GENIFI INC.
(FORMERLY PRODIGY VENTURES INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2024

August 27, 2024

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, 2024 and 2023, 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 27, 2024, and the Company's additional public filings can be reviewed via the SEDAR+ website (www.sedarplus.ca). 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, 2024 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, with its cutting-edge platforms: IDVerifact™ for digital identity verification, and tunl.chat™ for generative AI chat. Since the fourth quarter of 2023, Genifi has entered into non-exclusive licensing agreements for both platforms, as described in more detail below.

Our former services business, Prodigy Labs™, integrated and customized our platforms for unique enterprise customer requirements, and provided technology services for digital identity, 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 eight years to a more focused business strategy, powered by the acquisition of FICANEX Technology and its tunl.chat platform, and the internal development of its IDVerifact digital identity platform, both geared to generate recurring revenue in these high growth markets.

Genifi's strategy is to market its platform businesses to generate recurring revenue. The tunl.chat and IDVerifact SaaS platforms are the cornerstone of this strategy. The Company may also review opportunities to exit certain business lines where the board feels it is appropriate.

Intellectual Property

Currently, genifi has no patents.

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.chat name for its 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 IDVerifiact 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 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.

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 $611,742. There were no finders’ fees payable in connection with the transaction. The transaction completed the strategic transformation of genifi into a pure SaaS platform business.

Operations Developments

FICANEX Agreement Termination

On December 22, 2023 the Company announced that it and FICANEX Services Limited Partnership ("FICANEX Services") had agreed to terminate the services agreement (the "Services Agreement") that was entered into in connection with the Company's purchase of FICANEX Technology Limited Partnership on July 30, 2021. Under the terms of the Services Agreement, genifi had agreed to provide certain services to FICANEX Services for an initial period of three years (ending on July 30, 2024). As part of the termination of the Services Agreement, the FICANEX Services Board of Directors agreed to welcome back and re-employ the genifi staff that support FICANEX Services and its customers, effective January 1, 2024.

Licensing Agreements

Since the fourth quarter of 2023, genifi has entered into non-exclusive licensing agreements for both the IDVerifact digital identity platform and the tunl.chat platform (the “Platforms”) to arm’s length third parties (the “Licensors”). Under the terms of the agreements, genifi is obligated to pay a portion of license fees received from new customers using the Platforms. The Company continues to control all terms and pricing for customers using the Platforms.

As of June 30, 2024, the Licensors have not generated any additional revenue or customers for either Platform.

Proposed Privatization

On February 23, 2024, genifi announced that it intended to seek shareholder approval for a proposal to take the Company private. On February 23, 2024, the Company entered into an agreement (the “Agreement”) with Tom Beckerman to privatize by way of share consolidation and purchase. Pursuant to the Agreement, the Company proposed to complete a share consolidation and then compulsorily purchase of all common shares, other than the common shares held by Mr. Beckerman, for cash consideration of $0.01 per pre-consolidation common share. On April 22, 2024 the Company announced that it had agreed to an increase in the proposed cash consideration from $0.01 per pre-consolidation common share to $0.0115 per pre-consolidation common share. On May 24, 2024 the shareholders of the Company voted against the proposed share consolidation and the privatization transaction was therefore not completed.

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 30/24 $	Mar 31/24 $	Dec 31/23 $	Sep 30/23 $
Total revenue[1]	256,030	259,542	497,514	521,679
Net income (loss) from continuing operations	(104,032)	(161,638)	(271,972	(385,206)
Income from discontinued operations, net of tax	82,898	-	853,326	-
Net and comprehensive income (loss) for the period	(21,134)	(161,638)	1,125,298	(385,206)
Net income per share – basic and diluted, discontinued operations	0.00	-	0.01	-
Net income (loss) per share – basic and diluted, continuing operations	(0.00)	(0.00)	0.00	(0.00)

For the quarters ended	Jun 30/23 $	Mar 31/23 $	Dec 31/22 $	Sep 30/22 $
Total revenue	493,534	497,043	431,227	440,410
Net 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 and comprehensive 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)

(i) Revenue numbers for the first nine months of 2023 have been adjusted to reflect a Q4 reclassification of interest income from revenue to an expense credit

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. In the fourth quarter of 2023, the Company recognized $983,661 in variable consideration on the disposition, which was increased to $1,096,448 at June 30, 2024. The final amount is to be determined subsequent to June 30, 2024.

The transaction completes the strategic transformation of genifi into a pure SaaS platform business.

OPERATING RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

Operating results for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 are discussed below.

Total revenue from continuing operations for the six months ended June 30, 2024 decreased $475,006 from $990,578 to $515,572, a decrease of 48% from the six months ended June 30, 2023. Genifi and its licensors' ability to renew existing contracts and enter into new contracts depends to a great degree on the quality of service provided and technology developed for its customers. Approximately 16% (2023 – 39%) of the Company's revenue for the period relates to transactions entered into with one client. The contract contributing to 39% of revenue in the prior period was terminated as of December 31, 2023.

Direct costs for the six months ended June 30, 2024 decreased $39,919 from $303,341 to $263,422, a decrease of 13% from the six months ended June 30, 2023. 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 decreased $435,087 from $687,237 to $252,150, a decrease of 63% from the six months ended June 30, 2023.

Loss from operations before income tax and discontinued operations for the six months ended June 30, 2024 was $354,239, compared to $1,530,688 for the six months ended June 30, 2023. The Company recorded an income tax recovery of $88,569 for the six months ended June 30, 2024 (2023 - $263,285). Net loss from continuing operations for the six months ended June 30, 2024 was $265,670, compared to a loss of $1,267,403 for the six months ended June 30, 2023. Income from discontinued operations, net of tax was $82,898, compared to $6,732,497 for the six months ended June 30, 2023. The net and comprehensive loss was $182,772 for the six months ended June 30, 2024, compared to a net and comprehensive income of $5,465,094 for the six months ended June 30, 2023, an increase of $5,647,866.

Net loss per share, basic and diluted, from continuing operations was $0.00 for the six months ended June 30, 2024 compared to a loss of $0.01 for the six months ended June 30, 2023. Net income per share, basic and diluted, from discontinued operations was $0.00 for the six months ended June 30, 2024 compared to $0.05 for the six months ended June 30, 2023.

Summary of Expenses	**Six months ended June 30 2024 $**	**Six months ended June 30 2023 $**
Expenses		
Compensation	301,723	1,706,753
Computer	12,330	249,652
Depreciation and amortization	1,039	8,276
Finance costs	2,473	2,898
Office and general	(2,419)	76,483
Professional fees	341,225	287,374
Share-based compensation	-	5,404
Interest income	(49,982)	(118,915)
	606,389	2,217,925

Total expenses for the six months ended June 30, 2024 decreased $1,611,536, year over year from $2,217,925 to $606,389. The decrease relates primarily to the reduction in compensation and computer software expenses year over year. These decreases more than offset the increase in professional fees associated with the proposed privatization.

Compensation for the six months ended June 30, 2024 decreased $1,405,030 year over year from $1,706,753 to $301,723. The decrease is primarily the result of bonuses paid in the prior period as well as staff reductions related to the platform licensing arrangements and termination of the Ficanex management contract.

Computer expenses for the six months ended June 30, 2024 decreased $237,322 year over year from $249,652 to $12,330. The overall cost is expected to increase slightly in the short-term.

Depreciation and amortization for the six months ended June 30, 2024 decreased $7,237 year over year from $8,276 to $1,039. The overall cost is expected to remain constant in the short-term.

Finance costs for the six months ended June 30, 2024 decreased $425 year over year from $2,898 to $2,473. Foreign exchange gains and losses will fluctuate with the exchange rate variations.

Office and general expenses for the six months ended June 30, 2024 decreased $78,902 year over year from $76,483 to a recovery of $2,419. The overall cost is expected to be minimal in the short-term.

Professional fees for the six months ended June 30, 2024 increased $53,851 year over year from $287,374 to $341,225. The increase was due to costs associated with the proposed privatization. In the short-term, professional fees are expected to vary.

Share-based compensation for the six months ended June 30, 2024 decreased $5,404 year over year from $5,404 to $nil. The Company no longer has outstanding stock options.

OPERATING RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2024

Operating results for the three months ended June 30, 2024 compared to the three months ended June 30, 2023 are discussed below.

Total revenue from continuing operations for the three months ended June 30, 2024 decreased $237,504 from $493,534 to $256,030, a decrease of 48% from the three months ended June 30, 2023. Genifi and its licensors' ability to renew existing contracts and enter into new contracts depends to a great degree on the quality of service provided and technology developed for its customers. Approximately 16% (2023 – 38%) of the Company's revenue for the period relates to transactions entered into with one client. The contract contributing to 38% of revenue in the prior period was terminated as of December 31, 2023.

Direct costs for the three months ended June 30, 2024 decreased $26,155 from $154,372 to $128,217, a decrease of 17% from the three months ended June 30, 2023. 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 decreased $211,349 from $339,162 to $127,813, a decrease of 62% from the three months ended June 30, 2023.

Loss from operations before income tax and discontinued operations for the three months ended June 30, 2024 was $142,348, compared to $549,161 for the three months ended June 30, 2023. The Company recorded an income tax recovery of $38,316 for the three months ended June 30, 2024 (2023 - $62,211). Net loss from continuing operations for the three months ended June 30, 2024 was $104,032, compared to a loss of $486,950 for the three months ended June 30, 2023. Income from discontinued operations, net of tax was $82,898, compared to $nil for the three months ended June 30, 2023. The net and comprehensive loss was $21,134 for the three months ended June 30, 2024, compared to $486,950 for the three months ended June 30, 2023, a decrease of $465,816.

Net loss per share, basic and diluted, from continuing operations was $0.00 for the three months ended June 30, 2024 compared to a loss of $0.00 for the three months ended June 30, 2023. Net income per share, basic and diluted, from discontinued operations was $0.00 for the three months ended June 30, 2024 compared to $0.00 for the three months ended June 30, 2023.

Summary of Expenses	**Three months ended June 30 2024 $**	**Three months ended June 30 2023 $**
Expenses		
Compensation	148,940	634,530
Computer	6,251	121,178
Depreciation and amortization	579	4,138
Finance costs	733	(998)
Office and general	(1,355)	60,754
Professional fees	120,311	137,204
Share-based compensation	-	2,717
Interest income	(5,298)	(71,200)
	270,161	888,323

Total expenses for the three months ended June 30, 2024 decreased $618,162, year over year from $888,323 to $270,161. The decrease relates primarily to the reduction in compensation and computer software expenses year over year.

Compensation for the three months ended June 30, 2024 decreased $485,590 year over year from $634,530 to $148,940. The decrease is primarily the result of staff reductions related to the platform licensing arrangements and termination of the Ficanex management contract.

Computer expenses for the three months ended June 30, 2024 decreased $114,927 year over year from $121,178 to $6,251. The overall cost is expected to increase slightly in the short-term.

Depreciation and amortization for the three months ended June 30, 2024 decreased $3,559 year over year from $4,138 to $579. The overall cost is expected to remain constant in the short-term.

Finance costs for the three months ended June 30, 2024 increased $1,731 year over year from a recovery of $998 to an expense of $733. Foreign exchange gains and losses will fluctuate with the exchange rate variations.

Office and general expenses for the three months ended June 30, 2024 decreased $62,109 year over year from $60,754 to a recovery of $1,355. The overall cost is expected to be minimal in the short-term.

Professional fees for the three months ended June 30, 2024 decreased $16,893 year over year from $137,204 to $120,311. In the short-term, professional fees are expected to vary.

Share-based compensation for the three months ended June 30, 2024 decreased $2,717 year over year from $2,717 to $nil. The Company no longer has outstanding stock options.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of approximately $2,716,162 as at June 30, 2024 (December 31, 2023 – $2,901,095). Working capital includes current assets less current liabilities on the Company's statement of financial position. The Company received $31,861 in cash from continuing operations for the six months ended June 30, 2024 (2023 – used $1,097,557) and used $nil in cash from discontinued operations (2023 –$476,471). Cash flows from/used in operations fluctuate based on the timing of customer payments and other annual payments. The Company used $3,200 in investing activities during the six months ended June 30, 2024 (2023 – received $8,879,517), primarily in connection with the sale of Prodigy Labs in the prior year. The Company used $nil in financing activities during the six months ended June 30, 2024 as compared to $5,937,757 received during the six months ended June 30, 2023, relating primarily to a one-time return of capital paid.

During the year ended December 31, 2023, the Company incurred a net loss from continuing operations of $1,380,637 (2022 - $6,903,096) and ongoing losses are expected in 2024. 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.chat 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

On July 25, 2024 Jeffrey Shaul was appointed to the Company's Board of Directors and Bill Maurin resigned. On August 16, 2024, Charlie Davis was appointed to the Company's Board of Directors and Stephen Moore resigned.

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, 2024 and 2023. 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. 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.

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 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.

RELATED PARTY TRANSACTIONS

Compensation to key management personnel

Compensation earned for the six months ended June 30, 2024 and 2023 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, 2024 $	Six months ended June 30, 2023 $
Salaries, fees and benefits	220,000	998,667
Share-based compensation	-	-
Total	220,000	998,667

FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash and equivalents, accounts receivables, variable consideration receivable, 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, 2024, the Company derived 16% of its revenue from one customer (2023 – 39%). As at June 30, 2024, one customer represented 34% (December 31, 2023 – 55%) of the accounts receivable balance. 100% of the Company’s revenue was received from customers currently located in Canada. As at June 30, 2024, approximately 12% (December 31, 2023 – 2%) 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, 2024 $	December 31, 2023 $
Current	89,808	340,369
1-30 days	6,793	6,959
31-60 days	12,623	6,114
61-90 days	44	-
Greater than 90 days	137	-
Subtotal	109,405	353,442
Less: Expected credit loss	(446)	(517)
Total	108,959	352,925

The expected credit loss was $446 at June 30, 2024 (December 31, 2023 - $517). 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, 2024.

			Aging (days outstanding)			
	Current	**1 to 30**	**31 to 60**	**61 to 90**	**>90**	**Total**
Gross accounts receivable ($)	89,808	6,793	12,623	44	137	109,405
Expected loss rate (%)	0.30	0.79	1.27	2.75	6.41	0.41
Expected loss provision ($)	223	53	160	1	9	446

The provision matrix below shows the expected credit loss rate for each category of accounts receivable as at December 31, 2023.

			Aging (days outstanding)			
	Current	**1 to 30**	**31 to 60**	**61 to 90**	**>90**	**Total**
Gross accounts receivable ($)	340,369	6,959	6,114	-	-	353,442
Expected loss rate (%)	0.15	0.79	1.27	2.75	6.41	0.15
Expected loss provision ($)	385	55	77	-	-	517

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 cash flow from its operating activities to sustain ongoing operations in the short-term. The Company’s ability to generate sufficient cash flow in the long-term is dependent upon the success of its IDVerifact and tunl.chat technologies and/or third-party financing. It is not possible to predict whether these technologies will ultimately be successful which represents a material liquidity risk.

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, 2024 a 10% increase in the value of the US Dollar would have increased income by $402 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, 2024 and December 31, 2023 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 27, 2024, the Company had outstanding 144,287,403 common shares (unlimited authorized).

CHANGE IN ACCOUNTING POLICIES

There were no changes in accounting policies during the six months ended June 30, 2024 that would have a material impact on this report.

MATERIAL 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 variable 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.

Variable consideration receivable

A portion of the proceeds on the disposition of TCB is based on the future performance of TCB. Management estimated the fair value of consideration using cash flow forecasts and credit risk assumptions (see note 14 of the accompanying financial statements).

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. Revenue has been trending down in recent reporting periods. A large management contract was terminated on December 31, 2023 and an additional contract expired on June 30, 2024. The only product for which the Company has revenue has also seen customer losses. The Company will likely need further sales investment for revenue growth.

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, 2024 the Company derived 16% of its revenue from one customer (2023 – 39%). As at June 30, 2024, one customer represented 34% (December 31, 2023 – 55%) 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 as well as the sales efforts of the Licensor.

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. 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.

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 may require a 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 currently has only two employees; it's Chief Executive Officer and Chief Financial Officer. Due to the relatively small size of genifi, the loss of these persons or the 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.

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.sedarplus.ca.