PRODIGY VENTURES INC.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian dollars)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated interim financial statements in accordance with the International Financial Reporting Standards established by the International Accounting Standards Board for a review of interim financial statements by an entity's auditor.

Signed: ***"Thomas Beckerman"***
Chief Executive Officer

Signed: ***"Andrew Hilton"***
Chief Financial Officer

Toronto, Ontario
August 13, 2019

Prodigy Ventures Inc.
Consolidated Interim Statements of Financial Position as at June 30, 2019 and December 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

	June 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash	$ 1,941,410	$ 1,269,182
Accounts receivable (Note 10)	3,106,702	3,418,191
Contract asset	1,475	-
Income taxes recoverable	240,750	180,386
Prepaid expenses	48,908	52,264
	5,339,245	4,920,023
Non-current assets:		
Prepaid expenses	19,187	33,490
Deferred tax asset	-	53,594
Property and equipment (Note 3)	119,801	77,820
Right of use assets (Note 4)	398,115	-
	537,103	164,904
Total assets	$ 5,876,348	$ 5,084,927
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	$ 2,342,230	$ 2,181,510
Lease liability (Note 7)	156,022	-
Contract liability	33,277	50,245
	2,531,529	2,231,755
Non-current liabilities:		
Deferred tax liability	5,751	-
Lease liability (Note 7)	235,075	-
	240,826	-
Total liabilities	2,772,355	2,231,755
Shareholders' Equity		
Share capital (Note 8(b))	699,822	699,822
Contributed surplus	107,098	97,800
Retained earnings	2,297,073	2,055,550
	3,103,993	2,853,172
Total liabilities and shareholders' equity	$ 5,876,348	$ 5,084,927

On behalf of the Board:

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

Subsequent events (Note 17)

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

Prodigy Ventures Inc.
Consolidated Interim Statements of Operations and Comprehensive Income
Three and six months ended June 30, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2019	**2018**	**2019**	**2018**
Revenue (Note 12)	$ 5,290,696	$ 4,086,275	$ 10,168,424	$ 7,654,897
Direct costs	3,742,788	3,066,451	7,259,157	5,737,152
Gross profit	1,547,908	1,019,824	2,909,267	1,917,745
Expenses:				
Advertising and promotion	16,510	16,412	27,353	29,279
Compensation	838,741	497,323	1,539,462	866,011
Computer	28,737	27,717	52,193	56,830
Depreciation (Notes 3 and 4)	49,151	5,853	97,192	11,643
Finance costs	7,505	2,871	14,485	3,133
Office and general (Note 13)	81,614	32,702	149,412	65,750
Professional fees	65,023	50,572	115,172	100,361
Research and development	309,783	209,351	532,854	562,182
Share-based compensation (Note 8(c))	-	29,710	9,298	29,710
Telecommunications	3,883	2,629	7,188	4,729
Travel	11,787	11,164	25,484	19,994
	1,412,734	886,304	2,570,093	1,749,622
Net income before income tax	135,174	133,520	339,174	168,123
Income taxes (Note 14)	38,473	44,240	97,651	54,471
Net income and comprehensive income for the period	$ 96,701	$ 89,280	$ 241,523	$ 113,652
Net income per share - basic (Note 15)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Net income per share - diluted (Note 15)	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Prodigy Ventures Inc.
Consolidated Interim Statements of Changes in Shareholders' Equity
Six months ended June 30, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	Common shares	Non-Voting shares	Share capital (Note 8)	Contributed surplus	Retained earnings	Total shareholders' equity
Balance, December 31, 2017	26,229,902	88,051,416	$ 501,537	$ 112,635	$ 1,879,955	$ 2,494,127
Share-based compensation (Note 8(c))	–	–	–	29,710	–	29,710
Exercise of options	200,000	–	32,367	(12,367)	–	20,000
Net income	–	–	–	–	113,652	113,652
Balance, June 30, 2018	26,429,902	88,051,416	$ 533,904	$ 129,978	$ 1,993,607	$ 2,657,489

	Common shares	Non-Voting shares	Share capital (Note 8)	Contributed surplus	Retained earnings	Total shareholders' equity
Balance, December 31, 2018	27,454,902	88,051,416	$ 699,822	$ 97,800	$ 2,055,550	$ 2,853,172
Rounding adjustment	–	2	–	–	–	–
Share-based compensation (Note 8(c))	–	–	–	9,298	–	9,298
Net income	–	–	–	–	241,523	241,523
Balance, June 30, 2019	27,454,902	88,051,418	$ 699,822	$ 107,098	$ 2,297,073	$ 3,103,993

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

Prodigy Ventures Inc.
Consolidated Interim Statements of Cash Flows
Six months ended June 30, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flows from operating activities		
Net income for the period	$ 241,523	$ 113,652
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation (Notes 3 and 4)	97,192	11,643
Share-based compensation (Note 8(c))	9,298	29,710
Finance costs	14,485	3,133
Income taxes	97,651	54,471
Change in non-cash operating working capital:		
Decrease (Increase) in accounts receivable	311,488	(1,161,470)
(Increase) decrease in contract asset	(1,475)	12,347
Decrease in prepaid expenses	3,356	12,908
Increase in accounts payable and accrued liabilities	160,720	570,262
(Decrease) in contract liability	(16,968)	(19,976)
Cash flows from (used in) operating activities	917,270	(373,320)
Income taxes paid	(98,670)	(134,000)
Net cash from (used in) operating activities	818,600	(507,320)
Cash flows from investing activities		
Purchase of property and equipment (Note 3)	(56,804)	(1,669)
Net cash used in investing activities	(56,804)	(1,669)
Cash flows from financing activities		
Repayment of lease liabilities	(75,083)	-
Proceeds from exercise of stock options	-	20,000
Finance costs paid	(14,485)	(3,133)
Net cash flows (used in) financing activities	(89,568)	16,867
Increase (decrease) in cash	672,228	(492,122)
Cash, beginning of period	1,269,182	1,223,036
Cash, end of period	$ 1,941,410	$ 730,914

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

1. NATURE OF OPERATIONS

Prodigy Ventures Inc. ("Prodigy" or the "Company") delivers Fintech innovation. The Company develops software and services with emerging technologies for digital transformation, identity and payments. Digital transformation services include strategy, architecture, design, project management, agile development, quality engineering and staff augmentation. 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: 161 Bay Street, Suite 4420, P.O. Box 125, TD Canada Trust Tower, Toronto, Ontario M5J 2S1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all of the information required for full annual consolidated financial statements.

Basis of presentation

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

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 13, 2019.

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:

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 Revenue Recognition section for discussion on the impact on the adoption of IFRS 15 *Revenue from Contracts with Customers.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Critical accounting judgments and estimates - continued

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiary company, TCB Corporation. 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 June 30, 2019 and December 31, 2018, 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.

Revenue recognition

On January 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgement thresholds have been introduced which may affect the timing of revenue recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue recognition - continued

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

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

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

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

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

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

Research and development costs and investment tax credits

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

Income tax and deferred taxes

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income tax and deferred taxes - continued

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

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

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 8(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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 initially measured at fair value and subsequently measured 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.

Impairment of financial assets

On January 1, 2018, the Company adopted IFRS 9 Financial Instruments.

As at December 31, 2017 and thereafter, under IFRS 9, a forward-looking ECL model is applied, at each reporting date, to financial assets measured at amortized cost. IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (“ECL”) model. The ECL model requires judgement, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each reporting date, to the Company’s financial assets measured at amortized cost.

The Company has adopted the practical expedient to determine ECL on trade receivables using a provision matrix based on historical credit loss experiences adjusted to reflect information about current economic conditions and forecasts of future economic conditions to estimate lifetime ECL.

The provision matrix and other ECL models applied on adoption of IFRS 9 did not have a material impact on the financial assets of the Company. Impairment losses are recorded in general and administrative expenses with the carrying amount of the financial asset or contract asset reduced through the use of impairment allowance accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Related party transactions

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

Comprehensive income (loss)

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

Income per share

The Company calculates basic income per share by dividing the net income attributable to common and non-voting shareholders by the weighted average number of common and non-voting 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 non-voting 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.

Recently adopted accounting policy changes

Effective January 1, 2019, the Company has adopted the following standard:

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. The standard is effective for annual periods beginning on or after January 1, 2019 and the Company is required to apply IFRS 16 to all contracts that are not complete on the date of initial application. The Company applied the modified retrospective approach, to remaining lease payments as at January 1, 2019, without restatement of comparative figures presented for 2018 as previously reported under IAS 17. Upon the initial application as of January 1, 2019, right-of-use assets and lease liabilities were recorded, with no net impact on retained earnings. For leases previously classified as operating leases under IAS 17, the lease liability has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at the date of initial application. Additionally, the right-of-use asset has been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized in the statement of financial position immediately before the date of initial application. For leases previously classified as finance leases under IAS 17, the lease liability and the right-of-use asset has been measured as the carrying amount of the lease asset and lease liability immediately before the date of initial application. The following table summarizes the impact of initial application on the consolidated statement of financial position:

	Balance at December 31, 2018	IFRS 16 Initial Application	Balance at January 1, 2019
Assets			
Long-term prepaid expenses	$ 33,490	$ (14,303)	$ 19,187
Right of use assets	-	480,484	480,484
Liabilities			
Lease liabilities	$ -	$ 466,181	$ 466,181

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recently adopted accounting policy changes - continued

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company has elected to account for all short-term leases and all leases for which the underlying asset is of low value as expenses on either a straight-line basis over the lease term or another systematic basis, and thus not recognize a lease liability and a right-of-use asset at the date of initial application. Short-term leases are leases with a lease term of twelve months or less.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rates depending on the lease terms and other factors as at January 1, 2019. The weighted average rate applied is 5.1%.

The following table reconciles the Company's operating lease commitments at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	$	500,573
Discounted using incremental borrowing rates		(34,392)
Lease liabilities recognized at January 1, 2019	$	466,181

3. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Furniture	Total
Cost				
Balance, December 31, 2017	$ 110,880	$ 5,994	$ 4,910	$ 121,784
Additions	1,669	–	–	1,669
Balance, June 30, 2018	$ 112,549	$ 5,994	$ 4,910	$ 123,453
Balance, December 31, 2018	$ 134,983	$ 5,994	$ 6,275	$ 147,252
Additions	51,007	–	5,797	56,804
Balance, June 30, 2019	$ 185,990	$ 5,994	$ 12,072	$ 204,056
Accumulated depreciation				
Balance, December 31, 2017	$ 38,288	$ 5,789	$ 506	$ 44,583
Depreciation	10,951	31	661	11,643
Balance, June 30, 2018	$ 49,239	$ 5,820	$ 1,167	$ 56,226
Balance, December 31, 2018	$ 61,703	$ 5,851	$ 1,878	$ 69,432
Depreciation	13,880	23	920	14,823
Balance, June 30, 2019	$ 75,583	$ 5,874	$ 2,798	$ 84,255
Carrying amounts				
Balance, December 31, 2017	$ 72,592	$ 205	$ 4,404	$ 77,201
Balance, June 30, 2018	$ 63,310	$ 174	$ 3,743	$ 67,227
Balance, December 31, 2018	$ 73,280	$ 143	$ 4,397	$ 77,820
Balance, June 30, 2019	$ 110,407	$ 120	$ 9,274	$ 119,801

4. RIGHT OF USE ASSETS

		Premises
Cost		
Balance, December 31, 2018	$	–
IFRS 16 Adoption		480,484
Balance, June 30, 2019	$	480,484
Accumulated depreciation		
Balance, December 31, 2018	$	–
Depreciation		82,369
Balance, June 30, 2019	$	82,369
Carrying amounts		
Balance, December 31, 2018	$	–
Balance, June 30, 2019	$	398,115

5. LINE OF CREDIT

In December 2017, the Company established an operating line of credit for up to $2,000,000, which carries an interest rate of prime plus 1.15%. This facility is covered by a General Security Agreement and standard operating covenants. The Company has not utilized the operating line as of June 30, 2019.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities included the following as at June 30, 2019 and December 31, 2018:

		June 30, 2019		December 31, 2018
Salaries	$	434,524	$	407,203
Trade payables		1,284,253		1,166,647
Accrued liabilities		499,782		519,059
HST payable		123,671		88,601
Total	$	2,342,230	$	2,181,510

7. LEASE LIABILITIES

		June 30, 2019
Current	$	156,022
Non-current		235,075
Total lease liabilities	$	391,097

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

7. LEASE LIABILITIES - CONTINUED

The following table summarizes the undiscounted future lease payments beyond June 30, 2019:

		June 30, 2019
Less than one year	$	171,625
One to five years		243,135
Total undiscounted future lease payments		414,760

The following table summarizes lease-related cash flows for the six months ended June 30, 2019:

		Six months ended June 30, 2019
Principal repayment	$	75,083
Interest		10,729
Total cash outflows	$	85,812

8. SHARE CAPITAL

a) Authorized

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

b) Shares issued and outstanding

	Number of shares		Amount
Common shares			
Balance, December 31, 2017	26,229,902	$	501,042
Exercise of options	200,000		32,367
Balance, June 30, 2018	26,429,902	$	533,409
Balance, December 31, 2018 and June 30, 2019	27,454,902	$	699,327
Non-Voting shares (i)			
Balance, December 31, 2017 and June 30, 2018	88,051,416	$	495
Balance, December 31, 2018	88,051,416	$	495
Rounding adjustment	2		-
Balance, June 30, 2019	88,051,418	$	495
Total, December 31, 2017		$	501,537
Exercise of options			32,367
Total, June 30, 2018		$	533,904
Total, December 31, 2018 and June 30, 2019		$	699,822

8. SHARE CAPITAL – CONTINUED

b) Shares issued and outstanding - continued

(i) With the exception of certain voting rights, the non-voting shares, which are designated in the Company's articles as restricted voting shares, had the same attributes as the Company's common shares. The non-voting shares have been classified as common shares for purposes of net income per share calculations. The holders of the non-voting shares were 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 non-voting shares were convertible into common shares, in the event of certain change of control transactions. Each non-voting share was 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 were issued by the Company to shareholders other than the holders of non-voting shares. Any such conversion right would be allocated among the holders of non-voting shares on a pro rata basis according to their holdings of non-voting shares. Subsequent to June 30, 2019, all of the non-voting shares were converted to common shares, resulting in a single common share class. See Note 17 for more information.

c) Stock options outstanding

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

The following table reflects the continuity of stock options for the six months ended June 30, 2019 and 2018:

	June 30, 2019			June 30, 2018		
Expiry date	**Number of options**	**Exercise price**	**Weighted average exercise price**	**Number of options**	**Exercise price**	**Weighted average exercise price**
Outstanding, beginning of period	1,050,000		$ 0.142	1,785,000		$ 0.100
Granted [(i)]	-	-	-	590,000	$ 0.175	$ 0.175
Exercised	-	-	-	(200,000)	$ 0.100	$ 0.100
Cancelled/Expired	(50,000)	$ 0.100	$ 0.100	-	-	-
Outstanding, end of period	1,000,000		$ 0.144	2,175,000		$ 0.120
Exercisable, end of period	1,000,000		$ 0.144	1,671,250		$ 0.104

(i) On April 1, 2018, officers of the Company were granted 590,000 incentive stock options. Of the total, 345,000 options vested 12 equal monthly instalments over 12 months which began on April 30, 2018, each exercisable into one common share at a price of $0.175 per share for a period of two years from each vesting date. An additional 245,000 incentive stock options vested on March 31, 2019 each exercisable into one common share at a price of $0.175 per share until March 31, 2021.

8. SHARE CAPITAL – CONTINUED

c) Stock options outstanding - continued

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at June 30, 2019 are as follows:

	Options Outstanding			Options Exercisable	
Exercise price	**Number outstanding**	**Weighted average exercise price**	**Average remaining contractual life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 0.100	410,000	$ 0.100	0.50	410,000	$ 0.100
$ 0.175	590,000	$ 0.175	1.49	590,000	$ 0.175
Total	1,000,000	$ 0.144	1.08	1,000,000	$ 0.144

The estimated fair value of options granted during the six months ended June 30, 2019 and 2018 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions where applicable:

	2019	**2018**
Fair value of options	n/a	$0.108 - $0.123
Exercise price	n/a	$0.175
Risk-free interest rate	n/a	1.92%
Dividend yield	n/a	0%
Volatility factor based on comparable companies	n/a	118.7%
Weighted average expected life of the options, in years	n/a	2.1 – 3.0

The Company recorded stock-based compensation expense of $9,298 for the six months ended June 30, 2019 (2018 - $29,710) 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 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 June 30, 2019, the Company has not granted any RSU’s under the RSU Plan.

9. CAPITAL MANAGEMENT

The Company defines capital as the aggregate of shareholders' equity and debt. The Company's equity comprises the common and non-voting 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 six months ended June 30, 2019 and 2018. As at June 30, 2019, the Company was not subject to externally imposed capital requirements other than standard operating covenants associated with the line of credit.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

Credit risk

Concentration of credit risk relates primarily to the Company's accounts receivable, as the receivables are principally derived from one revenue source: technology services. During the six months ended June 30, 2019, the Company derived 58% of its revenue from one customer (2018 – 82% from one customer). As at June 30, 2019, one customer represented 56% (December 31, 2018 – 62%) of the accounts receivable balance. Approximately 94% of the Company’s revenue was received from customers currently located in Canada (2018 – 98%). As at June 30, 2019, approximately 4% (December 31, 2018 – 53%) 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, 2019	December 31, 2018
Current	$ 1,906,314	$ 1,588,230
1 - 30 days	1,075,441	6,780
31 - 60 days	3,334	1,211,650
61 - 90 days	68,393	253,009
Greater than 90 days	53,220	358,522
Total	$ 3,106,702	$ 3,418,191

The expected credit loss was $nil at both June 30, 2019 and December 31, 2018. 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 financing to sustain ongoing operations. Should contractual commitments require payment, management believes that its current sources of liquidity are sufficient to cover these obligations.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

Foreign currency risk

The Company earns a portion of its revenue in US Dollars and is therefore subject to risk from changes in foreign currency rates. The Company does not utilize any financial instruments to mitigate the risks arising from changes in foreign currency rates. For the six months ended June 30, 2019 a 1% increase in the value of the US Dollar would have increased income by approximately $4,775 and a 1% 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, 2019 and December 31, 2018, the Company did not have any active debt and was therefore not subject to interest rate risk.

Fair value hierarchy

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

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

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

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

There were no transfers of financial assets between any of the levels during the six months ended June 30, 2019 and 2018.

11. ECONOMIC DEPENDENCE

For the six months ended June 30, 2019, approximately 58% (2018 – 82%) of the Company's revenue related to transactions entered into with one customer. As at June 30, 2019, approximately 56% (December 31, 2018 – 62%) of the accounts receivable balance related to this same customer.

12. REVENUE

Revenue comprises:

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Fixed price contracts	$ 787,708	$ 1,718,952	$ 1,556,829	$ 3,490,169
Time and materials	4,502,988	2,367,323	8,611,595	4,164,728
Total	$ 5,290,696	$ 4,086,275	$ 10,168,424	$ 7,654,897

At June 30, 2019, the aggregate amount of costs incurred and revenue recognized to date under open fixed price contracts amounted to $1,055,103 and $1,449,603, respectively (December 31, 2018 - $253,615 in costs incurred and $365,642 in revenue recognized).

13. 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 the fair value of the rented office space, which is the amount agreed to by the related parties. During the six months ended June 30, 2019, the Company paid $6,000 (2018 - $6,000) in rent and occupancy costs.

Compensation to key management personnel

Compensation earned for the six months ended June 30, 2019 and 2018 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, 2019	Six months ended June 30, 2018
Salaries, fees and benefits	$ 919,377	$ 1,029,476
Share-based compensation	9,298	29,710
Total	$ 928,675	$ 1,059,186

14. INCOME TAXES

Income tax expense is recognized on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for Company. For the six months ended June 30, 2019 the Company has recorded a provision for income tax of $97,651 (2018 - $54,471).

15. NET INCOME PER SHARE

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income for the period	$ 96,701	$ 89,280	$ 241,523	$ 113,652
Weighted average number of common and non-voting shares outstanding, basic	115,506,320	114,314,285	115,506,320	114,297,893
Effect of dilutive securities – share based payments	65,797	642,475	31,601	808,801
Weighted average number of common and non-voting shares outstanding, diluted	115,572,117	114,956,760	115,537,921	115,106,694
Net income per share, basic	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Net income per share, diluted	$ 0.00	$ 0.00	$ 0.00	$ 0.00

16. OPERATING SEGMENT INFORMATION

Due to a shift in strategic focus in the first half of 2019, the Corporation's Chief Executive Officer, who is also the Chief Operating Decision Maker, now reviews the performance of and makes resource allocation decisions based on the results of the Corporation as a whole. As a result, the Corporation has determined that it comprises a single operating segment and therefore a single reportable segment, which differs from the two reportable segments which existed prior to the change.

17. SUBSEQUENT EVENTS

On July 17, 2019 the Company converted its 88,051,418 issued and outstanding non-voting shares to common shares.

The non-voting voting shares were identical to the Company's common shares in all respects other than the fact that they only entitled the holder to vote such shares in limited circumstances. The non-voting voting shares were created in connection with the completion of the Company's qualifying transaction in 2015 to ensure that the Company was able to satisfy the TSX Venture Exchange's public float distribution requirements. The terms of such shares provided that the non-voting voting shares would be automatically converted to common shares when such conversion is permitted by the rules of the TSX Venture Exchange. The TSX Venture Exchange has confirmed that such conversion will be permitted provided that following such conversion the Company's Public Float is not less than 10% of the issued and outstanding common shares following such conversion. This condition has been satisfied as a result of a transfer of 1,115,500 non-voting voting shares held by a former 10% shareholder of the Company to the Company's Chief Executive Officer (and the release of such holder from a voting trust agreement in favour of Mr. Beckerman).

Following the conversion of the non-voting voting shares the Company has 115,506,320 common shares issued and outstanding.

Given that the non-voting voting shares had the same economic entitlements as common shares, the conversion of the non-voting voting shares had no impact on the financial results of the Company including its per share financial disclosure. The sole impact of the change is to simplify the Company's capital structure and to ensure that all outstanding shares carry one vote per share.