the future. We intend to adopt these standards and interpretations, if applicable, as at the required effective dates indicated below and are currently assessing the impact on our consolidated financial statements.

1) Amendments to IAS 37 – Onerous contracts, costs of fulfilling a contract

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied.

2) Amendments to IAS 1 – Classification of Liabilities as current or non-current

The amendments specify that the requirements for a right to be unconditional has been removed. Instead, now right to defer settlements must have substance and exist at the end of the reporting period. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2023.

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4. Accounts receivable

Accounts receivable consist of the following:

	December 31, 2020	December 31, 2019
	\$	\$
Trade receivables	3,555,481	2,724,425
Loss allowance	(222,342)	(185,895)
	3,333,139	2,538,530

Movement in the loss allowance is as follows:

	December 31, 2020	December 31, 2019
	\$	\$
Balance at the beginning of the period	(185,895)	(141,619)
Increase in provision	(167,000)	(93,540)
Receivables balances written-off	146,008	49,264
Amounts recovered	(15,455)	-
	(222,342)	(185,895)

5. Investment tax credits and other government assistance

During the year, the Company recorded investment tax credits of \$146,394 (\$86,610 in 2019) as a reduction of 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 year, the Company recorded non-refundable government assistance of \$489,340 related to Industrial Research Assistance Program (IRAP) (\$87,419 in 2019) as a reduction of research and development expenses. Specifically, the program seeks to increase ProntoForms' leading technology and market position in a strategy area of enterprise IT, by adding advanced features for field service applications.

During the year, the Company recorded government assistance of \$635,082 (2019 - \$nil) related to the Innovative Assistance Program (IAP). The IAP provided assistance to 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:

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5. Investment tax credits and other government assistance (continued)

	2020	2019
	\$	\$
Cost of Revenue		
Recurring revenue	68,044	—
Professional and other services	96,019	—
Research and development	53,301	—
Selling and marketing	326,992	—
General and administrative	90,726	—
	635,082	—

6. Prepaid expenses and other receivables

	2020	2019
	\$	\$
Prepays	652,926	735,965
Commodities tax receivable	62,415	92,207
Industrial Research Assistance Programme receivable	—	60,881
Other	23,074	—
	738,415	889,053

7. Contract acquisition costs

	Contract acquisition costs
	\$
Balance, January 1 2019	80,107
Amortization	(70,640)
Additions	132,870
Balance, December 31 2019	142,337
Amortization	(115,283)
Additions	216,479
Balance, December 31 2020	243,533

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8. Property, plant and equipment

	Balance at January 1, 2020	Additions	Disposals	Balance at December 31, 2020
	\$	\$	\$	\$
Cost				
Computer equipment	365,794	63,188	(1,266)	427,716
Office equipment	171,483	23,092	—	194,575
Furniture	327,239	—	—	327,239
Leasehold improvements	53,764	—	—	53,764
	918,280	86,280	(1,266)	1,003,294

	Balance at January 1, 2020	Amortization	Disposals	Balance at December 31, 2020
	\$	\$	\$	\$
Accumulated amortization				
Computer equipment	226,454	79,617	(651)	305,420
Office equipment	100,785	36,774	—	137,559
Furniture	89,845	33,373	—	123,218
Leasehold improvements	19,954	9,621	—	29,575
	437,038	159,385	(651)	595,772

	Balance at January 1, 2019	Additions	Disposals	Balance at December 31, 2019
	\$	\$	\$	\$
Cost				
Computer equipment	244,766	121,028	-	365,794
Office equipment	120,089	51,394	-	171,483
Furniture	219,246	107,993	-	327,239
Leasehold improvements	35,951	17,813	-	53,764
	620,052	298,228	—	918,280

	Balance at January 1, 2019	Amortization	Disposals	Balance at December 31, 2019
	\$	\$	\$	\$
Accumulated amortization				
Computer equipment	159,679	66,775	—	226,454
Office equipment	65,385	35,400	—	100,785
Furniture	67,074	22,771	—	89,845
Leasehold improvements	12,285	7,669	—	19,954
	304,423	132,615	—	437,038

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8. Property, plant and equipment (continued)

	2020	2019
	\$	\$
Carrying amount		
Computer equipment	122,296	139,339
Office equipment	57,016	70,699
Furniture	204,021	237,394
Leasehold improvements	24,189	33,810
	407,522	481,242

All assets are pledged as security against the long-term debt. Amortization of property, plant & equipment is included in General and administrative expenses.

9. Right-of-use assets

	Office right-of-use asset
	\$
Balance, January 1, 2019	1,196,989
Amortization	(269,800)
Write-off to lease obligation on cancellation of lease	(14,790)
Balance, December 31 2019	912,399
Amortization	(254,628)
Balance, December 31 2020	657,771

10. Deferred revenue and Performance Obligations

Deferred Revenue

Deferred revenue, which is a contract liability, consists primarily of payments received in advance of revenue recognition under the Company's contracts with customers and is recognized as the revenue recognition criteria are met.

Recurring revenue recognized during the years ended December 31, 2020 and 2019 that was included in the deferred revenue balances at the beginning of the respective periods was \$3,168,489 and \$1,499,988, respectively. Professional services and other revenue recognized in the years ended December 31, 2020 and 2019 from deferred revenue balances at the beginning of the respective periods was \$267,960 and \$666,012, respectively.

10. Deferred revenue and Performance Obligations (continued)

Transaction Price Allocated to the Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue for subscription contracts that have been invoiced and will be recognized as revenue in future periods.

As of December 31, 2020, total remaining noncancelable performance obligations under the Company's subscription contracts with customers are approximately \$7,628,211 and the Company expects to recognize revenue on substantially all these remaining performance obligations over the next 12 months.

11. 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 December 31, 2020 were as follows:

	Operating leases
	\$
Fiscal Year	
2021	308,580
2022	321,065
2023	187,279
Total future minimum payments	816,924
Imputed interest	(56,310)
Total lease liabilities	760,614
Less: current portion	(274,312)
Non-current portion	486,302

Interest expense on lease obligations for the year ended December 31, 2020 was \$45,704 (2019 - \$59,925). Variable lease payments for operating costs not included in the measurement of lease obligations for the year ended December 31, 2020 were \$280,576 (2019 - \$253,116). Expenses relating to short-term leases and leases of low value assets for the year ended December 31, 2020 were \$9,847 (2019 - \$19,078). Total cash outflow for leases was \$284,376 (2019 - \$304,868), including \$238,672 (2019 - \$244,943) of principal payments on lease obligations.

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12. Long-term debt and derivative liability

	December 31, 2020	December 31, 2019
	\$	\$
Business Development Bank of Canada loan 2016 Loan, interest at 7% per annum, compounded annually	—	3,073,200
Toronto Dominion Credit Facility 2020 Loan, interest is a combination of prime rate + 1% and 30 days banker acceptance rate of 3%	3,127,458	—
Transaction costs	(56,362)	(57,592)
Derivative liability	—	(239,289)
Warrants	—	(495,684)
Amortization of discount	—	437,728
Amortization of finance costs	4,697	—
Translation adjustment	143,691	(1,217)
Long-term debts	3,219,484	2,717,146

	December 31, 2020	December 31, 2019
	\$	\$
Derivative portion of 2016 Loan proceeds	—	239,289
Settlement of derivative by payment	—	(75,321)
Cumulative fair value adjustment of 2016 loan	—	(33,712)
Foreign exchange effect	—	(3,691)
	—	126,565
Less: current portion	—	(65,041)
Derivative liability	—	61,524

In 2016, the Company entered into a financing agreement with BDCC, for a \$4 million CAD, five-year secured term credit facility bearing interest at a fixed rate of 7% per year, with a maturity date of September 15, 2021. 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 original term of the warrants was five years.

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%. During the year, the warrants were exercised for proceeds of \$1,480,575.

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

On October 30, 2020, the Company entered into a financial agreement with Toronto-Dominion bank, for a \$6 million CAD, two year revolving operating facility, bearing interest at prime rate + 1% per annum, with a maturity date of October 30, 2022. The facility was used to fully settle the BDCC loan and the related derivative liability. The BDC loan was settled through a repayment of principal \$3,003,600 (\$4,000,000 CAD). The Company incurred finance costs of:

	December 31, 2020	December 31, 2019
	\$	\$
Interest and accretion	328,932	377,521
Accretion on early extinguishment of debt	192,347	—
Penalty on early extinguishment of debt	53,657	—
Change in fair value of derivative liability	3,270	(50,548)
	578,206	326,973

All covenants associated with the TD credit facility are in compliance on December 31, 2020.

During the year, the Company recorded a non-cash translation adjustment for the total debt of \$78,968.

13. Share capital

Authorized

An unlimited number of common shares:

2020

During the year ended December 31, 2020, 4,350,000 common shares were issued upon the exercise of warrants for proceeds of \$1,480,575 and 2,677,583 common shares were issued upon the exercise of options for proceeds of \$634,052.

2019

During the year ended December 31, 2019, 6,758,399 common shares were issued upon the exercise of warrants for proceeds of \$2,433,948 and 2,286,636 common shares were issued upon the exercise of options for proceeds of \$675,741.

Warrants continuity schedule

As of December 31, 2020, the Company has the following warrants with average exercise prices and expiry dates outstanding:

	Number of whole share warrants	Average exercise price CAD\$	Expiry date
Balance, December 31, 2018	11,947,890	0.46	
Exercised	(6,758,399)	0.48	June 21, 2019
Expired	(839,491)	0.48	June 21, 2019
Balance, December 31, 2019	4,350,000	0.45	September 15, 2021
Exercised	(4,350,000)	0.45	October 29, 2020
Balance, December 31, 2020	-	-	

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13. Share capital (continued)

Option plan

The Company has a share option plan (the "Plan") that is administered by the Board of Directors of the Company who establish exercise prices, at not less than market price at the date of grant, and vesting periods, which to date have been set between one and three years. Options under the Plan remain exercisable for five years from the date of grant. The maximum number of common shares reserved for issuance for options that may be granted under the Plan as at December 31, 2020 was 19,679,583 (18,679,583 in 2019).

	Outstanding	Average exercise price CAD\$
Balance outstanding as at December 31, 2018	13,555,277	0.34
Granted	3,550,000	0.59
Exercised	(2,286,636)	0.39
Cancelled/Forfeited	(546,375)	0.38
Expired	(51,500)	0.40
Balance outstanding as at December 31, 2019	14,220,766	0.40
Granted	3,436,000	0.76
Exercised	(2,690,350)	0.31
Cancelled/Forfeited	(442,346)	0.51
Expired	(17,500)	0.28
Balance outstanding as at December 31, 2020	14,506,570	0.50
Balance exercisable as at December 31, 2020	8,646,821	0.39

The following tables summarize information concerning share options outstanding at December 31, 2020.

Exercise price CAD\$	Options outstanding		Options exercisable	
	Number	Weighted Average remaining Weighted life (years)	Number	Weighted Average remaining contractual life (years)
0.30-0.35	5,652,861	1.93	4,863,722	1.81
0.36-0.40	2,233,500	1.71	2,233,500	1.71
0.41-0.60	3,264,736	3.70	1,472,155	3.70
0.61-0.90	3,355,473	4.69	77,444	4.51
	14,506,570	2.94	8,646,821	2.13

13. Share capital (continued)

Share-based compensation

The Company recorded \$627,230 (\$454,389 in 2019) as share-based payment reserve and share-based compensation expense, which is measured at fair value at the date of grant and is expensed over the option's vesting period.

	2020	2019
Cost of revenue	44,145	59,358
Research and development	147,581	82,472
Selling and marketing	187,004	148,086
General and administrative	248,500	164,473
	627,230	454,389

The weighted average grant date fair value of options granted during the year is CAD\$0.76 (CAD\$0.59 in 2019). In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions:

	2020	2019
Risk-free interest rate	0.33%	1.46%
Expected life in years	4.16	4.07
Expected dividend yield	0%	0%
Volatility	74%	102%

Volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

14. 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:

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14. Loss per share (continued)

	2020	2019
Options (Note 13)	14,506,570	14,283,433
Warrants (Note 13)	—	4,350,000
	14,506,570	18,633,433

15. Income taxes

The Company has non-capital losses available to reduce future years' taxable income which expire as follows:

	Canada	United States
	\$	\$
2025	-	87,000
2026	1,403,000	1,013,000
2027	3,193,000	819,000
2028	1,430,000	290,000
2029	747,000	223,000
2030	865,000	305,000
2031	1,390,000	-
2032	1,471,000	-
2033	269,000	-
2033	66,000	-
2034	58,000	-
2036	820,000	-
2037	1,584,000	-
2038	639,000	-
2039	204,000	-
2040	205,000	-
	14,344,000	2,737,000

The U.S. losses may be subject to limitation under Internal Revenue Code Section 382.

The Company also has unclaimed research and development expenditures (SR&ED) of approximately \$9,270,000 which may be carried forward indefinitely to reduce future years' taxable income. The Company also has investment tax credits of approximately \$1,666,000 and \$428,000 available to reduce future years' federal and provincial income tax payable, respectively.

The federal credits begin to expire in 2021 whereas the provincial credits commence to expire in 2030. The potential benefits relating to the available non-capital losses, unclaimed SR&ED expenditures and investment tax credit carryforward balances have not been recorded in the consolidated financial statements.

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16. Segmented information

IFRS 8 Operating Segments defines an operating segment as (a) a component of an entity that engages in business activities from which it may earn revenues and incur expense (including revenues and expenses relating to transactions with other components of the same entity), (b) operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and (c) for which discrete financial information is available.

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:

	2020 \$	2019 \$
United States	12,296,808	10,482,340
Canada	2,291,167	1,987,992
Latin America	645,006	1,016,091
Europe	1,186,494	820,063
Other	1,246,605	797,433
	17,666,080	15,103,919

For the year ended December 31, 2020, the Company had one customer that individually accounted for 14% of revenue (16% in 2019).

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

17. Related parties

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors, who control approximately 27% (2019: 29%) of the outstanding shares of the Company.

Compensation provided to key management is as follows:

	2020 \$	2019 \$
Short term benefits	1,774,736	1,725,465
Board member compensation	136,529	131,674
Variable compensation	394,725	397,708
Share based compensation	358,360	324,193
	2,664,350	2,579,040

17. Related parties (continued)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

Key management personnel compensation (continued)

If terminated for other than just cause, the Company's executive officers are entitled to between six and twelve months' prior written notice or payment in lieu thereof at the rate in effect at the time of termination.

Loans totaling \$422,079 (\$537,407 CAD) have been issued to the CEO to purchase common shares. The loans are non-interest bearing and principal is 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 December 31, 2020 was \$2,641,803 (2019 - \$1,467,668).

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 \$84,392 Related Party Loan Receivable for related tax remittances is treated as a current receivable.

The Company leases office premises from a company controlled by the Chairman of the Board. Included in the Balance Sheet are \$657,771 of right-of-use assets and \$760,614 of lease obligations. Operating expenses under the related party lease plus commitments for other office leases, have the following minimum annual payments:

	Related Party commitment
	\$
2021	292,809
2022	292,809
2023	170,805
	<u>756,423</u>

For the year ended December 31, 2020, the expense incurred under these leases was \$282,374 (\$273,764 in 2019).

18. Financial instruments

Currency risk

The Company reported a foreign exchange gain of \$49,916 for the year ended December 31, 2020 and a foreign exchange loss of \$80,780 for the year ended December 31, 2019. The foreign exchange exposure relates primarily to fluctuations against the Canadian dollar as a portion of revenue and the majority of operating expenses are denominated in Canadian dollars. The Company has not used derivative financial instruments to manage this risk.

18. Financial instruments (continued)

Currency risk (continued)

As at December 31, 2020, a 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar would have increased (decreased) comprehensive loss by approximately \$212,140 based on the Company's net U.S. monetary assets as at December 31, 2020. While the Company attempts to maintain a U.S. dollar cash balance to match its short-term U.S. denominated obligations, it receives a significant portion of its revenues in U.S. denominated payments exposing it to additional U.S. exchange risk.

Interest risk

The Company's exposure to interest rate risk is minimal as the long-term debt has a rate of interest that is subject to interest rate market fluctuation. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments, but the Company did not have any in the periods presented. The Company does not use derivative instruments to reduce its exposure to interest rate fluctuations.

Credit risk

The Company provides credit to its customers in the normal course of operations. The Company has a monitoring processes to mitigate credit risk.

The carrying amount of cash and cash equivalents, accounts receivable, unbilled receivables and related party loan receivable represents the maximum exposure to credit risk and at December 31, 2020, this amounted to \$11,400,591 (\$8,518,491 in 2019). The cash is held by the Company's banks which are large Canadian and International banks. Since the inception of the Company, no losses have been suffered in relation to cash held in bank. No allowance for credit losses other than doubtful accounts described above has been made.

Concentration risk

Management determines concentration risk through regular review of areas such as customer, vendor and geographic characteristics within all financial instruments.

As at December 31, 2020, the Company has concentrated credit risk with one customer totaling 29% of its accounts receivable (one customer totaling 42% of its accounts receivable in 2019). As at December 31, 2020, the Company's aging of receivables was approximately 74% under sixty days and 26% over sixty days (74% under sixty days and 26% over sixty days in 2019).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements.

Given the reduced cash outflow from operations and our existing cash and cash equivalents, the Company believes there is sufficient liquidity to meet its current and planned financial obligations in the foreseeable future. The Company's future financing requirements will depend on many factors including its growth rate, subscription renewal activity, the timing and extend of spending to support development of its platform, and the expansion of sales and marketing activities. The TD Bank debt matures on October 30, 2022 and while it is expected that the Company will have sufficient cash flow for it to continue operations in its present form, there is a risk that the Company may not be able to obtain sufficient other additional financing or that such arrangements may result in dilution to existing shareholders. Turmoil and uncertainty in the financial and business markets may impact the Company's ability to raise additional financing proceeds and the terms relating to the financing.

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18. Financial instruments (continued)

Liquidity risk (continued)

In addition to the commitments disclosed in Note 17, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Years 2 - 3	Years 4 - 5	After 5 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,434,376	2,434,376	2,434,376	—	—	—
Long-term debt	3,219,484	3,283,831	93,824	3,190,007	—	—
Lease obligations	760,614	816,924	308,580	508,344	—	—
	6,414,474	6,535,131	2,836,780	3,698,351	—	—

Fair values

The carrying values of cash and cash equivalents, accounts receivable, unbilled receivables, related party loan and other government funding receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term to maturity. Long-term debt fair value approximates carrying value due to the floating market rate of interest.

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement 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 13 are classified as a Level 1 financial instrument. The fair value of the long-term debt and the remaining financial instruments are classified as Level 2. During the year, there were no transfers of amounts between Level 1, Level 2 and Level 3.

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19. Capital management

The Company's objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity and debt. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company has not historically paid any dividends to its shareholders.

There were no changes in the Company's approach to capital management during the period. The Company has externally imposed restrictions related to covenant calculations on its long-term debt (Note 12).

20. Changes in non-cash working capital items

	2020	2019
	\$	\$
Accounts receivable	(794,609)	(360,110)
Investment tax credits receivable	68,121	(26,247)
Unbilled receivables	(38,254)	(40,399)
Prepaid expenses and other receivables	150,638	(445,587)
Contract acquisition costs	(101,196)	(62,230)
Accounts payable and accrued liabilities	(59,537)	506,654
Deferred revenue	1,094,765	1,308,416
	319,928	880,497

Included in accounts payable is an amount of \$nil (2019 - \$101,908) related to property, plant and equipment.

21. Nature of expenses

The following table shows the breakdown of expenses by nature for each function on the consolidated statements of loss and comprehensive loss:

	2020	2019
	\$	\$
Salaries and benefits	9,911,365	6,954,017
Systems and administration	1,427,214	1,605,473
Advertising, promotion and marketing	1,320,284	1,186,225
Contractors and consultants	1,246,991	1,102,093
Variable compensation	1,230,971	1,376,027
Occupancy costs	591,646	600,458
Professional fees	488,966	308,360
Loss allowance	381,221	140,879
Travel and entertainment	277,743	1,001,709
Communications	165,624	182,570
Amortization	159,385	132,615
Investment tax credits and other government assistance	(1,210,586)	(174,029)
	15,990,824	14,416,397

22. Comparative information

Certain comparative figures have been reclassified to conform with the basis of presentation used in the current year. Contract acquisition costs were previously reported within prepaids and are now presented separately and classified into current and non-current components. The Company expects to realize some of the benefits derived from the contract acquisition costs beyond a 12-month operating cycle. As a result of the change \$142,337 has been reclassified from prepaids to contract acquisition costs as of December 31, 2019.