# PRODIGY VENTURES INC.

## CONSOLIDATED FINANCIAL STATEMENTS

**For the years ended December 31, 2022 and 2021**

**(expressed in Canadian dollars)**

# Independent Auditor's Report

To the Shareholders of Prodigy Ventures Inc.:

## Opinion

We have audited the consolidated financial statements of Prodigy Ventures Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss fom continuing operations during the year ended December 31, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

*Impairment of Goodwill and Intangible Assets*

*Key Audit Matter Description*
As described in Notes 6 and 7 to the consolidated financial statements, the Company performed impairment tests of its goodwill and intangible assets. As a result of the impairment tests, the Company recognized a $4,040,441 impairment loss related to goodwill and intangible assets, which is the amount by which the carrying value exceeded the estimated fair value of the reporting unit to which these assets were allocated.

We identified the estimation of impairment of goodwill and intangible assets as a key audit matter. Evaluating the Company's assessment of the fair value of goodwill and intangible assets required complex auditor judgement. Specifically, the key assumptions in the assessment are future operating results, including forecasted sales, gross profit margins, operating expenses, growth rates, and discount rates used to measure the reporting unit's fair values.

*Audit Response*
We responded to this matter by performing procedures over the impairment of goodwill and intangible assets. Our audit work in relation to this included, but was not restricted to, the following:

- We reviewed management's impairment indicator analysis for definite life intangible assets and assessed the impairment based on relevant quantiative and qualitative information;
- With respect to the annual impairment testing required for a cash-generating unit containing goodwill and indefinite life intangible assets, we reviewed management's projected cash flows from operations and compared them with historical results;
- We assessed the discount rates applied, including a comparison of the underlying components in management's calculations to external benchmarks and publicly available data for comparable entities, as applicable; and
- We assessed the appropriateness and completeness of related disclosures in the consolidated financial statements.

**Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's 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. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 13, 2023 — Licensed Public Accountants

**Prodigy Ventures Inc.**
**Consolidated Statements of Financial Position as at December 31, 2022 and December 31, 2021**
(Expressed in Canadian dollars)

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 1,780,918 | $ 2,732,822 |
| Accounts receivable (Note 13) | 1,770,701 | 1,531,409 |
| Income taxes recoverable | - | 281,885 |
| Prepaid expenses | 437,109 | 328,351 |
| | 3,988,728 | 4,874,467 |
| Non-current assets: | | |
| Prepaid expenses | - | 7,800 |
| Property and equipment (Note 4) | 7,303 | 93,147 |
| Right of use assets (Note 5) | 11,967 | 26,328 |
| Intangibles (Note 6) | - | 2,665,089 |
| Goodwill (Notes 3 and 7) | - | 2,525,050 |
| | 19,270 | 5,317,414 |
| Non-current assets held for sale (Note 21) | | |
| Property and equipment | 63,630 | - |
| Goodwill | 544,788 | - |
| | 608,418 | - |
| | 627,688 | 5,317,414 |
| **Total assets** | $ 4,616,416 | $ 10,191,881 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (Note 9) | $ 1,690,917 | $ 1,691,739 |
| Lease liability (Note 10) | 11,676 | 13,557 |
| Income taxes payable | 71,862 | - |
| Contract liability | 89,000 | 26,026 |
| | 1,863,455 | 1,731,322 |
| Non-current liabilities: | | |
| Deferred tax liability | 31,193 | 331,143 |
| Lease liability (Note 10) | - | 11,676 |
| | 31,193 | 342,819 |
| Total liabilities | 1,894,648 | 2,074,141 |
| **Shareholders' Equity** | | |
| Share capital (Note 11(b)) | 5,785,432 | 5,640,645 |
| Contributed surplus | 666,792 | 772,920 |
| (Deficit) retained earnings | (3,730,456) | 1,704,175 |
| | 2,721,768 | 8,117,740 |
| **Total liabilities and shareholders' equity** | $ 4,616,416 | $ 10,191,881 |

**On behalf of the Board:**
***/s/ "Thomas Beckerman", Director***
***/s/ "Stephen Moore", Director***

**Going Concern (Note 1)**
**Subsequent events (Note 22)**

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

**Prodigy Ventures Inc.**
**Consolidated Statements of Operations and Comprehensive Income (loss)**
**Years ended December 31, 2022 and 2021**
(Expressed in Canadian dollars)

| | 2022 | 2021 |
|---|---|---|
| **Revenue** (Note 15) | $ 1,733,296 | $ 646,962 |
| **Direct costs** | 582,386 | 223,324 |
| **Gross profit** | 1,150,910 | 423,638 |
| **Expenses:** | | |
| Compensation | 2,446,473 | 2,245,374 |
| Computer | 601,452 | 303,498 |
| Depreciation and amortization (Notes 4, 5 and 6) | 916,726 | 492,314 |
| Finance costs | 9,621 | 14,129 |
| Impairment loss (Notes 6 and 7) | 4,040,441 | - |
| Office and general | 90,048 | 83,661 |
| Professional fees | 472,217 | 548,151 |
| Share-based compensation (Notes 11(c) and (e)) | 14,617 | 52,471 |
| | 8,591,595 | 3,739,598 |
| Loss from operations before income tax and discontinued operations | (7,440,685) | (3,315,960) |
| Income taxes (recovered) (Note 17) | (537,589) | (640,004) |
| Net loss from continuing operations | (6,903,096) | (2,675,956) |
| Income from discontinued operations, net of tax (Note 21) | 1,468,465 | 1,804,288 |
| **Net (loss) and comprehensive (loss) for the year** | $ (5,434,631) | $ (871,668) |
| **Net income (loss) per share (Note 18)** | | |
| **Basic and diluted – continuing operations** | $ (0.05) | $ (0.02) |
| **Basis and diluted – discontinued operations** | $ 0.01 | $ 0.01 |

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

**Prodigy Ventures Inc.**
**Consolidated Statements of Changes in Shareholders’ Equity**
**Years ended December 31, 2022 and 2021**
(Expressed in Canadian dollars)

| | Common shares | Share capital (Note 11) | Contributed surplus | Retained earnings | Total shareholders' equity |
|---|---|---|---|---|---|
| **Balance, December 31, 2020** | 116,678,820 | $ 860,783 | $ 210,813 | $ 2,575,843 | $ 3,647,439 |
| Units issued on business acquisition (Note 3) | 26,507,333 | 4,771,320 | 426,843 | – | 5,198,163 |
| Share-based compensation (Notes 11(c) and (e)) | – | – | 138,775 | – | 138,775 |
| Exercise of options (Note 11(c)) | 28,750 | 8,542 | (3,511) | – | 5,031 |
| Net (loss) | – | – | – | (871,668) | (871,668) |
| **Balance, December 31, 2021** | 143,214,903 | $ 5,640,645 | $ 772,920 | $ 1,704,175 | $ 8,117,740 |

| | Common shares | Share capital (Note 11) | Contributed surplus | Retained earnings (Deficit) | Total shareholders’ equity |
|---|---|---|---|---|---|
| **Balance, December 31, 2021** | 143,214,903 | $ 5,640,645 | $ 772,920 | $ 1,704,175 | $ 8,117,740 |
| Shares issued for services (Note 11) | 1,072,500 | 144,787 | (144,787) | – | – |
| Share-based compensation (Notes 11(c) and (e)) | – | – | 38,659 | – | 38,659 |
| Net (loss) | – | – | – | (5,434,631) | (5,434,631) |
| **Balance, December 31, 2022** | 144,287,403 | $ 5,785,432 | $ 666,792 | $ (3,730,456) | $ 2,721,768 |

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

**Prodigy Ventures Inc.**
**Consolidated Statements of Cash Flows**
**Years ended December 31, 2022 and 2021**
(Expressed in Canadian dollars)

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net (loss) from continuing operations for the year | $ (6,903,096) | $ (2,675,956) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | |
| Depreciation and amortization (Notes 4, 5 and 6) | 916,726 | 492,314 |
| Impairment loss (Notes 6 and 7) | 4,040,441 | - |
| (Gain) loss on sale of equipment | (133) | 1,281 |
| Share-based compensation (Notes 11(c) and (e)) | 14,617 | 52,471 |
| Finance costs | 644 | 3,362 |
| Income taxes (recovered) | (537,589) | (640,004) |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (239,292) | 865,157 |
| Prepaid expenses | (100,957) | (91,502) |
| Accounts payable and accrued liabilities | (823) | (424,744) |
| Contract liability | 62,974 | (95,880) |
| Cash flows (used in) from operating activities – continuing operations | (2,746,488) | (2,513,501) |
| Income taxes recovered (paid) | 61,941 | (422,605) |
| **Net cash (used in) operating activities – continuing operations** | (2,684,547) | (2,936,106) |
| **Net cash from operating activities – discontinued operations** (Note 21) | 2,060,739 | 2,561,845 |
| | (623,807) | (374,261) |
| **Cash flows from investing activities** | | |
| Acquisitions, net of cash acquired (Note 3) | - | 1,877,578 |
| Investment in intangibles (Note 6) | (307,399) | (711,568) |
| Sale of equipment | 1,500 | 1,997 |
| Purchase of property and equipment (Note 4) | (7,705) | (37,102) |
| **Net cash (used in) from investing activities** | (313,604) | 1,130,905 |
| **Cash flows from financing activities** | | |
| Repayment of lease liabilities | (13,848) | (156,327) |
| Proceeds from exercise of stock options | - | 5,031 |
| Finance costs paid | (644) | (3,362) |
| **Net cash (used in) financing activities** | (14,492) | (154,658) |
| **(Decrease) increase in cash** | (951,904) | 601,986 |
| **Cash,** beginning of year | 2,732,822 | 2,130,836 |
| **Cash,** end of year | $ 1,780,918 | $ 2,732,822 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Prodigy Ventures Inc. ("Prodigy" or the Company") was incorporated as 71 Capital Corp. under the Canada Business Act on February 6, 2008 and was classified as a Capital Pool Company, as defined by the TSX Venture Exchange ("TSXV").

Prodigy delivers Fintech innovation. The Company provides leading edge platforms, including IDVerifact™ for digital identity, and tunl.™ for open banking and customer chat support, coupled with seamless integration of the Company's partners' best-of breed Fintech platforms. The Company's services business, Prodigy Labs™, which was sold subsequent to year end (see Note 22), integrates and customizes its platforms for unique enterprise customer requirements, and provides technology services for digital identity, open banking, payments and digital transformation. Digital transformation services include strategy, architecture, design, project management, agile development, quality engineering and staff augmentation.

The Company's registered office is as follows: 80 Richmond Street West, Suite 1401, Toronto, Ontario M5H 2A4. The Company's common shares are listed on the TSXV under the symbol PGV.

During the year ended December 31, 2022, the Company incurred a net loss from continuing operations of $6,903,096 (2021 - $2,675,956). The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient and sustained cash flows from its continuing operating activities comprising its IDVerifact™ and tunl.™ technologies. It is not possible to predict whether these technologies will ultimately be successful which represents a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

### Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are carried at fair value.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on April 6, 2023.

On December 31, 2022, the Board of Directors passed a resolution to proceed with the disposition by the Company of all of the issued and outstanding shares of TCB Corporation ("TCB") (see Note 22). As a result, the financial results of TCB have been presented as discontinued operations on the consolidated statements of (loss) income and comprehensive (loss) income, the consolidated statements of cash flows and the corresponding notes.

### Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses and other income during the period.

Management continuously evaluates the estimates and underlying assumptions based on management's experience and knowledge of facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods if affected.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Critical accounting judgments and estimates - continued

Significant estimates made by management include the following:

*Share-based compensation:*

The Company uses estimates in the calculation of the expenses of its share-based incentive plans including, but not limited to, share price volatility, dividends, expected life of the award, and risk-free interest rates. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the carrying value of contributed surplus, net income, and comprehensive income in future periods.

*Allocation of purchase consideration to acquired assets and assumed liabilities:*

The Company determined and allocated the purchase price on recent acquisitions to the applicable tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 – Business Combinations. The purchase price allocation process requires the Company to use significant estimates and assumptions, including fair value estimates, as of the acquisition date. Assessment of whether payments to selling shareholders are part of the exchange for the acquiree or is a transaction separate from the business combination is complex and could have a material impact on the financial statements and purchase price allocation.

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or an asset acquisition can have a significant impact on the accounting treatment at and after acquisition.

While management uses their best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed as of the acquisition date, the estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the purchase price allocation period, which can be up to one year from the acquisition date, management records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

*Goodwill:*

Goodwill arising on an acquisition of a business is carried at cost, as established on the date of acquisition, less impairment losses, if any. For purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, a CGU, or a CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves significant estimates and assumptions. While management uses their best estimate and assumptions to assess goodwill impairment, there are inherent uncertainties in projecting future cash flows, discount rates and other assumptions. Changes in the conditions for these judgments and estimates can significantly affect the assessed recoverable amount of the CGU.

*Capitalization of Development Costs:*

Management exercises judgment when establishing whether the criteria under IAS 38, Intangible Assets, for development costs have been met, specifically the technical feasibility of the products in development and the ability to generate probable economic future benefits.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiary companies, TCB Corporation, IDVerifact Inc., FICANEX Technology Inc. and 13165078 Canada Inc. All significant intercompany balances and transactions have been eliminated upon consolidation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and investment dealers, and short-term deposits with original maturities of less than three months at date of acquisition and are initially recorded at fair value. As at December 31, 2022 and 2021, the Company did not have any cash equivalents.

### Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses recorded. Cost includes expenses that are directly attributable to the acquisition of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate components of equipment and depreciated accordingly. The carrying amount of any replaced component or a component no longer in use is derecognized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item of property and equipment will flow to the Company and the costs of the item can be reliably measured. All other expenses are charged to operating expenses as incurred.

Depreciation is based on the cost of an asset less its estimated residual value. Depreciation is charged to profit or loss over the estimated useful life of an asset. Depreciation is provided on a declining-balance basis using the following rates:

Computer hardware – 30% declining balance

Computer software – 30% declining balance

Furniture – 30% declining balance

Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. The effect of such a change is recognized on a prospective basis in the consolidated financial statements.

### Intangible assets

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b) its intention to complete the intangible asset and use or sell it;
c) its ability to use or sell the intangible asset;
d) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized once the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred. Expenditures recovered related to internally developed intangible assets are deducted from the capitalized development costs in the period in which they are recovered.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Once an internally generated intangible asset becomes available for use, expenditures are no longer capitalized to the intangible. Internally generated intangible assets that are available for use are amortized on a straight-line basis over their estimated useful life of three years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount. Internally generated intangible assets that are under development are not amortized and are reviewed for impairment annually by comparing the carrying amount with its recoverable amount. An impairment loss is recognized in profit or loss when the recoverable amount is less than the net carrying amount.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Company.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. Acquisition-related costs, other than those related associated with the issuance of debt or equity, are recognized in earnings profit or loss as incurred.

Goodwill arising on an acquisition of a business is carried at cost, as established on the acquisition date, less accumulated impairment losses, if any. Goodwill is not amortized but is tested for impairment annually or whenever there is an indication of impairment.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in earnings.

Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

### Revenue recognition

The Company uses a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgement thresholds have been introduced which may affect the timing of revenue recognized.

The Company records revenue from contracts with customers in accordance with the five steps in IFRS 15 as follows:
1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
5. Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

The Company derives its revenues from software and professional service contracts. Revenue comprises the fair value of consideration received or receivable from the provision of services in the ordinary course of business.

Revenue from contracts with customers is recognized for each performance obligation as control is transferred to the customer over time as progress towards completion of the performance obligation. The transaction price is generally the amount stated in the contract.

The Company recognizes professional services revenues based on time and material incurred. If a loss on a contract is considered probable, the loss is recognized when it is determinable.

Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue earned in excess of contract billings is recorded as contract asset. Cash proceeds received in advance of performance under contracts are recorded as contract liability. Contract liability is classified as long-term if it relates to performance obligations that are expected to be fulfilled after 12 months from period end.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Revenue recognition - continued

Contract costs, such as commissions or incremental costs of obtaining a contract with a customer, are recognized as an asset if the period of benefit for those costs is expected to be longer than one year and those costs are expected to be recoverable under the expected term of the contract. As all contracts are for a period of less than one year, no contract costs have been recorded.

Non-refundable platform onboarding and integration fees are recognized only after there is persuasive evidence of an executed agreement, the price is fixed or determinable and there are no further performance obligations to be satisfied with respect to the contract.

Platform subscription fees are recognized on a monthly straight-line basis over the subscription term. The unamortized amount at the end of the reporting period with respect to these fees are presented as part of deferred revenue.

Aggregate conversation fees from the tunl. chatbot are accumulated and recognized on a monthly basis.

Management fees are recognized rateably over the performance period in which management's services have been contracted.

### Research and development costs and investment tax credits

All costs relating to research are expensed as incurred. Investment tax credits are recognized in the period in which the credits are earned and realization is considered more likely than not. Assistance received or receivable is accounted for using the cost reduction approach.

### Income tax and deferred taxes

The tax expense recognized in net income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

The tax currently payable is based on the taxable income or loss for the period. The taxable income or loss may differ from the income or loss for the period as reported in the accompanying consolidated statements of operations and comprehensive income (loss) due to the exclusion, if any, of revenue or expense items that are taxable or deductible in other periods, as well as items that are not taxable or deductible. The Company's liability for current income taxes is calculated using income tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that have been enacted or substantively enacted by the end of the reporting period and applicable in the period in which the liability is expected to be settled or the asset realized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of all or part of the asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when these relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Changes in deferred tax assets or liabilities are recognized as a component of taxable revenue or expense in profit or loss, except where these relate to items that are recognized in other comprehensive income or directly in equity, in which case, the related deferred tax is also recognized in other comprehensive income or equity, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in contributed surplus, over the vesting period of the award. The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest. Upon the exercising of options, the fair value of the options exercised that has been added to contributed surplus is reclassified to common shares and reflected in the consolidated statements of changes in shareholders' equity.

Equity settled transactions with non-employees are generally measured at the fair value of the goods or services received, and are measured with reference to the fair value of the equity instruments granted if the fair value of the goods or services received cannot be measured reliably.

### Impairment testing of goodwill and long-lived assets

Property and equipment and finite intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill or intangible assets not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all, or a portion of, a reporting unit.

For purposes of assessing impairment, assets 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 cash generating units ("CGU"s). An impairment loss is recognized for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset or CGU's fair value less costs to sell and value-in-use.

To determine the value-in-use, management estimates expected future cash flows and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. As a result, some assets are tested individually for impairment and some are tested at the CGU level.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (or group of CGUs) on a pro rata basis. Long-lived assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. For such assets, an impairment charge is reversed if the CGUs or individual asset's recoverable amount exceeds its carrying amount.

### Provisions

Provisions are recognized when the Company has a present legal obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and this amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Additionally, the Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

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 would be 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 would recognize any impairment loss on the assets associated with the contract.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Financial instruments – assets and liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expired.

At initial recognition, the Company classifies its financial instruments depending on the purpose for which the instruments were acquired, as follows:

Cash is measured at fair value.

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's accounts receivable are comprised of trade receivables and are included in current assets due to their short-term nature. Accounts receivable are initially measured at fair value and, subsequently, are measured at amortized cost.

Accounts payable and those accrued liabilities which are financial instruments are initially recognized at fair value and, subsequently, they are measured at amortized cost, which generally corresponds to cost. These instruments are included in current liabilities due to their short-term nature.

### Impairment of financial assets

The Company determined its expected credit loss (“ECL”) on trade receivables using a provision matrix based on historical credit loss experiences adjusted to reflect information about current economic conditions and forecasts of future economic conditions to estimate lifetime ECL.

Impairment losses, if any, are recorded in general and administrative expenses with the carrying amount of the financial asset or contract asset reduced through the use of impairment allowance accounts.

### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

### Comprehensive income (loss)

Basic comprehensive income (loss) comprises net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) represents changes in shareholders' equity and would be presented as accumulated other comprehensive income (loss). However, the Company has not had material income or losses relating to other comprehensive income (loss) and, accordingly, has made no adjustments to the accompanying consolidated financial statements.

### Income (loss) per share

The Company calculates basic income (loss) per share by dividing the net income (loss) attributable to shareholders by the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares are exercised or converted. Diluted income (loss) per share would be equal to basic income (loss) per share when the effect of dilutive securities is anti-dilutive.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Leases

The Company assesses whether a contract is or contains a lease at the inception of the contract. Leases are recognized as a right-of-use asset and corresponding lease liability at the lease commencement date. The lease liability is measured at the present value of the future payments over the lease term, less any lease incentives receivable, discounted using the lessee's incremental borrowing rate, unless the implicit interest rate in the lease can be easily determined. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

The right-of-use assets include the initial measurement of the corresponding lease liabilities, lease payments at or before the commencement date, any initial direct costs, less any lease incentives received before the commencement date. The right-of-use assets are subsequently measured at cost and are depreciated on a straight-line basis from the date the underlying asset is available for use over the lease term.

## 3. ACQUISITIONS

On July 30, 2021, the Company completed the acquisition of all of the outstanding units of Ficanex Technology LP ("Ficanex"), a financial technology platform business, for a fair value consideration of $5,198,163.

Pursuant to the terms of the unit purchase agreement, the Company has issued the vendors an aggregate of 26,507,331 shares of Prodigy and 4,000,000 common share purchase warrants. Each warrant is exercisable to acquire one common share at a price of 25 cents for a period of two years from the closing of the transaction, provided that if, at any time prior to the date that is two years from the closing date, the volume-weighted average trading price of the common shares on the TSX Venture Exchange, or other principal exchange on which the common shares are listed, is greater than 35 cents for 20 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the holders of warrants accelerating the expiry date of the warrants to the date that is 45 days following the date of such notice. Any unexercised warrants shall automatically expire at the end of the accelerated exercise period.

The following table summarizes the fair value of the consideration transferred and the purchase price allocation based on estimated fair values of the major classes of assets acquired assumed at the acquisition date:

| | |
|---|---|
| 26,666,667 common shares issued, at $0.18 per share | $ 4,800,000 |
| Less: 159,336 common shares cancelled pursuant to closing adjustments, at $0.18 per share | (28,680) |
| 4,000,000 common share purchase warrants | 426,843 |
| Fair value of consideration | $ 5,198,163 |

| | |
|---|---|
| Cash and equivalents | $ 1,877,578 |
| Accounts receivable | 74,296 |
| Prepaid expenses | 161,428 |
| Intangible assets | 2,119,827 |
| Goodwill | 1,980,262 |
| Accounts payable and accrued liabilities | (581,630) |
| Contract liability | (117,233) |
| Deferred tax liability | (316,365) |
| Total net assets acquired | $ 5,198,163 |

## 3. ACQUISITIONS - CONTINUED

The fair value of the common shares issued as part of the consideration paid was measured using the closing market price of the Company's common shares on the acquisition date when the shares were exchanged. The warrants were valued using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Fair value of warrants | $0.107 |
| Exercise price | $0.25 |
| Risk-free interest rate | 0.45% |
| Dividend yield | 0% |
| Volatility factor | 132.3% |
| Weighted average expected life of the options, in years | 2.0 |

The Company expensed $117,273 in transaction costs related to this acquisition in the year ended December 31, 2021.

## 4. PROPERTY AND EQUIPMENT

| | Computer hardware | Computer software | Furniture | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, December 31, 2021 | $ 230,502 | $ 5,994 | $ 12,072 | $ 248,568 |
| Additions | 7,705 | – | – | 7,705 |
| Disposals | (2,725) | – | – | (2,725) |
| Reclassification to assets held for sale | (227,895) | (5,994) | (12,072) | (245,961) |
| Balance, December 31, 2022 | $ 7,587 | $ - | $ - | $ 7,587 |
| **Accumulated depreciation** | | | | |
| Balance, December 31, 2021 | $ 141,411 | $ 5,945 | $ 8,065 | $155,421 |
| Depreciation | 27,424 | 15 | 1,203 | 28,642 |
| Disposals | (1,357) | - | - | (1,357) |
| Reclassification to assets held for sale | (167,193) | (5,960) | (9,268) | (182,421) |
| Balance, December 31, 2022 | $ 285 | $ - | $ - | $ 285 |
| **Carrying amounts** | | | | |
| Balance, December 31, 2021 | $ 89,091 | $ 49 | $ 4,007 | $ 93,147 |
| Balance, December 31, 2022 | $ 7,303 | $ - | $ - | $ 7,303 |

## 5. RIGHT OF USE ASSETS

| | | Premises |
|---|---|---|
| **Cost** | | |
| Balance, December 31, 2021 and December 31, 2022 | $ | 27,525 |
| **Accumulated amortization** | | |
| Balance, December 31, 2021 | $ | 1,197 |
| Amortization | | 14,361 |
| Balance, December 31, 2022 | $ | 15,558 |
| **Carrying amounts** | | |
| Balance, December 31, 2021 | $ | 26,328 |
| Balance, December 31, 2022 | $ | 11,967 |

## 6. INTANGIBLES

| | Customer assets | IDVerifact | tunl. | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, December 31, 2021 | $ 142,300 | $ 875,541 | $ 1,977,527 | $ 2,995,368 |
| Additions | - | 307,399 | - | 307,399 |
| Balance, December 31, 2022 | $ 142,300 | $ 1,182,940 | $ 1,977,527 | $ 3,302,767 |
| **Accumulated amortization and impairment** | | | | |
| Balance, December 31, 2021 | $ 19,764 | $ 103,934 | $ 206,581 | $ 330,279 |
| Impairment | 75,103 | 729,244 | 1,255,832 | 2,060,179 |
| Amortization | 47,433 | 349,763 | 515,113 | 912,309 |
| Balance, December 31, 2022 | $ 142,300 | $ 1,182,940 | $ 1,977,527 | $ 3,302,767 |
| **Carrying amounts** | | | | |
| Balance, December 31, 2021 | $ 122,536 | $ 771,607 | $ 1,770,946 | $ 2,665,089 |
| Balance, December 31, 2022 | $ - | $ - | $ - | $ - |

In the second quarter of 2022 the Company performed impairment tests for goodwill and intangible assets, and management determined impairment charges of $597,739 on the intangible assets, as the carrying value of the Ficanex CGU exceeded its recoverable amount. As a result, an impairment charge of $597,739 on the tunl. asset was recognized in the consolidated statement of operations and comprehensive income (loss). In the fourth quarter of 2022, additional impairment tests were performed and impairment charges of $729,243 and $733,197 were recognized against the IDVerifact and Ficanex CGU's respectively.

## 7. GOODWILL

| | |
|---|---|
| **Cost** | |
| Balance, December 31, 2021 | $ 2,525,050 |
| Reclassification to assets held for sale | (544,788) |
| Impairment | (1,980,262) |
| Balance, December 31, 2022 | $ - |

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill is allocated and comparing this to the carrying value of the CGU groups. The latest impairment testing was conducted as at December 31, 2022. The measurement of the recoverable amount of the CGU groups was calculated based on fair value less costs to sell. Where there was no market information available, fair value was determined by discounting the future cash flows generated from the continuing use of the groups. The calculation of the fair value based on discounting the future cash flows was based on the following key assumptions:

- Cash flows were projected based on the Company's long-term business plan. Cash flows for a further perpetual period were extrapolated using a growth rate of 3.0%.
- The business plan contains forecasts based on past experience of actual operating results in conjunction with anticipated future growth opportunities.
- The discount rates applied in determining the recoverable amount of the CGU groups was 30%. The discount rates were estimated based on past experience and the weighted average cost of capital of each CGU group.

The Company completed the acquisition of Ficanex in July, 2021, resulting in goodwill of $1,980,262. During the year ended December 31, 2022, the Company determined that the carrying value of this CGU exceeded its recoverable amount and recognized an impairment loss of $3,311,198 (including the impairment loss of $1,330,936 on the intangible assets) in the consolidated statement of operations and comprehensive income (loss).

The values assigned to the key assumptions represent management's assessment of future trends in the industries in which the CGU groups operate and are based on both external and internal sources and historical trend data.

## 8. LINE OF CREDIT

In December 2017, the Company established an operating line of credit for up to $2,000,000, which carries an interest rate of prime plus 1.15%. This facility, cancelled subsequent to year end, was covered by a General Security Agreement and standard operating covenants. The Company had not utilized the operating line as of December 31, 2022.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities included the following as at December 31, 2022 and December 31, 2021:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Salaries | $ 222,438 | $ 428,600 |
| Trade payables | 897,809 | 863,945 |
| Accrued liabilities | 570,670 | 390,115 |
| HST payable | - | 9,079 |
| Total | $ 1,690,917 | $ 1,691,739 |

## 10. LEASE LIABILITY

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 11,676 | $ 13,557 |
| Non-current | - | 11,676 |
| Total lease liabilities | $ 11,676 | $ 25,233 |

The Company's leases are for office premises. When measuring these liabilities, lease payments were discounted using an incremental borrowing rate of 5.1%.

The following table summarizes the undiscounted future lease payments beyond December 31, 2022:

| | December 31, 2022 |
|---|---|
| Less than one year | $ 11,834 |
| One to five years | - |
| Total undiscounted future lease payments | $ 11,834 |

The following table summarizes lease-related cash flows for the years ended December 31, 2022 and 2021:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Repayment of lease liabilities | $ 14,492 | $ 159,690 |
| Total cash outflows | $ 14,492 | $ 159,690 |

## 11. SHARE CAPITAL

a) Authorized

Unlimited common shares: voting, without par value, participating

## 11. SHARE CAPITAL – CONTINUED

b) Shares issued and outstanding

| | Number of shares | Amount |
|---|---|---|
| **Common shares** | | |
| Balance, December 31, 2020 | 116,678,820 | $ 860,783 |
| Exercise of options | 28,750 | 8,542 |
| Shares issued on business acquisition (Note 3) (i) | 26,507,333 | 4,771,320 |
| Balance, December 31, 2021 | 143,214,903 | $ 5,640,645 |
| Shares issued for services (ii) | 1,072,500 | 144,787 |
| Balance, December 31, 2021 | 144,287,403 | $ 5,785,432 |

(i) The Company originally issued 26,666,667 shares. 159,336 common shares were cancelled pursuant to closing adjustments.
(ii) On February 13, 2020, the Company completed the acquisition of ZoftNow Inc. ("ZoftNow"), a boutique consulting firm. Pursuant to the terms of the share purchase agreement, on closing the Company paid the vendors an aggregate cash payment of $384,084 (being the $450,000 cash portion of the purchase price reduced for certain closing adjustments) and issued to the vendors an aggregate of 1,072,500 common shares in the capital of Prodigy in exchange for all of the issued and outstanding shares of ZoftNow. Upon closing of the transaction, key management of ZoftNow became employees of the Company. As per the terms of the agreement, the Company has issued an additional 1,072,500 common shares in February, 2022, the second anniversary of the closing date. This additional share issuance has been deemed compensation for post-combination services and was excluded from the purchase consideration.

c) Stock options outstanding

The Company has adopted a Stock Option Plan (the "Option Plan") to provide an incentive to the Company's directors, senior officers, employees and consultants to continue their involvement with the Company and to increase their efforts on the Company's behalf. The Option Plan is a "rolling" stock option plan, whereby options may be granted equal in number to up to 3% of the issued common shares of the Company at the time of the grant of the stock option.

The following table reflects the continuity of stock options for the years ended December 31, 2022 and 2021:

| | December 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| **Expiry date** | **Number of options** | **Exercise price** | **Weighted average exercise price** | **Number of options** | **Exercise price** | **Weighted average exercise price** |
| Outstanding, beginning of period | 2,148,334 | | $ 0.131 | 1,146,250 | | $ 0.137 |
| Granted[i] | - | - | - | 1,500,000 | $ 0.155 | $ 0.155 |
| Granted[ii] | - | - | - | 250,000 | $ 0.110 | $ 0.110 |
| Granted[iii] | - | - | - | 250,000 | $ 0.100 | $ 0.100 |
| Exercised | - | - | - | (28,750) | $ 0.175 | $ 0.175 |
| Cancelled/Expired | (416,667) | $ 0.155 | $ 0.155 | (969,166) | $ 0.161 | $ 0.161 |
| Cancelled/Expired | (575,000) | $ 0.095 | $ 0.095 | - | - | - |
| Cancelled/Expired | (240,000) | $ 0.185 | $ 0.185 | - | - | - |
| Outstanding, end of period | 916,667 | | $ 0.128 | 2,148,334 | | $ 0.131 |
| Exercisable, end of period | 666,667 | | $ 0.134 | 815,000 | | $ 0.122 |

(i) On July 8, 2021, consultants of the Company were granted 1,500,000 incentive stock options. The options vested on July 30, 2022 and are exercisable at a price of $0.155 per share until July 30, 2023.
(ii) On November 22, 2021, an employee of the Company was granted 250,000 incentive stock options. The options vest on November 22, 2023 and are exercisable at a price of $0.11 per share until November 22, 2024.

## 11. SHARE CAPITAL – CONTINUED

c) Stock options outstanding - continued

(iii) On December 29, 2021, an employee of the Company was granted 250,000 incentive stock options. The options vest on December 31, 2022 and are exercisable at a price of $0.10 per share until December 31, 2023.

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2022 are as follows:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| **Exercise price** | **Number outstanding** | **Weighted average exercise price** | **Average remaining contractual life (years)** | **Number exercisable** | **Weighted average exercise price** |
| $ 0.100 | 250,000 | $ 0.100 | 1.00 | 250,000 | $ 0.100 |
| $ 0.110 | 250,000 | $ 0.110 | 1.90 | - | n/a |
| $ 0.155 | 416,667 | $ 0.155 | 0.58 | 416,667 | $ 0.155 |
| Total | 916,667 | $ 0.128 | 1.05 | 666,667 | $ 0.134 |

The estimated fair value of options granted during the years ended December 31, 2022 and 2021 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions where applicable:

| | **2022** | **2021** |
|---|---|---|
| Fair value of options | n/a | $0.060-$0.102 |
| Exercise price | n/a | $0.100-$0.155 |
| Risk-free interest rate | n/a | 0.48%-1.18% |
| Dividend yield | n/a | 0% |
| Volatility factor | n/a | 119.0%-131.7% |
| Weighted average expected life of the options, in years | n/a | 2.0-3.0 |

The table below summarizes the Company's stock-based compensation expense recorded in connection with the expected vesting of the above stock options issued:

| | **December 31, 2022** | **December 31, 2021** |
|---|---|---|
| Continuing operations | $ 14,617 | $ 52,471 |
| Discontinued operations | $ 24,042 | $ 86,304 |
| **Total** | **$ 38,659** | **$ 138,775** |

d) Warrants outstanding

The following table reflects the continuity of common share purchase warrants for the years ended December 31, 2022 and 2021:

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| **Expiry date** | **Number of warrants** | **Exercise price** | **Number of warrants** | **Exercise price** |
| Outstanding, beginning of period | 4,000,000 | $ 0.25 | - | - |
| Issued | - | - | 4,000,000 | $ 0.25 |
| Exercised | - | - | - | - |
| Cancelled/Expired | - | - | - | - |
| Outstanding, end of period [(i)] | 4,000,000 | $ 0.25 | 4,000,000 | $ 0.25 |

(i) The warrants expire on July 30, 2023

## 11. SHARE CAPITAL – CONTINUED

d) Warrants outstanding - continued

Pursuant to the acquisition of Ficanex in July, 2021, the Company has issued the vendors an aggregate of 26,666,667 units in the capital of Prodigy, prior to applicable closing adjustments. Each Prodigy unit consists of one common share of the Company and 0.15 of a common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of 25 cents until July 30, 2023, provided that if, at any time prior to July 30, 2023, the volume-weighted average trading price of the common shares on the TSX Venture Exchange, or other principal exchange on which the common shares are listed, is greater than 35 cents for 20 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the holders of warrants accelerating the expiry date of the warrants to the date that is 45 days following the date of such notice. Any unexercised warrants shall automatically expire at the end of the accelerated exercise period.

e) ZoftNow Contingent Share Consideration

The acquisition of ZoftNow included terms whereby the Company would issue an additional 1,072,500 common shares on the second anniversary of the closing date if certain key management of ZoftNow were still employed by the Company at that time. This transaction has been accounted for separately from the business combination, as post-combination renumeration. The fair value of the post-combination share consideration was expensed on a straight-line basis over the two-year vesting period. The Company recorded share-based compensation expense of $9,049 for the year ended December 31, 2022 (2021 - $72,394) in connection with contingent share consideration which is included in discontinued operations. The common shares were issued to the employees in February, 2022.

f) Restricted Share Unit Plan

The Company has also adopted a Restricted Share Unit Plan (the "RSU Plan"). The RSU Plan is a complimentary mechanism to the Company's Option Plan. Its purpose is to provide an incentive to the Company's senior officers, employees and consultants to continue their involvement with the Company and to increase their efforts on the Company's behalf. Under the RSU Plan, the aggregate number of common shares which may be issued will not exceed 2,568,823 at the time of grant of any restricted share unit ("RSU"). As of December 31, 2022, the Company has not granted any RSU's under the RSU Plan.

g) Dividends

On September 20, 2019, the Company declared a quarterly dividend of 0.1 cents per share for holders of record of common shares of the Company on October 2, 2019, and payable in cash on October 15, 2019. On December 17, 2019, the Company declared a quarterly dividend of 0.1 cents per share for holders of record of common shares of the Company on December 31, 2019, and payable in cash on January 8, 2020. On March 16, 2020, the Company declared a quarterly dividend of $116,679 (0.1 cents per share) for holders of record of common shares of the Company on March 31, 2020, and payable in cash on April 16, 2020. The Company did not declare or pay any dividends during the years ended December 31, 2022 and 2021. On June 9, 2020, the Company announced that the board of directors of the Company has decided to temporarily suspend the Company's quarterly dividend in order to conserve its cash resources. The Company's Board of Directors will continue to review the dividend quarterly.

## 12. CAPITAL MANAGEMENT

The Company defines capital as the aggregate of shareholders' equity and debt. The Company's equity comprises the common shares of the Company subscribed by the shareholders and retained earnings. The Board of Directors manages the dividend policy and the pricing of products and services of the Company so as to ensure that there is adequate cash flow to fund the Company's operations and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is optimal.

## 12. CAPITAL MANAGEMENT - CONTINUED

There were no changes in the Company's approach to capital management during the years ended December 31, 2022 and 2021. As at December 31, 2022, the Company was not subject to externally imposed capital requirements other than standard operating covenants associated with the line of credit.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments comprise cash, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted, due to their short-term maturities or interest rates which management believes approximates those of similar instruments in the current market. Except as otherwise noted, the Company is not exposed to significant risks in relation to its financial instruments.

The Company's risk management policies are established to identify and analyze the Company's risk, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no changes to the Company's exposure to risks in respect of its financial instruments, and there have been no changes in respect of management's objectives, policies and processes in the management of its financial instruments from that of the prior reporting period.

The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

### Credit risk

Concentration of credit risk relates primarily to the Company's accounts receivable, as the receivables are principally derived from one revenue source: technology services. During the year ended December 31, 2022, the Company derived 45% of its revenue from one customer (2021 – 55% from one customer). As at December 31, 2022, one customer represented 53% (December 31, 2021 – 40%) of the accounts receivable balance. Approximately 87% of the Company’s revenue was received from customers currently located in Canada (2021 – 87%). As at December 31, 2022, approximately 40% (December 31, 2021 – 31%) of the Company’s accounts receivable are greater than 30 days past due.

As at the following dates, the aging of gross trade and other receivables were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 1,072,847 | $ 1,044,171 |
| 1 - 30 days | 1,264 | 15,865 |
| 31 - 60 days | 640,138 | 390,251 |
| 61 - 90 days | 27,037 | 81,131 |
| Greater than 90 days | 43,954 | 11,136 |
| Subtotal | 1,785,240 | 1,542,554 |
| Less: Expected credit loss | (14,539) | (11,145) |
| Total | $ 1,770,701 | $ 1,531,409 |

The expected credit loss was $14,539 at December 31, 2022 (December 31, 2021 - $11,145). There is no indication, as at these dates, that the debtors will not meet their obligations. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all rental contracts. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

### Credit risk – continued

The provision matrix below shows the expected credit loss rate for each category of accounts receivable as at December 31, 2022.

| | | | Aging (days outstanding) | | | |
|---|---|---|---|---|---|---|
| | **Current** | **1 to 30** | **31 to 60** | **61 to 90** | **>90** | **Total** |
| Gross accounts receivable ($) | 1,072,847 | 1,264 | 640,138 | 27,037 | 43,954 | 1,785,240 |
| Expected loss rate (%) | 0.30 | 0.79 | 1.27 | 2.75 | 6.41 | 0.81 |
| Expected loss provision ($) | 2,838 | 10 | 8,130 | 744 | 2,817 | 14,539 |

The provision matrix below shows the expected credit loss rate for each category of accounts receivable as at December 31, 2021.

| | | | Aging (days outstanding) | | | |
|---|---|---|---|---|---|---|
| | **Current** | **1 to 30** | **31 to 60** | **61 to 90** | **>90** | **Total** |
| Gross accounts receivable ($) | 1,044,171 | 15,865 | 390,251 | 81,131 | 11,136 | 1,542,554 |
| Expected loss rate (%) | 0.29 | 0.79 | 1.27 | 2.75 | 6.41 | 0.72 |
| Expected loss provision ($) | 3,119 | 125 | 4,956 | 2,231 | 714 | 11,145 |

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally large financially established organizations, which limits the credit risk relating to the customer.

### Liquidity risk

The Company is exposed to liquidity risk to the extent that it must meet its financial obligations as and when due. The Company's approach to managing liquidity risk is to ensure that it always has sufficient cash and other current financial assets to meet its obligations when due without incurring unacceptable losses or damage to the Company's reputation. Management forecasts cash flows to identify financing requirements. These requirements are then addressed through combination of cash management and access to additional capital.

Management is of the view, based on historical cash flow, that there is sufficient current and future cash flow from its operating activities and third-party financing to sustain ongoing operations. Should contractual commitments require payment, management believes that its current sources of liquidity are sufficient to cover these obligations.

### Foreign currency risk

The Company earns a portion of its revenue in US dollars and is therefore subject to risk from changes in foreign currency rates. The Company does not utilize any financial instruments to mitigate the risks arising from changes in foreign currency rates. For the year ended December 31, 2022 a 10% increase in the value of the US dollar would have increased income by approximately $42,239 (2021 - $58,136) and a 10% decrease in the US dollar would have the opposite effect.

### Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. As at December 31, 2022 and December 31, 2021, the Company did not have any active debt and was therefore not subject to interest rate risk.

### Fair value hierarchy

The following summarizes the Company's financial instruments that are carried at fair values according to the fair value hierarchy, which comprises the following levels. 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.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

### Fair value hierarchy – continued

*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); and

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

There were no transfers of financial assets between any of the levels during the years ended December 31, 2022 and 2021.

## 14. ECONOMIC DEPENDENCE

For the year ended December 31, 2022, approximately 50% (2021 – 55%) of the Company's revenue from continuing operations related to transactions entered into with one customer. As at December 31, 2022, approximately 53% (December 31, 2021 – 40%) of the accounts receivable balance related to a customer from discontinued operations.

## 15. REVENUE

Revenue from continuing operations comprises:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Time and materials contracts | $ 2,460 | $ - |
| Fixed price contracts | 18,783 | - |
| Management fees | 825,000 | 343,750 |
| Platform fees | 887,053 | 303,212 |
| Total | $ 1,733,296 | $ 646,962 |

At December 31, 2022, the aggregate amount of costs incurred and revenue recognized to date under open fixed price contracts amounted to $nil and $nil, respectively (December 31, 2021 - $1,634 in costs incurred and $2,174 in revenue recognized).

## 16. RELATED PARTY TRANSACTIONS

### Compensation to key management personnel

Compensation earned for the years ended December, 2022 and 2021 due to persons in charge of the planning, direction and control of the Company, including executive and non-executive directors is as follows:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Salaries, fees, and benefits | $ 1,172,076 | $ 1,134,986 |
| Share-based compensation | 29,859 | 45,734 |
| Total | $ 1,201,935 | $ 1,180,720 |

## 17. INCOME TAXES

a) The components of the current and deferred tax expense were as follows:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Current income tax expense | $ (237,639) | $ (636,877) |
| Deferred income tax expense (recovery) | (299,950) | (3,127) |
| | $ (537,589) | $ (640,004) |

b) A reconciliation of the Company's income taxes at statutory rates with reported taxes is as follows:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Income (loss) before income taxes – continuing operations | $(7,440,685) | $(3,575,220) |
| Statutory tax rate | 26.5% | 26.5% |
| Income tax expense (recovery) using the Company's statutory tax rate | (1,971,782) | (947,433) |
| Increase (decrease) in taxes resulting from: | | |
| Permanent differences | (212,201) | (297,101) |
| Other items | 1,646,393 | 604,530 |
| Income tax expense | $ (537,589) | $ (640,004) |

c) Unrecognized deferred tax asset:

The Company had a non-capital loss carried forward of $340,364 at December 31, 2022 (2021 - $340,364). This non-capital loss arose prior to the Qualifying Transaction. The Company did not recognize a deferred tax asset associated with these non-capital losses because the former business of 71 Capital, where the losses arose, has ceased.

d) Temporary differences:

Temporary differences comprising the deferred tax asset (liability) and the amounts of deferred income tax expense recognized in the consolidated statement of operations and comprehensive income (loss) for each temporary difference are estimated as follows:

| | December 31, 2021 | Recognized in net income | Valued on acquisition | December 31, 2022 |
|---|---|---|---|---|
| Property and equipment | $ (20,478) | $ 6,322 | $ - | $ (14,156) |
| Non-capital losses carried forward | - | - | - | - |
| Right of use assets | (6,977) | - | - | (6,977) |
| Lease liability | 6,977 | - | - | 6,977 |
| Intangible assets | (316,365) | 294,906 | - | (21,459) |
| Deferred financing costs | 5,700 | (1,278) | - | 4,422 |
| | $ (331,143) | $ 299,950 | $ - | $ (31,193) |

## 18. NET INCOME (LOSS) PER SHARE

The computations for basic and diluted net income (loss) per share are as follows:

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Net (loss) from continuing operations for the year | $(6,903,096) | $(2,675,956) |
| Weighted average number of common shares outstanding, basic | 144,166,930 | 128,004,224 |
| Effect of dilutive securities – share-based payments | - | - |
| Weighted average number of common shares outstanding, Diluted | 144,166,930 | 128,004,224 |
| Net (loss) from continuing operations per share, basic | $ (0.05) | $ (0.02) |
| Net (loss) from continuing operations per share, diluted | $ (0.05) | $ (0.02) |

## 19. OPERATING SEGMENT INFORMATION

The Company's Chief Executive Officer, who is also the Chief Operating Decision Maker reviews the performance of and makes resource allocation decisions based on the results of the Company as a whole. As a result, the Company has determined that it comprises a single operating segment and therefore a single reportable segment.

**Geographical segments**

All of the Company's continuing operations are located in Canada.

## 20. CANADA EMERGENCY WAGE SUBSIDY

In March 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program and enacted Bill C-14 in April 2020. The CEWS program provides eligible employers with subsidies on employee remuneration, commencing retroactively from March 15, 2020 and ending in October, 2021. During the year ended December 31, 2022, the Company recorded subsidies of $nil (2021 - $331,317), of which $nil (2021 - $282,613) was recognized as a reduction of employment costs and $nil (2021 - $48,703) was capitalized as intangible assets. The latter related to eligible costs incurred in connection with the development of software to be used internally or for providing services to customers.

## 21. DISCONTINUED OPERATIONS

On January 18, 2023, the Company completed disposition by the company of all of the issued and outstanding shares of TCB Corporation (see Note 22). As a result, the financial results of TCB have been presented as discontinued operations on the consolidated statements of (loss) income and comprehensive (loss) income and the consolidated statements of cash flows.

**Net income from discontinued operations**

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Revenue | $ 11,557,703 | $ 12,815,029 |
| Direct Costs | (8,411,149) | (9,256,003) |
| Expenses | (1,148,643) | (1,104,212) |
| Income from discontinued operations before tax | 1,997,911 | 2,454,814 |
| Income tax | (529,446) | (650,526) |
| Net income from discontinued operations | $ 1,468,465 | $ 1,804,288 |

## 21. DISCONTINUED OPERATIONS - CONTINUED

**Cash flows from discontinued operations**

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Net income from discontinued operations | $ 1,468,465 | $ 1,804,288 |
| Income tax | 529,446 | 650,526 |
| Depreciation | | 20,727 |
| Stock-based compensation | 24,042 | 86,304 |
| | $ 2,060,739 | $ 2,561,845 |

## 22. SUBSEQUENT EVENTS

a) On January 18, 2023, the Company completed a disposition of all of the issued and outstanding shares of TCB Corporation, the company's wholly owned subsidiary, doing business as Prodigy Labs. The sale was made to UST Global (Canada) Inc. (the "Buyer"), a party that is at arm's length to Prodigy.

Pursuant to the terms of the Transaction, Prodigy is entitled to receive cash consideration of up to $12.5 million, $8.5 million of which was paid on closing and up to $4 million of which is payable upon achieving certain EBITDA and revenue targets. The earn-out payment of up to $4 million is anticipated to be paid within sixty (60) days following the expiry of the earn-out period ending on June 30, 2024. In addition, Prodigy is entitled to a payment in respect of TCB's working capital on closing of approximately $600,000 of which $500,000 has been received to date. There were no finders' fees payable in connection with the Transaction.

With the Transaction completed, Prodigy intends to focus its efforts on its IDVerifact and FICANEX Technology businesses while continuing to review additional M&A opportunities and other strategic alternatives. The Transaction completes the strategic transformation of Prodigy into a pure SaaS platform business, which has been its objective since inception.

b) On March 8, 2023 the Company announced that the Board of Directors approved a one-time return of capital of $0.041103 per share (the "Return of Capital") for holders of record of common shares of the Company on March 16, 2023 (the "Record Date") and payable in cash on March 22, 2023 (the "Payment Date").

In connection with the Return of Capital, the Board confirmed a reduction in the stated capital of the Common Shares by an aggregate amount equal to $5,930,658 (the "Stated Capital Reduction"), which Stated Capital Reduction was previously approved by holders of Common Shares at a special meeting held on March 8, 2023.

The Common Shares commenced trading on a "due bill" basis at the opening of trading on March 15, 2023 and commenced trading "ex-distribution" on March 23, 2023. The due bill redemption date was March 24, 2023.