

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

May 5, 2021

**All amounts herein are in U.S. Dollars unless otherwise stated.**

## OVERVIEW

The following "Summary Financial Information and Management's Discussion and Analysis of Results of Operations and Financial Condition" ("MD&A") was prepared by Management of ProntoForms Corporation ("ProntoForms" or the "Company") and approved by the Board of Directors of the Company (the "Board of Directors"). Throughout this MD&A, unless otherwise specified, "ProntoForms", "Company", "we", "us" and "our" refer to ProntoForms Corporation and its subsidiaries.

This interim MD&A is an update of management's discussion and analysis provided in the Company's annual filings dated March 10, 2021 and filed on [www.SEDAR.com](http://www.SEDAR.com) and includes a discussion of the results of operations and cash flows for the three months ended March 31, 2021. Such discussion and comments on liquidity and capital resources of the Company should be read in conjunction with the unaudited interim financial report for the three months ended March 31, 2021. The interim financial report has been prepared in U.S. Dollars and using International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

Management is responsible for ensuring that processes are in place to provide enough knowledge to support the representations made in the interim filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed this MD&A and the accompanying financial statements.

Alvaro Pombo, Chief Executive Officer, and David Croucher, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the interim financial report and this MD&A (the "Interim Filings") and that, based on their knowledge having exercised reasonable diligence, that (a) the interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the interim filings; and (b) the interim financial report together with the other financial information included in the interim Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the interim Filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## FORWARD LOOKING STATEMENTS

Certain statements in this MD&A may constitute forward-looking statements, including those identified by the expressions such as “anticipate”, “believe”, “estimate”, “expect”, “foresee”, “intend”, “plan”, or similar expressions to the extent that they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company’s current assumptions and expectations regarding future events. Forward-looking statements in this MD&A include but are not limited to statements regarding subscriber additions, the variability of our revenues going forward, anticipated market trends and technology adoption by our customers and industry peers, anticipated growth in revenue and expenses, the potential impacts of additional expenditures on revenue growth rates, the sufficiency of cash on hand and the Company’s ability to obtain financing necessary to continue operations and the potential impacts of the COVID-19 pandemic on the Company’s business and operations. There can be no assurance that such statements will prove to be accurate, and actual results and future events may differ materially from those anticipated in such statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions, including but not limited to the following: (i) there can be no assurance that the Company will earn any profits in the future or that profitability, if achieved, will be sustained; (ii) if the Company is not able to achieve profitability, it will require additional equity or debt financing, and there can be no assurances that the Company will be able to obtain additional financial resources on favourable commercial terms or at all; (iii) the Company’s quarterly revenues and operating results may fluctuate, which may harm its results of operations; (iv) the loss of business from a major customer, operator or other reseller could reduce the Company’s sales and harm its business and prospects; (v) a portion of the Company’s sales are through operators and other resellers, and an adverse change in the Company’s relationship with any of such operators or other resellers may result in decreased sales; (vi) the market for software as a service is at a relatively early stage of development, and if it does not develop or develops more slowly than expected, the Company’s business will be harmed; (vii) the Company faces competition from other software solution providers, which may reduce its market share or limit the prices it can charge for its software solutions; (viii) a global economic downturn or market volatility may adversely affect our business and/or our ability to complete new financings; (ix) the business of the Company may be harmed if it does not continue to penetrate markets; (x) the success of the business depends on the Company’s ability to develop new products and enhance its existing products; (xi) the Company’s growth depends in part on the success of its strategic relationships with third parties; (xii) the financial condition of third parties may adversely affect the Company; (xiii) the US dollar may fluctuate significantly compared to the Canadian dollar, causing fluctuations in earnings and cash flow as most of our revenues are received in US dollars while most of our expenses are payable in Canadian dollars; (xiv) subscription services which produce the majority of the Company’s revenue are hosted by a third party service for the Company and any interruption in service could harm its results of operations; (xv) the Company may be liable to its customers or third parties if it is unable to collect data or it otherwise loses data; (xvi) the Company may be liable for the handling of personal information; (xvii) intellectual property claims against the Company may be time consuming, costly to defend, and disruptive to the business; (xviii) the Company uses open source software in connection with its products which exposes it to uncertainty and potential liability; (xix) economic uncertainty and downturns in the software market may lead to decreases in the Company’s revenue and margins; (xx) any significant changes in the technological paradigm utilized for building or delivering applications in Smartphone devices could harm the Company’s business and prospects; and (xxi) if the Company loses any of its key personnel, its operations and business may suffer and (xxii) COVID-19 and similar global health crises could have a negative impact on the Company, its employees, suppliers and customers.

On March 12, 2020, ProntoForms made the decision to temporarily close our physical offices and require all staff to work from home. Our staff have responded with enthusiasm and have adapted well to working remotely. We have a cadence of meetings and surveys to measure and influence the effectiveness and morale as we progress through the pandemic. Most of our tools are in the cloud and have been operating there for some time and as such, the disruption to sales by COVID-19 was not as significant for

us as for some other businesses. As our gross bookings rebounded in the second half of 2020 and our revenue base continues to grow, we have reaffirmed our strategy of carefully investing in Enterprise growth. We will continue with our staff working in this remote fashion until such time as we believe, based on the stages of the virus and the advice of government health authorities, that the risk to our staff and customers is reduced sufficiently. At such time, all recommended safety precautions, including physical distancing measures, will be followed.

We are conducting business with substantial modifications to employee travel, employee work locations and virtualization or cancellations of all sales and marketing events. We have substantially modified interactions with customers and suppliers, among other modifications, including customer purchasing decisions. We have also accessed government assistance in the form of the Innovative Assistance Program (IAP) during the second quarter of 2020 and the Industrial Research Assistance Program (IRAP) which was completed at the end of the second quarter of 2020. We may take further actions that alter our business operations as may be required by governments, or that we determine are in the best interest of our employees, customers, partners, suppliers, and shareholders. However, there is no certainty that such measures will be sufficient to mitigate the direct and indirect effects of the virus and our business, financial condition and results of operations could be affected. The degree to which COVID-19 will affect our results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic, actions taken to contain the virus, the impact of the pandemic and related restrictions on economic activity and the extent of the impact of these and other factors on our employees, partners, suppliers and customers. COVID-19 has also caused heightened uncertainty in the global economy. If economic growth slows further or if a recession develops, customers may not have the financial means to subscribe for our software and services, negatively impacting our results of operations. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 outbreak and the related impact on the global economy may not be fully reflected in our results of operations until future periods. Further, volatility in the capital markets has been heightened during recent months and such volatility may continue, which may cause declines in the price of our shares.

Please see the Company's MD&A for the year ended December 31, 2020 filed on [www.SEDAR.com](http://www.SEDAR.com) and dated March 10, 2021 for a more complete discussion of these and other risks. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

## **BUSINESS OVERVIEW AND OUTLOOK**

ProntoForms is the global leader in field-focused low-code application platforms ("LCAP") for enterprise. Its solution is used to create apps and forms to collect and analyze field data with smartphones and tablets – either as a standalone solution or a mobile front-end to enterprise systems of record. ProntoForms' 100,000+ subscribers harness the intuitive, secure, and scalable solution to increase productivity, improve quality of service, and mitigate risks.

ProntoForms was one of just 19 companies featured in Gartner's 2020 LCAP Magic Quadrant report. Additionally, it was the only field-focused solution included. Gartner – the world's leading IT research and advisory firm – predicts that by 2024, 75% of large enterprises will use at least four low-code development tools for both IT application development and citizen development initiatives. ProntoForms was also named G2's leader in Mobile Forms Automation Software for Fall 2020, retaining this ranking for the 9th time. ProntoForms was rated a 92 through real-time user satisfaction ratings, 33 points above the nearest competitor in the Enterprise segment. G2 also awarded ProntoForms the High Performer badge for Low-Code Development Platforms and the highest relationship rating available for products included in the Mobile Forms Automation Software category.

We have a broad cross section of customers in diverse industries; however, our prime focus is in medical equipment, heavy manufacturing, energy resources, and utilities. Typically, our initial sale is to the leaders of field or sales operations. In enterprise, we often obtain broader adoption through internal IT channels as

they value the platform's security, scalability, and reliability. We are focusing on a replicable expansion approach for medium and large enterprise customers to achieve broader adoption in other regions and across other business processes.

We sell directly and co-market our solution with multiple partners that include independent software vendors, implementation partners, and other industry specific resellers in multiple geographies. While our direct sales resources provide us access to decision makers in a wide range of companies, we are also targeting new enterprise sales through partners and resellers. We believe that these partners and resellers often times provide easier access to the decision makers in large enterprises so we have shifted resources and investment to pursue sales through partners and resellers that have existing large enterprise relationships.

We compete in a mobile business application market that remains highly fragmented. Recent developments have seen early consolidation among niche providers focused on a narrow set of technology or targeted to a very specific vertical industry segment. While we do not consider these patterns to be unusual for an emerging industry, market dynamics, combined with our company size, suggest that the abundance of applications, devices, and software vendors will continue to impact decision-making and implementation cycles by our customers.

The threat of technology disrupting business, the increased demand for mobile apps, and the shortage of resources to build them, is influencing field service executives and IT teams to investigate LCAP solutions to complement field force automation initiatives. In addition, the rapid evolution of other infrastructure enablers, including smartphones and tablets, cloud services for back office systems, data storage, and demand for data and analytics to measure and improve business processes is another favorable trend supporting our growth.

The conditions outlined above could add significant variability, and we caution readers that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and should not be relied upon as the only indication of likely future performance or quarterly operating results.

See "Forward Looking Statements" above.

## **RECENT DEVELOPMENTS**

### **2021**

During the three months ended March 31, 2021, 786,459 common shares were issued upon the exercise of options, for proceeds of \$239,455.

### **2020**

On October 30, 2020, the Company entered a revolving credit facility with Toronto-Dominion Bank ("TD Bank") for an amount of up to CAD \$6 million. The new credit facility bears interest at a combination of prime plus 1% per annum and a 30 days Bankers Acceptance plus 2.5%, with a 2-year commitment renewable annually. A portion of the new credit facility was used to settle the Company's obligations to BDC Capital Inc. ("BDCC").

On October 29, 2020, warrants to purchase 4,350,000 common shares of the company were exercised and the common shares were issued upon payment of the aggregate purchase price \$1,480,575 (CAD \$1,957,500).

During the year ended December 31, 2020, 2,677,583 common shares were issued upon the exercise of options for proceeds of \$634,052.

## **KEY PERFORMANCE INDICATORS**

We use certain key performance indicators to assess performance and evaluate our business. Such key performance indicators do not have a definition in IFRS and may be calculated in a manner different from similar key performance indicators used by other companies. We do not consider such key performance indicators to be “non-GAAP financial measures” as such term is commonly used because they are not derived from our financial statements.

### Annual Recurring Revenue (ARR)

Annual Recurring Revenue (“ARR”) is an element we use to estimate our recurring revenue for future reporting periods and is a measure we use to assess the performance of the business over time. We caution that recurring revenue will fluctuate by the amount and timing of additions and deletions in the following periods and by the foreign exchange impact on non-US Dollar ARR.

ARR is calculated as the annual equivalent of the recurring elements of our contracts with customers that are in effect at the end of the period. Non-US Dollar ARR is converted at the period end exchange rate. As at March 31, 2021, 95% of ARR was denominated in US Dollars.

	2021	2020			
	March 31	December 31	September 30	June 30	March 31
<b>ARR</b>	17,923,224	17,112,732	16,992,076	16,137,336	15,741,756
<b>ARR Growth</b>					
- sequential (QoQ)	4.7%	0.7%	5.3%	2.5%	0%
- comparable (YoY)	13.9%	8.7%	13.1%	17.7%	20.4%
<b>Proportion of Base from</b>					
Customers with > \$100k ARR	40%	39%	39%	38%	37%
		2019			
		December 31	September 30	June 30	March 31
<b>ARR</b>		15,736,428	15,026,100	13,713,778	13,069,975
<b>ARR Growth</b>					
- sequential (QoQ)		4.7%	9.6%	4.9%	5.4%
- comparable (YoY)		26.9%	30.1%	25.7%	26.4%
<b>Proportion of Base from</b>					
Customers with > \$100k ARR		36%	35%	30%	28%

In the fourth quarter of 2020, we saw continued improvement in gross bookings, but this was offset by a decrease in our base of approximately 6% caused by the discontinuation of our AT&T Services, Inc (“AT&T”) reseller agreement. Overall, we finished slightly up in the fourth quarter as we managed to bring a number of customers from this channel to a direct relationship and added more bookings. In comparison, the first quarter of 2021 showed a return to moderate growth of 4.7% sequentially over the fourth quarter of 2020.

We have focused our efforts on Enterprise sales and we use the metric “Proportion of Base from Customers with > \$100k ARR” as an indicator of sales to larger customers and higher penetration within those accounts. Over time, larger customers have constituted a greater share of our revenue and we expect this trend to continue as larger enterprises recognize the value of our product. We caution that this indicator may fluctuate depending on the size of customers added or deleted in the following periods.

An ARR customer is defined as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large company that has an active contract with us or one of our partners to access our platform.

**PRESENTATION OF FINANCIAL STATEMENTS**  
(in U.S. Dollars)

**Selected Quarterly Financial Information**

**Statement of Operations Data**

	<b>Three months ended</b>	
	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Revenue	\$ 4,613,463	\$ 4,242,714
Loss from operations	(1,066,976)	(237,954)
Net loss	(1,104,812)	(167,945)
Non-GAAP (loss) income from operations [1]	(904,439)	(89,755)
Non-GAAP net loss [1]	(935,230)	25,457
Basic and diluted income (loss) per share	\$ (0.01)	\$ (0.00)

[1] See Non-GAAP measures below

**DISCUSSION OF OPERATIONS**

**Three months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020**

	<b>Three months ended</b>		<b>Change from Q1 2021 to Q1 2020</b>		<b>Three months ended</b>		<b>Change from Q4 2020 to Q1 2021</b>
	<b>March 31, 2021</b>	<b>March 31, 2020</b>			<b>December 31, 2020</b>	<b>Change from Q4 2020 to Q1 2021</b>	
<b>Revenue</b>							
Recurring revenue	\$ 4,306,308	\$ 3,941,955	364,353	9%	\$ 4,305,505	803	0%
Professional and other services	307,155	300,759	6,396	2%	405,080	(97,925)	-24%
	<u>4,613,463</u>	<u>4,242,714</u>	<u>370,749</u>	9%	<u>4,710,585</u>	<u>(97,122)</u>	-2%
<b>Cost of revenue</b>							
Recurring revenue	393,829	321,800	72,029	22%	374,145	19,684	5%
Professional and other services	281,935	297,971	(16,036)	-5%	325,060	(43,125)	-13%
	<u>675,764</u>	<u>619,771</u>	<u>55,993</u>	9%	<u>699,205</u>	<u>(23,441)</u>	-3%
Gross margin	3,937,699	3,622,943	314,756	9%	4,011,380	(73,681)	-2%
	85%	85%			85%		
<b>Expenses</b>							
Research and development	1,811,424	1,181,367	630,057	53%	1,582,595	228,829	14%
Selling and marketing	2,299,800	1,866,069	433,731	23%	2,043,448	256,352	13%
General and administrative	893,451	813,461	79,990	10%	959,488	(66,037)	-7%
	<u>5,004,675</u>	<u>3,860,897</u>	<u>1,143,778</u>	30%	<u>4,585,531</u>	<u>419,143</u>	9%
Loss from operations	(1,066,976)	(237,954)	(829,022)	348%	(574,151)	(492,824)	86%
Foreign exchange (loss) gain	(9,672)	166,917	(176,589)	nm	(51,165)	41,493	nm
Finance costs	(28,164)	(96,908)	68,744	nm	(289,914)	261,750	nm
Net loss	\$ (1,104,812)	\$ (167,945)	(936,868)	558%	\$ (915,230)	(189,582)	21%

nm - not considered meaningful

Loss from operations (see additional GAAP measures) for the three months ended March 31, 2021 was \$1,066,976 compared to loss from operations of \$574,151 in the fourth quarter of 2020 and a loss from operations of \$237,954 for the comparable first quarter of 2020. Non-GAAP loss from operations (see non-GAAP measures) for the three months ended March 31, 2021 was \$904,439 up from \$341,204 in the fourth quarter of 2020 and up from \$89,755 for the comparable first quarter of 2020. The increase in loss from

operations and Non-GAAP loss from operations is mainly due to additional spending on our go-to-market strategy. Our strategy focusses on optimizing solutions for four main verticals: medical equipment, heavy manufacturing, utilities and oil and gas. Developing, supporting and promoting these solutions will likely result in moderately higher losses for the first half of 2021.

The Company had a net loss of \$1,104,812 for the three months ended March 31, 2021 compared to a net loss of \$915,230 in the fourth quarter of 2020 and a net loss of \$167,945 for the comparable first quarter of 2020. Non-GAAP net loss (see Non-GAAP measures) for the three months ended March 31, 2021 was \$935,232 up from a Non-GAAP net loss of \$542,358 in the fourth quarter of 2020 and down from a Non-GAAP net income of \$25,457 for the comparable first quarter of 2020. The increase in net loss and Non-GAAP net loss is due mainly to additional spending on our go-to-market strategy mentioned above.

## Revenue

We earn recurring revenue primarily from our ProntoForms and related services provided on a subscription basis.

We also generate other services revenue by offering professional services such as form building, training and assisting in connecting data to back-end systems.

Our revenue is generated through a combination of direct and indirect sales. We have entered into distribution agreements with several resellers across North America, South America, and Western Europe, as well as certain system integrators, mobile device manufacturers, and mobile operators. Our current focus is on building sales through direct and select partner and reseller channels as we believe this will provide us with the best opportunity for broad based subscription revenue growth. We expect that this increasingly global distribution network will provide us with broad worldwide reach to capitalize on the expected growth in the mobile business application software market.

## Revenue detail

	Three months ended			Change from	
	March 31, 2021	December 31, 2020	March 31, 2020	Previous 2020 Q4	Comparable 2020 Q1
Revenue					
Recurring	\$ 4,306,308	\$ 4,305,505	\$ 3,941,955	0%	9%
Professional services	307,155	405,080	\$ 300,759	-24%	2%
	\$ 4,613,463	\$ 4,710,585	\$ 4,242,714	-2%	9%

Total revenue for the three months ended March 31, 2021 was \$4,613,463 representing a 2% decrease compared to the fourth quarter of 2020 revenue of \$4,710,585 and a 9% increase over the comparable first quarter of 2020 revenue of \$4,242,714.

Recurring revenue for the three months ended March 31, 2021 of \$4,306,308 was flat from \$4,305,505 in the fourth quarter of 2020 and increased 9% from \$3,941,955 in the comparable first quarter of 2020. The first quarter of 2020 was impacted by the low net bookings of Q4 as a result of the churn from the discontinuation of AT&T as a reseller.

Professional services revenue decreased to \$307,155 for the three months ended March 31, 2021 compared to \$405,080 in the fourth quarter of 2020 and increased compared to \$300,759 in the comparable first quarter of 2020. Professional service revenue mainly relates to the deployment services for new implementations or expansions for new use cases or in new geographies. The decrease in professional service revenue in the quarter was partly due to higher professional services in Q4 due to an engagement to develop additional features for an Enterprise customer which was substantially completed in Q4 2020. See "Forward Looking

Statements" above.

### Cost of Revenue and Gross Margin

Cost of recurring revenue consists of hosting, software and support department costs. Cost of professional and other services revenue includes personnel and other costs for deployment and analytics services and other marketing and development costs as needed.

	Three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Gross Margin on:			
Total revenue	85%	85%	85%
Recurring revenue	91%	91%	92%
Professional services revenue	8%	20%	1%

Total revenue gross margin for the three months ended March 31, 2021 was \$3,937,699 representing 85% of revenue compared to gross margin of \$3,622,944 representing 85% for the comparable period in 2020 and \$4,011,380 representing 85% of revenue in the fourth quarter of 2020.

Recurring revenue gross margin was \$3,912,479 representing 91% of recurring revenue for the three months ended March 31, 2021, compared \$3,620,155 representing 92% in the comparable first quarter 2020 and \$4,305,505 or 91% in the fourth quarter of 2020. Recurring revenue gross margin as a percent of recurring revenue for the last 3 years have remained in the range of 88% to 92%. These gross margins may fluctuate as we add new functionality offset by economies of scale.

Professional services gross margin was \$25,220, representing 8% of professional services revenue for the three months ended March 31, 2021 compared to a gross margin of \$2,788, representing 1% of professional services revenue for the three months ended March 31, 2020 and \$80,020 or 20% in the fourth quarter of 2020.

Our professional services bookings and revenue has tended to follow ARR bookings. The increase in gross margin compared to March 31, 2020 is primarily due to growth of professional service bookings while maintaining a similar sized implementation team. The higher gross margin in the second half of 2020 was due to the enterprise feature engagement delivering higher professional services revenue and higher gross margins for those periods.

### Research and Development Expenses

Research and development expenses consist primarily of remuneration paid to engineering personnel and independent contractors whom we occasionally use to provide additional technical capacity on a short-term basis. Other research and development expenses include travel, rent and other occupancy costs for our engineering and technical support personnel.

For the three months ended March 31, 2021, research and development expense increased to \$1,811,424 from \$1,181,367 for the comparable period of 2020. Research and development expenses are shown net of Government Investment tax credits ("ITC's") and other government assistance as follows:



	<b>Three months ended</b>		
	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Gross research and development expense	1,839,764	2,239,054	1,405,931
Less:			
Investment tax credits	(19,596)	(102,948)	(7,314)
Information and Communication Technology Council Program	(8,744)	(7,815)	
Industrial Research Assistance Program	-	-	(217,250)
	<u>1,811,424</u>	<u>2,128,291</u>	<u>1,181,367</u>

During the first quarter of 2021, we recorded refundable investment tax credits of \$19,596 as a reduction to research and development expenses. We claim 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. We expect that the ITC's will continue to accrue at similar levels as Q1 2021.

During the first quarter of 2020, \$217,250 was received from the National Research Council of Canada Industrial Research Assistance program (NRC IRAP). The total project funding of \$750,000 CAD was substantially all received by June of 2020.

During the three months ended March 31, 2021 the Company recorded government assistance of \$8,744 related to the Information and Communication Technology Council (ICTC)'s Work Integrated Learning Program (WIL) Digital Subsidy. The ICTC's WIL is an innovative learning program that helps employers grow their business by providing assistance for the hiring of post-secondary students. This funding will fluctuate depending on the duration and frequency of hiring of post-secondary students.

Gross research and development costs increased in the first three months in 2021, as we expanded our product capabilities. We expect R&D expense to continue to increase moderately as we expand product management and development. We plan to pursue additional government funding in the future. See "Forward Looking Statements" above.

### **Selling and Marketing Expenses**

Our sales and marketing expenses consist primarily of compensation, including sales commissions paid to our sales and marketing personnel. Other significant sales and marketing expenses include travel, rent and other occupancy costs, and living costs for the sales and marketing staff, and other advertising, promotion and trade show costs.

Our sales and marketing expenses increased in the three months ended March 31, 2021 to \$2,299,800 from \$1,866,069 for the comparable quarter of 2020. Sales and marketing expense increased from prior year primarily due to additional investment needed to implement our go-to-market strategy. We expect that sales and marketing expense will increase with added resources, additional spend on advertising and with the accrual of variable sales compensation on new sales. As we grow, we plan to re-invest our growth into resources to pursue additional growth with a focus on sales and marketing. See "Forward Looking Statements" above.

### **General and Administrative Expenses**

Our general and administrative expenses consist primarily of remuneration paid to executive, finance, legal and corporate administrative staff. Other significant general and administrative expenses include legal and accounting professional fees, travel and insurance, rent and other occupancy costs.

Our general and administrative expenses increased to \$893,451 for the three months ended March 31, 2021 compared to \$813,461 for the comparable period in 2020 as operational tools and resources were added to support the growth in the organization. We expect that general and administrative expenses will continue

to increase slightly as we add future infrastructure for security and to support growth in operations and subscribers. See “Forward Looking Statements” above.

### **Foreign Exchange Gain (Loss)**

Foreign exchange gain (loss) relates primarily to the impact of the relative weakness of the Canadian dollar against the US dollar on the Company’s CAD denominated monetary assets and liabilities. The Company had a foreign exchange loss of approximately \$9,672 in the first quarter of 2021 due to the effect on net Canadian monetary liabilities from the US dollar decreasing in value compared to the Canadian dollar.

### **Finance costs**

Interest and accretion relates to the interest on the CAD \$6 million two-year revolving operating facility with TD Bank. Interest on the TD Bank loan bears interest at a combination of prime plus 1% and a banker’s acceptance + 2.5%.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2021, cash was \$8,186,691 and working capital was \$4,432,020. Excluding current deferred revenue, working capital at March 31, 2021 was \$9,890,307.

Given the existing cash and cash equivalents balance, we believe there is sufficient liquidity to meet our current and planned financial obligations in the foreseeable future. Our future financing requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of spending to support development of our platform, and the expansion of sales and marketing activities. Our TD revolving facility matures on October 30, 2022 and while we currently expect that we will have sufficient cash flow for us to continue operations in our present form, there is a risk that we 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 our ability to raise additional financing proceeds and the terms related to the financing. The Board of Directors has not established capital benchmarks or other targets.

### *Operating Activities*

Cash provided by operating activities for the three months ended March 31, 2021 totaled \$248,407 compared to \$662,651 for the comparable quarter of 2020. The decrease in cash provided by operating activities is driven primarily by the higher net loss offset by an increase in deferred revenue and a decrease in accounts receivable. The net loss was lower in Q1 2020 as a result of costs savings as from adjusted our strategy due to the COVID-19 pandemic.

### *Financing Activities*

During the three months ended March 31, 2021, 786,459 common shares were issued upon the exercise of options for proceeds of \$239,455.

During the three months ended March 31, 2020, 24,000 common shares were issued upon the exercise of options for proceeds of \$6,200.

### *Investing Activities*

Purchases of property and equipment was \$19,753 for the three months ended March 31, 2021 compared to \$12,904 for the three months ended March 31, 2020 and relate primarily for computers and office equipment for the day to day activities of employees. We currently have no material commitments for capital expenditures.

## ADOPTION OF NEW ACCOUNTING POLICIES

There were no new accounting policies adopted in the three months ended March 31, 2021.

## OTHER OBLIGATIONS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

The Company leases office premises from a company controlled by the Chairman of the Board, Sir Terrence Matthews. This office premise is included as part of the right-of-use assets of \$594,114 and as part of lease obligations of \$704,294. Operating expenses under the related party lease plus commitments for other office leases, have the following minimum annual payments:

	<b>Related party commitments</b>
2021 (April through December)	\$ 222,350
2022	296,467
2023	172,939
	<b>\$ 691,756</b>

Loans totaling \$427,346 (\$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 March 31, 2021 was \$2,440,279 (\$3,068,761 CAD).

Despite their legal form, the CEO Share Purchase Loans are accounted for similar to the grant of an option under IFRS. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. The \$85,445 (\$107,451 CAD) Related Party Loan Receivable for related tax remittances is treated as a current receivable.

The following table provides a summary of the rent and the Company's other contractual obligations outstanding as at March 31, 2021:

	<b>Payments due by Period</b>			
	<b>Remainder of 2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Office lease obligations	\$ 459,220	\$ 621,541	\$ 362,566	\$ 1,443,327
Long-term loan	-	-	3,267,345	3,267,345
	<b>\$ 459,220</b>	<b>\$ 621,541</b>	<b>\$ 3,629,911</b>	<b>\$ 4,710,672</b>

## SUMMARY OF OUTSTANDING SHARES AND DILUTIVE INSTRUMENTS

The authorized capital of the Company consists of an unlimited number of common shares, of which 127,889,040 common shares were issued and outstanding as of the date of this MD&A.

The stock option plan (the "Option Plan") of the Company is administered by the Board of Directors, which is responsible for establishing the exercise price (at not less than the Discounted Market Price as defined in the policies of the TSX Venture Exchange) and the vesting and expiry provisions. The maximum number of common shares reserved for issuance for options that may be granted under the Option Plan is 19,679,583. Options granted under the Option Plan to purchase up to an aggregate of 13,294,152 (average exercise price of CAD \$0.50) common shares are issued and outstanding.

Assuming that all of the outstanding options and warrants are vested and exercised, 141,183,192 common shares would be issued and outstanding on a fully diluted basis.

## QUARTERLY INFORMATION

	Three months ended			
	March 31, 2021	December 31, 2020	September 31, 2020	June 30, 2020
Revenue	\$ 4,613,463	\$ 4,710,585	\$ 4,550,437	\$ 4,162,344
(Loss) income from operations	(1,066,976)	(574,151)	(492,490)	347,719
Net (loss) income	\$ (1,104,812)	\$ (915,230)	\$ (609,711)	\$ 207,720
Weighted average number of shares outstanding basic and diluted	124,499,218	118,676,861	117,666,390	117,455,093
Net loss per common share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 0.00

	Three months ended			
	March 31, 2020	December 31, 2019	September 31, 2019	June 30, 2019
Revenue	\$ 4,242,714	\$ 4,070,466	\$ 3,840,001	\$ 3,676,267
Loss from operations	(237,954)	(582,571)	(459,490)	(417,236)
Net loss	\$ (167,945)	\$ (781,391)	\$ (421,111)	\$ (530,042)
Weighted average number of shares outstanding basic and diluted	117,427,901	117,447,799	115,545,497	109,926,030
Net loss per common share, basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)

## ADDITIONAL GAAP AND NON-GAAP MEASURES

This MD&A makes reference to certain Additional GAAP and Non-GAAP financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use Loss from Operations as an Additional GAAP Measure and we use Non-GAAP financial measures, including Non-GAAP Loss from Operations and Non-GAAP Net Loss, to provide investors with supplemental measures of our operating performance and to highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

### Loss from Operations

The Company uses "Loss from Operations" as an additional GAAP financial measure within the financial statements and MD&A but it is not a defined term under IFRS to assess performance. Management believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period.

Loss from operations is calculated as total revenues less total operating expenses derived from the Consolidated Statements of Comprehensive Loss. It is used by management to analyze operating performance, but it is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

### Non-GAAP Loss from Operations

The Company uses "Non-GAAP Loss from Operations" as a non-GAAP financial measure within the MD&A but it is not a defined term under IFRS to assess performance. Non-GAAP Loss from Operations is calculated as follows:

	Three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
GAAP loss from Operations	\$ (1,066,976)	(574,152)	\$ (237,954)
Add back:			
Share based compensation	162,537	232,947	148,199
	<u>\$ (904,439)</u>	<u>(341,205)</u>	<u>\$ (89,755)</u>

Management use this information to measure operating results in relation to available working capital and cash and believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period. We believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers.

## Non-GAAP Net Income (Loss)

The Company uses “Non-GAAP Net Income/(Loss)” as a non-GAAP financial measure within the MD&A but it is not a defined term under IFRS to assess performance. Non-GAAP Income / (Loss) from Operations is calculated as follows:

	Three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
GAAP Net loss	\$ (1,104,812)	\$ (915,230)	\$ (167,945)
Add back:			
Share based compensation	162,537	232,947	148,199
Accretion on long-term debt	7,045	139,925	45,203
	<u>\$ (935,230)</u>	<u>\$ (542,358)</u>	<u>\$ 25,457</u>

Management use this information to measure financial results in relation to available working capital and cash and believes that this measure provides useful supplemental information to investors and is computed on a consistent basis for each reporting period. We believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers.

Additional information relating to the Company may be found at [www.SEDAR.com](http://www.SEDAR.com).