



GENIFI INC.
(FORMERLY PRODIGY VENTURES INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2023**

August 10, 2023

Basis of Presentation

The following Management Discussion and Analysis (“MD&A”) of the financial condition and results of operations of genifi inc. (formerly Prodigy Ventures Inc.) (“genifi” or the “Company”) are the views of management and should be read in conjunction with the consolidated financial statements and related notes for the three and six months ended June 30, 2023 and 2022, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All figures are expressed in Canadian dollars unless otherwise indicated.

This report is dated as at August 10, 2023, and the Company’s additional public filings can be reviewed via the SEDAR website (www.sedar.com). The Company’s Audit Committee and Board of Directors have reviewed and approved the MD&A.

Throughout this document, genifi inc. is referred to as “genifi”, “we”, “our” or “Company”. This MD&A provides information that management believes is relevant to an assessment and understanding of the results of operations and financial condition of the Company.

Forward-Looking Statements

This MD&A contains forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or states that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. All statements in this MD&A that do not directly and exclusively relate to historical facts constitute “forward-looking information” within the meaning of Canadian securities laws. This information represents genifi’s intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking information. These factors include but are not restricted to: the timing and size of new contracts; acquisitions and other corporate developments; the ability to attract and retain qualified personnel; market competition in the rapidly evolving information technology industry; general economic and business conditions; and other risks identified in the MD&A, and genifi’s consolidated financial statements for three and six months ended June 30, 2023 as well as assumptions regarding the foregoing. Forward-looking statements speak only as of the date on which they are made. In particular, statements relating to future performance are forward-looking information. Genifi disclaims any intention or obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers are cautioned not to place undue reliance on this forward-looking information.

OVERVIEW

Genifi 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 our partners best-of breed Fintech platforms. Our former services business, Prodigy Labs™, integrated and customized our platforms for unique enterprise customer requirements, and provided technology services for digital identity, open banking, payments and digital transformation. Digital transformation services included strategy, architecture, design, project management, agile development, quality engineering and staff augmentation. Prodigy Labs (TCB Corporation) was divested on January 18, 2023 (see Disposition of TCB Corporation, below).

Vision and Strategy

Genifi has transitioned from the organic technology services growth of its first seven years to a more focused business strategy, powered by the acquisition of FICANEX Technology and its tunl open banking platform, and the internal development of its IDVerifact digital identity platform, both geared to generate recurring revenue in these high growth markets. Enterprise prospects are keenly interested in digital open banking and digital identity, and they need the platforms and expert assistance to leverage them.

Genifi's strategy is to market its platform businesses to generate recurring revenue. The tunl and IDVerifact SaaS platforms are the cornerstone of this strategy. The Company has an M&A strategy to acquire additional complementary businesses that are a synergistic fit with these activities and may also review opportunities to exit certain business lines where the board feels it is appropriate.

Intellectual Property

Currently, genifi has no patents. It is reviewing the tunl and IDVerifact platform components and considering its options to patent certain elements.

Each employee, officer, director, consultant and contractor providing services to genifi has assigned to genifi all rights such person or entity may have in the work completed on behalf of genifi.

RECENT DEVELOPMENTS

Name Change

On July 1, 2023 the Company changed its name to genifi inc.. This name change completed the Company's transformation into a provider of recurring revenue SaaS API platforms, following the sale of its services business, Prodigy Labs, earlier this year (see below). The Company's common shares commenced trading on the TSX Venture Exchange under the new name (TSXV:GNFI) and stock symbol on July 4, 2023.

Genifi also took this opportunity to transition from its FICANEX Technology brand to operate solely under the tunl. name for its open banking and AI-driven chat business. The name change was completed in connection with a vertical amalgamation of the Company with two of its wholly-owned subsidiaries, Ficanex Technology Inc. and IDVerifact Inc. (together the "Subsidiaries"). No securities of the Company were issued in connection with the amalgamation, and the Company's share capital remained unchanged. All of the issued and outstanding shares of the Subsidiaries were cancelled and the assets, liabilities and obligations of the Subsidiaries were assumed by the Company. The amalgamation did not have any significant effect on the business and operations of the Company.

Return of Capital

On March 8, 2023 the Company announced that the Board of Directors approved a one-time return of capital of 4.1103 cents 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.

Disposition of TCB Corporation

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., a party that was at arm's length to genifi.

Pursuant to the terms of the transaction, genifi was 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, genifi was entitled to a payment

in respect of TCB's working capital on closing of approximately \$600,000. There were no finders' fees payable in connection with the transaction.

With the transaction completed, genifi intends to focus its efforts on its IDVerifact and tunl platforms while continuing to review additional M&A opportunities and other strategic alternatives. The transaction completes the strategic transformation of genifi into a pure SaaS platform business.

Acquisition of FICANEX Technology

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

Management believes that FICANEX Technology can play a role in the future of open banking. Its tunl.chat platform provides value to its credit union and bank customers, and the newest release expands the offering to a much broader range of Fintech services. The tunl. platform compliments genifi's IDVerifact platform, and together they are expected to expand genifi's recurring platform revenue and enhance our delivery of Fintech innovation.

On closing, pursuant to the terms of the unit purchase agreement, the Company issued the vendors an aggregate of 26,666,667 units in the capital of genifi. Each genifi unit consisted of one common share of the Company and 0.15 of a common share purchase warrant. In total after applicable closing adjustments, the Company issued 26,507,331 common shares and 4,000,000 common share purchase warrants. Each warrant was 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, was greater than 35 cents for 20 consecutive trading days, the Company could have, within 15 days of the occurrence of such event, delivered a notice to the holders of warrants accelerating the expiry date of the warrants to the date that was 45 days following the date of such notice. Any unexercised warrants automatically expired at the end of the accelerated exercise period.

In the second quarter of 2022, based on an analysis of the discounted future cash flows, the Company determined that the carrying value of the FICANEX cash-generating unit exceeded its recoverable amount and recognized an impairment loss of \$2,578,001 in the consolidated statement of operations and comprehensive income (loss). In the fourth quarter of 2022, an additional impairment test was performed and an impairment charge of \$733,197 (the remaining carrying value of the tunl. asset) was recognized against the Ficanex CGU.

Launch of IDVerifact

In May 2021, genifi launched IDVerifact, a platform designed and developed to simplify the complexity of multiple digital identity solutions.

The Company's research shows that demands for digital identity are on the rise. On-line stores, regulated products, lottery and i-gaming, banks, financial service providers, and insurers are all looking to protect their customers, their revenues and their brand reputations. Currently, multiple identity verification platforms must be used to ensure trusted transactions, each one addressing only a small part of each individual identity verification requirement.

Genifi has launched a simplified visual platform to address each one of those needs in a single platform. IDVerifact provides the ability to combine and access a complete suite of leading digital identity providers to meet any business use case. Management believes this platform simplifies the complexities of integrating, customizing and maintaining a broad range of digital identity solutions for enterprises in all sectors.

Digital identity technology must be flexible enough to easily evolve as new threats and requirements emerge. IDVerifact is built to eliminate these complexities. It helps enterprises to rethink and re-engineer their customer experiences for rapid adoption, time to market and value realization from digital identity solutions.

With IDVerifact, organizations will stay ahead of fraud, quickly identify risk and ensure compliance while optimizing their ability to grow revenues and improve client experience with digital transactions.

This platform continues to evolve based on client demands and emerging market trends. Market interest remains but sales have been slower to materialize than originally expected.

In the fourth quarter of 2022, an impairment test was performed and an impairment charge of \$729,243 was recognized against the IDVerifact cash-generating unit, bringing the carrying value of the asset to \$nil.

Summary of Quarterly Results

The following table provides selected unaudited financial information for each of the last eight quarters, presented in Canadian dollars:

For the quarters ended	Jun 30/23 \$	Mar 31/23 \$	Dec 31/22 \$	Sep 30/22 \$
Total revenue	564,735	544,758	431,227	440,410
Net and comprehensive loss from continuing operations	(486,950)	(780,453)	(2,222,984)	(817,316)
Income from discontinued operations, net of tax	-	6,732,497	306,625	382,611
Net income (loss) for the period	(486,950)	5,952,044	(1,916,359)	(434,705)
Net income per share – basic and diluted, discontinued operations	-	0.05	0.00	0.00
Net (loss) per share – basic and diluted, continuing operations	(0.00)	(0.01)	(0.02)	(0.01)

For the quarters ended	Jun 30/22 \$	Mar 31/22 \$	Dec 31/21 \$	Sep 30/21 \$
Total revenue	419,881	441,778	396,636	250,326
Net and comprehensive loss from continuing operations	(3,169,489)	(693,307)	(738,216)	(879,145)
Income from discontinued operations, net of tax	389,089	390,140	321,920	488,166
Net income (loss) for the period	(2,780,400)	(303,167)	(416,296)	(390,979)
Net income per share – basic and diluted, discontinued operations	0.00	0.00	0.00	0.00
Net (loss) per share – basic and diluted, continuing operations	(0.02)	(0.00)	(0.01)	(0.01)

Genifi's revenue is based on management's ability to renew existing contracts, enter into new contracts with its customers and expand its customer base. Gross profit margin rates are expected to remain constant in the short term.

In July, 2021 the Company acquired FICANEX Technology which led to the increase in revenue and expenses beginning in the third quarter of 2021. In the second quarter of 2022, the Company determined that the carrying value of this cash-generating unit ("CGU") exceeded its recoverable amount and recognized an impairment loss of \$2,578,001 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, resulting in a carrying value of \$nil for both assets.

On January 18, 2023, the Company completed the 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., a party that is at arm's length to genifi.

Now that the transaction is complete, genifi intends to focus its efforts on its IDVerifact and tunl platforms while continuing to review additional M&A opportunities and other strategic alternatives. The transaction completes the strategic transformation of genifi into a pure SaaS platform business.

OPERATING RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

Operating results for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 are discussed below.

Total revenue from continuing operations for the six months ended June 30, 2023 increased \$247,834 from \$861,659 to \$1,109,493, an increase of 29% from the six months ended June 30, 2022. Genifi's ability to renew existing contracts and enter into new contracts in turn depends to a great degree on the quality of services provided and technology developed for its customers. Approximately 39% (2022 – 51%) of the Company's revenue for the period relates to transactions entered into with one client.

Direct costs for the six months ended June 30, 2023 increased \$21,506 from \$281,835 to \$303,341, an increase of 8% from the six months ended June 30, 2022. Direct costs consist of costs directly attributable to platform revenue recognized in the period. Direct costs will increase or decrease in relation to changes in revenue. Gross profit increased \$226,328 from \$579,824 to \$806,152, an increase of 39% from the six months ended June 30, 2022. Gross profit margin rates are expected to remain constant in the short-term.

Net and comprehensive loss from continuing operations for the six months ended June 30, 2023 was \$1,267,403, compared to \$3,862,797 for the six months ended June 30, 2022, a decrease of \$2,595,394. The decrease was primarily due to impairment losses recognized in the second quarter of 2022. Income from discontinued operations, net of tax was \$6,732,497, compared to \$779,230 for the six months ended June 30, 2022, an increase of \$5,953,267. The increase was primarily a result of the gain on sale of Prodigy Labs during the period. The net and comprehensive income was \$5,465,094 for the six months ended June 30, 2023, compared to a net loss of \$3,083,567 for the six months ended June 30, 2022, an increase of \$8,548,661.

Net loss per share, basic and diluted, from continuing operations was \$0.01 for the six months ended June 30, 2023 compared to \$0.03 for the six months ended June 30, 2022. Net income per share, basic and diluted, from discontinued operations was \$0.05 for the six months ended June 30, 2023 compared to \$0.01 for the six months ended June 30, 2022.

Summary of Expenses

	Six months ended June 30 2023 \$	Six months ended June 30 2022 \$
Expenses		
Compensation	1,706,753	1,155,607
Computer	249,652	277,632
Depreciation and amortization	8,276	507,819
Finance costs	2,898	(850)
Impairment loss	-	2,578,001
Office and general	76,483	38,903

Professional fees	287,374	235,311
Share-based compensation	5,404	5,842
	<u>2,336,840</u>	<u>4,798,265</u>

Total expenses for the six months ended June 30, 2023 decreased \$2,461,425 year over year from \$4,798,265 to \$2,336,840. The decrease relates primarily to the impairment loss recognized in the second quarter of 2022.

Compensation for the six months ended June 30, 2023 increased \$551,146 year over year from \$1,155,607 to \$1,706,753. The increase year over year was due primarily to management bonuses earned during the first quarter of 2023. The overall cost is expected to increase or decrease depending on the success of the IDVerifact and tunl. platforms.

Computer expenses for the six months ended June 30, 2023 decreased \$27,980 year over year from \$277,632 to \$249,652. The overall cost is expected to increase as additional projects are developed and new staff are hired.

Depreciation and amortization for the six months ended June 30, 2023 decreased \$499,543 year over year from \$507,819 to \$8,276. The prior period expense included amortization of the IDVerifact and tunl. platforms, which were fully impaired in 2022. The lease asset relating to the Company's office space and intangible assets available for use are amortized using the straight-line method. In addition, the expense will increase as additional property and equipment are acquired and additional intangible assets are available for use.

Finance costs for the six months ended June 30, 2023 increased \$3,748 year over year from a recovery of \$850 to an expense of \$2,898. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rates. Future interest cost will decline as the lease liability is repaid. Foreign exchange gains and losses will fluctuate with the exchange rate variations.

Impairment loss for the six months ended June 30, 2023 decreased \$2,578,001 year over year from \$2,578,001 to \$nil. Impairment is expected to be \$nil in the short term.

Office and general expenses for the six months ended June 30, 2023 increased \$37,580 year over year from \$38,903 to \$76,483. The overall cost is expected to increase or decrease depending on the success of the IDVerifact and tunl. platforms.

Professional fees for the six months ended June 30, 2023 increased \$52,063 year over year from \$235,311 to \$287,374. The increase relates primarily to legal expenses associated with the disposition of Prodigy Labs. In the short-term, professional fees are expected to vary based on M&A activities.

Share-based compensation for the six months ended June 30, 2023 decreased \$438 year over year from \$5,842 to \$5,404. 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. On December 29, 2021, an employee of the Company was granted 250,000 incentive stock options. The options vested on December 31, 2022 and are exercisable at a price of \$0.10 per share until December 31, 2023.

OPERATING RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2023

Operating results for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 are discussed below.

Total revenue from continuing operations for the three months ended June 30, 2023 increased \$144,854 from \$419,881 to \$564,735, an increase of 34% from the three months ended June 30, 2022. Genifi's ability to renew existing contracts and enter into new contracts in turn depends to a great degree on the quality of services

provided and technology developed for its customers. Approximately 38% (2022 – 51%) of the Company's revenue for the period relates to transactions entered into with one client.

Direct costs for the three months ended June 30, 2023 increased \$13,667 from \$140,705 to \$154,372, an increase of 10% from the three months ended June 30, 2022. Direct costs consist of costs directly attributable to platform revenue recognized in the period. Direct costs will increase or decrease in relation to changes in revenue. Gross profit increased \$131,187 from \$279,176 to \$410,363, an increase of 47% from the three months ended June 30, 2022. Gross profit margin rates are expected to remain constant in the short-term.

Net and comprehensive loss from continuing operations for the three months ended June 30, 2023 was \$486,950, compared to \$3,169,489 for the three months ended June 30, 2022. Income from discontinued operations, net of tax was \$nil, compared to \$389,089 for the three months ended June 30, 2022. The net and comprehensive loss was \$486,950 for the three months ended June 30, 2023, compared to a net loss of \$2,780,400 for the three months ended June 30, 2022, a decrease of \$2,293,450.

Net loss per share, basic and diluted, from continuing operations was \$0.00 for the three months ended June 30, 2023 compared to \$0.02 for the three months ended June 30, 2022. Net income per share, basic and diluted, from discontinued operations was \$nil for the three months ended June 30, 2023 compared to \$0.00 for the three months ended June 30, 2022.

Summary of Expenses

	Three months ended June 30 2023 \$	Three months ended June 30 2022 \$
Expenses		
Compensation	634,530	572,945
Computer	121,178	137,104
Depreciation and amortization	4,138	259,350
Finance costs	(988)	(4,151)
Impairment loss	-	2,578,001
Office and general	60,755	17,745
Professional fees	137,204	125,593
Share-based compensation	2,717	12,670
	959,524	3,699,257

Total expenses for the three months ended June 30, 2023 decreased \$2,739,733 year over year from \$3,699,257 to \$959,524. The decrease relates primarily to the impairment loss recognized in the second quarter of 2022.

Compensation for the three months ended June 30, 2023 increased \$61,585 year over year from \$572,945 to \$634,530. The overall cost is expected to increase or decrease depending on the success of the IDVerifact and tunl. platforms.

Computer expenses for the three months ended June 30, 2023 decreased \$15,296 year over year from \$137,104 to \$121,178. The overall cost is expected to increase as additional projects are developed and new staff are hired.

Depreciation and amortization for the three months ended June 30, 2023 decreased \$255,212 year over year from \$259,350 to \$4,138. The prior period expense included amortization of the IDVerifact and tunl. platforms, which were fully impaired in 2022. The lease asset relating to the Company's office space and intangible assets available for use are amortized using the straight-line method. In addition, the expense will increase as additional property and equipment are acquired and additional intangible assets are available for use.

Finance costs for the three months ended June 30, 2023 increased \$3,153 year over year from a recovery of \$4,151 to a recovery of \$998. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rates. Future interest cost will decline as the lease liability is repaid. Foreign exchange gains and losses will fluctuate with the exchange rate variations.

Impairment loss for the three months ended June 30, 2023 decreased \$2,578,001 year over year from \$2,578,001 to \$nil. Impairment is expected to be nil in the short term.

Office and general expenses for the three months ended June 30, 2023 increased \$43,010 year over year from \$17,745 to \$60,755. The overall cost is expected to increase or decrease depending on the success of the IDVerifact and tunl. platforms.

Professional fees for the three months ended June 30, 2023 increased \$11,611 year over year from \$125,593 to \$137,204. In the short-term, professional fees are expected to vary based on M&A activities.

Share-based compensation for the three months ended June 30, 2023 decreased \$9,953 year over year from \$12,670 to \$2,717. 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. On December 29, 2021, an employee of the Company was granted 250,000 incentive stock options. The options vested on December 31, 2022 and are exercisable at a price of \$0.10 per share until December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of approximately \$2,246,345 as at June 30, 2023 (December 31, 2022 – \$2,125,273). Working capital includes current assets less current liabilities on the Company's statement of financial position. The Company used \$1,097,557 in cash from continuing operations for the six months ended June 30, 2023 (2022 – \$1,105,202) and used \$476,471 in cash from discontinued operations (2022 – received \$1,095,976). Cash flows from/used in operations fluctuate based on the timing of customer payments and other annual payments. The Company received \$8,879,517 in investing activities during the six months ended June 30, 2023 (2022 – used \$312,397), primarily in connection with the sale of Prodigy Labs. The Company used \$5,937,757 in financing activities during the six months ended June 30, 2023 (2022 – \$7,101) relating primarily to a one-time return of capital paid during the period.

During the six months ended June 30, 2023, the Company incurred a net loss from continuing operations of \$1,267,403 (2022 - \$3,862,797). In addition, 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.

COMMITMENTS AND GUARANTEES

In December, 2017, the Company established an operating line of credit for up to \$2,000,000, which carried an interest rate of prime plus 1.15%. This facility was covered by a general security agreement and standard operating covenants. In January, 2023, the Company cancelled the operating line.

SUBSEQUENT EVENTS

There were no subsequent events that would have a material impact on this report.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

CAPITAL MANAGEMENT

The Company defines capital as the aggregate of shareholder equity and debt. The Company's equity comprises the 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 on-going basis and believes that this approach, given the relative size of the Company, is optimal.

There were no changes in the Company's approach to capital management during the six months ended June 30, 2023 and 2022. The Company is not subject to any externally imposed capital requirements.

DIVIDENDS

The Company issued 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. The Company issued an additional 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. The Company issued an additional quarterly dividend of 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 six months ended June 30, 2023 and 2022. 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. On March 8, 2023, following the disposition of TCB Corporation, the Company announced that the Board of Directors approved a one-time return of capital of 4.1103 cents per share for holders of record of common shares of the Company on March 16, 2023 and payable in cash on March 22, 2023. The Company's Board of Directors will continue to review the dividend quarterly.

RELATED PARTY TRANSACTIONS

Compensation to key management personnel

Compensation earned for the six months ended June 30, 2023 and 2022 due to persons in charge of the planning, direction and control of the Company, including executive and non-executive directors is as follows:

	Six months ended June 30, 2023 \$	Six months ended June 30, 2022 \$
Salaries, fees and benefits	998,667	646,808
Share-based compensation	-	19,797
Total	<u>998,667</u>	<u>666,605</u>

FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash and equivalents, accounts receivables, accounts payable and accrued liabilities and long-term debt. 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 approximate 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. During the six months ended June 30, 2023, the Company derived 39% of its revenue from one customer (2022 – 51%). As at June 30, 2023, one customer represented 59% (December 31, 2022 – 53%) of the accounts receivable balance. 100% of the Company's revenue was received from customers currently located in Canada. As at June 30, 2023, approximately 29% (December 31, 2022 – 40%) 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:

	June 30, 2023 \$	December 31, 2022 \$
Current	272,215	1,072,847
1-30 days	36,205	1,264
31-60 days	-	640,138
61-90 days	124,527	27,037
Greater than 90 days	-	43,954
Subtotal	<u>432,947</u>	<u>1,785,240</u>
Less: Expected credit loss	<u>(4,185)</u>	<u>(14,539)</u>
Total	<u>428,762</u>	<u>1,770,701</u>

The expected credit loss was \$4,185 at June 30, 2023 (December 31, 2022 - \$14,539). 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 contracts. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible.

The provision matrix below shows the expected credit loss rate for each category of accounts receivable as at June 30, 2023.

	<u>Aging (days outstanding)</u>					
	Current	1 to 30	31 to 60	61 to 90	>90	Total
Gross accounts receivable (\$)	272,215	36,205	-	124,527	-	432,947
Expected loss rate (%)	0.18	0.79	1.27	2.75	6.41	0.97
Expected loss provision (\$)	478	284	-	3,422	-	4,185

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

	<u>Aging (days outstanding)</u>					
	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 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 customers.

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 a 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 loans 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 may earn 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 six months ended June 30, 2023 a 10% increase in the value of the US Dollar would have increased income by \$6,360 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 June 30, 2023 and December 31, 2022 the Company did not have any active debt and was therefore not subject to interest rate risk.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at August 10, 2023, the Company had outstanding 144,287,403 common shares (unlimited authorized) and 500,000 options outstanding, of which 250,000 had vested.

CHANGE IN ACCOUNTING POLICIES

There were no changes in accounting policies during the six months ended June 30, 2023 that would have a material impact on this report.

CRITICAL ACCOUNTING 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.

Significant estimates made by management include the following:

Revenue recognition:

Revenue relating to fixed price professional services contracts is recognized based on the percentage of completion of the performance obligation which is assessed based on actual labour cost and budgeted cost required to complete the performance obligation. The Company estimates the costs associated with the performance obligation based on labour cost. Refer to the Revenue Recognition section for discussion on the impact on the adoption of IFRS 15 Revenue from Contracts with Customers.

Share-based compensation:

The Company uses estimates in the calculation of the expenses 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 entries made 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 (or groups of cash-generating units) 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 value of goodwill.

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.

RISKS AND UNCERTAINTIES

The Company's operations involve certain risks and uncertainties that are inherent to the Company's industry and rapidly changing environment that could impact its business, financial condition or results of operations. Additional risks and uncertainties of which the Company is unaware, or that it currently deems to be immaterial, may also become important factors that affect the Company. The following is a description of the principal risk factors that will impact the Company:

Genifi may not achieve profitability

Genifi may not be able to achieve profitability. The Company is aggressively managing expenses as we wait for revenue growth. If genifi's revenues do not increase to offset its current or future expenses, genifi will not be profitable and may require additional debt or equity financing.

Genifi may recognize an accounting value for goodwill and other intangible assets in connection with its business acquisitions. Under IFRS, goodwill must be assessed at least annually and potentially more frequently, in the event the value of goodwill and other indefinite-lived intangible assets has been impaired.

Economic dependence on a limited number of customers

Genifi's revenue was obtained almost exclusively from its services business. Following the disposition of Prodigy Labs, the Company will now rely entirely on platform and related sales to fund operations. During the six months ended June 30, 2023, the Company derived 39% of its revenue from one customer (2022 – 51%). As at June 30, 2023, one customer represented 59% (December 31, 2022 – 53%) of the accounts receivable balance. Genifi's ability to continue to generate revenue from its platform business depends on its ability to regularly renew contracts and enter into contracts with new customers. Genifi's ability to renew existing contracts and enter into new contracts in turn depends to a great degree on the quality of services provided and technology developed for its customers.

Genifi believes that its focus on customer service and support is critical to onboarding new customers and retaining its existing customers. Genifi's reputation among customers is critical for the growth and success of its business. Any perception that it does not provide satisfactory customer service, even if factually incorrect or based on isolated incidents, could damage genifi's reputation, undermine the trust and credibility it has established and have a negative impact on its ability to attract new, or retain existing, customers and enter into new markets or sectors.

Need for ongoing innovation

The markets in which genifi competes are characterized by constant change and innovation and they are expected to continue to evolve rapidly. genifi's success has been based on its ability to identify and anticipate the needs of its customers and design platforms that provides them with the tools to serve their needs. Genifi's ability to attract new customers, retain existing customers and increase revenue from both new and existing customers will depend in large part on its ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of its platforms.

Ongoing need for financing

Genifi's ability to continue operations will be largely reliant on its continued attractiveness to equity investors and profit from its platform business. There is no guarantee that the Company will be able to achieve its business objectives. The continued development of genifi may require substantial additional financing in the future. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. While the services business will provide some level of funding, a critical source of funding available to the Company will consist of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels.

Attraction and retention of key personnel

The Company has a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on its business. The Company may also encounter difficulties in obtaining and maintaining suitably qualified staff. Genifi has sought to and will continue to ensure that management, directors and any key employees are provided with appropriate incentives; however, their services cannot be guaranteed.

Genifi's future growth and success will depend upon its ability to identify, hire, develop, motivate and retain talented personnel with outstanding skills. There is no guarantee that it will be able to retain the services of any of its employees or other members of senior management in the future. Competition for talent is intense, particularly in technology driven industries such as genifi's, and its competitors may be able to offer genifi's potential or current personnel better pay, experience, benefits or opportunities. Failure to effectively recruit and retain talent could limit genifi's ability to increase sales, expand operations and achieve other strategic objectives.

Competition

The industries in which genifi operates are highly competitive. The Company faces strong competition from other companies in the industry. Many of these companies have greater financial resources, operational experience and technical capabilities than genifi. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Company could be materially adversely affected.

To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis.

Key Executives

Genifi is dependent on the services of key executives, including its directors and has a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of genifi, the loss of these persons or either company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

Genifi operates in an industry with the risk of intellectual property litigation. Claims of infringement against it may hurt its business.

Genifi's success depends, in part, upon non-infringement of intellectual property rights owned by others and being able to resolve claims of intellectual property infringement without major financial expenditures or adverse consequences. Participants that own, or claim to own, intellectual property may aggressively assert their rights. From time to time, genifi may be subject to legal proceedings and claims relating to the intellectual property rights of others.

Future litigation may be necessary to defend genifi or its clients by determining the scope, enforceability, and validity of third-party proprietary rights or to establish its proprietary rights. Some competitors have substantially greater resources and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time. Regardless of whether claims that genifi is infringing patents or other intellectual property rights have any merit, these claims are time-consuming and costly to evaluate and defend and could:

- adversely affect relationships with future clients;
- cause delays or stoppages in providing products or services;
- divert management's attention and resources;
- require technology changes to its products that would cause genifi to incur substantial cost;
- subject genifi to significant liabilities; and
- require genifi to cease some or all of its activities.

In addition to liability for monetary damages, which may be tripled and may include attorneys' fees, or, in some circumstances, damages against clients, genifi may be prohibited from developing, commercializing, or continuing to provide some or all of its products unless it obtains licenses from, and pays royalties to, the holders of the patents or other intellectual property rights, which may not be available on commercially favorable terms, or at all.

Management of growth

Genifi may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of genifi to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of genifi to deal with this growth may have a material adverse effect on genifi's business, financial condition, results of operations and prospects.

Internal Controls and Procedures

Management of the Company has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements of the Company do not contain any untrue statement of 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 is made, as of the date of and for the periods presented thereby, and (ii) the financial statements of the Company fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented. However, as a venture issuer, the certifying officers of the Company filing such financial statements do not make any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed

- or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. 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, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Lack of Trading

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of TSX Venture Exchange listed companies are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

Additional Information

Additional information about the Company can be found on the Sedar website at www.sedar.com.