



**PRODIGY**  
VENTURES

**PRODIGY VENTURES INC.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three and nine months ended September 30, 2017 and 2016**

**(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  
November 23, 2017

**Prodigy Ventures Inc.****Consolidated Interim Statements of Financial Position as at September 30, 2017 and December 31, 2016**

(Expressed in Canadian dollars)

(Unaudited)

	September 30, 2017	December 31, 2016
<b>Assets</b>		
Current assets:		
Cash	\$ 1,743,771	\$ 2,016,658
Accounts receivable (Note 7)	1,715,380	1,717,201
Unbilled receivables	14,735	3,965
Income taxes recoverable	90,208	-
Prepaid expenses	33,722	59,197
	<u>3,597,816</u>	<u>3,797,021</u>
Non-current assets:		
Deferred tax asset	141,663	86,418
Property and equipment (Note 3)	73,987	54,635
	<u>215,650</u>	<u>141,053</u>
<b>Total assets</b>	<b>\$ 3,813,466</b>	<b>\$ 3,938,074</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,344,932	\$ 1,548,845
Deferred revenue	41,601	18,349
Income taxes payable	-	190,230
Current portion of long-term debt (Note 4)	-	87,432
	<u>1,386,533</u>	<u>1,844,856</u>
Non-current liabilities:		
Long-term debt (Note 4)	-	62,471
	<u>-</u>	<u>62,471</u>
Total liabilities	1,386,533	1,907,327
<b>Shareholders' Equity</b>		
Share capital (Note 5)	420,564	411,212
Contributed surplus	131,723	87,108
Retained earnings	1,874,646	1,532,427
	<u>2,426,933</u>	<u>2,030,747</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,813,466</b>	<b>\$ 3,938,074</b>

**On behalf of the Board:**

"Thomas Beckerman", Director

"Stephen Moore", Director

**Commitments (Note 14)***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 nine months ended September 30, 2017 and 2016**  
Expressed in Canadian dollars  
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
<b>Revenue</b> (Note 9)	\$ 2,962,484	\$ 2,816,743	\$ 9,133,449	\$ 8,221,321
<b>Direct costs</b>	2,106,679	1,927,611	6,330,916	5,467,099
<b>Gross profit</b>	855,805	889,132	2,802,533	2,754,222
<b>Expenses:</b>				
Advertising and promotion	13,094	8,595	38,408	43,490
Compensation	303,521	216,512	890,854	618,985
Computer	29,278	5,130	86,001	30,412
Depreciation	5,222	2,546	14,672	6,903
Finance costs	17,962	3,572	24,671	15,622
Loss on sale of property and equipment	-	-	983	-
Office and general	6,738	863	10,959	7,784
Professional fees	82,588	32,215	295,339	112,917
Rent and occupancy	30,162	7,372	68,484	21,617
Research and development	252,862	349,450	784,096	767,400
Share-based compensation	17,268	17,689	46,675	52,682
Telecommunications	2,841	1,190	7,499	2,685
Travel	9,516	8,117	46,539	21,997
	771,052	653,251	2,315,180	1,702,494
Income before income taxes	84,753	235,881	487,353	1,051,728
Income taxes (Note 11)	28,219	68,331	145,134	295,022
<b>Net income and comprehensive income for the period</b>	\$ 56,534	\$ 167,550	\$ 342,219	\$ 756,706
<b>Net income per share - basic (Note 12)</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
<b>Net income per share - diluted (Note 12)</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01

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

**Prodigy Ventures Inc.**  
**Consolidated Interim Statements of Changes in Equity**  
**Nine months ended September 30, 2017 and 2016**  
(Expressed in Canadian dollars)  
(Unaudited)

	Common shares	Restricted voting shares	Share capital (Note 5)	Contributed surplus	Retained earnings	Total shareholders' equity
<b>Balance, December 31, 2015</b>	25,688,232	88,051,416	\$ 411,212	\$ 14,805	\$ 635,638	\$ 1,061,655
Share-based compensation	–	–	–	52,682	–	52,682
Net income	–	–	–	–	756,706	756,706
<b>Balance, September 30, 2016</b>	25,688,232	88,051,416	\$ 411,212	\$ 67,487	\$ 1,392,344	\$ 1,871,043

	Common shares	Restricted voting shares	Share capital (Note 5)	Contributed surplus	Retained earnings	Total shareholders' equity
<b>Balance, December 31, 2016</b>	25,688,232	88,051,416	\$ 411,212	\$ 87,108	\$ 1,532,427	\$ 2,030,747
Share-based compensation	–	–	–	46,675	–	46,675
Exercise of options	41,669	–	9,352	(2,060)	–	7,292
Rounding adjustment	1	–	–	–	–	–
Net income	–	–	–	–	342,219	342,219
<b>Balance, September 30, 2017</b>	25,729,902	88,051,416	\$ 420,564	\$ 131,723	\$ 1,874,646	\$ 2,426,933

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

**Prodigy Ventures Inc.**  
**Consolidated Interim Statements of Cash Flows**  
**Nine months ended September 30, 2017 and 2016**  
(Expressed in Canadian dollars)  
(Unaudited)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
<b>Cash flows from operating activities</b>		
Net income for the period	\$ 342,219	\$ 756,706
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation (Note 3)	14,672	6,903
Loss on sale of property and equipment	983	-
Share-based compensation (Note 5)	46,675	52,682
Finance costs	24,671	15,622
Income taxes	145,134	295,022
Change in non-cash operating working capital:		
Decrease in accounts receivable	1,821	172,240
(Increase) decrease in unbilled receivables	(10,770)	121,296
Decrease in prepaid expenses	25,476	4,704
(Decrease) increase in accounts payable and accrued liabilities	(203,912)	410,378
Increase (decrease) in deferred revenue	23,252	(5,346)
Net cash flows from operating activities before income taxes paid	410,221	1,830,207
Income taxes paid	(480,818)	(194,000)
<b>Net cash flows (used in) from operating activities</b>	<b>(70,597)</b>	<b>1,636,207</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(37,500)	(19,759)
Sale of property and equipment	2,492	-
<b>Net cash flows (used in) investing activities</b>	<b>(35,008)</b>	<b>(19,759)</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term debt	(149,903)	(85,078)
Proceeds from exercise of stock options	7,292	-
Finance costs paid	(24,671)	(15,622)
<b>Net cash flows (used in) financing activities</b>	<b>(167,282)</b>	<b>(100,700)</b>
<b>(Decrease) increase in cash</b>	<b>(272,887)</b>	<b>1,515,748</b>
<b>Cash, beginning of period</b>	<b>2,016,658</b>	<b>841,957</b>
<b>Cash, end of period</b>	<b>\$ 1,743,771</b>	<b>\$2,357,704</b>

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

**Prodigy Ventures Inc.**  
**Notes to the Consolidated Interim Financial Statements**  
**Three and nine months ended September 30, 2017 and 2016**  
(Expressed in Canadian dollars)  
(Unaudited)

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## **1. NATURE OF OPERATIONS**

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

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

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

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

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

These financial statements were authorized for issuance by the Company's Board of Directors on November 23, 2017.

### **Critical accounting judgments and estimates**

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

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

Significant estimates made by management include the following:

#### *Revenue recognition for professional services:*

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### *Allowance for doubtful accounts:*

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

### *Deferred tax assets and liabilities:*

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

### *Property and equipment:*

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

### **Basis of consolidation**

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

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and investment dealers, and short-term deposits with original maturities of less than three months at date of acquisition and are initially recorded at fair value. As at September 30, 2017 and December 31, 2016, the Company did not have any cash equivalents.

### **Property and equipment**

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

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

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

Computer hardware – 30% declining balance

Computer software – 30% declining balance

Furniture – 30% declining balance

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



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### **Revenue recognition**

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

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

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

### **Operating leases**

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

### **Research and development costs and investment tax credits**

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

### **Income tax and deferred taxes**

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

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

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

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

### **Share-based payments**

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in contributed surplus, over the vesting period of the award (Note 5(c)). The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest. Upon the exercising of options, the fair value of the options exercised that has been added to contributed surplus is reclassified to common shares and reflected in the consolidated statements of changes in shareholders' equity.

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

### **Impairment testing of property and equipment**

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

### **Provisions**

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

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

### **Financial instruments – assets and liabilities**

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

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

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

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

Long-term debt principally comprises interest-bearing facilities with certain third-party lenders to the Company. The Company's long-term debt is measured and presented on the accompanying consolidated statements of financial position at amortized cost less directly attributable transaction costs and is discussed in Note 4. Due to the interest and other features of these facilities, management is of the opinion that the current and long-term portions of these facilities carrying amounts are a reasonable approximation of fair value.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### **Impairment of financial assets**

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

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

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

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

### **Related party transactions**

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

### **Comprehensive income (loss)**

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

### **Income per share**

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### **Future and recently adopted accounting policy changes**

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

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

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

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

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

**Prodigy Ventures Inc.**  
**Notes to the Consolidated Interim Financial Statements**  
**Three and nine months ended September 30, 2017 and 2016**  
(Expressed in Canadian dollars)  
(Unaudited)

**3. PROPERTY AND EQUIPMENT**

	<b>Computer hardware</b>	<b>Computer software</b>	<b>Furniture</b>	<b>Total</b>
<b>Cost</b>				
Balance, December 31, 2015	\$ 32,029	\$ 5,820	\$ 1,401	\$ 39,250
Additions	19,153	174	432	19,759
Balance, September 30, 2016	\$ 51,182	\$ 5,994	\$ 1,833	\$ 59,009
Balance, December 31, 2016	\$ 69,722	\$ 5,994	\$ 4,248	\$ 79,964
Additions	32,393	–	5,107	37,500
Disposals	–	–	(4,445)	(4,445)
Balance, September 30, 2017	\$ 102,115	\$ 5,994	\$ 4,910	\$ 113,019
<b>Accumulated depreciation</b>				
Balance, December 31, 2015	\$ 9,400	\$ 5,641	\$ 53	\$ 15,094
Depreciation	6,523	47	333	6,903
Balance, September 30, 2016	\$ 15,923	\$ 5,688	\$ 386	\$ 21,997
Balance, December 31, 2016	\$ 19,034	\$ 5,701	\$ 594	\$ 25,329
Depreciation	13,909	66	697	14,672
Disposals	–	–	(969)	(969)
Balance, September 30, 2017	\$ 32,943	\$ 5,767	\$ 322	\$ 39,032
<b>Carrying amounts</b>				
Balance, December 31, 2015	\$ 22,629	\$ 179	\$ 1,348	\$ 24,156
Balance, September 30, 2016	\$ 35,259	\$ 306	\$ 1,447	\$ 37,012
Balance, December 31, 2016	\$ 50,688	\$ 293	\$ 3,654	\$ 54,635
Balance, September 30, 2017	\$ 69,172	\$ 227	\$ 4,588	\$ 73,987

The Company recorded a loss of \$983 for the nine months ended September 30, 2017 (2016 - \$nil) in connection with the sale of property and equipment.

**4. LONG-TERM DEBT**

The Company's long-term debt comprised three credit facilities with the Business Development Bank of Canada ("BDC"). Each facility was guaranteed personally by the Chief Executive Officer of the Company up to 75% of the amount of the loan and bore interest at BDC's floating base interest rate plus 1% per annum, payable monthly. The first facility was negotiated effective May 27, 2014 with an original maturity date of July 22, 2018 to a maximum of \$200,000. The second facility was negotiated effective December 11, 2014 with an original maturity date of December 22, 2018 to a maximum of \$50,000. The third facility was negotiated effective June 2, 2015 with an original maturity date of November 22, 2019 to a maximum amount of \$100,000. There were no financial performance covenants in connection with the credit facilities. Loan repayments were due on a monthly basis over the term of the respective loans. The Company made repayments of \$149,903 during the nine months ended September 30, 2017 (2016 - \$85,078), resulting in a nil balance as at September 30, 2017 (December 31, 2016 - \$149,903).

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**5. SHARE CAPITAL**

a) Authorized

Unlimited common shares: voting, without par value, participating

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

b) Shares issued and outstanding

	Number of shares	Amount
<b>Common shares</b>		
Balance, December 31, 2016	25,688,232	\$ 410,717
Rounding adjustment	1	-
Exercise of stock options	41,669	9,352
Balance, September 30, 2017	25,729,902	420,069
<b>Restricted shares (i)</b>		
Balance, September 30, 2017 and December 31, 2016	88,051,416	\$ 495
<b>Total</b>		<b>\$ 420,564</b>

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

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.

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**5. SHARE CAPITAL – CONTINUED**

c) Stock options outstanding - continued

The following table reflects the continuity of stock options for the nine months ended September 30, 2017 and 2016:

Expiry date	September 30, 2017			September 30, 2016		
	Number of options	Exercise price	Weighted average exercise price	Number of options	Exercise price	Weighted average exercise price
Outstanding, beginning of period	2,285,000	\$ 0.100	\$ 0.100	1,375,000	\$ 0.100	\$ 0.100
Granted <sup>(i)</sup>	100,000	0.175	0.175	-	-	-
Granted <sup>(ii)</sup>	183,823	0.350	0.350	-	-	-
Exercised	(41,669)	0.175	0.175	-	-	-
Cancelled/Expired	-	-	-	-	-	-
Outstanding, end of period	2,527,154		\$ 0.120	1,375,000		\$ 0.100
Vested, end of period	1,408,332		\$ 0.102	-		n/a

- (i) On January 13, 2017, the Company retained Virtus Advisory Group Inc. (“Virtus”) to develop and implement a strategic corporate communications program to increase the Company’s exposure among industry stakeholders and investors across Canada. In connection with the engagement, Virtus was awarded a consulting contract that includes a monthly fee of \$6,500 and a grant of incentive stock options, which will vest in equal amounts each month over 12 months commencing on January 16, 2017, to acquire 100,000 common shares of the Company, exercisable at a price of \$0.175 per share for a period of one year from each individual vesting date.
- (ii) On April 30, 2017, the Company engaged OV2 Securities Inc. (“Ov2”) to actively manage its strategic acquisitions strategy and to provide capital markets and strategic advice (the “Advisory Services”) in connection with sourcing, structuring, pricing and closing of prospective merger, acquisition, takeover or other forms of combination transactions (each a “Transaction”). In consideration for Ov2 entering into this Agreement and providing the Advisory Services, the Company will pay a monthly fee to Ov2 plus additional compensation based on the successful completion of Transactions. Prodigy has also issued, pursuant to the Company’s Option Plan, 183,823 options to Ov2 with each such option entitling the holder to acquire one common share of Prodigy at a price of \$0.35 at any time after the successful completion of a Transaction until the 24-month anniversary of the successful completion of a Transaction. There are provisions for additional success based fees and warrants. Aside from the monthly fee, all compensation under the agreement is success based.

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at September 30, 2017 are as follows:

Exercise price	Options Outstanding			Options Exercisable	
	Number outstanding	Weighted average exercise price	Average remaining contractual life (years)	Number exercisable	Weighted average exercise price
\$ 0.100	1,375,000	\$ 0.100	1.25	1,375,000	\$ 0.100
\$ 0.100	910,000	\$ 0.100	2.25	-	n/a
\$ 0.175	58,331	\$ 0.175	0.96	33,332	0.175
\$ 0.350	183,823	\$ 0.350	n/a	-	n/a
Total	2,527,154	\$ 0.120	1.59	1,408,332	\$ 0.102



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**5. SHARE CAPITAL – CONTINUED**

c) Stock options outstanding - continued

The estimated fair value of the options granted during the nine months ended September 30, 2017 and 2016 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Fair value of options	\$0.08 - \$0.18	n/a
Exercise price	\$0.175 - \$0.35	n/a
Risk-free interest rate	0.72% - 0.79%	n/a
Dividend yield	0%	n/a
Volatility factor, based on comparable companies	99.1%	n/a
Weighted average expected life of the options, in years	1.47 – 2.00	n/a

The Company recorded stock-based compensation expense of \$46,675 for the nine months ended September 30, 2017 (2016 - \$52,682) 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 September 30, 2017, the Company has not granted any RSU's under the RSU Plan.

**6. CAPITAL MANAGEMENT**

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

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

There were no changes in the Company's approach to capital management during the periods ended September 30, 2017 and 2016. The Company is not subject to externally imposed capital requirements.

**7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

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 nine months ended September 30, 2017, the Company derived 93% of its revenue from one customer (2016 – 82% from one customer). As at September 30, 2017, one customer represented 95% (December 31, 2016 – 91%) of the accounts receivable balance. Over 99% of the Company's revenue was received from customers currently located in Canada. As at September 30, 2017, approximately 21% (December 31, 2016 – 45%) 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, 2017	December 31, 2016
Current	\$ 1,138,067	\$ 935,477
1 - 30 days	212,205	11,865
31 - 60 days	-	601,715
61 - 90 days	340,090	168,144
Greater than 90 days	25,018	-
<b>Total</b>	<b>\$ 1,715,380</b>	<b>\$ 1,717,201</b>

The allowance for doubtful accounts was nil at both September 30, 2017 and December 31, 2016. There is no indication, as at these dates, that the debtors will not meet their obligations. Bad debt expenses were nil for all reporting periods. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all rental contracts. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible.

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

### Liquidity risk

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

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

### Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company was exposed to variable market interest rates on its long-term debt. As at September 30, 2017, based on a 1% change in interest rates, the estimated sensitivity of the Company's net income to changes in interest rates was (\$nil) (December 31, 2016 – (\$1,499)), based on an increase and \$nil (December 31, 2016 - \$1,499) based on a decrease.

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**7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED**

**Fair value hierarchy**

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

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

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

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

There were no transfers of financial assets between any of the levels during the periods ended September 30, 2017 and 2016.

**8. ECONOMIC DEPENDENCE**

For the nine months ended September 30, 2017, approximately 93% (2016 – 82%) of the Company's revenue related to transactions entered into with one customer. As at September 30, 2017, approximately 95% (December 31, 2016 – 91%) of the accounts receivable balance related to this same customer.

**9. REVENUE**

Revenue comprises:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Fixed price contracts	\$ 1,591,139	\$ 1,440,645	\$ 4,870,606	\$ 4,790,285
Time and materials	1,371,313	1,376,098	4,262,474	3,431,036
Digital product sales	32	-	369	-
<b>Total</b>	<b>\$ 2,962,484</b>	<b>\$ 2,816,743</b>	<b>\$ 9,133,449</b>	<b>\$ 8,221,321</b>

At September 30, 2017, the aggregate amount of costs incurred and revenue recognized to date under open fixed price contracts amounted to \$2,221,770 and \$3,895,584, respectively (December 31, 2016 - \$451,607 in costs incurred and \$832,666 in revenue recognized).

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**10. RELATED PARTY TRANSACTIONS**

The Company rented office space from its Chief Executive Officer on a month-to-month lease. These transactions were in the normal course of operations and are measured at their transaction amount, which is the amount agreed to by the related parties. During the nine months ended September 30, 2017, the Company paid \$9,000 (2016 - \$9,000) in rent and occupancy costs.

**Compensation to key management personnel**

Compensation earned for the nine months ended September 30, 2017 and 2016 due to persons in charge of the planning, direction and control of the Company, including executive and non-executive directors is as follows:

	<b>Nine months ended September 30, 2017</b>	<b>Nine months ended September 30, 2016</b>
Salaries, fees and benefits	\$ 1,353,856	\$ 1,177,703
Share-based compensation	29,706	45,019
<b>Total</b>	<b>\$ 1,383,562</b>	<b>\$ 1,222,722</b>

**11. 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 nine months ended September 30, 2017 the Company has recorded a provision for income tax of \$145,134 (2016 - \$295,022).

**12. NET INCOME PER SHARE**

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

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net income for the period	\$ 56,534	\$ 167,550	\$ 342,219	\$ 756,706
Weighted average number of common and restricted shares outstanding, basic	113,781,318	113,739,649	113,758,254	113,739,649
Effect of dilutive securities – share based payments	1,416,020	873,988	1,564,579	785,581
Weighted average number of common and restricted shares outstanding, diluted	115,197,338	114,613,637	115,322,833	114,525,230
Net income per share, basic	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
Net income per share, diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01

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**13. OPERATING SEGMENT INFORMATION**

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

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

a) An analysis of the Company's revenue and expenses by segment is presented below for the nine months ended September 30, 2017 and 2016. Over 99% of the Company's revenue was received from Canadian customers.

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	Prodigy Labs	Venture Builder	Total	Prodigy Labs	Venture Builder	Total
<b>Revenue</b>	\$ 9,133,080	\$ 369	\$ 9,133,449	\$ 8,221,321	\$ –	\$ 8,221,321
<b>Direct costs</b>	6,319,449	11,467	6,330,916	5,467,099	–	5,467,099
<b>Gross profit (loss)</b>	2,813,631	(11,098)	2,802,533	2,754,222	–	2,754,222
<b>Expenses:</b>						
Advertising and promotion	24,224	14,184	38,408	20,355	23,135	43,490
Compensation	811,423	79,431	890,854	618,985	–	618,985
Computer	36,606	49,395	86,001	30,412	–	30,412
Depreciation	13,364	1,308	14,672	4,832	2,071	6,903
Finance costs	22,471	2,200	24,671	15,622	–	15,622
Loss on sale of equipment	876	107	983	–	–	–
Office and general	8,326	2,633	10,959	7,784	–	7,784
Professional fees	269,006	26,333	295,339	111,360	1,557	112,917
Rent and occupancy	17,121	51,363	68,484	17,245	4,372	21,617
Research and development	–	784,096	784,096	–	767,400	767,400
Share-based compensation	42,513	4,162	46,675	52,682	–	52,682
Telecommunications	6,830	669	7,499	2,685	–	2,685
Travel	42,389	4,150	46,539	21,997	–	21,997
	1,295,149	1,020,031	2,315,180	903,959	798,535	1,702,494
Net income (loss) before income taxes	1,518,482	(1,031,129)	487,353	1,850,263	(798,535)	1,051,728
Income taxes (recovery)	452,205	(307,071)	145,134	519,020	(223,998)	295,022
<b>Net income (loss) and comprehensive income (loss) for the period</b>	\$ 1,066,277	\$ (724,058)	\$ 342,219	\$ 1,331,243	\$ (574,537)	\$ 756,706

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

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**13. OPERATING SEGMENT INFORMATION - CONTINUED**

b) An analysis of the Company's revenue and expenses by segment is presented below for the three months ended September 30, 2017 and 2016. Over 99% of the Company's revenue was received from Canadian customers.

	Three months ended September 30, 2017			Three months ended September 30, 2016		
	Prodigy Labs	Venture Builder	Total	Prodigy Labs	Venture Builder	Total
<b>Revenue</b>	\$ 2,962,452	\$ 32	\$ 2,962,484	\$ 2,816,743	\$ –	\$ 2,816,743
<b>Direct costs</b>	2,102,925	3,754	2,106,679	1,927,611	–	1,927,611
<b>Gross profit (loss)</b>	859,527	(3,722)	855,805	889,132	–	889,132
<b>Expenses:</b>						
Advertising and promotion	10,340	2,754	13,094	8,595	–	8,595
Compensation	288,294	15,227	303,521	216,512	–	216,512
Computer	12,449	16,829	29,278	5,130	–	5,130
Depreciation	4,947	275	5,222	1,783	763	2,546
Finance costs	16,496	1,466	17,962	3,572	–	3,572
Office and general	5,936	802	6,738	863	–	863
Professional fees	79,512	3,076	82,588	32,215	–	32,215
Rent and occupancy	7,540	22,622	30,162	3,000	4,372	7,372
Research and development	–	252,862	252,862	–	349,450	349,450
Share-based compensation	16,321	947	17,268	17,689	–	17,689
Telecommunications	2,682	159	2,841	1,190	–	1,190
Travel	9,414	102	9,516	8,117	–	8,117
	453,931	317,121	771,052	298,666	354,585	653,251
Net income (loss) before income taxes	405,596	(320,843)	84,753	590,466	(354,585)	235,881
Income taxes (recovery)	129,021	(100,802)	28,219	171,049	(102,718)	68,331
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>\$ 276,575</b>	<b>\$ (220,041)</b>	<b>\$ 56,534</b>	<b>\$ 419,417</b>	<b>\$ (251,867)</b>	<b>\$ 167,550</b>

**14. COMMITMENTS**

The Company has entered into a seventeen-month lease agreement effective May, 2017. The future minimum annual base rent on office premises under existing operating leases is:

2017	\$ 13,431
2018	53,725
	<u>\$ 67,156</u>