

# **Liquid Avatar Technologies Inc.**

**(Formerly KABN Systems NA Holdings Corp.)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS for the three and nine-month periods ended September 30, 2021**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim condensed consolidated financial statements and the notes thereto for the three and nine-month periods ended September 30, 2021 of Liquid Avatar Technologies Inc. (the "Company" or "LA"). Such financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

### **DATE**

This MD&A is prepared as of November 29, 2021.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this report contain forward-looking information under applicable Canadian securities legislation that may not be based on historical fact. Such statements reflect management's expectations regarding future events, results of operations, performance and business prospects and opportunities. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future and include certain anticipated progress points for the Company's projects described under the heading "Description of Business – Discussion of Pre-Revenue Project Status". Such statements are subject to risks and uncertainties that may cause actual events, results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. Assumptions made in regards to progression of the Company's Pre-Revenue Projects include, but are not limited to, product development partners remaining on time and on budget; sufficient Holder account uptake in the KABN Card and or KABN KASH programs to drive their potential revenue; sufficient enterprise client interest among Issuers in a Companion Wallet program, to drive its revenue; and technical and network functionality working as anticipated to enable a demonstrable pilot in the Verifier program by Q1, 2022.

A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) delays in technology development, (3) industry competition, (4) the uncertainty of market acceptance, (5) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, (6) inability to finance, and (7) other factors beyond our control, including the risks set out under the heading "Risk Factors" below. Material risks for specific assumptions noted above include scope and or cost overruns with development partners; lack of Holder account uptake in the KABN Card and KABN KASH programs; prospective Issuer clients choosing other solutions; and delays or functional network challenges with the Verifier program to delay or frustrate a pilot.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## THE COMPANY

The Company was incorporated under the laws of the province of British Columbia on September 10, 2014 as Torino Ventures Inc. The Company changed its name to Torino Power Solutions on November 13, 2016. The Company changed its name to KABN Systems NA Holdings Corp. on June 4, 2020 and on March 1, 2021 the Company changed its name to Liquid Avatar Technologies Inc. and its ticker symbol on the Canadian Securities Exchange from KABN to LQID. The Company wholly owns Liquid Avatar Operations Inc. (formerly KABN Systems North America Inc. and referred to herein as “KABN NA”) and Oasis Digital Studios Limited.

On January 13, 2020, the Company and its newly formed wholly owned subsidiary 2733668 Ontario Inc. entered into a Business Combination Agreement with KABN NA, an arm’s length private company, providing for a transaction (the “RTO Transaction”) whereby the Company would acquire all of the issued and outstanding shares of KABN NA in exchange for issuance of common shares of the Company following the Consolidation (as defined below) (“Common Shares”). Immediately prior to the completion of the RTO Transaction, the Company completed a 1-for-10 share consolidation (the “Consolidation”). The RTO Transaction closed on June 4, 2020 and resulted in the business of KABN NA becoming the business of the Company.

References to the Company herein mean Liquid Avatar Technologies Inc. and its wholly owned subsidiaries, unless otherwise noted, from June 4, 2020 to present, and mean KABN NA prior thereto.

## DESCRIPTION OF BUSINESS

The Company is a global blockchain, digital identity and fintech solutions company focused on empowering individuals, who are referred to as “Holders” or “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 solutions. The Company offers Holders, Issuers and Verifiers, a suite of financial and related services through the Liquid Avatar Mobile App, the Liquid Avatar Verifiable Credentials Ecosystem, or “LAVCE”, and proprietary services and programs that are targeted to generate revenues to the Company, creating what the Company calls the “Liquid Avatar Platform”. LAVCE supports the W3C (World Wide Web Consortium) open standards and a “trust triangle” model which services the three distinct parties in a verifiable credential transaction, being the individual user or “Holder”, the author or “Issuer” of a verifiable credential, and the validator or “Verifier” of the transaction. This is similar to everyday banking and now traditional point of purchase debit or credit transactions, which also include a Holder, an Issuer and a Verifier in a similar “triangle”.

The Company provides its products and services at no cost to Holders and seeks to generate revenues through permission-based partner and merchant fee-based programs with Issuers and Verifiers. The Liquid Avatar Platform provides Holders a more seamless compliance of online identity verification in combination with participation in online services and opportunities together with a developing suite of financial and other consumer services.

The Company is the exclusive licensee, in the United States and Canada, of KABN (Gibraltar) Ltd.’s (“**KABN Gibraltar**”) digital identity and financial services platform, which provides organizations with a digitally enabled identity validation and verification based on industry standard KYC and AML processes (previously, “**KABN ID**”), and which now forms part of LAVCE. The Company has utilized KABN Gibraltar, as the licensor of the technology, as a development partner. The Company also licenses for use in North America the “know how” for the KABN Gibraltar Loyalty program, which consists of KABN KASH and KABN Card and a companion mobile card application through the Company’s Liquid Avatar Mobile App.

The proprietary technology suite that is the Liquid Avatar Platform includes three key products:

- **Liquid Avatar:** Liquid Avatar is a verified Self Sovereign Identity platform that empowers Holders to create high-quality digital icons representing their online personas. These icons allow Holders to manage and control their digital identity and their verifiable access and identity credentials and to use Liquid Avatars to share public and permission based private data when they want and with whom they want. This all done by Holders primarily through the Liquid Avatar Mobile App. Digital identity validation and verification for Liquid Avatars is provided through LAVCE. KABN ID has been merged into LAVCE and is no longer used from a brand perspective. LAVCE is an “Always Active”, biometrically based and blockchain powered digital identity validation and verification ecosystem allowing Customers to continuously and confidently

prove themselves throughout the online community using their Self Sovereign Identity consisting of verifiable credentials and a digital wallet controlled by the individual themselves.

- **KABN Card:** KABN Card is an approved Visa prepaid card program branded as "KABN Card" or "KABN Prepaid Visa Card" that will potentially generate revenues from merchant transaction fees as well as new, existing and evolving financial services, and provides increased loyalty and engagement opportunities. Through partner managed platforms, the KABN Card allows Customers to hold a digital payment method, without needing a credit card account, and the ability to earn cashback and other loyalty incentives. The Company will share in transaction fees and commissions with the applicable card network. KABN Card will integrate seamlessly with the Liquid Avatar Mobile App, providing Customers with an easy way to apply for and access their KABN Card directly from their Liquid Avatar Mobile App. Applications for KABN Card accounts have not commenced to date but the project updates are included herein.
- **KABN KASH:** KABN KASH is an exclusive and customized consumer experience where Customers can earn cash back on transactions with over 600 major online merchants. It is a cashback, loyalty and engagement program offered to account holders that is a primary potential revenue program. Customers are able to shop at some of North America's top online merchants and receive cashback directly on their KABN Card. Customers will also receive updates on special offers and unique deals exclusive to KABN KASH. Customers are offered an incentive to shop via KABN KASH's significant discounts and cash back based on spending volumes.

During Q1 and Q2 2021 the Company shifted its core focus from KABN ID to LAVCE, a far more robust platform and plan as described above. Original components of KABN ID were incorporated, however new technologies and services have been incorporated into the Liquid Avatar Platform. The Liquid Avatar Platform has a much larger scope to support identity, access and qualification verifiable credentials. The LAVCE is made up of three "pillars" of revenue models which are products and services to support Holders, Issuers and Verifiers of digital identity Verifiable Credentials, as explained herein.

The Company's license with KABN Gibraltar (the "**KABN Gibraltar License**") enables the Company to exclusively operate KABN Card and KABN KASH and use the KABN ID software service (now incorporated into LAVCE) for the North American region (Canada and the United States of America). KABN Gibraltar licensed components of this intellectual property from Crypto KABN Holdings Inc. to enable one direct license between KABN Gibraltar and the Company. As at September 30, 2021, Crypto KABN Holdings Inc. held 9.3% and KABN Gibcan Inc. held 9.5%, respectively, of the outstanding Common Shares. KABN Gibraltar controls KABN Gibcan Inc. and is beneficially owned by the Company's CEO and President.

On March 9, 2021, the Company launched and announced Oasis Digital Studios Limited ("Oasis") as a wholly-owned subsidiary, an agency supporting the development of enhanced Non-Fungible Tokens ("NFTs") together with platform listing, marketing, management, and other creative, avatar and digital icon services. Oasis focuses initially on NFT program management for artists and other clients and is not the owner of the collectible being sold, which is owned by the client, and does not interact with purchasers of NFTs. NFT platforms will sell the NFTs and will take fees for their services. A portion of the proceeds of any sale are paid to Oasis by the artist as program management fees, with the artist receiving the balance of the proceeds once hard costs of the specific project are paid. During the quarter, this component of the Company's revenue generating model became more active and showed the very early pattern of revenue seen in Q2 as well. During and subsequent to the quarter, Oasis has been adding differentiated client types and revenue opportunities and has announced same by way of news releases.

### **Discussion of Pre-Revenue Project Status**

The Liquid Avatar Mobile App, KABN Card and LAVCE are significant projects of the Company that have not yet generated any appreciable revenues to date. The Company is developing proprietary technology and services in respect of the above projects and as such the Company considers many factors related to these projects to be trade secrets and is reserving certain details as confidential until and unless otherwise disclosed publicly at various junctures of market readiness likely in conjunction with commercial release.

Information is set out below in tabular form to outline the status of these projects, their estimated stages of completion and approximate costs to date since the beginning of Q1 (when cost estimation by project component began), as well as estimates of costs for the coming periods or to completion.

With respect to project activities that support Liquid Avatar **Holders** and initiatives related to digital wallets for various verifiable credentials, as previously reported via MD&A, the Company launched Phases 1 & 2 of the Liquid Avatar Mobile App in Q1 of this year, and during Q2 rolled out Phases 3 and 4. Based on ongoing user feedback, the Company has updated and continues to update various components of the Liquid Avatar Mobile App and is continuing to work to add a number of new or improved features, which the Company released during Q3 and expects to continue during Q4. In line with these announced expectations, during the quarter the Company released, among other features, revamped login, user experience and shareability, selectivity of personally identifiable information (PII) for sharing a credential, and enhanced management of one's credentials wallet.

In addition, with respect to the KABN Card Project, while end-to-end testing for the Canadian program continued during the quarter, the company has experienced delays in having a fully live platform to onboard card holders to and is looking at options to re-brand the Card in Canada to be better aligned with the Liquid Avatar name and ecosystem. In addition, as previously disclosed, the company continued its planning for geographic expansion of a Card offering during the quarter, and shortly after the quarter ended it announced a partnership with a US neobank and financial solutions provider to provide a US prepaid card offering to be integrated with the Liquid Avatar mobile app. Although no material expenditure was incurred during the period (please see Liquid Avatar Mobile App Project and KABN Card tables below) the Company began to incur costs following the quarter end for the geographic expansion.

With respect to LAVCE project activities that support **Issuers**, the Company has continued to develop its strategy to create products and services supporting those organizations that will issue and manage verifiable credentials. As announced during the quarter, various milestones were achieved (see below) in the build-out of these SaaS (Software as a Service) revenue driving products. This support of Issuers includes the provision of multiple digital wallet programs and related technologies for the purpose of holding verifiable credentials, that may be subscribed for by Issuers. These include the deployment of SDKs (Software Development Kits) for both iOS and Android, which continue in development and provide for a companion program for the creation and deployment of digital wallets for holders. This project began during Q1 and Q2 and is still expected to continue to develop over the next several quarters, creating additional ecosystem members and innovative technologies to support Issuers, as the foundation for the SaaS revenue model. Of note in the quarter and announced via news releases were, first, the work towards and establishment of successful interoperability of the LAVCE with other credential platforms operating on the IBM-Hyperledger as well as Linux Health's Cardea Projects; secondly, the substantial completion of the LAVCE verifiable credentials Wallet which was also significant progression of this specific LAVCE revenue model.

With respect to LAVCE project activities that support **Verifiers**, the Company continues to develop its strategy to create product elements and services that will support those organizations that will be actively engaged in the validation of verifiable credentials that have been created by an Issuer, retained in a digital wallet and would be presented by a Holder (whether a client of a 3<sup>rd</sup> party Issuer or a Liquid Avatar Mobile App holder). During the quarter, as previously announced the Company began incurring costs toward the build of the solution that will support existing infrastructure network access via Point of Sale (POS), payment terminal and other network devices, to streamline verifications and allow various parties (Verifiers) efficient and secure validation of a credential presented by a Holder to the Verifier seeking to verify a Holder's identity, a qualification, access, or any number of other credentials. The system is named Passmate™ and is to be owned and managed by the Company. Subsequent to the quarter end, the company announced its selection of and collaboration with US-based payments provider Dynamics, who is building the above noted solution with the Company. This part of the LAVCE is expected to disclose its demonstrable pilot project by Q1 2022. This pilot was initially projected to produce a minimum viable pilot by Q4 2021, and the relationships and infrastructure should be significantly advanced by Q4 (some of which have been announced subsequent to the present quarter) with announcements of pilot functionality by March 31, 2022.

**Liquid Avatar Mobile App Project:**

	<b>Q2 2021 (ended June 30)</b>	<b>Q3 2021 (ended September 30)</b>
Status of the project relative to plan	Phases 3 and 4 of the initial launch program of the App both released as per plan and announced timing. Additional features provided along with updates and bug fixes to which users could provide feedback.	Updates and releases made to the App as per plan and based on user feedback. See above narrative on new release examples during the quarter.
Approximate expenditures made on the project during the period	\$202,628	\$249,227
Anticipated timing and costs to take the project to completion	Q3 and Q4 feature releases are anticipated based on feedback.  Full build-out anticipated by June 2022, with costs estimated minimum of \$938,000 <i>(inclusive of KABN Card costs as below)</i>	Full build-out anticipated by June 2022, with costs estimated minimum of \$748,996  <i>(inclusive of KABN Card costs as below)</i>

**KABN Card Project:**

	<b>Q2 2021 (ended June 30)</b>	<b>Q3 2021 (ended September 30)</b>
Status of the project	The KABN Card project was advanced with the underlying Canadian Interchange Card program partner toward end-to-end testing for the Canadian program.  Test cards and set-up of the KABN Card “BIN” (the card network identifier for the program) were completed during the quarter which should help enable moving to final live program readiness.	The KABN Card project in Canada was advanced to end-to-end testing phase with the Canadian Interchange Card program partner but has experienced significant delays in platform liveness to onboard potential card holders. The Company began examining a Canadian re-branding during this period of delay.  Significant progress was made on the previously announced intention to expand the Card offering geographically and the Company worked during the quarter toward selecting a US based provider to help power a US based Card program as the next phase to integrate to the LA Mobile App.
Approximate expenditures made on the project during the period	n/a – system costs are included as projections in the above LA Mobile App costs	n/a – system costs are included as projections in the above LA Mobile App costs (incremental costs for US expansion began to be incurred following the quarter)
Anticipated timing and costs to take the project to completion	n/a – system and costs are included as projections in the above LA Mobile App costs	US expansion of the Card program will incur incremental costs which are also incorporated into the LA Mobile App costs estimated above.

**LAVCE – Issuers Project:**

	<b>Q2 2021 (ended June 30)</b>	<b>Q3 2021 (ended September 30)</b>
Status of the project	The technology build of the LAVCE digital credentials wallet continued with the key development provider and partner Indicio.tech. The Company delivered functional solutions for Health Testing verifiable credentials and is set to launch COVID-19 verifiable credentials for vaccine passports.	Substantive completion of the LAVCE digital credentials wallet with the key development provider and partner Indicio.tech was announced during the quarter. During the quarter, interoperability as described above was affirmed during an “Interoperathon” to prove the interoperability.
Estimated expenditures made on the project during the period	\$240,115	\$378,704
Anticipated timing and costs to take the project to completion	Costs estimated minimum \$ 747,885 through June 2022	Costs estimated minimum \$593,133 through June 2022

**LAVCE – Verifiers Project:**

	<b>Q2 2021 (ended June 30)</b>	<b>Q3 2021 (ended September 30)</b>
Status of the project	The strategy and framework in respect of Verifiers was advanced during the quarter and qualified development providers were selected. No costs were incurred until subsequent to the quarter in respect of development.	The Company began testing concepts with a specific provider of payment solutions where existing infrastructure of POS terminals could be utilized to Verify credentials presented.
Approximate expenditures made on the project during the period	\$0. No material costs were incurred in the quarter.	\$269,000 in costs were incurred during the quarter, on plan and aligned with total costs estimates to completion noted below.
Anticipated timing and costs to take the project to completion	Minimum \$1,048,000 through June 2022.	Minimum \$779,465 through June 2022.

**Discussion of Material Variances from Past Material Forward Looking Information**

The Company has as required assessed various previous forward-looking information (“FLI”) that was material and provides the updates below where events and circumstances have caused actual results to differ materially from that disclosed in prior FLI.

<i>Previous material forward-looking information</i>	<i>Location / Date</i>	<i>Material Update to prior disclosure</i>	<i>Events and Circumstances Causing Update</i>
Verifier Program (now named “Passmate™”) to show, at minimum a demonstrable pilot by Q4, 2021.	MD&A – Quarter 2, 2021	A more realistic projection for pilot functionality is Q1, 2022.	An involved project that meaningfully got underway in Q3 will take 2 quarters (Q3/Q4) to have the technology infrastructure and client relationships in place toward a meaningful pilot which should be ready for functional announcement in Q1 2022. An agreement with one such client in particular (OCSA) was news released subsequent to the quarter end, early in Q4.

## SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters.

	Quarter Ended September 30, 2021 \$	Quarter Ended June 30, 2021 \$	Quarter Ended March 31, 2021 \$	Quarter Ended December 31, 2020 \$	Quarter Ended September 30, 2020 \$	Quarter Ended June 30, 2020 \$	Quarter Ended March 31, 2020 \$	Quarter Ended December 31, 2019 \$
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	09/30/2020	06/30/2020	03/31/2020	12/31/2019
Revenue	5,072	10,625	109	Nil	Nil	Nil	80	Nil
Net income (loss)	(2,396,201)	(2,763,699)	(2,734,851)	(1,963,099)	(1,139,708)	(2,111,282)	(425,107)	(202,515)
Loss per share, basic and diluted	(0.020)	(0.026)	(0.027)	(0.028)	(0.017)	(0.04)	(0.009)	(0.004)

The business of the Company's wholly owned subsidiary Liquid Avatar Operations Inc. commenced on May 1, 2019. The comparative figures presented throughout this MD&A for periods prior to June 4, 2020 include the historical results of Liquid Avatar Operations Inc.

### OVERALL PERFORMANCE (for the quarter ended September 30, 2021)

The Company had a net loss of \$2,396,201 for the quarter ended September 30, 2021 compared to a net loss of \$1,139,708 for the quarter ended September 30, 2020. The Company had much lower operational expenses for the prior year's comparative period. The main drivers of the net loss for the quarter ended September 30, 2021 were a further ramp up of product development and launch activities of \$864,646 and management and staff expenses of \$473,487. Marketing and communications was also a significant expense item totaling \$321,930 which comprises predominately one-time costs incurred during the quarter, with a small amount comprised from agreements that were initiated in prior quarters with a service period extending into the current quarter. The Company incurred \$192,315 in consulting costs and included on consolidation \$80,607 in operating expenses from Oasis. In addition, stock-based compensation of \$199,260 and amortization of intangible assets of \$67,255 are non-cash expenses for the quarter. The main expenses in the prior period were marketing and communications of \$274,765 product development of \$219,193 stock-based compensation of \$146,727, management and staff of \$277,500 and \$73,775 in consulting costs.

### RESULTS OF OPERATIONS (for the quarter ended September 30, 2021)

\$5,072 in revenue was recognized by the Company for the quarter ended September 30, 2021. \$4,372 of this revenue relates to NFT program management services provided through Oasis. The remaining immaterial revenue is from a KABN KASH client of Liquid Avatar. Business development is ongoing to actively develop the Liquid Avatar revenue streams. Management has recently focused on enhancing further elements of the LAVCE technical platform, and its product features with the intention of near-term commercialization. There were no revenues in the quarter ended September 30, 2020.

The Company incurred marketing and communications expenses of \$321,930 for the quarter ended September 30, 2021. The Company continues to engage in certain market awareness and general marketing and communications campaigns. A portion of these expenses are derived from service arrangements over a period of time, resulting in a recording of a prepaid expense that is amortized over the service period. \$91,918 relates to expenses that were amortized in the quarter ended September 30, 2021 initiated from prior quarters and represent contract services over time. The remaining \$230,012 represents specific Q3 campaigns that were initiated and expensed during the quarter ended September 30, 2021. \$38,997 in the prepaids and other expense will amortize in future periods from arrangements in existence as of September 30, 2021. Marketing and communications expenses incurred during the quarter ended September 30, 2020 were \$274,765 and relate primarily to the amortization of closing of agreements around the time of the completion of the RTO Transaction, which was designed to assist in activities for market awareness, business development and multiple communication strategies.

The Company incurred \$864,646 for product development for the quarter ended September 30, 2021. Product development includes technical development as well as developing commercial features, benefits, their applications, and any program fees. \$105,000 of the costs were incurred through KABN Gibraltar, with \$759,646 through direct vendors to the Company. Of the direct vendors, \$570,800 was incurred on technical development with the remaining \$293,846 on product features, design and other work toward commercial readiness. During the quarter ended September 30, 2020, \$219,193 was incurred in product development as the Company was ramping up development activities during that period but nowhere near the current levels of activity.

The Company incurred \$473,487 during the quarter ended September 30, 2021 related to management and staff. The Company had entered into employment agreements with its executives and staff as of January 1, 2021 whom were previously paid on a limited basis as consultants in 2020 (post-RTO Transaction). Included in this category are fees to KABN Gibraltar of \$90,000. \$277,500 in management and staff costs were incurred for the quarter ended September 30, 2020 including \$90,000 to KABN Gibraltar.

The Company consolidated \$80,607 in operating costs of Oasis as during the quarter ended September 30, 2021. Oasis incurred costs, including consulting fees and overhead costs as part of its activities in connection with its early stage NFT campaigns for its clients on various platforms. Oasis commenced operations in March 2021 and thus there are no such costs consolidated during the quarter ended September 30, 2020.

The Company incurred legal fees and audit fees of \$48,011 during the quarter ended September 30, 2021. These expenses relate to ongoing services to support public company compliance, as well as other operational matters in the normal course. \$36,131 in legal and audit fees were incurred during the quarter ended September 30, 2020 for the same type of services.

The Company incurred consulting fees of \$192,315 with a number of consultants during the quarter ended September 30, 2021. The Company has engaged consultants to perform various functions for the Company. None of the current consultants have a long-term commitment from the Company. During the quarter ended September 30, 2020, \$73,775 was incurred for consulting work.

The Company incurred \$82,757 for general and administrative expenses and \$38,146 for web and infrastructure costs during the quarter ended September 30, 2021. During the quarter ended September 30, 2020, \$7,685 was incurred for general and administrative expenses and \$33,387 for web and infrastructure costs. The Company has increased in size over the past several months carrying more costs to support the development activities as well as public company related costs. In the comparative period, the technology infrastructure was not as developed as it is now, and the support costs as a publicly traded Company post RTO were only in the preliminary stages.

The Company incurred \$67,255 in amortization during the quarter ended September 30, 2021 and 2020 related to intangible assets derived from the KABN Gibraltar License. The Company records amortization on a straight-line basis.

During the quarter ended September 30, 2021, the Company recognized \$199,260 in total stock-based compensation expense. During the quarter ended September 30, 2020, \$146,727 of stock-based compensation was recognized on the graded vesting schedule for the June 1, 2020 stock option grant which was the only grant impacting the quarter. On February 15, 2021, the Company granted 5,400,000 stock options at an exercise price of \$0.345 that has 40% immediate vesting terms with 30% vesting in six months from the grant date and 30% vesting in twelve months from the grant date. All of the stock-based compensation recognized during the quarter ended September 30, 2021 related to this stock option grant based on a graded vesting schedule. Stock-based compensation is recognized as an operating expense with a corresponding amount recognized in contributed surplus and is valued using the Black-Scholes option pricing model.

Foreign exchange loss of \$19,289 incurred during the quarter ended September 30, 2021 and foreign exchange loss of \$3,290 during the quarter ended September 30, 2020 is related to the exchange fluctuation between the Canadian dollar and the United States dollar on US denominated payables. The increase is generally due to the higher amount of activity with US denominated vendors in the current quarter vs. the comparative period.

### **OVERALL PERFORMANCE (for the nine-month period ended September 30, 2021)**

The Company had a net loss of \$7,894,751 for the nine-month period ended September 30, 2021 compared to a net loss of \$3,676,096 for the nine-month period ended September 30, 2020. The Company had much lower operational expenses in the prior year's comparative period. The main drivers of the net loss for the quarter ended September 30, 2021 were a substantial spend on product development activities of \$1,954,427, management and staff expenses of \$1,312,222, Marketing and communications expenses of \$1,267,524, legal and audit fees of \$280,912 and consulting fees of \$381,796. The Company incurred its annual license fee under the KABN Gibraltar License for \$250,000 and included on consolidation \$308,656 in operating expenses from Oasis. In addition, stock-based compensation of \$1,554,104 and amortization of intangible assets of \$201,765 are non-cash expenses for the period. The main expenses in the prior period were marketing and communications of \$612,224, management and staff of \$457,500, stock based compensation of \$367,816, product development of \$252,511 a one-time charge related to the RTO Transaction of \$951,504, legal and audit fees of \$319,308, consulting fees of \$274,466 and \$140,940 in the first annual license fee which was discounted from contractual levels.

### **RESULTS OF OPERATIONS (for the nine-month period ended September 30, 2021)**

\$15,805 in revenue was recorded by the Company for the nine-month period ended September 30, 2021. \$14,972 of

this revenue relates to agency and program management fees through Oasis from initial NFT campaigns for artists. The remaining immaterial revenue is from the Liquid Avatar Marketplace and KABN KASH. Business development activities are ramping up to actively develop these potential revenue streams. Management had a substantial focus on enhancing further elements of its LAVCE technical platform, and its product features with the intention of near-term commercialization. Management has focused its recent activities on enhancing further elements of its technical platform, and its product features and has been a much more substantial effort than initially anticipated. There were \$80 in revenues in the previous quarter ended September 30, 2020.

The Company incurred marketing and communications expenses of \$1,267,524 for the nine-month period ended September 30, 2021. A number of investor/public relations campaigns and business development activities were initiated at times when significant financings were closed to leverage the ability to compensate these firms in equity as opposed to cash in many cases. Many of these expenses are derived from service arrangements over a period of time, resulting in a recording expense over several periods. Substantially all of these campaigns have been fully amortized over the nine-month period ended September 30, 2021. Only \$38,997 in the prepaids and other expense will amortize in future periods from arrangements in existence as of September 30, 2021. Marketing and communications expenses incurred during the nine-month period ended September 30, 2020 were \$612,224 and relate to the closing of agreements around the time of the completion of the RTO Transaction, which was designed to assist in activities for market awareness, business development and multiple communication strategies.

The Company incurred \$1,954,427 for product development for the nine months ended September 30, 2021. Product development includes technical development as well as developing commercial features, benefits, their applications, and any program fees. \$322,975 of the costs were incurred through KABN Gibraltar, with \$1,631,452 through direct vendors to the Company. Of the direct vendors, \$1,162,696 was on technical development with the remaining \$468,756 on product features, design and other work toward commercial readiness. Specifically, in the first quarter more costs were incurred on application development and design from direct vendors than on technical development. During the nine-month period ended September 30, 2020, \$33,318 was incurred in product development as the Company was only working through the initial stages of development activities during that period.

The Company incurred \$1,312,222 during the nine-month period ended September 30, 2021 related to management and staff. The Company had entered into employment agreements with its executives and staff as of January 1, 2021 that were previously paid on a limited basis as consultants in 2020 (post-RTO Transaction). Included in this category are fees to KABN Gibraltar of \$270,000. \$457,500 in management and staff costs were incurred for the nine-month period ended September 30, 2020 with \$270,000 of this incurred with KABN Gibraltar.

During the nine-month period ended September 30, 2021, the Company incurred \$250,000 in annual license fees on account of the KABN Gibraltar License. The Company was provided a discount to the US\$250,000 annual license

fee, by way of the obligation being settled through \$250,000 in Canadian funds in exchange for making an early payment in April 2021. During nine-month period ended September 30, 2020, the Company incurred \$140,940 (US\$100,000) fees on account of the KABN Gibraltar License. The US\$250,000 contractual obligation was discounted by KABN Gibraltar to support the Company's RTO Transaction.

The Company incurred legal and audit fees of \$280,912 during the nine-month period ended September 30, 2021. These expenses relate to ongoing services to support public company compliance, and a component involved assistance with specific financing opportunities and structures that were never moved forward as well as other operational matters in the normal course. \$319,308 in legal and audit fees were incurred during the nine-month period ended September 30, 2020. The Company incurred costs towards its efforts to trade its securities on a public exchange and work through various components of the reverse takeover transaction and accompanying financing. This required significant legal, and audit related professional services in the comparative period.

The Company consolidated \$308,656 in operating costs related to Oasis as its wholly owned subsidiary during the nine-month period ended September 30, 2021. Oasis incurred costs, including consulting fees and vendors supporting artists as part of its activities supporting future launches of the artists NFTs on various platforms. Some of these costs are recoverable upon successful campaigns where they are directly attributable to a campaign. Oasis commenced operations in March 2021 and thus there are no such costs consolidated during the nine-month period ended September 30, 2020.

The Company incurred consulting fees of \$381,796 with a number of consultants during the nine-month period ended September 30, 2021. The Company has engaged consultants to perform various functions for the Company. None of the current consultants have a long-term commitment from the Company. During the nine-month period ended September 30, 2020, \$274,466 was incurred for consulting work.

The Company incurred \$185,682 for general and administrative expenses and \$116,730 for web and infrastructure costs during the nine-month period ended September 30, 2021. During the nine-month period ended September 30, 2020, \$27,354 was incurred for general and administrative expenses and \$43,597 for web and infrastructure costs. The Company has increased in size over the past several months carrying more costs as a result of being a publicly traded company during the entire period in 2021 and to support the overhead component of increased technology infrastructure and product development activities. In the comparative period, the overall business and development activities were lower than they are now, and the support costs for a publicly traded Company were only in the preliminary stages.

The Company incurred agent fees of \$38,417 during the nine-month period ended September 30, 2021, which related primarily to agreements with agents that assist in financial consulting services to support OTCQB listing efforts. There were no agent fees incurred during the nine-month ended September 30, 2020.

The Company incurred \$201,765 in amortization during the nine-month period ended September 30, 2021, and 2020 related to intangible assets derived from the KABN Gibraltar License. The Company records amortization on a straight-line basis.

During the nine-month period ended September 30, 2021, the Company recognized \$1,554,104 in total stock-based compensation expense. \$53,550 of stock-based compensation was recognized as part of the vesting terms associated with a grant of stock options that occurred on June 1, 2020, prior to the finalization of the RTO Transaction. \$367,816 was recognized in the nine-month period ended September 30, 2020, related to this, the only grant during the period. No further expense will be recorded in relation to this grant as the vesting date has passed. On February 15, 2021, the Company granted 1,400,000 stock options at an exercise price of \$0.345 with immediate vesting terms and recorded an expense of \$310,800 for the nine-month period ended September 30, 2021. On February 15, 2021, the Company granted 5,400,000 stock options at an exercise price of \$0.345 that has 40% immediate vesting terms with 30% vesting in nine months from the grant date and 30% vesting in twelve months from the grant date. \$1,178,955 of stock-based compensation was recognized during the nine-month period ended September 30, 2021, related to this stock option grant based on a graded vesting schedule. On May 13, 2021, the Company granted 100,000 stock options at an exercise price of \$0.175 with immediate vesting terms and recorded an expense of \$10,800 for the nine-month period ended September 30, 2021. Stock-based compensation is recognized as an operating expense with a corresponding amount recognized in contributed surplus and is valued using the Black-Scholes option pricing model.

Foreign exchange loss of \$38,610 incurred during the nine-month period ended September 30, 2021 and foreign exchange loss of \$9,651 during the nine-month period ended September 30, 2020 is related to the exchange fluctuation between the Canadian dollar and the United States dollar on US denominated payables. The increase is due to the overall increase in the size of the US denominated payables in the current period vs. the comparative period.

In conjunction with the completion of the RTO Transaction, the Company recorded a public company charge of \$951,504 during the nine-month period ended September 30, 2020. The charge relates to the purchase price allocation and under IFRS 2 is a share-based payment in addition to the liabilities of Torino Power Solutions Inc. assumed as part of the RTO. The purchase price of the shares was \$0.15 which is the same value as the most recent financing round by the Company and the most objective evidence of fair value.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company held cash of \$1,175,702 and had positive working capital of \$817,112 as of September 30, 2021. The Company is an early-stage entity with nominal revenue, while incurring costs to advance its critical marketing, business development and product development programs. As the Company completes additional financings and commercially launches its programs, working capital is expected to improve, but the Company will continue to have an operational cash flow burn until that time, and, without additional financing, is anticipated to have a working capital deficiency within the next twelve months..

The Company received \$4,520,750 from financing activities during the nine-month period ended September 30, 2021. \$1,904,051 was from warrant and option exercises. Warrant exercise activity included exercise of outstanding warrants expiring in January and February 2021, all of which were exercised. The Company offered a warrant exercise incentive program during Q2 later expanding into Q3 expiring on July 29, 2021. The total number of warrants exercised from this program was 3,165,600 which resulted in 1,514,288 incentive common shares being issued. The total proceeds from this program were \$633,120.

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.

On August 24, 2021, the Company closed a brokered private placement for \$2,700,000 in gross proceeds priced at \$0.1125 for 24,000,001 common shares and 24,000,001 common share purchase warrants at an exercise price of \$0.15 per share with a five-year term to maturity.

As of the date of this MD&A there are approximately 74.7 million warrants, broker compensation options and stock options that are exercisable at prices between \$0.15 and \$0.345 per share for potential proceeds of up to approximately \$14.4 million.

While additional financing closed during Q3 will assist substantially in the Company meeting its project milestones (as described above in the pre-revenue project discussion), the Company's future capital requirements will depend upon many factors. The Company does not have any commitments for capital expenditures by way of contract or obligation, and our best estimate of what is required to complete our pre-revenue projects is described above. Without substantial revenue from operations and profitability, the Company will require additional capital, potentially as debt and/or the additional sale of equity securities within the next twelve months, or before the onset of meaningful revenue if shorter, for cash required to meet its project plans, expand its operations, and to fund the administration of the Company. There is no assurance that future financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company. The continued operations of the Company are dependent on its ability to generate future cash flows from operations and/or obtain additional financing as necessary before cash flow from operations can sustain other cash needs of the Company. Management is of the opinion that, while in the absence of external financing, it expects the Company to have a working capital deficiency within the next 12 months. Sufficient working capital will potentially 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.

During the nine-month period ended September 30, 2021, the Company incurred a net loss of \$7,894,751 and had a deficit of \$14,147,375. These factors raise substantial doubt about the Company's ability to continue as a going concern.

### **Operating Activities**

The Company used net cash of \$5,989,591 in operating activities during the nine-month period ended September 30, 2021, and \$1,574,049 during the nine-month period ended September 30, 2020. For the nine-month period ended September 30, 2021, the Company's net loss was \$7,894,751 and had reductions for non-cash expenses including, stock-based compensation of \$1,554,104, expenses paid in shares of \$101,470 and amortization of \$201,765. Change in non-cash working capital and immaterial items totaled \$244,712. For the nine-month period ended September 30, 2020, the Company's net loss was \$3,676,096 and had reductions for non-cash expenses including amortization of 201,765, expenses paid in shares of \$571,311, stock-based compensation of 367,816, charge due to the RTO Transaction of \$951,504 and changes in non-cash working capital and immaterial items added back of \$63,901.

### **Financing Activities**

The Company received \$4,520,750 from financing activities during the nine-month period ended September 30, 2021. See above commentary for details of the sources of financing. \$1,521,460 of financing in the nine-month period ended September 30, 2020 related to net proceeds from private placement financing in conjunction with the RTO Transaction.

### **Investing Activities**

The Company used net cash of \$140,938 in investing activities during the nine-month period ended September 30, 2021, related to a strategic investment in Indicio, PBC of \$122,722 and \$18,216 for the acquisition of computer related equipment. There were no investing activities during the nine-month period ended September 30, 2020.

### **OFF-BALANCE SHEET ARRANGEMENTS**

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

### **TRANSACTIONS WITH RELATED PARTIES**

The Company's related parties include its key management personnel, and companies related by way of directors or shareholders in common, including KABN Gibraltar, which beneficially owns 9.5% of the issued and outstanding common shares and which is beneficially owned by David Lucatch, the Company's Chief Executive Officer and President, and a director.

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

On May 15, 2020, the first anniversary of the KABN Gibraltar License, US\$100,000 was due and paid to KABN Gibraltar, and on each anniversary thereafter, an annual license fee of US\$250,000 will be due to KABN Gibraltar. Royalties of 14% of gross margins of the Company deriving from the use of technology and programs under the KABN Gibraltar License are payable to KABN Gibraltar calculated on annual calendar results. The Company provided a discount to the May 15, 2021, license fee payment of US\$250,000 that enabled the obligation to be settled for \$250,000 as opposed to US\$250,000. The only consideration for the discount was that the payment be made in April 2021 instead of on May 15, 2021.

Management services were provided to the Company at no cost by KABN Gibraltar for a maximum period of nine months from May 15, 2019, to February 15, 2020. On February 15, 2020, the maximum period of no cash compensation for management services of nine months expired. \$270,000 was billed by KABN Gibraltar for the period from February 15, 2020, to September 30, 2020. \$269,184 of these billings were paid during the nine-month period ended September 30, 2020. During the nine-month period ended September 30, 2021, \$270,000 has been billed by KABN Gibraltar and was paid during this period.

During the nine-month period ended September 30, 2021, billings for product, technical development and usage were incurred by KABN Gibraltar in the amount of \$322,975, of which \$125,100 was outstanding and payable as at September 30, 2021 with \$197,875 being paid. \$150,000 was billed for the nine-month period ended September 30, 2020, none of which was paid during the period. There are no fixed terms of repayment.

\$175,100 was outstanding to KABN Gibraltar as at December 31, 2020 for product, technical development and operational services was paid during the nine -month period ended September 30, 2021. \$122,755 was outstanding to KABN Gibraltar. as at January 1, 2020 for the initial license fee was paid during the nine-month period ended September 30, 2020.

## **SUBSEQUENT EVENTS**

No material subsequent events.

## **ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

### **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**

In January 2020, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of accounts receivable, payables to KABN Gibraltar, accounts payables and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise stated.

## **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

A breakdown of all material components of expenses of the Company is set forth in the interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2021.

## DISCLOSURE OF OUTSTANDING SHARE DATA

### Common Shares

The Company has 138,432,974 Common Shares issued and outstanding as of November 26, 2021.

### Share Purchase Warrants

The Company has 54,122,385 share purchase warrants outstanding exercisable into 54,122,385 Common Shares as of November 26, 2021.

### Broker Compensation Options

The Company has 1,419,978 broker compensation options outstanding, which are each exercisable into one Common Share and one share purchase warrant. The broker compensation options are exercisable into an aggregate of 2,839,956 Common Shares as of November 26, 2021.

### Stock Options

The Company has 17,768,900 stock options outstanding exercisable into 17,768,900 Common Shares as of November 26, 2021.

## RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

### Risks Related to the Company's Business

***Because of the unique difficulties and uncertainties inherent in early stage development, the Company faces a high risk of business failure. The Company currently does not generate revenue from its operations, and as a result, the Company faces a high risk of business failure***

The Company has a history of operating losses and may never achieve profitability in the future. The Company is an early stage technology company.

The Company's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract and retain the experienced management and know-how to develop and commercialize its programs. Successfully commercializing the current programs and gaining critical mass of client adoption may take several years and significant financial resources and the Company cannot assure that it can achieve these objectives.

***The Liquid Avatar Platform may not gain the level of market acceptance needed to make the Company profitable or achieve its growth objectives***

The Company could experience difficulty in securing holders, issuers and verifiers within Canada and the United States of America, which would also reduce the number of users of the Liquid Avatar Platform. This would slow the Company's revenue growth and path to positive cash flow and profitability, and materially and adversely impact the Company's prospects, which could negatively impact market value of the Common Shares.

Even if the Company secures a significant level of holders, issuers and verifiers of Liquid Avatar Platform within Canada and the US, the KABN Card could experience low adoption by end users or relatively low spend volume which could negatively impact related fees from the card and from KABN KASH and thus have a material and adverse impact on the Company's revenues, cash flows, profitability and financial position.

While the Company has a budget for marketing and communications to help support its efforts to gain market acceptance, secure new customers and promote revenue programs, such funds may not be sufficient to achieve the Company's revenue goals. If additional funds are required for marketing and communication, the Company may need to allocate funds from other uses, or raise additional capital, which could result in dilution to holders of the Common Shares, additional interest expense or both.

The Company could experience a limitation or stagnation in the ability to acquire cardholders in Canada and the United States of America which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The Company's card partners, payment card network and/or issuing banks could introduce new fees or assessments which could negatively impact the value proposition of KABN Card.

***Financial Liquidity***

The Company has not yet generated revenues and will likely operate at a loss as it looks to launch commercialized programs driving future revenue. The Company will require additional financing in order to execute its business plan. The Company's ability to secure required financing will depend in part upon on investor perception of our ability to create a successful business. Capital market conditions and other factors beyond our control may also play important roles in our ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to our management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that we feel the business requires, or unavailable on acceptable terms, we may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

***Reliance on KABN Gibraltar License***

The intellectual property used under the KABN Gibraltar License is built upon the intellectual property developed by or licensed to KABN Gibraltar and in particular verification IP. The Company's business will be highly dependent on the availability to it of the verification IP and the right to use it to operate the Liquid Avatar Platform. A loss of, or restriction on using, any material part of the IP, would significantly impact the operations of the Company, including its ability to offer services to current and future holders, issuers and verifiers which could have a material and adverse impact on the Company's revenues, results of operations, cash flows and prospects.

***Reliance on payment card networks and related financial services providers***

The KABN Gibraltar License includes the ability to offer the KABN Card within Canada and the United States of America, subject to approvals by payment card networks and issuing banks. payment card networks and issuing banks could exclude the Company from their approval which would require the Company to seek approval from an alternative payment card network and/or issuing bank, which could delay or eliminate the Company's ability to issue a digital currency-linked card in Canada and/or the United States of America, as payment card networks provide program approvals regionally.

Although KABN Gibraltar has been conditionally approved to run a digital currency-linked network branded prepaid card program in the United Kingdom and Europe, and the Company has been approved to run a similar prepaid card program in Canada, there is no guarantee that a similar program will be approved in the United States of America.

Once approved, payment card networks and issuing banks could create new governance/franchise rules which could negatively impact the Company's card products which could require the Company to seek approval from an alternative payment card network which could suspend the Company's ability to issue a digital currency linked card for an unknown period of time.

***Financial and related services risks***

The Company's financial and related services, which will include card partners, payment card networks and issuing banks in Canada and the United States of America, could change their position and/or rescind approved program status which would require the Company to seek approval from an alternative issuing bank which could delay or eliminate the Company's ability to issue or continue to issue the KABN Card.

The Company's card program, payment card network and issuing banks(s) could implement new rules and/or fees that impact revenues for the KABN Card, which could material and adverse impact on the Company's revenues, results of operations, cash flows and prospects.

The Company will be reliant on payment card networks and issuing banks to conduct its business, particularly to provide functionality for the KABN Card. There is a risk that one or more of these issuing banks may cease to deal with the Company (which may occur on short notice), cease to deal with international payments services generally, substantially reduce the services it offers, substantially alter the terms on which it is willing to offer services to the Company, or exit one or more of the markets for which the Company uses its services.

***The Liquid Avatar Platform will be subject to competing service offerings, including new technologies***

Alternative payment card network, banking or payment solutions could be introduced to the Canadian and American markets which could compete or outsell the Company's offerings and suite of services. Additionally, unknown new programs for the movement of funds, alternative banking and payment solutions may be introduced in the future that may have an impact on the Company's ability to compete in the marketplace.

The Company believes that the Liquid Avatar Platform provides a unique market proposition in providing identity verification that is portable, secure and cost effective. Notwithstanding this, the industry in which the Company will operate is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. Numerous entities around the world may compete with the Company's efforts to commercialize, develop and expand products and services. Competitors may develop products in advance of the Company, products that are more effective than those developed by the Company, or that have or gain greater market acceptance. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The identity verification and financial and related solutions markets are highly competitive, and the Company's offering competes with other financial related services businesses, including other businesses focused on identity verification and management. Many existing providers either compete directly with the Company or provide services that are potential substitutes. The Company's major existing competitors will include identity verification companies, banks, money transfer organizations and other international payments specialists. New competitors, services and business models that will compete with the Company are likely to arise in the future. Many of these existing and potential competitors have or may have substantially more resources than the Company and have or may have product and service solutions that are more attractive to Holders, Issuers and Verifiers.

There is a risk that an existing or future competitor:

- allocates significantly more resources to competing in the Company's markets, including resources devoted to marketing, developing technology and/or client service;
- develops a lower cost or more effective business model, for example by developing or acquiring a more sophisticated technology platform or service delivery method;
- responds to changes to regulations, new technologies or changes in client requirements faster and more effectively than the Company; or
- develops new services that compete more directly with the Company than their current services.

A substantial increase in competition for any of these reasons could result in the Company's services becoming less attractive to existing and potential Holders, Issuers and Verifiers, requiring the Company to increase its marketing or capital expenditure, lower prices or fees, or alter other aspects of its business model in order to remain competitive, any of which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

***There are significant regulatory and legislative risks***

The Liquid Avatar Platform assists Issuers with their AML and KYC compliance obligations in relation to their customers. Future legislative changes to AML, KYC or other similar requirements, may result in the Company's verification program not being as effective or losing its competitive advantage, and it may therefore become less attractive to current and prospective Issuers and Verifiers, which may have a significant effect on the business, operations and prospects of the Company. If Issuers and Verifiers change providers, the growth in the number of new users of the Liquid Avatar Platform will slow, impacting revenues across all aspect of the Company's business.

The international financial and related services market is a highly regulated area of economic activity around the world. Regulations applicable to those providing services and earning revenues in the market for international financial and related services include regulation relating to money laundering and financing of terrorism, sanctions laws and other regulations. There is a risk that the Company may fail to comply with these laws or government regulations. Any breach of law by the Company could have significant consequences for the Company. The further development, acceptance and use of digital currencies is subject to a variety of factors that are difficult to evaluate.

***The growth of the Neo Bank and identify verification industries in general, and the use of digital currencies in particular, is subject to a high degree of uncertainty***

The growth of the Neo Bank and identify verification industries in general, and the use of digital currencies in particular, is subject to a high degree of uncertainty, and the slowing, or stopping of the development or acceptance of developing protocols may adversely affect the Company's services related to future digital currencies-to-fiat link via the KABN Card which is operated by a partner party. The factors affecting the further development of these industries and digital currencies, include, but are not limited to:

- Continued worldwide growth in the adoption and use of digital currencies;
- Governmental and quasi-governmental regulation of digital currencies and their use;
- Restrictions on or regulation of access to and operation of the network or similar digital currency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception digital currencies generally.

***Data and privacy breaches can significantly harm the Company***

The majority of the Company's transactions will be conducted over the Internet and will therefore be subject to an element of risk. The Company's information technology infrastructure is designed to be secure, but is not immune to outside rogue elements, including computer viruses, computer hackers, and organized activities among groups of persons designed to breach the Company's security systems.

Privacy breaches may expose the Company to additional liability and result in the loss of Holders, Issuers and Verifiers, or an inability to conduct business. Any inability on the Company's part to protect the privacy in the Company's electronic transactions or systems could have a material effect on future revenue, financial conditions, and profitability. A privacy breach could expose the Company to additional liability under the privacy legislation of different jurisdictions, which could result in fines, additional compliance costs, or significant costs to remedy the breach and strengthen security; result in a customer or user's personal and/or financial information falling into the hands of criminal elements, exposing the Company to lawsuits, loss of revenue and reputations risks; and deter potential Holders, Issuers and Verifiers from using LAVCE or the Liquid Avatar Platform.

***The Company's failure to manage its growth successfully may adversely impact its operating results***

The Company's failure to manage its growth successfully may adversely impact its operating results. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to deal with growth may have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

***The Company's business is based on software and information systems and is exposed to the risks associated with such technologies***

While the Company's verification software was developed by KABN Gibraltar and through internally developed derivative works under the KABN License Agreement, such software may be subject to external factors, such as deprecation of operating systems, libraries, components, third party interfaces, drivers, patches, or other related issues. In addition, software requires regular updating and maintenance to keep it operating efficiently, continually, and robustly. If updates and maintenance are not carried out regularly or are carried out negligently, the software may be subject to operational outages, slowdowns, or errors. In addition, these external factors may affect the ability of the Company and KABN Gibraltar to effectively upgrade and maintain the Liquid Avatar Platform. The market in which the Company will operate is continually evolving, which can often lead to product and software obsolescence. If the Company does not successfully adapt to changes in the market and technology, its business and results may adversely be affected.

In addition, services based on sophisticated software and computing systems often encounter development and upgrade delays, and the underlying software may contain undetected errors or failures when introduced or when the volume of services provided increases. The Company may experience delays in the ongoing development of the software and computing systems underlying their services. In addition, despite testing, it is possible that the software may contain errors, and this could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The Company depends on the performance, reliability, and availability of the Liquid Avatar Platform. There is a risk that these systems may be adversely affected by a number of factors including damage, equipment faults, power failure or natural disasters. Events of that nature may cause part or all of the Liquid Avatar Platform or its website to become unavailable. This in turn could reduce the Company's ability to generate income, impact client service levels and cause damage to the Company's reputation and, potentially, have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

There is also a risk that potential faults in the Liquid Avatar Platform could cause transaction errors that could result in legal exposure from Issuers and Verifiers, potentially leading to a loss of Customers and other business partners, damage to the Company's reputation or even cause a breach of certain regulatory requirements (including those affecting any required license) and could, in turn, have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

***Dependency on the Internet and/or Cloud based services***

The Company will rely on the availability of its website(s) and related cloud services to provide Holders, Issuers and Verifiers (both current and prospective) access to the Liquid Avatar Platform. The Company will depend on the continued acceptance of the Internet and/or cloud as a communications and commerce platform for individuals and enterprises. The Internet and/or cloud could become less viable as a business tool due to delays in development or

adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of service. Hackers or Internet service provider outages could render one or more of the Company's website(s) and/or technology related services unavailable. If for any reason the Internet and/or cloud does not remain a widespread communications medium and commercial platform, or the Company's websites and/or technology related services are unavailable for an extended period, the demand for the Liquid Avatar Platform and the Company's services would be significantly reduced, which would have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

***Customer service and reputational risk***

The reputation of the Company, along with the Liquid Avatar Platform, is important in attracting new and retaining existing Holders, Issuers and Verifiers of the Liquid Avatar Platform. Reputational damage could arise due to a number of circumstances, including errors or defects, data or privacy breaches, inadequate services or unsatisfactory client outcomes. Negative publicity could adversely impact the reputation of the Company, along with the Liquid Avatar Platform, which may potentially result in a fall in the number of persons seeking the products and services of the Company.

***The Company may become involved in legal matters that may materially adversely affect it***

From time to time in the ordinary course of our business, the Company may become involved in various legal proceedings, including commercial, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be highly expensive, the results of any such actions may have a material adverse effect on the Company's business, operations or financial condition

***Fraud***

Combatting fraud is a significant challenge in the online identity, financial and related services industry because transactions are conducted between parties who are not physically present, which in turn creates opportunities for misrepresentation and abuse.

Companies in this sector are especially vulnerable because of the convenience and immediacy of verifying and validating identity and movement of funds, both digital currencies and fiat, from one account to another and subsequently withdrawing them. The Company's partners that facilitate identity, financial and other services over the Internet makes dealing with the risk of fraud a cost of doing business.

The Company will face significant risks of lost revenues due to fraud and disputes between parties. If the Company is unable to deal effectively with losses from fraudulent transactions the Company's business would be harmed.

Examples of such risks include:

- unauthorized use of personal information and undetected identity theft;
- client fraud;
- breaches of system security;
- employee fraud; and
- unauthorized use of the Liquid Avatar Platform or the KABN Card or associated mobile wallets.

***The Company's operations in the future may be adversely affected by other risks outside the control of the Company***

The Company's operations in the future may be adversely affected by labour unrest, civil disorder, war, terrorist attacks, computer viruses, telecommunications failure, power loss, subversive activities or sabotage, fires, earthquakes, floods, explosions or other catastrophes, epidemics or quarantine restrictions. For example, a system outage or data loss resulting from such an event could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Conflicts of interest***

Certain executive officers and directors will dedicate a portion of their time to other ventures. Management may have conflicts of interest in allocating management time, services and functions among the Company and any present and future ventures which are or may be organized by our officers or directors and/or their affiliates. While management dedicates a full-time equivalent effort to the Company they are not required to direct the Company as their sole and exclusive function, and they may have other business interests and engage in other activities in addition to those relating to the Company. This includes rendering advice or services of any kind to other investors and creating or managing other businesses.

It is possible, however, that certain directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company.

### ***Dependence on Key Personnel***

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers, and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

### ***Financial Statements Prepared on Going Concern Basis***

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the successful completion of financing and the creation of profitable operations deemed successful according to the standards of the industry in which it operates. The Company cannot guarantee that it will be successful in obtaining financing in the future or in achieving profitable business operations. The Company's consolidated financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Company be unable to continue as a going concern.

### ***Costs of Maintaining a Public Listing***

As a result of having a public listing, the Company incurs greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity under its prior operation. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

### ***Risks Relating to the Company's Common Shares***

#### ***Active Trading Market***

Currently the volume of trading in the public market for the Common Shares has at certain times been limited, and there can be no assurance that an active market for the Securities will be sustained at any time. If an active public market for the Company's securities is not sustained or enhanced, the liquidity of an investor's investment may be limited, and the share price may decline.

#### ***Share Price Volatility and Speculative Nature of Share Ownership***

Factors both internal and external to the Company may significantly influence the price at which our shares trade, and the volatility of our share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of shares.

Sentiment toward technology and early stage business stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Company's shares. The Company is not generating revenue and does not possess significant cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Company's shares on any potential exchange.

***The Company does not intend to pay dividends***

The Company has never paid any cash dividends and currently does not intend to pay any dividends for the foreseeable future. To the extent that the Company requires additional funding currently not provided for in our financing plan, our funding sources may prohibit the payment of a dividend. Because the Company does not intend to declare dividends, any gain on an investment in the Company will need to come through an increase in the price of the Common Shares. This may never happen, and investors may lose all of their investment in the Company.

***A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact its ability to continue operations***

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue its normal operations.

**ADDITIONAL INFORMATION**

Additional information about the Company is available on SEDAR at <http://www.sedar.com>.

**BOARD APPROVAL**

The Board of Directors of the Company has approved this MD&A.