

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

November 2, 2022

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 9, 2022 and filed on www.SEDAR.com and includes a discussion of the results of operations and cash flows for the three and nine months ended September 30, 2022. 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 and nine months ended September 30, 2022. 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.

NON-GAAP MEASURES

This MD&A makes reference to certain non-GAAP financial measures, including non-GAAP net loss and non-GAAP loss from operations. 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. These non-GAAP measures should be read in conjunction with our annual audited consolidated financial statements and the related notes thereto as at and for the year ended December 31, 2021. Readers should not place undue reliance on non-GAAP measures and should instead view them in conjunction with the most comparable GAAP financial measure. See the reconciliations of non-GAAP measures in the "Reconciliation of non-GAAP measures" section of this MD&A.

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, 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 or meets its debt covenants, 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 favorable 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 partners and resellers, and an adverse change in the Company's relationship with any of such partners or 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, recession 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) interest on our debt is based on variable (prime) interest which fluctuates based on government fiscal policies and market condition that can cause increased expense (xv) 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; (xvi) the

Company may be liable to its customers or third parties if it is unable to collect data or it otherwise loses data; (xvii) the Company may be liable for the handling of personal information; (xviii) intellectual property claims against the Company may be time consuming, costly to defend, and disruptive to the business; (xix) the Company uses open source software in connection with its products which exposes it to uncertainty and potential liability; (xx) economic uncertainty and downturns in the software market may lead to decreases in the Company's revenue and margins; (xxi) any significant changes in the technological paradigm utilized for building or delivering applications in mobile devices could harm the Company's business and prospects; and (xxii) if the Company loses any of its key personnel, its operations and business may suffer and (xxiii) COVID-19 and similar global health crises could have a negative impact on the Company, its employees, suppliers and customers.

Impacts of COVID-19

Since the onset of COVID-19, we are conducting business with modifications to employee travel, employee work locations and virtualization of sales and marketing events. We modified interactions with customers and suppliers initially to be predominately remote but have more recently moved to more hybrid in-person and remote. We have become more decentralized and have a hybrid approach to working in the office. While the majority of staff continue to work from home, we have increasing office attendance and will continue to monitor considering employee retention and productivity.

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 and other global events have also caused heightened uncertainty in the global economy including increased inflation. 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, 2021 filed on www.SEDAR.com and dated March 9, 2022 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 no-code app development platforms for enterprise field teams. Our platform enables organizations to rapidly develop custom mobile apps with context and intelligence, empowering field teams to reliably complete complex work more effectively and safely. Our subscribers harness the intuitive, secure, and scalable solution to improve asset uptime and CSAT, while also reducing compliance incidents and work stoppages.

ProntoForms has been named G2's leader in Mobile Forms Automation Software year-over-year since 2018, most recently for Winter 2022. 98% of users rated ProntoForms 4 stars or better while 92% of those who replied said they would be likely to recommend ProntoForms to another person. A third-party research firm, Wakefield Research, recently published a customer-impact report that defines the quantifiable ROI that ProntoForms customers achieve by using the platform. It uncovered that 91% of surveyed customers said that ProntoForms has made the handling of complex work more efficient, 89% of customers have a reduction in administrative burden, and 83% experience improved technician job satisfaction.

ProntoForms is a no-code platform and as such it enables organizations to take control and easily build and iterate interconnected mobile apps that accelerate digital transformation in the field. Deploying custom, interconnected apps from leading business systems (FSM, EAM, EHS, CRM, ERP) is very costly and takes months—sometimes years—to build. The apps are also often hampered by usability/iteration challenges. ProntoForms enables apps to be built and deployed in days or weeks and iterated when needed by business technologists requiring costly, and difficult-to-hire, software developers.

When organizations deploy ProntoForms, they can either go the do-it-yourself (DIY) route with substantial resources like ProntoForms University, ProntoForms Community, our Product Documentation Portal, and our Resource Library. For those that need help or expertise, ProntoForms has a Professional Services team with a tested 5-step onboarding methodology for reliable and rapid deployments.

Our customers are increasingly enterprise (greater than 2,500 employees) and we have maintained a good track record of retaining and expanding accounts. Our success in enterprise is tightly correlated to enabling an axis of growth: geographically-based on the initial use case or across the business by enabling other use cases and traversing throughout business units. Sometimes the initial use case comes from the need to augment/supplement FSM (field service management) back-offices (i.e. SFDC, MS Dynamics, etc.), EAM (equipment and asset management) systems (i.e. Maximo, SAP, etc.), EHS (environmental health and safety) systems (i.e. Intelix), or other CRM (customer relationship management) or office systems (i.e. Sharepoint, SFDC, etc.) that are difficult to extend with advanced mobile capabilities.

Our most popular use cases include asset installation, asset preventative maintenance, warranty claim repair, and environmental, health and safety—although many of our customers deploy hundreds of different use cases into the field. We package the most popular use cases for customers to rapidly deploy, including pre-built forms/apps, data source integrations, professional work documentation, workflows, and reporting and analytics. By enabling and simplifying use case deployments, we empower our customers to rapidly deploy and quickly expand.

We have a broad cross section of customers in diverse industries; however, our prime focus is on medical equipment, heavy manufacturing, energy resources, construction, and utilities. There are multiple entry points into organizations, including partnering with platforms that deliver the back-office automation required to automate FSM, EAM, or EHS—as well as the system integrators that implement those end solutions. Our organization is very partner-friendly and very open to the multi-stack reality that organizations face. We often

partner with SFDC, ServiceMax, MS, Intelix and other relevant providers in the space. By being the best interface into multiple systems and representing the workflow in the field, we practice interoperability between apps and APIs to connect data.

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 technologies 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 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 annual operating results.

See “Forward Looking Statements” above.

RECENT DEVELOPMENTS

2022

During the nine months ended September 30, 2022, 2,281,388 common shares were issued upon the exercise of options, for proceeds of USD \$645,569.

In March 2022, the revolving credit facility (the “TD Facility”) with Toronto Dominion Bank (“TD Bank”) was increased to CAD \$10,000,000 and a further CAD \$3,000,000 was drawn on this facility. In June 2022, a further CAD \$1,000,000 was drawn leaving CAD \$1,835,035 undrawn at September 30, 2022.

In September 2022, the maturity date for the TD Facility was extended from October 30, 2023 to October 30, 2024.

2021

During the year ended December 31, 2021 3,355,902 common shares were issued upon the exercise of options for proceeds of \$969,929.

In July 2021, the maturity date for the TD Facility was extended from October 30, 2022 to October 30, 2023.

KEY PERFORMANCE INDICATORS

We use certain key performance indicators to assess performance and evaluate our business. Such key supplementary financial measures do not have any standardized meaning prescribed by IFRS and cannot be reconciled to a directly comparable IFRS measure. These key performance indicators may be calculated in a manner different from similar key performance indicators used by other companies.

Annual Recurring Revenue

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. It excludes one-time professional service fees and assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal, unless such renewal is known to be unlikely at period end. Non-US Dollar ARR is converted at the period end exchange rate. As at September 30, 2022, 97% of ARR was denominated in US Dollars.

	2022			2021
	September 30	June 30	March 31	December 31
ARR	20,894,207	20,002,999	19,637,584	19,778,939
ARR Growth				
- sequential (QoQ)	4.5%	1.9%	-0.7%	2.6%
- comparable (YoY)	8.4%	7.1%	9.6%	15.6%
Proportion of Base from				
Customers with > \$100k ARR	41%	41%	41%	41%

	2021			2020
	September 30	June 30	March 31	December 31
ARR	19,274,177	18,680,498	17,923,224	17,112,732
ARR Growth				
- sequential (QoQ)	3.2%	4.2%	4.7%	0.7%
- comparable (YoY)	13.4%	15.8%	13.9%	8.7%
Proportion of Base from				
Customers with > \$100k ARR	41%	40%	40%	39%

In Q3 2022 our Annual Recurring Revenue (ARR) base grew by 4.5% which showed a steady improvement over the course of the year. The improvement in bookings can be attributed to our reorganization of our sales team and our transition to Enterprise sales. During 2021 we began restructuring of our sales force under new leadership to focus on sales to major enterprises. The restructuring of our enterprise go-to-market initiatives has included the expansion of sales and presale service roles to better engage large customers within key vertical markets. While those initiatives have caused some volatility in our bookings for the first three quarters of 2022, we are confident that they are creating the field organization that can deliver long-term sustainable enterprise revenue growth.

We continue to focus our efforts on enterprise sales and expect that the “Proportion of Base from Customers with > \$100k ARR” will increase over time as sales to larger customers are achieved and penetration in existing enterprise accounts grows. 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. See “Forward Looking Statements” above.

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

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
Revenue	\$ 5,463,306	\$ 4,892,514	\$ 15,716,031	\$ 14,347,024
Loss from operations	(1,074,037)	(997,230)	(3,880,461)	(3,129,474)
Net loss	(1,011,677)	(1,114,890)	(3,897,914)	(3,344,317)
Non-GAAP loss from operations [1]	(850,408)	(820,357)	(2,912,793)	(2,676,825)
Non-GAAP net loss [1]	(784,385)	(930,972)	(2,922,637)	(2,870,534)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)

[1] See Non-GAAP measures below

Balance Sheet Data

	As at	
	September 30,	December 31,
	2022	2021
Cash and cash equivalents	\$ 6,045,647	6,082,289
Net working capital	2,900,183	2,451,784
Total assets	11,503,717	11,593,110
Long-term liabilities	5,933,742	3,479,659
Total liabilities	13,923,716	11,728,432
Total shareholders' equity	\$ (2,419,999)	(135,322)

DISCUSSION OF OPERATIONS

Three months ended September 30, 2022 compared to three months ended September 30, 2021 and June 30, 2022

	Three months ended				Three months ended		
	September 30, 2022	September 30, 2021	Change from Q3 2022 to Q3 2021		June 30, 2022	Change from Q2 2022 to Q3 2022	
Revenue							
Recurring revenue	\$ 5,225,580	\$ 4,663,400	562,180	12%	\$ 4,968,802	256,778	5%
Professional and other services	237,726	229,114	8,612	4%	\$ 242,814	(5,088)	-2%
	<u>5,463,306</u>	<u>4,892,514</u>	<u>570,792</u>	<u>12%</u>	<u>5,211,616</u>	<u>251,690</u>	<u>5%</u>
Cost of revenue							
Recurring revenue	530,000	490,935	39,065	8%	555,304	(25,304)	-5%
Professional and other services	273,675	278,464	(4,789)	-2%	262,132	11,543	4%
	<u>803,675</u>	<u>769,399</u>	<u>34,276</u>	<u>4%</u>	<u>817,436</u>	<u>(13,761)</u>	<u>-2%</u>
Gross margin	4,659,631 85%	4,123,115 84%	536,516	13%	4,394,180 84%	265,451	6%
Expenses							
Research and development	1,730,394	1,662,040	68,354	4%	1,814,774	(84,380)	-5%
Selling and marketing	3,046,357	2,647,524	398,833	15%	2,922,742	123,615	4%
General and administrative	956,917	810,781	146,136	18%	973,382	(16,465)	-2%
	<u>5,733,668</u>	<u>5,120,345</u>	<u>613,323</u>	<u>12%</u>	<u>5,710,898</u>	<u>22,770</u>	<u>0%</u>
Loss from operations	(1,074,037)	(997,230)	(76,807)	nm	(1,316,718)	242,681	-18%
Foreign exchange gain (loss)	143,655	(89,495)	233,150	nm	29,212	114,443	nm
Finance costs	(81,295)	(28,165)	(53,130)	nm	(55,127)	(26,168)	nm
Net loss	\$ (1,011,677)	\$ (1,114,890)	103,213	nm	\$ (1,342,633)	330,956	-25%
nm - not considered meaningful							

nm - not considered meaningful

Loss from operations (see additional GAAP measures) for the three months ended September 30, 2022 was \$1,074,037 compared to loss from operations of \$1,316,718 in the second quarter of 2022 and loss from operations of \$997,230 for the comparable third quarter of 2021. Non-GAAP loss from operations (see non-GAAP measures) for the three months ended September 30, 2022 was a loss of \$850,408 down from a loss of \$1,000,882 in the second quarter of 2022 and up from a loss of \$820,357 for the comparable third quarter of 2021.

The Company had a net loss of \$1,011,677 for the three months ended September 30, 2022 compared to a net loss of \$1,342,633 in the second quarter of 2022 and a net loss of \$1,114,890 for the comparable third quarter of 2021. Non-GAAP net loss (see Non-GAAP measures) for the three months ended September 30, 2022 was \$784,385 down from a Non-GAAP net loss of \$1,023,134 in the second quarter of 2022 and \$930,972 for the comparable third quarter of 2021.

The decrease in net loss during the three months ended September 30, 2022, compared to the three months ended June 30, 2022, is due to operating expenses remaining relatively flat while revenue increased. We expect to hold our operating expense at roughly current levels for the remainder of 2022 and 2023. We are encouraged that the sales infrastructure is driving expected operational outcomes and we will continue to work to improve results. Our focus going forward is to continue to optimize our go-to-market investment towards enterprise customers in our four main verticals: medical equipment, heavy manufacturing, utilities and oil and gas.

Revenue

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

We also generate professional services revenue by offering form building services, training and assisting in connecting data to back-end systems. Since our product is a no-code platform, many of our customers choose to implement the ProntoForms software, integrate and build forms themselves or take advantage of Prontoforms deployment services.

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. See “Forward Looking Statements” above.

Revenue detail

	Three months ended			Change from	
	September 30, 2022	June 30, 2022	September 30, 2021	Previous 2022 Q2	Comparable 2021 Q3
Revenue					
Recurring	\$ 5,225,580	\$ 4,968,802	\$ 4,663,400	5%	12%
Professional services	\$ 237,726	\$ 242,814	\$ 229,114	-2%	4%
	<u>\$ 5,463,306</u>	<u>\$ 5,211,616</u>	<u>\$ 4,892,514</u>	<u>5%</u>	<u>12%</u>

	Nine months ended		
	September 30, 2022	September 30, 2021	Change from comparable 2021
Revenue			
Recurring revenue	\$ 15,085,098	\$ 13,520,106	\$ 1,564,992 12%
Professional services	\$ 630,933	\$ 826,918	(195,985) -24%
	<u>\$ 15,716,031</u>	<u>\$ 14,347,024</u>	<u>\$ 1,369,007 10%</u>

Total revenue for the three months ended September 30, 2022 was \$5,463,306 representing a 5% increase compared to the second quarter of 2022 revenue of \$5,211,616 and an 12% increase over the comparable third quarter of 2021 revenue of \$4,892,514. Total revenue for the nine months ended September 30, 2022 was \$15,716,031 representing an increase of 10% over the comparable nine months in 2021.

Recurring revenue for the three months ended September 30, 2022 of \$5,225,580 increased by 5% from the second quarter of 2022 of \$4,968,802 and a 12% increase over the comparable third quarter of 2021 revenue of \$4,663,400. Recurring revenue for the nine months ended September 30, 2022 was \$15,085,098 representing an increase of 12% over the comparable nine months in 2021.

The increase in recurring revenue is due to increased bookings in Q2 and Q3, 2022 and some incremental billing for prior period excess usage that was recognized in the current quarter.

Professional service revenue mainly relates to the deployment services for new implementations or expansions

for new use cases or in new geographies. Professional services revenue for the three months ended September 30, 2022 of \$237,726 decreased by 2% from the second quarter of 2022 of \$242,814 and increased by 4% from the comparable third quarter of 2021 revenue of \$229,114.

Professional service revenue tends to fluctuate based on the volume of project bookings and delivery and whether customers choose to do their own implementations. This revenue has also been affected by our transition to enterprise sales focus and we expect that these results will generally trend with ARR growth.

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		
	September 30, 2022	June 30, 2022	September 30, 2021
Gross Margin on:			
Total revenue	85%	84%	84%
Recurring revenue	90%	89%	89%
Professional services revenue	-15%	-8%	-22%

	Nine months ended	
	September 30, 2022	September 30, 2021
Gross Margin on:		
Total revenue	85%	85%
Recurring revenue	89%	90%
Professional services	-25%	-3%

Total revenue gross margin for the three months ended September 30, 2022 was \$4,659,631 representing 85% of revenue compared to gross margin of \$4,394,180 representing 84% for the second quarter in 2022 and \$4,123,115 representing 84% of revenue in the comparable third quarter of 2021. Total revenue gross margin for the nine months ended September 30, 2022 was 85% compared to 85% for the comparable nine months in 2021.

Recurring revenue gross margin was \$4,695,580 representing 90% of recurring revenue for the three months ended September 30, 2022, compared to \$4,413,498 representing 89% for the second quarter in 2022 and \$4,172,465 representing 89% in the comparable third quarter of 2021. Recurring revenue gross margin for the nine months ended September 30, 2022 was 89% compared to 90% for the comparable nine months in 2021.

Professional services gross margin was a negative margin of \$35,949, representing -15% of professional services revenue for the three months ended September 30, 2022 compared to a negative gross margin of \$19,318 representing -8% of professional services revenue for the second quarter of 2022 and a negative gross margin of \$49,350 or -22% in the comparable third quarter of 2021.

Gross margins were relatively consistent compared to Q2 2022. Recurring revenue gross margin as a percent of recurring revenue for the last 3 years has remained in the range of 88% to 93%. Professional Services revenue gross margin was negative due to lower bookings and service delivery while we maintain services team capacity to support rapid deployment and support recurring revenue expansion.

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 nine months ended September 30, 2022, research and development expense decreased to \$5,316,920 from \$5,354,452 for the comparable period of 2021. For the three months ended September 30, 2022, research and development expense increased to \$1,730,394 from \$1,662,040 in the comparable period of 2021. Research and development expenses are shown net of Government Investment tax credits ("ITC's") and other government assistance as follows:

	Three months ended		
	September 30, 2022	June 30, 2022	September 30, 2021
Gross research and development expense	1,749,329	1,854,480	1,687,666
Less:			
Investment tax credits	(18,934)	(20,079)	(19,712)
Information and Communication Technology Council Program	-	(19,627)	(5,914)
	<u>1,730,394</u>	<u>1,814,774</u>	<u>1,662,040</u>
	Nine months ended		
	September 30, 2022	September 30, 2021	
Gross research and development expense	5,395,129	5,441,967	
Less:			
Investment tax credits	(58,582)	(59,594)	
Information and Communication Technology Council Program	(19,627)	(27,921)	
	<u>5,316,920</u>	<u>5,354,452</u>	

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 Q3 2022.

Gross research and development costs decreased slightly in the third quarter of 2022 compared to the second quarter of 2022. We expect R&D expense to remain relatively flat. While we do not have any active government funding programs at this time, we continue to review various programs that may benefit us 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 rent and other occupancy costs, travel 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 nine months ended September 30, 2022 to \$8,903,340 from \$7,316,475 for the comparable period 2021. Our sales and marketing expenses increased for the three months ended September 30, 2022 increased to \$3,046,357 from \$2,647,524 for the comparable three months in 2021.

Sales and marketing expense increased from prior year primarily due to investment needed to implement our go-to-market strategy, which included a growth of headcount and increased compensation plans. We had higher sales and marketing expense in the first three quarters of the year as we continued to invest in our go-to-market

strategy. We however expect that sales and marketing expense will remain flat, however, there may be some fluctuations due to variable compensation. Within operating expenses, we may reallocate expenses to focus on enterprise sales growth. 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 \$2,947,673 for the nine months ended September 30, 2022 compared to \$2,616,034 for the comparable period in 2021. Our general and administrative expenses increased for the three month period ended September 30, 2022, to \$956,917 from \$810,781 for the comparable three month period in 2021.

General and administrative expenses decreased slightly in the third quarter of 2022 compared to the second quarter of 2022. We expect that general and administrative expenses will remain roughly flat for the remainder of 2022. See “Forward Looking Statements” above.

Foreign Exchange Gain (Loss)

The Company had a foreign exchange gain of \$145,029 in the nine months ended September 30, 2022, compared to a foreign exchange loss of \$128,442 in the nine months ended September 30, 2021. The foreign exchange gain primarily arose due to effect on our net Canadian Dollar liability position as the US Dollar strengthened against the Canadian Dollar.

Finance costs

Finance costs relate primarily to the interest and accretion on the CAD \$10 million two-year revolving operating facility with TD Bank. The amount outstanding of USD \$5,957,141 bears interest at a combination of prime plus 1% (6.45% at September 30, 2022) and a Bankers acceptance + 2.5% (6.17% at September 30, 2022).

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2022, cash and cash equivalents were \$6,045,647 with an undrawn amount of CAD \$1,835,035 remaining on our CAD \$10,000,000 TD Facility. 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 Facility matures on October 30, 2024 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. See “Forward Looking Statements” above.

Operating Activities

Cash outflows from operating activities for the nine months ended September 30, 2022, totaled \$3,381,706 compared to cash outflows from operating activities of \$1,793,458 for the nine months ended September 30, 2021. The higher outflow used in operating activities was driven primarily by an increase in prepaid expenses and other receivables, a decrease in accounts payable and a higher net loss offset by an increase in stock-based compensation.

Financing Activities

Cash inflows from financing activities for the nine months ended September 30, 2022, totaled \$3,591,512 compared to cash inflows from financing activities of \$742,461 for the nine months ended September 30, 2021.

During the nine months ended September 30, 2022, 2,281,388 common shares were issued upon the exercise of options for proceeds of \$645,569, drawdowns from the TD Facility of \$3,178,124 and payment of lease obligations of \$224,653.

During the nine months ended September 30, 2021, 3,299,777 common shares were issued upon the exercise of options for proceeds of \$947,379 and payment of lease obligations of \$204,918.

Investing Activities

Purchases of property and equipment was \$63,585 for the nine months ended September 30, 2022, compared to \$65,707 for the nine months ended September 30, 2021, 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 September 30, 2022.

OTHER OBLIGATIONS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

The Company leases office premises from a company controlled by the Chairman of the Board, Sir Terence Matthews. This office premise is included as part of the right-of-use assets of \$212,172 and as part of lease obligations of \$242,538. Operating expenses under the related party lease plus commitments for other office leases, have the following minimum annual payments:

	Related party commitments
2022 (October through December)	\$ 68,002
2023 (January through July)	158,673
	<u>\$ 226,675</u>

Loans totaling \$392,092 (\$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 September 30, 2022 was \$1,070,811 (\$1,467,668 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 \$78,396 (\$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 September 30, 2022:

	Carrying amount	Payments due by Period		
		Contractual cash flows	Year 1	Years 2-3
Accounts payable and accrued liabilities	\$ 2,245,573	\$ 2,245,573	\$ 2,245,573	\$ -
Office lease obligations	242,538	248,543	248,543	-
Long-term debt	5,933,742	6,299,854	175,734	6,124,120
	<u>\$ 8,421,853</u>	<u>\$ 8,793,970</u>	<u>\$ 2,669,850</u>	<u>\$ 6,124,120</u>

SUMMARY OF OUTSTANDING SHARES AND DILUTIVE INSTRUMENTS

The authorized capital of the Company consists of an unlimited number of common shares, of which 132,739,871 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 21,679,583. Options granted under the Option Plan to purchase up to an aggregate of 16,637,431 (average exercise price of CAD \$0.68) common shares are issued and outstanding.

Assuming that all of the outstanding options and warrants are vested and exercised, 149,377,302 common shares would be issued and outstanding on a fully diluted basis.

QUARTERLY INFORMATION

	Three months ended			
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Revenue	\$ 5,463,306	\$ 5,211,616	\$ 5,041,110	\$ 4,892,514
Loss from operations	\$ (1,074,037)	\$ (1,316,718)	\$ (1,489,705)	\$ (997,230)
Net loss	\$ (1,011,677)	\$ (1,342,633)	\$ (1,543,608)	\$ (114,890)
Weighted average number of shares outstanding basic and diluted	128,763,361	128,278,739	125,869,247	125,869,247
Net loss per common share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)

	Three months ended			
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Revenue	\$ 4,892,514	\$ 4,841,047	\$ 4,613,463	\$ 4,710,585
Loss from operations	\$ (997,230)	\$ (1,065,268)	\$ (1,066,976)	\$ (574,151)
Net loss	\$ (1,114,890)	\$ (1,124,616)	\$ (1,104,812)	\$ (915,230)
Weighted average number of shares outstanding basic and diluted	125,918,010	125,277,003	124,499,218	118,676,861
Net loss per common share, basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

RECONCILIATION OF NON-GAAP MEASURES

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. Management also uses non-GAAP measures in order to facilitate operating performance comparisons, prepare annual operating budgets and assess our ability to meet working capital requirements.

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 adjusts the Loss from Operations to exclude our share based compensation plans.

Non-GAAP income (loss) from Operations

	Three months ended		
	September 30, 2022	June 30, 2022	September 30, 2021
GAAP loss from Operations	\$ (1,074,037)	\$ (1,316,718)	\$ (997,230)
Add back:			
Share based compensation	223,629	315,836	176,873
	<u>\$ (850,408)</u>	<u>\$ (1,000,882)</u>	<u>\$ (820,357)</u>

	Nine months ended	
	September 30, 2022	September 30, 2021
GAAP loss from Operations	\$ (3,880,461)	\$ (3,129,474)
Add back:		
Share based compensation	967,668	452,648
	<u>\$ (2,912,793)</u>	<u>\$ (2,676,826)</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 Loss

The Company uses “Non-GAAP Net 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 Loss from Operations adjusts Net loss to exclude share based compensation and accretion of long-term debt.

Non-GAAP Net Loss

	Three months ended		
	September 30, 2022	June 30, 2022	September 30, 2021
GAAP Net loss	\$ (1,011,677)	\$ (1,342,633)	\$ (1,114,890)
Add back:			
Share based compensation	223,629	315,836	176,873
Accretion on long-term debt	3,663	3,663	7,045
	<u>\$ (784,385)</u>	<u>\$ (1,023,134)</u>	<u>\$ (930,972)</u>

	Nine months ended	
	September 30, 2022	September 30, 2021
GAAP Net loss	\$ (3,897,914)	\$ (3,344,317)
Add back:		
Share based compensation	967,668	452,648
Accretion on long-term debt	7,609	21,135
	<u>\$ (2,922,637)</u>	<u>\$ (2,870,534)</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.