



PRODIGY
VENTURES

PRODIGY VENTURES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2022**

November 18, 2022

Basis of Presentation

The following Management Discussion and Analysis (“MD&A”) of the financial condition and results of operations of Prodigy Ventures Inc. (the “Company”) are the views of management and should be read in conjunction with the consolidated financial statements and related notes for the three and nine months ended September 30, 2022 and 2021, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All figures are expressed in Canadian dollars unless otherwise indicated.

This report is dated as at November 18, 2022, and the Company’s additional public filings can be reviewed via the SEDAR website (www.sedar.com). The Company’s Audit Committee and Board of Directors have reviewed and approved the MD&A.

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

Forward-Looking Statements

This MD&A contains forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or states that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. All statements in this MD&A that do not directly and exclusively relate to historical facts constitute “forward-looking information” within the meaning of Canadian securities laws. This information represents Prodigy’s intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking information. These factors include but are not restricted to: the timing and size of new contracts; acquisitions and other corporate developments; the ability to attract and retain qualified personnel; market competition in the rapidly evolving information technology industry; general economic and business conditions; and other risks identified in the MD&A, and Prodigy’s consolidated financial statements for three and nine months ended September 30, 2022 as well as assumptions regarding the foregoing. Forward-looking statements speak only as of the date on which they are made. In particular, statements relating to future performance are forward-looking information. Prodigy disclaims any intention or obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers are cautioned not to place undue reliance on this forward-looking information.

OVERVIEW

Prodigy delivers Fintech innovation. The Company provides leading edge platforms, including IDVerifact™ for digital identity, and tunl.™ for open banking and customer chat support, coupled with seamless integration of our partners best-of breed Fintech platforms. Our services business, Prodigy Labs™, integrates and customizes our platforms for unique enterprise customer requirements, and provides technology services for digital identity, open banking, payments and digital transformation. Digital transformation services include strategy, architecture, design, project management, agile development, quality engineering and staff augmentation.

Vision and Strategy

Prodigy has reached a pivotal point in its strategic development with the closing of the FICANEX Technology acquisition on July 30, 2021. The final report of the Canadian Advisory Committee on Open Banking, released in August, 2021, has recommended the adoption of open banking, and our tunl and IDVerifact platforms are ideally positioned to deliver innovation for our customers in this high growth sector.

Prodigy has transitioned from the organic growth of its first seven years to a more aggressive and focused business strategy. This has led to the acquisition of FICANEX Technology and its tunl platform, and the internal

development of IDVerifact, coupled with the targeting of enterprise clients requiring transformational services to remove friction and increase the velocity of commerce. Enterprise prospects are keenly interested in digital open banking, digital identity and digital transformation, and they need the platforms and expert assistance to leverage them. Prodigy's management believes that this will result in significant growth.

Prodigy's strategy is to continuously develop and market its open banking tunl platform, and its digital identity IDVerifact platform. The Company is extending its services business, Prodigy Labs, into these new market segments, with new technologies, strategic partnerships, and a broader geographic reach. The tunl and IDVerifact platforms are the cornerstone for this strategy to deliver recurring revenue. The Company has an M&A strategy to acquire additional complementary businesses that are a synergistic fit with these activities and may also review opportunities to exit certain business lines where the board feels it is appropriate.

Prodigy Labs is a trusted technology supplier to leading financial institutions and other large enterprises in North America, providing clients with consulting services for strategy, design, project management, application development, cloud migration, and testing. Prodigy is a leader in the development of open banking, digital identity solutions and enterprise applications for banks, credit unions and other enterprise customers. The Company is a leading innovator in the emerging open banking and digital identity landscape with the development of its tunl and IDVerifact platforms. Prodigy's pipeline for these platforms continues to grow and mature, adding opportunities for additional high margin recurring revenue, however closing these opportunities is requiring longer sales cycle times than originally anticipated.

Intellectual Property

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

The rights to the software developed under contract for customers of Prodigy Labs are owned by those customers. Each employee, officer, director, consultant and contractor providing services to Prodigy has assigned to Prodigy all rights such person or entity may have in the work completed on behalf of Prodigy.

RECENT DEVELOPMENTS

Launch of IDVerifact

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

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

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

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

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

This platform continues to evolve based on client demands and emerging market trends.

Acquisition

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

Management believes that FICANEX Technology can lead the way to the future for open banking. Their tunl.chat platform provides great value to their credit union and bank customers, and the next release will expand the offering to a much broader range of Fintech services. The tunl. platform compliments Prodigy's IDVerifact platform, and together they are expected to expand Prodigy's recurring platform revenue and enhance our delivery of Fintech innovation.

On closing, pursuant to the terms of the unit purchase agreement, the Company has issued the vendors an aggregate of 26,666,667 units in the capital of Prodigy. Each Prodigy unit consists of one common share of the Company and 0.15 of a common share purchase warrant. In total after applicable closing adjustments, the Company issued 26,507,331 common shares and 4,000,000 common share purchase warrants. Each warrant is exercisable to acquire one common share at a price of 25 cents for a period of two years from the closing of the transaction, provided that if, at any time prior to the date that is two years from the closing date, the volume-weighted average trading price of the common shares on the TSX Venture Exchange, or other principal exchange on which the common shares are listed, is greater than 35 cents for 20 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the holders of warrants accelerating the expiry date of the warrants to the date that is 45 days following the date of such notice. Any unexercised warrants shall automatically expire at the end of the accelerated exercise period.

In the second quarter of 2022, based on an analysis of the discounted future cash flows, the Company determined that the carrying value of the FICANEX cash-generating unit exceeded its recoverable amount and recognized an impairment loss of \$2,578,001 in the consolidated statement of operations and comprehensive income (loss).

Covid-19

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. While the Company has been adapting well to the disruptions caused by the pandemic, the full extent of the impact the COVID-19 outbreak may have on the Company will depend on future developments that are highly uncertain and that cannot be predicted with confidence at this time. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. Further details regarding the impact that COVID-19 has had on the Company's business to date is set forth in various portions of this MD&A.

NON-IFRS FINANCIAL MEASURES

Our financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain financial measures in this MD&A are not prescribed by IFRS. These non-IFRS financial measures are included because management uses the information to analyze operating performance. These non-IFRS financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. Except as otherwise indicated, these non-IFRS measures are calculated and disclosed on a consistent basis from period to period.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, finance costs, depreciation and amortization, impairment loss and share-based compensation. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in our business performance. Adjusted EBITDA is used by management to assess operating performance. The presentation of Adjusted EBITDA is to provide additional useful information to investors and analysts. The measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Reconciliation of Net Income to Adjusted EBITDA

	Three months ended September 30 2022 \$	Three months ended September 30 2021 \$	Nine months ended September 30 2022 \$	Nine months ended September 30 2021 \$
Net (loss)	(434,705)	(390,979)	(3,518,272)	(455,372)
Add:				
Depreciation and amortization	214,053	179,507	741,188	289,877
Impairment loss	-	-	2,578,001	-
Finance costs	(30,166)	(9,425)	(33,454)	14,044
Share-based compensation	9,807	58,215	32,133	107,491
Income tax (recovered)	52,699	(3,659)	(21,998)	(563)
Adjusted EBITDA	(188,312)	(166,341)	(222,402)	(44,523)

Summary of Quarterly Results

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

For the quarters ended	Sep 30/22 \$	Jun 30/22 \$	Mar 31/22 \$	Dec 31/21 \$
Total revenue	3,409,267	3,455,385	3,377,315	3,484,532
Net (loss) for the period	(434,705)	(2,780,400)	(303,167)	(416,296)
Net (loss) per share – basic and diluted	(0.00)	(0.02)	(0.00)	(0.00)
For the quarters ended	Sep 30/21 \$	Jun 30/21 \$	Mar 31/21 \$	Dec 31/20 \$
Total revenue	3,403,466	3,245,006	3,328,987	3,603,183
Net income (loss) for the period	(390,979)	(83,485)	19,092	309,540
Net income (loss) per share – basic and diluted	(0.00)	(0.00)	0.00	0.00

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

The COVID-19 virus contributed to the decline in revenue in 2020 and 2021. It is anticipated that the pandemic will continue to impact the Company's revenue growth as clients deal with the pandemic. In the near-term that impact includes the reprioritization of current projects and related spending, as well as delays or cancellation of new projects. Supply side challenges in the labour market have also limited the Company's ability to fulfill customer demand. The Company has also received assistance under the Canada Emergency Wage Subsidy beginning in the second quarter of 2020 and ending in the fourth quarter of 2021.

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

OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

Operating results for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 are discussed below.

Total revenue for the nine months ended September 30, 2022 increased \$264,508 from \$9,977,459 to \$10,241,967, an increase of 3% from the nine months ended September 30, 2021. The increase in revenue was primarily due to the acquisition of FICANEX in July, 2021. Approximately 94% of the Company's revenue was derived from its service business (of which 86% related to time and materials contracts and 8% related to fixed price contracts) and 6% derived from platform fees. It is anticipated that the COVID-19 virus will continue to limit the Company's revenue growth in the short-term as customer projects are delayed or cancelled. Supply side challenges in the labour market have also limited the Company's ability to fulfill customer demand. Prodigy's ability to renew existing contracts and enter into new contracts in turn depends to a great degree on the quality of services provided and technology developed for its customers. Approximately 45% (2021 – 57%) of the Company's revenue for the period relates to transactions entered into with one client.

Direct costs for the nine months ended September 30, 2022 decreased \$210,019 from \$7,129,355 to \$6,919,336, a decrease of 3% from the nine months ended September 30, 2021. Direct costs consist primarily of fees and salaries paid to developers working directly for clients in the Company's service business as well as costs directly attributable to platform revenue recognized in the period. Direct costs for the nine months ended September 30, 2022 included \$nil in assistance received under the Canada Emergency Wage Subsidy (2021 - \$122,060). Direct costs will increase or decrease in relation to changes in revenue. Gross profit increased \$474,527 from \$2,848,104 to \$3,322,631, an increase of 17% from the nine months ended September 30, 2021. Gross profit margin rates are expected to remain constant in the short-term.

Loss before income tax for the nine months ended September 30, 2022 was \$3,540,270, compared to \$455,935 for the nine months ended September 30, 2021, an increase of \$3,084,335. The loss before income tax included a non-cash impairment loss in the amount of \$2,578,001 in connection with the July, 2021 FICANEX acquisition. The net and comprehensive loss was \$3,518,272 for the nine months ended September 30, 2022, compared to \$455,372 for the nine months ended September 30, 2021, an increase of \$3,062,900.

Net loss per share, basic and diluted, was \$0.02 for the nine months ended September 30, 2022 compared to \$0.00 for the nine months ended September 30, 2021.

Adjusted EBTIDA for the nine months ended September 30, 2022 was negative \$222,402, compared to Adjusted EBITDA of negative \$44,523 in the nine months ended September 30, 2021, a decrease of \$177,879.

Summary of Expenses

	Nine months ended September 30 2022 \$	Nine months ended September 30 2021 \$
Expenses		
Compensation	2,579,013	2,170,179
Computer	488,865	160,245
Depreciation and amortization	741,188	289,877
Finance costs	(33,454)	14,044
Impairment loss	2,578,001	-
Office and general	130,508	103,657
Professional fees	346,647	458,546
Share-based compensation	32,133	107,491
	6,862,901	3,304,039

Total expenses for the nine months ended September 30, 2022 increased \$3,558,862 year over year from \$3,304,039 to \$6,862,901. The increase relates primarily to the acquisition and consolidation of FICANEX in July, 2021 as well as the corresponding impairment loss in the second quarter of 2022. The Company also capitalized \$307,399 in development costs relating to the IDVerifact platform during the period.

Compensation for the nine months ended September 30, 2022 increased \$408,834 year over year from \$2,170,179 to \$2,579,013. The increase relates primarily to the FICANEX acquisition. The Company also received a credit of \$nil (2021 - \$159,095) under the Canada Emergency Wage Subsidy. The overall cost is expected to increase as the Company grows.

Computer expenses for the nine months ended September 30, 2022 increased \$328,620 year over year from \$160,245 to \$488,865. The overall cost is expected to increase as additional projects are developed and new staff are hired.

Depreciation and amortization for the nine months ended September 30, 2022 increased \$451,311 year over year from \$289,877 to \$741,188. The current period increase relates primarily to amortization of the IDVerifact and tunl. platforms. The lease asset relating to the Company's office space and intangible assets available for use are amortized using the straight-line method. In addition, the expense will increase as additional property and equipment is acquired and additional intangible assets are available for use.

Finance costs for the nine months ended September 30, 2022 decreased \$47,498 year over year from \$14,044 to a recovery of \$33,454. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rates. Future interest cost will decline as the lease liability is repaid. Foreign exchange gains and losses will fluctuate with the exchange rate variations.

Impairment losses for the nine months ended September 30, 2022 totalled \$2,578,001. In the second quarter of 2022, based on an analysis of the discounted future cash flows, the Company determined that the carrying value of the FICANEX cash-generating unit exceeded its recoverable amount and recognized the loss accordingly.

Office and general expenses for the nine months ended September 30, 2022 increased \$26,851 year over year from \$103,657 to \$130,508. The overall cost is expected to increase as the Company grows.

Professional fees for the nine months ended September 30, 2022 decreased \$111,899 year over year from \$458,546 to \$346,647. In the short-term, professional fees are expected to vary based on M&A activities.

Share-based compensation for the nine months ended September 30, 2022 decreased \$75,358 year over year from \$107,491 to \$32,133. On July 8, 2021, consultants of the Company were granted 1,500,000 incentive stock options. Of the total, only 416,667 options vested on July 30, 2022. As a result, the expense was reduced in the current period. The options are exercisable at a price of \$0.155 per share until July 30, 2023. On November 22,

2021, an employee of the Company was granted 250,000 incentive stock options. The options vest on November 22, 2023 and are exercisable at a price of \$0.11 per share until November 22, 2024. On December 29, 2021, an employee of the Company was granted 250,000 incentive stock options. The options vest on December 31, 2022 and are exercisable at a price of \$0.10 per share until December 31, 2023. The acquisition of ZoftNow included terms whereby the Company was to issue an additional 1,072,500 common shares on the second anniversary of the closing date if certain key management of ZoftNow were still employed by the Company at that time. The fair value of the post-combination share consideration was expensed on a straight-line basis over the two-year period. The common shares were issued to the employees in February, 2022.

OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

Operating results for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 are discussed below.

Total revenue for the three months ended September 30, 2022 increased \$5,801 from \$3,403,466 to \$3,409,267, an increase of 0.2% from the three months ended September 30, 2021. Approximately 94% of the Company's revenue was derived from its service business (of which 86% related to time and materials contracts and 8% related to fixed price contracts) and 6% derived from platform fees. It is anticipated that the COVID-19 virus will continue to limit the Company's revenue growth in the short-term as customer projects are delayed or cancelled. Supply side challenges in the labour market have also limited the Company's ability to fulfill customer demand. Prodigy's ability to renew existing contracts and enter into new contracts in turn depends to a great degree on the quality of services provided and technology developed for its customers. Approximately 44% (2021 – 52%) of the Company's revenue for the period relates to transactions entered into with one client.

Direct costs for the three months ended September 30, 2022 increased \$4,167 from \$2,337,979 in the three months ended September 30, 2021 to \$2,343,146. Direct costs consist primarily of fees and salaries paid to developers working directly for clients in the Company's service business as well as costs directly attributable to platform revenue recognized in the period. Direct costs for the three months ended September 30, 2022 included \$nil in assistance received under the Canada Emergency Wage Subsidy (2021 - \$48,668). Direct costs will increase or decrease in relation to changes in revenue. Gross profit increased \$1,634 from \$1,065,487 to \$1,067,121, an increase of 0.2% from the three months ended September 30, 2021. Gross profit margin rates are expected to remain constant in the short-term.

Loss before income tax for the three months ended September 30, 2022 was \$382,006, compared to \$394,638 for the three months ended September 30, 2021, a decrease of \$12,632. The net and comprehensive loss was \$434,705 for the three months ended September 30, 2022, compared to \$390,979 for the three months ended September 30, 2021, an increase of \$43,726.

Net loss per share, basic and diluted, was \$0.00 for the three months ended September 30, 2022 compared to \$0.00 for the three months ended September 30, 2021.

Adjusted EBTIDA for the three months ended September 30, 2022 was negative \$188,312, compared to Adjusted EBITDA of negative \$166,341 in the three months ended September 30, 2021, a decrease of \$21,971.

Summary of Expenses

	Three months ended September 30 2022 \$	Three months ended September 30 2021 \$
Expenses		
Compensation	922,055	896,125
Computer	179,770	91,518
Depreciation and amortization	214,053	179,507
Finance costs	(30,166)	(9,425)
Office and general	51,614	43,378
Professional fees	101,994	200,807
Share-based compensation	9,807	58,215
	<u>1,449,127</u>	<u>1,460,125</u>

Total expenses for the three months ended September 30, 2022 decreased \$10,998 year over year from \$1,460,125 to \$1,449,127. Decreases in professional fees and share-based compensation year over year were offset by increases in compensation, depreciation and amortization, office and general and computer software expenses, primarily due to the FICANEX acquisition.

Compensation for the three months ended September 30, 2022 increased \$25,930 year over year from \$896,125 to \$922,055. The increase relates primarily to the FICANEX acquisition. The Company also received a credit of \$nil (2021 - \$64,643) under the Canada Emergency Wage Subsidy. The overall cost is expected to increase as the Company grows.

Computer expenses for the three months ended September 30, 2022 increased \$88,252 year over year from \$91,518 to \$179,770. The overall cost is expected to increase as additional projects are developed and new staff are hired.

Depreciation and amortization for the three months ended September 30, 2022 increased \$34,546 year over year from \$179,507 to \$214,503. The current period increase relates primarily to amortization of the IDVerify and tunl. platforms. The lease asset relating to the Company's office space and intangible assets available for use are amortized using the straight-line method. In addition, the expense will increase as additional property and equipment is acquired and additional intangible assets are available for use.

Finance costs for the three months ended September 30, 2022 decreased \$20,741 year over year from a recovery of \$9,425 to a recovery of \$30,166. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rates. Future interest cost will decline as the lease liability is repaid. Foreign exchange gains and losses will fluctuate with the exchange rate variations.

Office and general expenses for the three months ended September 30, 2022 increased \$8,236 year over year from \$43,378 to \$51,614. The overall cost is expected to increase as the Company grows.

Professional fees for the three months ended September 30, 2022 decreased \$98,813 year over year from \$200,807 to \$101,994. In the short-term, professional fees are expected to vary based on M&A activities.

Share-based compensation for the three months ended September 30, 2022 decreased \$48,408 year over year from \$58,215 to \$9,807. On July 8, 2021, consultants of the Company were granted 1,500,000 incentive stock options. Of the total, only 416,667 options vested on July 30, 2022. The options are exercisable at a price of \$0.155 per share until July 30, 2023. On November 22, 2021, an employee of the Company was granted 250,000 incentive stock options. The options vest on November 22, 2023 and are exercisable at a price of \$0.11 per share until November 22, 2024. On December 29, 2021, an employee of the Company was granted 250,000 incentive stock options. The options vest on December 31, 2022 and are exercisable at a price of \$0.10 per share until December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of approximately \$2,380,555 as at September 30, 2022 (December 31, 2021 – \$3,143,145). Working capital includes current assets less current liabilities on the Company's statement of financial position. The Company used \$255,218 in operations for the nine months ended September 30, 2022 (2021 – \$554,170). Cash flows from/used in operations fluctuate based on the timing of customer payments and other annual payments. The Company used \$311,997 in investing activities during the nine months ended September 30, 2022 (2021 – received \$1,357,746), primarily in connection with the development of IDVerifact and property and equipment purchases. The Company used \$10,651 in financing activities during the nine months ended September 30, 2022 (2021 – \$123,687) relating primarily to repayments of the Company's lease liabilities. New debt and/or equity will be raised from time to time as required to meet the ongoing aggregate requirements of the Company. Management believes that it will have sufficient cash flow to fund its operations for the next twelve months.

COMMITMENTS AND GUARANTEES

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 September 30, 2022.

SUBSEQUENT EVENTS

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

OFF BALANCE SHEET ARRANGEMENTS

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

CAPITAL MANAGEMENT

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

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

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2022 and 2021. The Company is not subject to externally imposed capital requirements other than standard operating covenants associated with the line of credit.

DIVIDENDS

The Company issued a quarterly dividend of 0.1 cents per share for holders of record of common shares of the Company on October 2, 2019 and payable in cash on October 15, 2019. The Company issued an additional quarterly

dividend of 0.1 cents per share for holders of record of common shares of the Company on December 31, 2019 and payable in cash on January 8, 2020. The Company issued an additional quarterly dividend of 0.1 cents per share for holders of record of common shares of the Company on March 31, 2020 and payable in cash on April 16, 2020. The Company did not declare or pay any dividends during the nine months ended September 30, 2022 and 2021. On June 9, 2020, the Company announced that the board of directors of the Company has decided to temporarily suspend the Company's quarterly dividend. Although the Company has been adapting well to the disruptions caused by the COVID-19 pandemic, management believes that due to the potential business uncertainty relating to COVID-19, it is in the best interest of the Company to conserve its cash resources. The Company's board of directors will continue to review the dividend quarterly.

RELATED PARTY TRANSACTIONS

Compensation to key management personnel

Compensation earned for the nine months ended September 30, 2022 and 2021 due to persons in charge of the planning, direction and control of the Company, including executive and non-executive directors is as follows:

	Nine months ended September 30, 2022 \$	Nine months ended September 30, 2021 \$
Salaries, fees and benefits	954,757	883,002
Share-based compensation	29,859	26,617
Total	984,616	909,619

FINANCIAL INSTRUMENTS

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

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

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

Credit risk

Concentration of credit risk relates primarily to the Company's accounts receivable, as the receivables principally derive from one revenue source: technology services. During the nine months ended September 30, 2022, the Company derived 45% of its revenue from one customer (2021 – 57%). As at September 30, 2022, one customer represented 41% (December 31, 2021 – 40%) of the accounts receivable balance. Approximately 86% of the Company's revenue was received from customers currently located in Canada. As at September 30, 2022, approximately 14% (December 31, 2021 – 31%) of the Company's accounts receivable are greater than 30 days past due. As at the following dates, the aging of gross trade and other receivables were as follows:

	September 30, 2022	December 31, 2021
	\$	\$
Current	1,228,493	1,044,171
1-30 days	413,086	15,865
31-60 days	-	390,251
61-90 days	117,467	81,131
Greater than 90 days	155,183	11,136
Subtotal	<u>1,914,229</u>	<u>1,542,554</u>
Less: Expected credit loss	<u>(20,084)</u>	<u>(11,145)</u>
Total	<u>1,894,145</u>	<u>1,531,409</u>

The expected credit loss was \$20,084 at September 30, 2022 (December 31, 2021 - \$11,145). There is no indication, as at these dates, that the debtors will not meet their obligations. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all contracts. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible.

The provision matrix below shows the expected credit loss rate for each category of accounts receivable as at September 30, 2022.

Aging (days outstanding)

	Current	1 to 30	31 to 60	61 to 90	>90	Total
Gross accounts receivable (\$)	1,228,493	413,086	-	117,468	155,183	1,914,229
Expected loss rate (%)	0.30	0.79	1.27	2.75	6.41	1.05
Expected loss provision (\$)	3,664	3,243	-	3,230	9,947	20,084

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

Aging (days outstanding)

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

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

Liquidity risk

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

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

Foreign currency risk

The Company 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 nine months ended September 30, 2022 a 10% increase in the value of the US Dollar would have increased income by \$49,956 and a 10% decrease in the US Dollar would have the opposite effect.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. As at September 30, 2022 and December 31, 2021 the Company did not have any active debt and was therefore not subject to interest rate risk.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 18, 2022, the Company had outstanding 144,287,403 common shares (unlimited authorized), 4,000,000 warrants outstanding and 916,667 options outstanding, of which 416,667 had vested. As of November 18, 2022, 9,330,681 common shares bear a restrictive legend whereby the common shares will be released from the restrictions in accordance with a defined escrow schedule. The next release of 5,885,523 common shares is scheduled for January 31, 2023, with a final release of 3,445,158 in July, 2023, at which time all restrictions will have expired.

CHANGE IN ACCOUNTING POLICIES

There were no changes in accounting policies during the nine months ended September 30, 2022 that would have a material impact on this report.

CRITICAL ACCOUNTING ESTIMATES

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

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

Significant estimates made by management include the following:

Revenue recognition:

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

performance obligation based on labour cost. Refer to the Revenue Recognition section for discussion on the impact on the adoption of IFRS 15 Revenue from Contracts with Customers.

Share-based compensation:

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

Allocation of purchase consideration to acquired assets and assumed liabilities:

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

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

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

Goodwill:

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

Capitalization of Development Costs:

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

RISKS AND UNCERTAINTIES

The Company's operations involve certain risks and uncertainties that are inherent to the Company's industry and rapidly changing environment that could impact its business, financial condition or results of operations. Additional risks and uncertainties of which the Company is unaware, or that it currently deems to be immaterial,

may also become important factors that affect the Company. The following is a description of the principal risk factors that will impact the Company:

Prodigy has a limited operating history and may not achieve profitability

Prodigy still must establish many functions necessary to operate a business, including finalizing its administrative structure, continuing product development, assessing its marketing activities, and personnel recruitment. Prodigy's operating subsidiary, while incorporated in 1992, only commenced its current operations on April 1, 2014. Prodigy is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources. There is no assurance that Prodigy will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Prodigy may not be able to achieve profitability. In addition, Prodigy expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Prodigy's revenues do not increase to offset these expected increases in costs and operating expenses, Prodigy will not be profitable and may require additional debt or equity financing.

Prodigy recognizes an accounting value for goodwill and other intangible assets in connection with its business acquisitions. Under IFRS, goodwill must be assessed at least annually and potentially more frequently, in the event the value of goodwill and other indefinite-lived intangible assets has been impaired. Amortizing intangible assets will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect Prodigy's results of operations and shareholders' equity in future periods.

Economic dependence on a limited number of customers

Prodigy's revenue is obtained almost exclusively from its services business. During the nine months ended September 30, 2022, the Company derived 45% of its revenue from one customer (2021 – 57%). As at September 30, 2022, one customer represented 41% (December 31, 2021 – 40%) of the accounts receivable balance. Prodigy's contracts with these customers are limited in duration, typically with terms of 6-12 months. Prodigy's ability to continue to generate revenue from its services business depends on its ability to regularly renew these contracts and enter into contracts with new customers. Prodigy's ability to renew existing contracts and enter into new contracts in turn depends to a great degree on the quality of services provided and technology developed for its customers.

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

Need for ongoing innovation

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

Ongoing need for financing

Prodigy's ability to continue operations will be largely reliant on its continued attractiveness to equity investors and profit from its services business. There is no guarantee that the Company will be able to achieve its business objectives. The continued development of Prodigy may require substantial additional financing in the future. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. While the services business will provide some level of funding, a critical

source of funding available to the Company will consist of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels.

Attraction and retention of key personnel

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

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

Competition

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

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

Key Executives

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

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

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

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

- adversely affect relationships with future clients;

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

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

Management of growth

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

Internal Controls and Procedures

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

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis disclosure controls and procedures, and internal controls over financial reporting, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Lack of Trading

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

Volatility of Share Price

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

COVID-19 Considerations

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition. Further details regarding the impact that COVID-19 has had on the Company's business to date is set forth in various portions of this MD&A.

Additional Information

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