PRODIGY VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 and nine months ended December 31, 2015

(expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Prodigy Ventures Inc.

We have audited the accompanying consolidated financial statements of Prodigy Ventures Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the year ended December 31, 2016 and the nine months ended December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Prodigy Ventures Inc. as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 and the nine months ended December 31, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 6, 2017
Vaughan, Canada

Prodigy Ventures Inc.
Consolidated Statements of Financial Position as at December 31, 2016 and 2015
(Expressed in Canadian dollars)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash	$ 2,016,658	$ 841,957
Accounts receivable (Note 8)	1,717,201	1,442,908
Unbilled receivables	3,965	135,790
Income taxes recoverable	-	6,187
Prepaid expenses	59,197	27,057
	3,797,021	2,453,899
Non-current assets:		
Deferred tax asset (Note 12)	86,418	85,643
Property and equipment (Note 4)	54,635	24,156
	141,053	109,799
Total assets	$ 3,938,074	$ 2,563,698
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,548,845	$ 1,215,095
Deferred revenue	18,349	16,362
Income taxes payable	190,230	-
Current portion of long-term debt (Notes 5 and 15)	87,432	87,432
	1,844,856	1,318,889
Non-current liabilities:		
Long-term debt (Notes 5 and 15)	62,471	183,154
	62,471	183,154
Total liabilities	1,907,327	1,502,043
Shareholders' Equity		
Share capital (Note 6)	411,212	411,212
Contributed surplus	87,108	14,805
Retained earnings	1,532,427	635,638
	2,030,747	1,061,655
Total liabilities and shareholders' equity	$ 3,938,074	$ 2,563,698

On behalf of the Board:

“Thomas Beckerman”, Director
“Stephen Moore”, Director

Commitments (Note 15)
Subsequent events (Note 16)

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

Prodigy Ventures Inc.
Consolidated Statements of Operations and Comprehensive Income
Year ended December 31, 2016 and nine months ended December 31, 2015
(Expressed in Canadian dollars)

	Year ended December 31, 2016	Nine months ended December 31, 2015
Revenue (Note 10)	$ 11,020,658	$ 6,187,766
Direct costs	7,332,164	3,922,298
Gross profit	3,688,494	2,265,468
Expenses:		
Advertising and promotion	79,629	81,959
Computer	66,649	25,655
Depreciation	10,235	2,509
Finance costs	17,364	20,035
Listing expense (Note 3)	-	89,917
Compensation	980,435	447,630
Office and general	12,041	5,742
Professional fees	145,769	391,035
Rent and occupancy costs	33,545	17,027
Research and development	972,071	368,972
Share-based compensation	72,303	14,805
Telecommunications	4,458	2,661
Travel	31,274	24,068
	2,425,773	1,492,015
Net income before tax	1,262,721	773,453
Income taxes (Note 12)	365,932	212,758
Net and comprehensive income for the period	$ 896,789	$ 560,695
Net income per share - basic and diluted (Note 13)	$ 0.01	$ 0.01

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

Prodigy Ventures Inc.
Consolidated Statements of Changes in Equity
Year ended December 31, 2016 and nine months ended December 31, 2015
(Expressed in Canadian dollars)

	Common shares	Class A shares	Restricted voting shares	Share capital (Note 6)	Contributed surplus	Retained earnings	Total shareholders' equity
Balance, March 31, 2015	70	30	–	$ 100	$ 492	$ 74,943	$ 75,535
Exercise of options	12	4	–	508	(492)	–	16
Recapitalization of share capital	20,024,642	(34)	88,051,416	–	–	–	–
Private placement	1,183,080	–	–	85,773	–	–	85,773
Shares issued for services	2,274,793	–	–	164,922	–	–	164,922
Shares issued to 71 Capital Corp. shareholders	2,205,635	–	–	159,909	–	–	159,909
Stock-based compensation	–	–	–	–	14,805	–	14,805
Net income	–	–	–	–	–	560,695	560,695
Balance, December 31, 2015	25,688,232	–	88,051,416	$ 411,212	$ 14,805	$ 635,638	$ 1,061,655

	Common shares	Class A shares	Restricted voting shares	Share capital (Note 6)	Contributed surplus	Retained earnings	Total shareholders' equity
Balance, December 31, 2015	25,688,232	–	88,051,416	$ 411,212	$ 14,805	$ 635,638	$ 1,061,655
Stock-based compensation	–	–	–	–	72,303	–	72,303
Net income	–	–	–	–	–	896,789	896,789
Balance, December 31, 2016	25,688,232	–	88,051,416	$ 411,212	$ 87,108	$ 1,532,427	$ 2,030,747

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

Prodigy Ventures Inc.
Consolidated Statements of Cash Flows
Year ended December 31, 2016 and nine months ended December 31, 2015
(Expressed in Canadian dollars)

	Year ended December 31, 2016	Nine months ended December 31, 2015
Cash flows from operating activities		
Net income for the period	$ 896,789	$ 560,695
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation (Note 4)	10,235	2,509
Stock-based compensation (Note 6)	72,303	14,805
Shares issued for professional fees	-	164,922
Finance costs	17,364	20,035
Listing expense (Note 3)	-	89,917
Income taxes	365,932	212,758
Change in non-cash operating working capital:		
(Increase) in accounts receivable	(274,293)	(1,129,101)
Decrease (increase) in unbilled receivables	131,825	(135,790)
(Increase) in prepaid expenses	(32,140)	(26,557)
Increase in accounts payable and accrued liabilities	333,750	840,813
Increase in deferred revenue	1,987	16,362
Net cash flows from operating activities before income taxes paid	1,523,752	631,368
Income taxes paid	(170,290)	(314,085)
Net cash flows from operating activities	1,353,462	317,283
Cash flows from investing activities		
Cash acquired from reverse acquisition (Note 3)	-	54,124
Purchase of equipment	(40,714)	(23,218)
Net cash flows (used in) from investing activities	(40,714)	30,906
Cash flows from financing activities		
Repayments of long-term debt	(120,683)	(71,050)
Advances under long-term debt	-	150,000
Advances to shareholder – net of repayments	-	1,482
Proceeds from private placement	-	85,773
Proceeds from exercise of options	-	16
Finance costs paid	(17,364)	(20,035)
Net cash flows (used in) from financing activities	(138,047)	146,186
Increase in cash	1,174,701	494,375
Cash, beginning of period	841,957	347,582
Cash, end of period	$ 2,016,658	$ 841,957

Supplemental disclosure of non-cash transactions:		
Issuance of common shares in connection with Amalgamation (Note 3)	$ -	$ 159,909

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

1. NATURE OF OPERATIONS

Prodigy Ventures Inc. (formerly 71 Capital Corp.) ("Prodigy" or the "Company") is engaged in creating platforms and applications with technologies in mobile video, proximity, wearables, augmented reality and 3D. The Company provides clients with technology services for business strategy, application design, development and implementation. The Company was incorporated as 71 Capital Corp. under the Canada Business Corporations Act on February 6, 2008 and was classified as a Capital Pool Company, as defined by the TSX Venture Exchange ("TSXV").

The Company's registered office is as follows: c/o Fogler, Rubinoff LLP, 77 King Street West, Suite 3000, P.O. Box 95, TD Centre, Toronto, Ontario M5K 1G8. The Company's common shares are listed on the TSXV under the symbol PGV.

On September 10, 2015, the Company closed its Qualifying Transaction pursuant to an agreement between 71 Capital Corp., TCB Corporation and 2478677 Ontario Ltd., and 71 Capital Corp. changed its name to Prodigy Ventures Inc. (Note 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of presentation

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

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

These financial statements were authorized for issuance by the Company's Board of Directors on April 6, 2017.

In connection with the reverse acquisition described in Note 3, the Company changed its fiscal year-end to December 31 from its previous fiscal year-end of March 31, resulting in a nine-month fiscal period in 2015. As a result of the change in year end, the results of the previous fiscal year end are not directly comparable.

Critical accounting judgments and estimates

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

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

Significant estimates made by management include the following:

Revenue recognition for professional services:

Revenue relating to fixed price professional services contracts is recognized based on the percentage of completion of the project which is assessed based on actual labour cost and budgeted cost required to complete the project. The Company estimates the costs associated with the project based on historical experience.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowance for doubtful accounts:

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual accounts receivable balance will be paid. Credit risks for outstanding accounts receivable is regularly assessed and reviewed. The allowance for doubtful accounts is recorded based on specific customer information and experience.

Deferred tax assets and liabilities:

The Company estimates the amount and the timing of the reversing of temporary differences giving rise to deferred tax assets or liabilities and recognizes this amount based on historical experience and substantively enacted tax rates.

Property and equipment:

Significant judgment is involved in the determination of useful lives and residual values of property and equipment, for the computation of depreciation. The determination of useful lives and residual values is based on the Company's expectations of the asset's future economic benefits and is reviewed annually and adjusted, if required.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiary companies. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and investment dealers, and short-term deposits with original maturities of less than three months at date of acquisition and are initially recorded at fair value. As at December 31, 2016 and December 31, 2015, the Company did not have any cash equivalents.

Property and equipment

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

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

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

Computer hardware – 30% declining balance

Computer software – 30% declining balance

Furniture – 30% declining balance

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue recognition

The Company derives its revenues from software and related professional service contracts as well as the sale of digital products to end users. Revenue comprises the fair value of consideration received or receivable from the sale or license of products or the provision of services in the ordinary course of business, net of discounts and sales taxes. The Company recognizes revenue once persuasive evidence exists, generally in the form of an executed agreement, it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected.

The Company recognizes professional services revenues based on time and material incurred, or for fixed price professional service contracts, based on the percentage of completion of the project, which is assessed based on actual labour cost and budgeted cost required to complete the project. If a loss on a contract is considered probable, the loss is recognized at the date determinable.

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

Operating leases

The aggregate cost of operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense over the term of the lease.

Research and development costs and investment tax credits

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

Income tax and deferred taxes

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

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

Deferred tax, if any, is recognized using the liability method on differences between the carrying amounts of assets and liabilities in the accompanying financial statements and their corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income or loss, nor the income or loss for the period reported in the Company's consolidated statements of operations and comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in contributed surplus, over the vesting period of the award (Note 6(c)). The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest. Upon the exercising of options, the fair value of the options exercised that has been added to contributed surplus is reclassified to common shares and reflected in the consolidated statements of changes in shareholders' equity.

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

Impairment testing of property and equipment

The costs of the Company's property and equipment not ready to be used, if any, are not subject to depreciation and are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable during a reporting period. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of assessing impairment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"s). An impairment loss is recognized for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset or CGU's fair value, less costs to sell, and value-in-use.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Provisions

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

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision would be measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company would recognize any impairment loss on the assets associated with the contract.

Financial instruments – assets and liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expired. At initial recognition, the Company classifies its financial instruments depending on the purpose for which the instruments were acquired, as follows:

Cash and cash equivalents are categorized as loans and receivables and are measured initially at fair value and subsequently at amortized cost.

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

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

Long-term debt principally comprises interest-bearing facilities with certain third-party lenders to the Company. The Company's long-term debt is measured and presented on the accompanying consolidated statements of financial position at amortized cost less directly attributable transaction costs and is discussed in Note 5. Due to the interest and other features of these facilities, management is of the opinion that the current and long-term portions of these facilities carrying amounts are a reasonable approximation of fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Impairment of financial assets

Financial assets other than those carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for an asset.

The Company maintains an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than the full amount due on its accounts receivable. The Company considers evidence of impairment for accounts receivable at both a specific asset and a collective level. All individually significant accounts receivable are assessed for specific impairment. Individual overdue accounts are reviewed, and allowances are recorded, to report accounts receivable at net realizable value when known that they are not collectible in full. All individually significant receivables found not to be specifically impaired are collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses, if any, are recognized in the accompanying consolidated statements of operations and comprehensive income and are reflected in an allowance account against the corresponding financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss would be reversed.

Related party transactions

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

Comprehensive income (loss)

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

Income per share

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Future and recently adopted accounting policy changes

At the date of the authorization of these consolidated financial statements, the IASB has issued the following new and revised standards and amendments which are not yet effective for the relevant periods.

IFRS 2 - Classification and Measurement of Share-based Payment Transactions ("IFRS 2") - On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payments with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Adoption of the amendments to IFRS 2 is mandatory and will be effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of adopting this standard on the Company's consolidated financial statements and related note disclosures.

IFRS 9 - Financial Instruments ("IFRS 9") - IFRS 9 replaces International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard also includes a new general hedge accounting standard, which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will allow more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Adoption of IFRS 9 is mandatory and will be effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of adopting this standard on the Company's consolidated financial statements and related note disclosures.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") - IFRS 15 replaces IAS 11, Construction Contracts and IAS 18, Revenue, as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently assessing the impact of adopting this standard on the Company's consolidated financial statements and related note disclosures.

IFRS 16 - Leases ("IFRS 16") - In January 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases ("IAS 17") standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the statement of financial position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The extent of the impact of adoption of the standard has not yet been determined.

(Expressed in Canadian dollars)

3. REVERSE ACQUISITION

On September 10, 2015, 71 Capital Corp. ("71 Capital") completed its Qualifying Transaction, which was effected pursuant to an agreement between 71 Capital, TCB Corporation ("TCB") and 2478677 Ontario Ltd., a wholly owned subsidiary of 71 Capital. Pursuant to the agreement, 71 Capital acquired all of the issued and outstanding shares of TCB.

As part of the Qualifying Transaction, 71 Capital consolidated its common shares on the basis of 2 to 1. TCB recapitalized its share capital via the issuance of 20,024,724 common shares and 88,051,416 restricted shares and the cancellation of the common, Series I Class A and Series II Class A shares that were outstanding prior to the amalgamation. TCB amalgamated with a wholly owned subsidiary of 71 Capital (the "Amalgamation"), pursuant to which all shares of TCB, including those issued in connection with the Amalgamation, as described below, were exchanged for shares of the resulting issuer, Prodigy. Following completion of the Qualifying Transaction, the Company had an aggregate of 25,688,232 common shares outstanding, comprising 20,024,724 common shares issued to former holders of TCB common shares, 1,183,080 common shares to investors in a private placement, 2,274,793 common shares issued for financial advisory services in connection with the transaction and 2,205,635 common shares issued to former holders of 71 Capital common shares. The Company also had 88,051,416 restricted shares outstanding, issued to former holders of TCB.

Upon closing of the Qualifying Transaction, the shareholders of TCB owned approximately 95.02% of the common and restricted shares (including shares issued in connection with the transaction) of the Company and, as a result, the transaction is considered a reverse acquisition of 71 Capital by TCB. For accounting purposes, TCB is considered the acquirer and 71 Capital the acquiree. Accordingly, the consolidated financial statements are in the name of Prodigy (formerly 71 Capital); however, they are a continuation of the financial statements of TCB, which has adopted 71 Capital's financial year end of December 31.

The results of operations of 71 Capital are included in the consolidated financial statements of TCB from the date of the reverse acquisition, September 10, 2015.

The following summarizes the reverse takeover of 71 Capital by TCB and the net assets acquired and liabilities assumed at September 10, 2015:

Fair value of consideration paid to former 71 Capital shareholders:	
2,205,635 common shares at $0.0725 per share	$ 159,909
Identifiable assets acquired and liabilities assumed:	
Cash	54,124
Deferred tax asset	16,134
Accounts payable	(266)
Net assets acquired/assumed	69,992
Listing expense	$ 89,917

(Expressed in Canadian dollars)

4. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Furniture	Total
Cost				
Balance, March 31, 2015	$ 10,399	$ 5,633	$ –	$ 16,032
Additions	21,630	187	1,401	23,218
Balance, December 31, 2015	32,029	5,820	1,401	39,250
Additions	37,693	174	2,847	40,714
Balance, December 31, 2016	$ 69,722	$ 5,994	$ 4,248	$ 79,964
Accumulated depreciation				
Balance, March 31, 2015	$ 6,952	$ 5,633	$ –	$ 12,585
Depreciation	2,448	8	53	2,509
Balance, December 31, 2015	9,400	5,641	53	15,094
Depreciation	9,634	60	541	10,235
Balance, December 31, 2016	$ 19,034	$ 5,701	$ 594	$ 25,329
Carrying amounts				
Balance, March 31, 2015	$ 3,447	$ –	$ –	$ 3,447
Balance, December 31, 2015	22,629	179	1,348	24,156
Balance, December 31, 2016	$ 50,688	$ 293	$ 3,654	$ 54,635

5. LONG-TERM DEBT

The Company's long-term debt comprises three credit facilities with the Business Development Bank of Canada ("BDC"). Each facility is guaranteed personally by the Chief Executive Officer of the Company up to 75% of the amount of the loan and bears interest at BDC's floating base interest rate plus 1% per annum, payable monthly. The first facility was negotiated effective May 27, 2014 with an original maturity date of July 22, 2018 to a maximum of $200,000. The second facility was negotiated effective December 11, 2014 with an original maturity date of December 22, 2018 to a maximum of $50,000. The third facility was negotiated effective June 2, 2015 with an original maturity date of November 22, 2019 to a maximum amount of $100,000. As a result of prepayments during the year ended December 31, 2016, the maturity dates of the credit facilities were amended to April 22, 2018, September 22, 2018 and May 22, 2019, respectively. There are no financial performance covenants in connection with the credit facilities. Loan repayments are due on a monthly basis over the term of the respective loans. On the date of maturity, the balance of each facility in principal and interest and all other amounts owing on the loan are due and payable. The Company made repayments of $120,683 during the year ended December 31, 2016 ($71,050 during the nine months ended December 31, 2015), resulting in a balance of $149,903 outstanding as at December 31, 2016 (December 31, 2015 - $270,586). Refer to note 15, which includes principal and interest payment commitments as at December 31, 2016.

6. SHARE CAPITAL

a) Authorized

Unlimited common shares: voting, without par value, participating
Unlimited restricted shares: non-voting, without par value, participating in dividends when concurrently declared on common shares

(Expressed in Canadian dollars)

6. SHARE CAPITAL - CONTINUED

b) Shares issued and outstanding

	Number of shares	Amount
Common shares		
Balance, March 31, 2015	70	$ 70
Exercise of stock options (i)	12	381
Recapitalization of share capital (ii)	20,024,642	(338)
Private placement (iii)	1,183,080	85,773
Shares issued for services (iv)	2,274,793	164,922
Shares issued to 71 Capital shareholders (Note 3)	2,205,635	159,909
Balance, December 31, 2015 and 2016	25,688,232	$ 410,717
Restricted shares (v)		
Balance, March 31, 2015	–	$ –
Recapitalization of share capital (ii)	88,051,416	495
Balance December 31, 2015 and 2016	88,051,416	$ 495
Class A shares		
Balance, March 31, 2015	30	$ 30
Exercise of stock options (i)	4	127
Recapitalization of share capital (ii)	(34)	(157)
Balance, December 31, 2015 and 2016	–	$ –
Total		$ 411,212

(i) On April 1, 2015, 12 Common Shares and 4 Series II Class A shares were issued for $16 cash upon the exercise of options. The fair value of the options exercised of $492 was reclassified to share capital from contributed surplus.

(ii) Prior to the Amalgamation, the Company recapitalized its share capital via the issuance of 20,024,724 Common shares and 88,051,416 restricted shares and the cancellation of the common, Series I Class A and Series II Class A shares that were outstanding prior to the Amalgamation.

(iii) In connection with the Amalgamation, the Company closed a private placement for the issuance of 1,183,080 subscription receipts at a price of $0.0725 per share for gross proceeds of $85,773. Issue costs were nil. Each subscription receipt was converted into one common share upon closing of the Amalgamation.

(iv) In connection with the Amalgamation, 2,274,793 common shares were issued at $0.0725 per share to Robson Capital Inc. for financial advisory services. An amount of $164,922 was included in professional fees for the nine months ended ended December 31, 2015 for these financial advisory services.

(v) With the exception of certain voting rights, the restricted shares have the same attributes as the Company's common shares. The restricted shares are classified as common shares for purposes of net income per share calculations. The holders of the restricted shares shall be entitled, in the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, to such assets of the Company as are available for distribution. The restricted shares will also be converted into common shares, in the event of certain change of control transactions. The restricted shares are non-transferable. Each restricted share is convertible into one common share, without the payment of additional consideration by the holder thereof, in certain circumstances including, as and when such conversion is permitted by the rules of the TSXV which may include, without limitation, where additional common shares are issued by the Company to shareholders other than the holders of restricted shares. Any such conversion right shall be allocated among the holders of restricted shares on a pro rata basis according to their holdings of restricted shares.

(Expressed in Canadian dollars)

6. SHARE CAPITAL - CONTINUED

c) Stock options outstanding

Upon Amalgamation, the Company adopted the Stock Option Plan (the "Option Plan") of 71 Capital. The purpose of the Option Plan is to provide an incentive to the Company's directors, senior officers, employees and consultants to continue their involvement with the Company and to increase their efforts on the Company's behalf. The Option Plan is a "rolling" stock option plan, whereby options may be granted equal in number to up to 10% of the issued common shares of the Company at the time of the grant of the stock option.

Prior to the Amalgamation, the Board of Directors of the Company had authorized and issued options under an existing stock option plan (the "TCB Option Plan"). On February 1, 2015, the Board of Directors of TCB passed a resolution adopting the TCB Option Plan under which a maximum of 16 options to acquire common shares of the Company could be issued. The TCB Option Plan was cancelled as of September 10, 2015, the date of the Amalgamation.

The following table reflects the continuity of stock options for the year ended December 31, 2016 and nine months ended December 31, 2015:

	December 31, 2016			December 31, 2015		
Expiry date	**Number of options**	**Exercise price**	**Weighted average exercise price**	**Number of options**	**Exercise price**	**Weighted average exercise price**
Outstanding, beginning of period	1,375,000	$ 0.10	$ 0.10	16	$ 1.00	$ 1.00
Granted (ii) (iii)	910,000	0.10	0.10	1,375,000	0.10	0.10
Exercised (i)	-	-	-	(16)	1.00	1.00
Cancelled/Expired	-	-	-	-	-	-
Outstanding, end of period	2,285,000	$ 0.10	$ 0.10	1,375,000	$ 0.10	$ 0.10
Vested, end of period	1,375,000	$ 0.10	$ 0.10	-	$ -	$ -

(i) During the nine months ended December 31, 2015, prior to the Amalgamation, all of the outstanding options under the TCB Option Plan were exercised at a price of $1.00 per option.

(ii) On October 16, 2015 the Company issued options to acquire a total of 1,375,000 common shares at an exercise price of $0.10 per share. Of these options, 1,175,000 were issued to officers and directors of the Company. The options vest on December 31, 2016, and expire on December 31, 2018.

(iii) On December 19, 2016 the Company issued options to acquire a total of 910,000 common shares at an exercise price of $0.10 per share. Of these options, 665,000 were issued to officers and directors of the Company and the remaining 245,000 were issued to consultants. The options vest on December 31, 2017, and expire on December 31, 2019.

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2016 are as follows:

	Options Outstanding			Options Exercisable	
Exercise price	**Number outstanding**	**Weighted average exercise price**	**Average remaining contractual life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 0.10	1,375,000	$ 0.10	2.00	1,375,000	$ 0.10
$ 0.10	910,000	$ 0.10	3.00	–	n/a
Total	2,285,000	$ 0.10	2.40	1,375,000	$ 0.10

(Expressed in Canadian dollars)

6. SHARE CAPITAL - CONTINUED

The estimated fair value of the options granted during the year ended December 31, 2016 and nine months ended December 31, 2015 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2016	December 31, 2015
Fair value of options	$0.06	$0.06
Exercise price	$0.10	$0.10
Risk-free interest rate	0.55%	0.92%
Dividend yield	0%	0%
Volatility factor, based on comparable companies	97.1%	99.1%
Weighted average expected life of the options, in years	3.04	3.21

The Company recorded stock-based compensation expense of $72,303 for the year ended December 31, 2016 (nine months ended December 31, 2015 - $14,805) in connection with stock options issued.

d) Restricted Share Unit Plan

The Company has also adopted a Restricted Share Unit Plan (the "RSU Plan"). The RSU Plan is a complimentary mechanism to the Company's Option Plan. Its purpose is to provide an incentive to the Company's directors, senior officers, employees and consultants to continue their involvement with the Company and to increase their efforts on the Company's behalf. Under the RSU Plan, the aggregate number of common shares which may be issued will not exceed 2,568,823 at the time of grant of any restricted share unit ("RSU"). As of December 31, 2016 the Company has not granted any RSU's under the RSU Plan.

7. CAPITAL MANAGEMENT

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

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

There were no changes in the Company's approach to capital management during the periods ended December 31, 2016 and 2015. The Company is not subject to externally imposed capital requirements.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments comprise cash, accounts 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 approximates those of similar instruments in the current market. Except as otherwise noted, the Company is not exposed to significant risks in relation to its financial instruments.

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

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

(Expressed in Canadian dollars)

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

Credit risk

Concentration of credit risk relates primarily to the Company's accounts receivable, as the receivables are principally derived from one revenue source: technology services. During the year ended December 31, 2016, the Company derived 82% of its revenue from one customer (nine months ended December 31, 2015 – 87% from one customer). As at December 31, 2016, one customer represented 91% (December 31, 2015 – 95%) of the accounts receivable balance. Over 99% of the Company's revenue was received from customers currently located in Canada. As at December 31, 2016, approximately 45% (December 31, 2015 – 26%) of the Company's accounts receivable are greater than 30 days past due. As at the following dates, the aging of gross trade and other receivables were as follows:

	December 31, 2016	December 31, 2015
Current	$ 935,477	$ 791,452
1 - 30 days	11,865	283,494
31 - 60 days	601,715	341,554
61 - 90 days	168,144	26,408
Greater than 90 days	-	-
Total	$ 1,717,201	$ 1,442,908

The allowance for doubtful accounts was nil at both December 31, 2016 and 2015. There is no indication, as at these dates, that the debtors will not meet their obligations. Bad debt expenses were nil for all reporting periods. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all rental contracts. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible.

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

Liquidity risk

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

Management is of the view, based on historical cash flow, that there is sufficient current and future cash flow from its operating activities and third-party loans to sustain ongoing operations. Should contractual commitments require payment, management believes that its current sources of liquidity are sufficient to cover these obligations. A maturity analysis of the payments required under long-term debt is presented in Note 15.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to variable market interest rates on its long-term debt. As at December 31, 2016, based on a 1% change in interest rates, the estimated sensitivity of the Company's net income to changes in interest rates was ($1,499) (December 31, 2015 – ($2,706)), based on an increase and $1,499 (December 31, 2015 - $2,706) based on a decrease.

(Expressed in Canadian dollars)

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

Fair value hierarchy

The following summarizes the Company's financial instruments that are carried at fair values according to the fair value hierarchy, which comprises the following levels. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

There were no transfers of financial assets during 2016 and 2015 between any of the levels.

9. ECONOMIC DEPENDENCE

For the year ended December 31, 2016, approximately 82% (nine months ended December 31, 2015 – 87%) of the Company's revenue related to transactions entered into with one customer. As at December 31, 2016, approximately 91% (December 31, 2015 – 95%) of the accounts receivable balance related to this same customer.

10. REVENUE

Revenue comprises:

	Year ended December 31, 2016	**Nine months ended December 31, 2015**
Fixed price contracts	$ 6,076,577	$ 3,779,033
Time and materials	4,943,857	2,408,733
Digital product sales	224	-
Total	$ 11,020,658	$ 6,187,766

At December 31, 2016, the aggregate amount of costs incurred and revenue recognized to date under open fixed price contracts amounted to $451,607 and $832,666, respectively (December 31, 2015 - $1,197,528 in costs incurred and $2,106,629 in revenue recognized).

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The Company rented office space from its Chief Executive Officer on a month-to-month lease. These transactions were in the normal course of operations and are measured at their transaction amount, which is the amount agreed to by the related parties. During the year ended December 31, 2016, the Company paid $12,000 (nine months ended December 31, 2015 - $8,097) in rent and occupancy costs.

Compensation to key management personnel

Compensation earned for the year ended December 31, 2016 and nine months ended December 31, 2015 due to persons in charge of the planning, direction and control of the Company, including executive and non-executive directors is as follows:

	Year ended December 31, 2016	Nine months ended December 31, 2015
Salaries, fees and benefits	$ 1,779,090	$ 977,658
Share-based compensation	61,547	12,651
Total	$ 1,840,637	$ 990,309

12. INCOME TAXES

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

	Year ended December 31, 2016	Nine months ended December 31, 2015
Current income tax expense	$ 366,707	$ 282,267
Deferred tax recovery	(775)	(69,509)
	$ 365,932	$ 212,758

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

	Year ended December 31, 2016	Nine months ended December 31, 2015
Income before income taxes	$ 1,262,721	$ 773,453
Statutory tax rate	26.5%	26.5%
Income tax expense using the Company's statutory tax rate	334,621	204,966
Increase (decrease) in taxes resulting from:		
Permanent differences	22,886	32,203
Impact of small business deduction	-	(24,411)
Other items	8,425	-
Income tax expense	$ 365,932	$ 212,758

(Expressed in Canadian dollars)

12. INCOME TAXES - CONTINUED

c) Unrecognized deferred tax asset:

The Company had a non-capital loss carried forward of $340,364 at December 31, 2016 (2015 - $340,364). This non-capital loss arose prior to the Qualifying Transaction. The Company did not recognize a deferred tax asset associated with these non-capital losses because the former business of 71 Capital, where the losses arose, has ceased.

d) Temporary differences:

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

	December 31, 2015	Recognized in net income	December 31, 2016
Property and equipment	$ (821)	$ (3,066)	$ (3,887)
Non-capital losses carried forward	30,491	20,205	50,696
Deferred financing costs	55,973	(16,364)	39,609
	$ 85,643	$ 775	$ 86,418

13. NET INCOME PER SHARE

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

	Year ended December 31, 2016	Nine months ended December 31, 2015
Net income for the period	$ 896,789	$ 560,695
Weighted average number of common and restricted shares outstanding, basic	113,739,649	110,382,732
Effect of dilutive securities – share-based payments	1,285,769	-
Weighted average number of common and restricted shares outstanding, Diluted	115,025,418	110,382,732
Net income per share, basic	$ 0.01	$ 0.01
Net income per share, diluted	$ 0.01	$ 0.01

(Expressed in Canadian dollars)

14. OPERATING SEGMENT INFORMATION

The Company evaluates operational performance based on two reportable operating segments. Prodigy's technology services provider, Prodigy Labs, provides clients with consulting services for strategy, design, project management, application development, staff augmentation and services related to Prodigy's business platforms. Prodigy is also a venture builder. This segment ("Prodigy Ventures") is creating new business platforms and applications in many of the highest growth technology segments: mobile video, wearables, proximity marketing, mobile payments, augmented reality, 3D and social. Prodigy Venture's business platforms and applications are or will be designed to deliver B2B, B2C, P2P (Peer to Peer) and IoT (Internet of Things) capabilities.

The Company's Chief Executive Officer, the chief operating decision maker ("CODM"), evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the segmented reporting in these consolidated financial statements. The accounting policies of the segments are the same as those described in Note 2.

An analysis of the Company's revenue and expenses by segment is presented below for the year ended December 31, 2016 and nine months ended December 31, 2015. Over 99% of the Company's revenue was received from Canadian customers.

	Year ended December 31, 2016			Nine months ended December 31, 2015		
	Prodigy Labs	**Prodigy Ventures**	**Total**	**Prodigy Labs**	**Prodigy Ventures**	**Total**
Revenue	$11,020,434	$ 224	$11,020,658	$ 6,187,766	$ –	$ 6,187,766
Direct costs	7,332,098	66	7,332,164	3,922,298	–	3,922,298
Gross profit	3,688,336	158	3,688,494	2,265,468	–	2,265,468
Expenses:						
Advertising and promotion	30,684	48,945	79,629	40,763	41,196	81,959
Computer	46,124	20,525	66,649	25,655	–	25,655
Depreciation	7,676	2,559	10,235	2,509	–	2,509
Finance costs	13,023	4,341	17,364	20,035	–	20,035
Listing expense	–	–	–	89,917	–	89,917
Management fees and compensation	735,326	245,109	980,435	447,630	–	447,630
Office and general	9,030	3,011	12,041	5,742	–	5,742
Professional fees	109,327	36,442	145,769	391,035	–	391,035
Rent and occupancy	8,386	25,159	33,545	17,027	–	17,027
Research and development	–	972,071	972,071	–	368,972	368,972
Share-based compensation	49,166	23,137	72,303	14,805	–	14,805
Telecommunications	3,344	1,114	4,458	2,661	–	2,661
Travel	23,456	7,818	31,274	24,068	–	24,068
	1,035,542	1,390,231	2,425,773	1,081,847	410,168	1,492,015
Net income (loss) before income taxes	2,652,794	(1,390,073)	1,262,721	1,183,621	(410,168)	773,453
Income taxes (recovery)	719,745	(353,813)	365,932	212,758	–	212,758
Net income (loss) and comprehensive income (loss) for the period	$ 1,933,049	$(1,036,260)	$ 896,789	$ 970,863	$ (410,168)	$ 560,695

Total segment assets and total segment liabilities are not measures used by the CODM to assess performance and to make resource allocate decisions.

(Expressed in Canadian dollars)

15. COMMITMENTS

a) Principal and interest payments under the credit facilities (Note 5) as at December 31, 2016 are due as follows:

	Principal	Interest	Total
2017	$ 87,432	$ 6,260	$ 93,692
2018	52,543	1,878	54,421
2019	9,928	137	10,065
	$ 149,903	$ 8,275	$ 158,178

b) The Company has entered into a six-month lease agreement effective November, 2016. The future minimum annual base rent on office premises under this existing operating lease is:

2017	$ 14,920

16. SUBSEQUENT EVENTS

On January 16, 2017, the Company announced it has retained Virtus Advisory Group Inc. ("Virtus") to develop and implement a strategic corporate communications program to increase the Company's exposure among industry stakeholders and investors across Canada. In connection with the engagement, Virtus has been awarded a consulting contract that includes a monthly fee of $6,500 and a grant of incentive stock options, which will vest in equal amounts each month over 12 months commencing on January 16, 2017, to acquire 100,000 common shares of the Company, exercisable at a price of $0.175 per share for a period of one year from each individual vesting date. The agreement is for an initial term of six months and will automatically renew for an additional six-month period unless terminated by the Company.

The Company also announced that it has retained Trapeze Capital Corp. ("Trapeze") to provide market-making services in accordance with TSX Venture Exchange policies. Under the terms of the agreement dated January 15, 2017, Trapeze will receive compensation of $5,500 per month for an initial term of six months. Prodigy and Trapeze are unrelated and unaffiliated entities. Trapeze is a member of the Investment Industry Regulatory Organization of Canada, a participating organization of the Toronto Stock Exchange and a member of the TSX Venture Exchange. The capital and securities required for any trade undertaken by Trapeze as principal will be provided by Trapeze. The agreement is for an initial term of six months and will automatically renew for an additional six-month period unless terminated by the Company.