

**Liquid Avatar Technologies Inc.  
(formerly KABN Systems NA Holdings Corp.)**

**Interim Condensed Consolidated Financial Statements**

**(unaudited)**

**For the Three Month Period Ended March 31, 2021 and 2020**

**Expressed in Canadian Dollars**

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Interim Condensed Consolidated Statements of Financial Position**  
**(Unaudited, Expressed in Canadian Dollars)**  
**As at March 31, 2021 and December 31, 2020**

	March 31, 2021	December 31, 2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 2,114,021	\$ 2,588,590
Harmonized sales tax receivable	46,378	91,390
Prepaid expenses and other current assets	323,757	458,004
	<b>2,484,156</b>	<b>3,137,984</b>
Prepaid long-term expense and other assets	80,000	56,250
Computer and related equipment	31,962	18,497
Intangible assets (Note 6)	840,688	907,943
	<b>\$ 3,436,806</b>	<b>\$ 4,120,674</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued expenses	\$ 427,289	\$ 516,133
Due to KABN (Gibraltar) Ltd. (Note 11)	25,100	175,100
	<b>452,389</b>	<b>691,233</b>
<b>Shareholders' Equity</b>		
Share capital (Note 7)	7,124,562	5,858,759
Contributed surplus (Note 10)	2,233,542	754,400
Broker compensation options (Note 9)	652,786	652,786
Warrants (Note 8)	1,961,002	2,416,120
Deficit	(8,987,475)	(6,252,624)
	<b>2,984,417</b>	<b>3,429,441</b>
	<b>\$ 3,436,806</b>	<b>\$ 4,120,674</b>

**Going Concern** (Note 1)  
**Subsequent events** (Note 14)

Approved by the Board

“Jeff Mesina”

“David Lucatch”

Director (Signed)

Director (Signed)

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Interim Condensed Consolidated Statements of Loss and Comprehensive Loss**  
**(Unaudited, Expressed in Canadian Dollars)**  
**For the Three Month Period Ended March 31, 2021 and 2020**

	<b>Three Month period ended March 31, 2021</b>	<b>Three Month period ended March 31, 2020</b>
<b>Revenue</b>	<b>\$ 109</b>	<b>\$ 80</b>
<b>Operating expenses</b>		
Amortization (Note 6)	67,255	67,255
Depreciation	2,917	-
Agent fees	15,689	-
Consulting fees	74,808	60,000
General and administrative costs	25,179	724
Interest expense	-	1,430
Legal and audit fees	85,212	167,486
Loan fee	-	15,000
Management and staff	404,201	60,000
Marketing and communications	498,264	42,679
Web and infrastructure	37,837	5,757
Product development	491,974	-
Stock based compensation	1,024,024	-
	<b>2,727,360</b>	<b>420,331</b>
<b>Other income, gain and losses</b>		
Foreign exchange loss	(7,600)	(4,856)
	<b>(2,734,960)</b>	<b>(425,187)</b>
<b>Comprehensive loss</b>	<b>\$ (2,734,851)</b>	<b>\$ (425,107)</b>
<b>Basic and diluted loss per share</b>		
Basic and diluted	<b>\$ (0.027)</b>	<b>\$ (0.009)</b>
<b>Weighted average number of common shares outstanding</b>		
Weighted average number of common shares	<b>101,326,533</b>	<b>45,287,030</b>

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**  
**(Unaudited, Expressed in Canadian Dollars) For the Three Month Period Ended March 31, 2021 and the Year Ended December 31, 2020**

	Number of Common Shares	Amount	Reserve for Warrants	Broker Comp Options	Contributed Surplus	Deficit	Total
Balance January 1, 2020	45,287,030	\$ 1,238,911	\$ 364,792	\$ -	\$ -	\$ (613,428)	\$ 990,275
Issued in connection with private placements (Note 7)	42,157,576	3,279,338	1,981,819	-	-	-	5,261,157
Issued in connection with RTO of Torino Power (Note 4)	5,972,286	895,843	-	-	-	-	895,843
Issuance of Broker comp options (Note 9)	-	-	-	652,786	-	-	652,786
Issuance in connection with warrant exercise (Note 7)	1,187,015	202,227	(82,659)	-	82,659	-	202,227
Issuance in connection with consultant obligations (Note 7)	1,612,565	242,440	-	-	-	-	242,440
Issuance of finder's warrants (Note 7)	-	-	14,168	-	-	-	14,168
Issuance of consulting fee warrants (Note 8)	-	-	138,000	-	-	-	138,000
Stock based Compensation (Note 10)	-	-	-	-	671,741	-	671,741
Comprehensive loss	-	-	-	-	-	(5,639,196)	(5,639,196)
<b>Balance December 31, 2020</b>	<b>96,216,472</b>	<b>\$ 5,858,759</b>	<b>\$ 2,416,120</b>	<b>\$ 652,786</b>	<b>\$ 754,400</b>	<b>\$ (6,252,624)</b>	<b>\$ 3,429,441</b>
Issuance in connection with warrant exercise (Note 7)	7,096,666	1,142,333	(455,118)	-	455,118	-	1,142,333
Issuance in connection with consultant obligations (Note 7)	288,811	93,470	-	-	-	-	93,470
Issuance of connection with option exercise (Note 7)	200,000	30,000	-	-	-	-	30,000
Stock based Compensation (Note 10)	-	-	-	-	1,024,024	-	1,024,024
Comprehensive loss	-	-	-	-	-	(2,734,851)	(2,734,851)
<b>Balance March 31, 2021</b>	<b>103,801,949</b>	<b>\$ 7,124,562</b>	<b>\$ 1,961,002</b>	<b>\$ 652,786</b>	<b>\$ 2,233,542</b>	<b>\$ (8,987,475)</b>	<b>\$ 2,984,417</b>

See accompanying notes

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Interim Condensed Consolidated Statements of Cash Flows**  
**(Unaudited, Expressed in Canadian Dollars)**  
**For the Three Month Period ended March 31, 2021 and 2020**

	<b>Three Month Period Ended</b>	
	<b>March 31, 2021</b>	<b>March 31, 2020</b>
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Net loss and comprehensive loss	\$ (2,734,851)	\$ (425,107)
Items not affecting cash		
Amortization	67,255	67,255
Depreciation	2,917	-
Foreign exchange loss (gain), net	7,600	4,856
Expenses paid in shares	93,470	195,000
Stock based compensation	1,024,024	-
Net cash flows used in operating activities before changes in non-cash working capital items	(1,539,585)	(157,966)
<b>Net change in non-cash working capital</b>		
Decrease/(Increase) in prepaid expenses/other current assets	134,247	(18,333)
Increase in prepaid expenses and other assets	(23,750)	(75,000)
(Decrease)/Increase in accounts payable and accrued expenses	(66,444)	173,826
Decrease/(Increase) in harmonized sales tax recoverable	45,012	(48,034)
Decrease in due from Pegasus Fintech Canada Inc.	-	3,737
Increase in due from Torino Power Solutions Inc.	-	(8,884)
Increase in loan and fee payable	-	15,000
Decrease in due to KABN (Gibraltar) Ltd.	(150,000)	(68,816)
Net cash flows used in operating activities	(1,600,520)	(184,500)
<b>Investing</b>		
Purchase of computer and related equipment	(16,382)	-
Net cash flows used in investing activities	(16,382)	-
<b>Financing</b>		
Proceeds from issuance of loan	-	150,000
Net proceeds/advances from common share/unit issuances	1,142,333	34,500
Net cash flows provided by financing activities	1,142,333	184,500
<b>Net change in cash</b>	<b>(466,969)</b>	<b>-</b>
<b>Cash, beginning of period</b>	<b>2,588,590</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 2,114,021</b>	<b>\$ -</b>

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**(Unaudited, Expressed in Canadian Dollars) Three Month Period Ended March 31, 2021 and 2020**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Liquid Avatar Technologies Inc. (the “Company” formerly KABN Systems NA Holdings Corp.) was incorporated under the Company Act of British Columbia, Canada on September 10, 2014. The Company wholly owns Liquid Avatar Operations Inc. (formerly KABN Systems North America Inc.”Opco”) as a result of the reverse takeover transaction completed on June 4, 2020. Pursuant to the Amalgamation Agreement arising out of the reverse takeover transaction, the Company acquired all of the issued and outstanding shares of Opco in exchange for issuance of common shares of the Company. The transaction resulted in the business of Opco becoming the business of the Company (Note 4). The Company through Opco is a digital identity fintech Company focused on empowering customers to verify, manage, control, and create value from their online identity and public, permission-based data through self-sovereign identity solutions delivered through the Company’s product offerings. Opco is the exclusive licensee of KABN (Gibraltar) Ltd’s intellectual property for use in the United States and Canada.

On March 1, 2021, the Company changed its name from KABN Systems NA Holdings Corp. to Liquid Avatar Technologies Inc. and its ticker symbol from KABN to LQID. On March 9, 2021, The Company incorporated and wholly owns Oasis Digital Studios Limited.

As at March 31, 2021, Crypto KABN Holdings Inc. and KABN Gibcan Inc. held a combined 24.42% of the Company’s total common shares outstanding. KABN (Gibraltar) Ltd. controls KABN Gibcan Inc.

The address of the Company’s head office is 1-7357 Woodbine Avenue Suite 605, Markham, Ontario L3R 6L3 and the registered and records office is 2200 HSBC Building, 885 West Georgia Street, Vancouver B.C., V6C 3E8, Canada.

The Company’s interim condensed consolidated financial statements (“interim financial statements”) as at March 31, 2021 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, and prior operating results. During the three month period ended March 31, 2021, the Company has incurred a net loss of \$2,734,851 and as of March 31, 2021, had a deficit of \$8,987,475. These factors raise uncertainty about the Company’s ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. The interim financial statements do not include any adjustments that might result from the outcome of this uncertainty. Such adjustments could be material.

These interim financial statements were authorized for issue by the Board of Directors on May 31, 2021.

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**(Unaudited, Expressed in Canadian Dollars) Three Month Period Ended March 31, 2021 and 2020**

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**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with the accounting policies disclosed in the audited financial statements for the year ended December 31, 2020.

These interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

These interim financial statements have been prepared on a historical cost convention. In addition, these interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The comparative figures presented throughout these interim financial statements are the historical results of Liquid Avatar Operations Inc. (formerly KABN Systems North America Inc.)

These interim financial statements have been prepared in Canadian dollars which is the functional currency and presentation currency of the Company.

**3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the estimated useful life of intangibles, impairment of intangibles and valuation of the components of equity and assessment of COVID-19 pandemic's impact on the Company's business. The useful lives could change significantly as a result of technical innovations or some other event. The amortization charge will increase where the useful lives are less than previously estimated lives, or technically obsolete that have been abandoned will be written off or written down. From time to time the Company issues common shares for services or non-cash assets. The Company's Board of Directors determines the fair market value of the services or non-cash assets received in exchange for common shares. These transactions are typically valued using the fair value of common shares issued.

The Company uses the Black Scholes option pricing model to determine the fair value of stock options in order to calculate stock based compensation expense. The Black Scholes model involves six key inputs to determine fair value of a stock option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates that involved considerable judgment and are or could be affected by significant factors that are out of the Company's control.

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**(Unaudited, Expressed in Canadian Dollars) Three Month Period Ended March 31, 2021 and 2020**

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**3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Cont'd)**

The Company has been closely monitoring developments related to COVID-19, including the existing and potential impact on global and local economies. The Company has implemented its business continuity plan ensuring minimal interruption to the business. Governments worldwide have since put in place various measures to contain the spread of the virus, which have directly and indirectly impacted many businesses. The COVID-19 pandemic presented some challenges in delays in raising financing but otherwise did not have any other significant impact on the Company's interim financial statements. The longer-term impacts of the COVID-19 situation will depend on future developments which are highly uncertain, rapidly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which the Company continues to monitor and take into consideration.

**4. REVERSE TAKEOVER TRANSACTION**

On January 13, 2020, the Company and its newly formed wholly owned subsidiary 2733668 Ontario Inc. ("Subco") entered into an Amalgamation Agreement (the "Amalgamation Agreement") with Opco, an arm's length private company, whereby the Company would acquire Opco (the "Transaction"). The Transaction is structured as a "three-cornered amalgamation" whereby Opco amalgamated with Subco, thereby forming Amalco. Amalco is a wholly-owned subsidiary of the Company and concurrently the Company would change its name from KABN Systems NA Holdings Corp. (and later to Liquid Avatar Technologies Inc). Pursuant to the Amalgamation Agreement, the Company would acquire all of the issued and outstanding shares of Opco in exchange for issuance of common shares of the Company. The Transaction would result in the business of Opco becoming the business of the Company.

Because the former shareholders of Opco obtained control of the Company, the Transaction is considered a purchase of the Company by Opco and is accounted for as a reverse acquisition. This reverse acquisition is not a business combination and therefore is outside the scope of IFRS 3 Business Combinations. As Opco has granted equity investments in return for goods and services received, the transaction falls under the scope of IFRS 2 Share Based Payment. The consideration is based on the fair value of the Company's common shares that were exchanged as this is the most reliable indicator of fair value. The consideration is recognized with a corresponding increase in the equity of the Company.

The consolidated statement of financial position gives effect to the acquisition of KABN's outstanding common shares by the Company in accordance with accounting guidance pertaining to reverse acquisitions under IFRS. All of the Company's deficit and other business equity balances prior to the Transaction are eliminated as follows:

• Share capital	\$7,162,975
• Share-based payment reserve	\$576,682
• Deficit	\$7,795,318



**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**(Unaudited, Expressed in Canadian Dollars) Three Month Period Ended March 31, 2021 and 2020**

**4. REVERSE TAKEOVER TRANSACTION (Cont'd)**

The determination and allocation of the purchase price is summarized below:

**Purchase Price**

Outstanding Common Shares of the Company

Post-consolidated outstanding common shares 5,972,286

Price per common share \$ 0.15

\$ 895,843

**Total Purchase Price**

**\$ 895,843**

Allocation of purchase price

Net liabilities assumed (55,661)

Charge related to public company listing 951,504

**Total Purchase Price**

**\$ 895,843**

**5. CONVERTIBLE DEBT AND LOAN PAYABLE**

On February 3, 2020, the Company received a short term loan of \$150,000 repayable on March 2, 2020 that would carry no interest if repaid at maturity, however if the maturity date was missed, interest would apply from the date of advance to the date of repayment at the rate of 6% per annum. The loan also carries a fixed lender fee of \$15,000 to be repaid at maturity. The lender agreed to settle the debt, lender fee and accrued interest through a subscription into a private placement of common stock units that closed on May 20, 2020.

**6. INTANGIBLE ASSETS**

<b>Cost</b>	<b>Total</b>
Licensing rights	\$ 1,345,100
<b>Balance at March 31, 2021 and December 31, 2020</b>	<b>\$ 1,345,100</b>
<b>Accumulated Amortization</b>	
Balance at January 1, 2020	168,137
Add: amortization for the year	269,020
Balance at December 31, 2020	437,157
Add: amortization for period ended March 31, 2021	67,255
<b>Balance at March 31, 2021</b>	<b>\$ 504,412</b>
<b>Net Book Value at March 31, 2021</b>	<b>\$ 840,688</b>

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**(Unaudited, Expressed in Canadian Dollars) Three Month Period Ended March 31, 2021 and 2020**

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**6. INTANGIBLE ASSETS (Cont'd)**

On May 15, 2019, the Company entered into a sublicensing agreement with KABN (Gibraltar) Ltd. (the "licensing agreement") which grants the Company an exclusive sublicense to KABN (Gibraltar) Ltd's financial services platform, with identity and verified credential intellectual property and revenue programs in the US and Canada (Note 1). The cost of intangibles represents the initial license fee of US\$1,000,000 payable upon execution of agreement, of which \$325,000 was paid by way of issuance of 32,500,000 common shares of the Company at \$0.01 per share.

**7. SHARE CAPITAL**

**Authorized Share Capital**

The Company is authorized to issue an unlimited number of common shares without par value.

**Issued Share Capital**

As at March 31, 2021 the Company had issued and outstanding 103,801,949 common shares (December 31, 2020 – 96,216,472).

On June 4, 2020, the Company received final approval from the Canadian Securities Exchange for completion of the reverse takeover transaction described in Note 4. The completed transaction resulted in 5,972,286 common shares to the former shareholders of Torino Power Solutions Inc.

On May 20, 2020, the Company closed its first tranche of a private placement priced at \$0.15 per unit and issued 6,279,913 units for gross proceeds of \$569,442 and settlement of debt and service agreements of \$205,005. Proceeds raised in advance of the closing are included in the closing. The closing also includes agreement to settle the bridge loan, loan fees and accrued interest totaling \$167,540 (Note 5). Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles a holder to purchase one common share at \$0.20 per share, and expires at 18 months following the closing date of the private placement unless the acceleration clause is met under which exercise can be enforced by the Company with a closing price of \$0.30 or higher for 20 consecutive trading days on a regulated market.

On June 1, 2020, the Company closed its second tranche of a private placement priced at \$0.15 per unit and issued 8,210,999 units for gross proceeds of \$796,650 and settlement of service agreements of \$435,000, on the same terms as the May 20, 2020 first tranche of the private placement.

Share issuance costs for the May 20, 2020 and June 1, 2020 private placements totaled \$72,435, of which \$14,168 was in the form of finder's warrants (Note 8).

On December 21, 2020, the Company closed a non-brokered private placement priced at \$0.15 per unit and issued 19,999,997 units for gross proceeds of \$2,855,100 and settlement of debt and service agreements of \$144,900. Proceeds raised in advance of the closing are included in the closing. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles a holder to purchase one common share at \$0.20 per share and expires at 24 months following the closing date of the private placement.

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**(Unaudited, Expressed in Canadian Dollars) Three Month Period Ended March 31, 2021 and 2020**

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**7. SHARE CAPITAL (Cont'd)**

**Issued Share Capital (Cont'd)**

Under the relative fair value approach, of the total financing of \$3,000,000, \$1,733,668 was allocated to share capital with \$1,266,332 allocated to share purchase warrants (Note 8). Share issuance costs for the December 21, 2020 private placement totaled \$554,725, of which \$341,826 was in the form of broker compensation options (Note 9). Under the relative fair value approach \$320,570 of the share issuance costs were allocated against share capital and \$234,155 of the share issuance costs were allocated against share purchase warrants.

On December 23, 2020, the Company closed a brokered private placement priced at \$0.15 per unit and issued 7,666,667 units for gross proceeds of \$1,150,000. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles a holder to purchase one common share at \$0.20 per share and expires at 24 months following the closing date of the private placement.

Under the relative fair value approach, of the total financing of \$1,150,000, \$647,887 was allocated to share capital with \$502,113 allocated to share purchase warrants (Note 8). Share issuance costs for the December 23, 2020 private placement totaled \$435,320, of which \$310,960 was in the form of broker compensation options (Note 9). Under the relative fair value approach \$245,250 of the share issuance costs were allocated against share capital and \$190,070 of the share issuance costs were allocated against share purchase warrants.

In connection with the agreement of November 11, 2020 with Mackie Research Capital Corporation ("Mackie") as a financial and capital markets advisor to the Company, 500,000 common shares were issued at \$0.15 per common share for a total amount of \$75,000. Further to this agreement on December 23, 2020 an additional 830,000 shares were issued at \$0.15 per common share for a total amount of \$124,500. These amounts were recorded as an agent expense in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2020.

During the year ended December 31, 2020, warrant holders exercised their right to acquire 1,187,015 common shares of the Company at prices ranging between \$0.15 and \$0.20 per common share for a value of \$202,227. In addition, a consultant was compensated at the Company's option in the form of 282,565 common shares with a value of \$42,940.

During the three month period ended March 31, 2021, warrant holders exercised their right to acquire 7,096,666 common shares of the Company at prices ranging between \$0.15 and \$0.20 per common share for a value of \$1,142,333. Consultants were compensated at the Company's option in the form of 288,811 common shares with a value of \$93,470. Stock option holders exercised their right to acquire 200,000 common shares of the Company at \$0.15 per common share for a value of \$30,000.

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**(Unaudited, Expressed in Canadian Dollars) Three Month Period Ended March 31, 2021 and 2020**

**8. SHARE PURCHASE WARRANTS**

	<b>Weighted Average Exercise Price</b>	<b>Number Shares of Issuable on Exercise</b>
Warrants outstanding as at January 1, 2020	\$ 0.15	6,393,515
Issuance of warrants during fiscal 2020 (Note 7)	0.20	36,573,117
Exercise of warrants during fiscal 2020 (Note 7)	0.17	(1,187,015)
<b>Balance at December 31, 2020</b>	<b>\$ 0.193</b>	<b>41,779,617</b>
Exercise of warrants during fiscal 2021 (Note 7)	0.161	(7,096,666)
<b>Balance at March 31, 2021</b>	<b>\$ 0.20</b>	<b>34,682,951</b>

During the second quarter ended June 30, 2020, the Company issued 7,406,453 share purchase warrants. 7,245,453 warrants were issued in conjunction with the private placement closings on May 20<sup>th</sup> and June 1<sup>st</sup> and a fair value of \$637,800 was recorded. 161,000 finder's warrants were issued in conjunction of those same private placement closings and a fair value of \$14,168 was recorded.

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model and the same assumptions were used for the May 20<sup>th</sup> and June 1<sup>st</sup> private placement closings and related finder's warrants. These assumptions include a risk-free interest rate of 0.29%, an expected volatility of 150%, an expected life of 18 months and no dividends expected. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information.

Mackie was granted 1,500,000 warrants on November 11, 2020. The fair value of \$138,000 recognized in the statement of loss and comprehensive loss was estimated using the Black-Scholes Option Pricing Model. The assumptions include a risk-free interest rate of 0.24%, an expected volatility of 150%, an expected life of 24 months and no dividends expected. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information. Once the Company has at least one year of trading data the Company will use its own share price history as consideration for the estimated volatility for future fair value exercises where the Black-Scholes Options Pricing Model is used.

On December 21, 2020, the Company issued 19,999,997 share purchase warrants in conjunction with the private placement closing having a gross value of \$1,266,332 was allocated to share purchase warrants with \$234,155 of the share issuance costs allocated against share purchase warrants (Note 7).

The relative fair value approach was used for the accounting of the warrants as described in Note 7, with the gross fair value of the warrants being estimated using the Black-Scholes Option Pricing Model. The assumptions include a risk-free interest rate of 0.23%, an expected volatility of 150%, an expected life of 24 months and no dividends expected. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information (see above re: timing for using Company's own trading history).

**Liquid Avatar Technologies Inc. (formerly KABN Systems NA Holdings Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**(Unaudited, Expressed in Canadian Dollars) Three Month Period Ended March 31, 2021 and 2020**

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**8. SHARE PURCHASE WARRANTS (Cont'd)**

On December 23, 2020, the Company issued 7,666,667 share purchase warrants in conjunction with the private placement closing having a gross value of \$502,113 was allocated to share purchase warrants with \$190,070 of the share issuance costs allocated against share purchase warrants (Note 7).

The relative fair value approach was used for the accounting of the warrants as described in Note 7, with the gross fair value of the warrants being estimated using the Black-Scholes Option Pricing Model. The assumptions used are identical to those of the December 21, 2020 warrants.

During the year ended December 31, 2020, warrant holders exercised their right to acquire 1,187,015 common shares of the Company at prices ranging from \$0.15 to \$0.20 per common share for a value of \$202,227. As a result of these warrant exercises a value of \$82,659 was removed from warrants with a corresponding addition of \$82,659 to contributed surplus as a classification entry within Shareholders' Equity.

During the three month period ended March 31, 2021, warrant holders exercised their right to acquire 7,096,666 common shares of the Company at prices ranging from \$0.15 to \$0.20 per common share for a value of \$1,142,333. As a result of these warrant exercises a value of \$455,118 was removed from warrants with a corresponding addition of \$455,118 to contributed surplus as a classification entry within Shareholders' Equity.

**9. BROKER COMPENSATION OPTIONS**

On December 21, 2020, in conjunction with the Company's private placement closing, issued 990,800 Broker compensation options which allows the holder the right to acquire a unit on the same terms as a private placement subscription at an exercise price \$0.15 per unit (Note 7). Each Broker compensation option upon exercise entitles the holder to one common share and one common share purchase warrant. The common share purchase warrant has an exercise price of \$0.20 and expires in 24 months.

The fair value of the Broker compensation options was \$341,826 and was recorded as a share issuance cost and was allocated on a relative fair value basis between share capital and share capital purchase warrants with the total recorded as a separate component of Shareholders' Equity. The fair value for the option and the underlying warrant was estimated using the Black-Scholes Option Pricing Model. The assumptions include a risk-free interest rate of 0.23%, an expected volatility of 150%, an expected life of 24 months and no dividends expected. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information. Once the Company has at least one year of trading data the Company will use its own share price history as consideration for the estimated volatility for future fair value exercises where the Black-Scholes Options Pricing Model is used.

On December 23, 2020, in conjunction with the Company's private placement closing, issued 613,333 Broker compensation options on the same terms as the December 21, 2020 issuance.

The fair value of the Broker compensation options was \$310,960 and was recorded as a share issuance cost and was allocated on a relative fair value basis between share capital and share capital purchase warrants with the total recorded as a separate component of Shareholders' Equity. The fair value for the option and the underlying warrant was estimated using the Black-Scholes Option Pricing Model. The assumptions are identical to those used in the December 21, 2020 issuance.

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**10. STOCK BASED COMPENSATION**

Pursuant to the Company's stock option plan, the Company may grant stock options to directors, officers, employees, and consultants. The maximum aggregate number of common shares which may be reserved for issuance, set aside and made available for issuance under the plan may not exceed 15% of the issued and outstanding common shares of the Company at the time of granting the stock options. The exercise price of any stock options granted under the plan shall be determined by the Board of Directors, but may not be less than the market price of the common shares on the Canadian Stock Exchange on the date of Grant (less any discount permissible under exchange rules). The term of any stock options granted under the plan shall be determined by the Board of Directors at the time of the grant but may not exceed ten years.

	<b>Weighted Average Exercise Price</b>	<b>Number of Shares Issuable on Exercise</b>
Opening Balance at January 1, 2020	\$ -	-
Issuance of stock options with graded vesting terms	0.15	4,350,000
Issuance of stock options with immediate vesting terms	0.15	1,580,000
Issuance of stock options with immediate vesting terms	0.17	500,000
Issuance of stock options with immediate vesting terms	0.26	500,000
Cancellation of stock options with graded vesting terms	0.15	(105,000)
<b>Balance at December 31, 2020</b>	<b>\$ 0.16</b>	<b>6,825,000</b>
Issuance of stock options with graded vesting terms	\$ 0.345	\$ 5,400,000
Issuance of stock options with immediate vesting terms	0.345	1,400,000
Exercise of stock options with graded vesting terms	0.15	(200,000)
<b>Balance at March 31, 2021</b>	<b>\$ 0.254</b>	<b>13,425,000</b>

On June 1, 2020, the Company issued 4,350,000 stock options which have a total fair value of \$465,450. \$32,419 in stock based compensation was recognized in the statement of loss and comprehensive loss during the three month period year ended March 31, 2021 and in the statement of financial position as contributed surplus (\$411,950 for the year ended December 31, 2020). Stock based compensation was recorded based on a graded vesting schedule.

The stock options vest as follows: 40% immediately on the grant date, 30% six months from the grant date and 30% twelve months from the grant date. The stock options have an expiry term of 24 months from the grant date.

During the year ended December 31, 2020, 105,000 stock options were cancelled for the unvested portion for departures from the Company.

During the third quarter of 2020, the Company issued 500,000 stock options with an exercise price of \$0.15 per common share which have a total fair value of \$42,000 which is recognized as stock based compensation in the statement of loss and comprehensive loss during the year ended December 31, 2020 and in the statement of financial position as contributed surplus. This grant vested immediately, and no further stock base compensation will be recorded for this grant. The stock options have an expiry term of 18 months from the grant date.

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**10. STOCK BASED COMPENSATION (Cont'd)**

During the fourth quarter of 2020, the Company issued 1,080,000 stock options with an exercise price of \$0.15 per common share which have a total fair value of \$100,790 which is recognized as stock based compensation in the statement of loss and comprehensive loss during the year ended December 31, 2020 and in the statement of financial position as contributed surplus. This grant vested immediately, and no further stock base compensation will be recorded for this grant. The stock options have an expiry term between 18 and 24 months from the grant date.

During the fourth quarter of 2020, the Company issued 500,000 stock options with an exercise price of \$0.17 per common share which have a total fair value of \$33,500 which is recognized as stock based compensation in the statement of loss and comprehensive loss during the year ended December 31, 2020 and in the statement of financial position as contributed surplus. This grant vested immediately, and no further stock base compensation will be recorded for this grant. The stock options have an expiry term of 12 months from the grant date.

During the fourth quarter 2020, the Company issued 500,000 stock options with an exercise price of \$0.26 per common share which have a total fair value of \$83,500 which is recognized as stock based compensation in the statement of loss and comprehensive loss during the year ended December 31, 2020 and in the statement of financial position as contributed surplus. This grant vested immediately, and no further stock base compensation will be recorded for this grant. The stock options have an expiry term of 18 months from the grant date.

As at March 31, 2021 the stock options have a weighted average remaining life of 1.46 years (1.39 years as at December 31, 2020).

The fair value of the stock options issued during the third and fourth quarter of 2020 has been estimated using the Black-Scholes Option Pricing Model and carry the following assumptions: A risk-free interest rate of between 0.23%-0.29%, an expected volatility of 150%, have an expected life equivalent to the term of maturity being between 12 and 24 months and no dividends expected. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information.

On February 15, 2021, the Company issued 5,400,000 stock options with an exercise price of \$0.345 per common share which have a total fair value of \$1,328,400. \$680,805 in stock based compensation was recognized in the statement of loss and comprehensive loss during the three month period ended March 31, 2021 and in the statement of financial position as contributed surplus. Stock based compensation was recorded based on a graded vesting schedule.

The stock options vest as follows: 40% immediately on the grant date, 30% six months from the grant date and 30% twelve months from the grant date. The stock options have an expiry term of 24 months from the grant date.

On February 15, 2021, the Company issued 1,400,000 stock options with an exercise price of \$0.345 per common share which have a total fair value of \$310,800 which is recognized as stock based compensation in the statement of loss and comprehensive loss during the three month period ended March 31, 2021 and in the statement of financial position as contributed surplus. This grant vested immediately, and no further stock base compensation will be recorded for this grant. The stock options have an expiry term of 18 months from the grant date.

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**10. STOCK BASED COMPENSATION (Cont'd)**

The fair value of the stock options has been estimated using the Black-Scholes Option Pricing Model and carry the following assumptions: A risk-free interest rate of 0.19%, an expected volatility of 150%, have an expected life equivalent to the term of maturity being between 18 and 24 months and no dividends expected. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information.

**11. RELATED PARTY TRANSACTIONS**

The Company's related parties include its key management personnel, and companies related by way of directors or shareholders in common.

During the year ended December 31, 2020, the initial license fee of \$1,345,100 (US\$ 1,000,000) recorded as an intangible asset has been paid in full to KABN (Gibraltar) Ltd.

On the first anniversary of the license agreement of May 15, 2020, \$100,000 USD was due and paid to KABN (Gibraltar) Ltd, and for each anniversary thereafter, an annual license fee of \$250,000 USD will be due to KABN (Gibraltar) Ltd. Royalties of 14% of gross margins of the Company are payable to KABN (Gibraltar) Ltd. calculated on annual calendar results.

Management has been provided to the Company by its founding shareholder KABN (Gibraltar) Ltd. for a maximum period of nine months from May 15, 2019 to February 15, 2020 which carried an option to extend this deadline by mutual agreement.

On February 15, 2020, the maximum period of no cash compensation paid to management of nine months had expired. KABN (Gibraltar) Ltd. agreed to provide management services at the rate of \$40,000 per month from February 15, 2020 to the date of finalization of the reverse takeover transaction. \$60,000 was billed by KABN (Gibraltar) Ltd. of which \$1,205 was paid for the three month period ended March 31, 2020 under this arrangement.

KABN (Gibraltar) Ltd. has continued to provide certain management and support services to the Company subsequent to the finalization of the reverse takeover transaction. During the three month period ended March 31, 2021, \$90,000 has been billed by KABN (Gibraltar) Ltd. and was paid during this period.

During the three month period ended March 31, 2021, product, technical development and operational services were incurred by KABN (Gibraltar) Ltd for the benefit of the Company in the amount of \$112,975, (Nil for the three month period ended March 31, 2020) of which \$25,100 was outstanding and payable as at March 31, 2021. There are no fixed terms of repayment.

\$175,100 outstanding to KABN (Gibraltar) Ltd. as at December 31, 2020 for product, technical development and operational services was paid during the three month period ended March 31, 2021. \$122,755 outstanding to KABN (Gibraltar) Ltd. as at January 1, 2020 for the initial license fee was paid during the three month period ended March 31, 2020.



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**12. FINANCIAL INSTRUMENTS**

**Financial Assets and Liabilities**

Information regarding the Company's financial assets and liabilities as at March 31, 2021 and December 31, 2020 is summarized as follows:

	<b>March 31, 2021</b>	December 31, 2020
<b>Financial Assets – at amortized cost</b>		
Cash	<b>\$ 2,114,021</b>	\$ 2,588,590
<b>Financial Liabilities – at amortized cost</b>		
Due to KABN (Gibraltar) Ltd.	<b>\$ 25,100</b>	\$ 175,100
Accounts payable and accrued expenses	<b>427,289</b>	516,133
	<b>\$ 452,389</b>	\$ 691,233

The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

**Risk Exposure**

The Company's consolidated financial instruments expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support those operations. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in cooperation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives (Note 13).

*Concentration of Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company did not have significant exposure to credit risk as at March 31, 2021 and December 31, 2020.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

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**12. FINANCIAL INSTRUMENTS (Cont'd)**

**Risk Exposure (Cont'd)**

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows, as well as future equity and debt financing.

The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 13. The Company's financial liabilities are comprised of its accounts payable and accrued expenses, and Due to KABN (Gibraltar) Ltd. The contractual maturities of which are summarized as follows:

	<b>March 31, 2021</b>	December 31, 2020
<b>Financial Liabilities with contractual maturities</b>		
Within 90 days or less	<b>\$ 427,289</b>	\$ 691,233

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at March 31, 2021 and December 31, 2020, the Company has no significant exposure to interest rate risk.

*Currency Risk*

Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company is exposed to foreign currency risk on fluctuations related to accounts payable and accrued expenses and the annual license fees to KABN (Gibraltar) Ltd. that are denominated in US dollars.

As at March 31, 2021 and December 31, 2020, the Company has no significant exposure to foreign currency risk.

**13. CAPITAL MANAGEMENT**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds for the growth of the Company. Capital is comprised of the Company's shareholders equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

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**14. SUBSEQUENT EVENTS**

On May 14, 2021, the Company closed a non brokered private placement priced at \$0.20 per unit and issued 1,800,000 units for gross proceeds of \$360,000. Each unit consists of one common share and one half share purchase warrant. Each whole warrant entitles a holder to purchase one common share at \$0.30 per share and expires at 24 months following the closing date of the private placement.