

Libby K Industries Inc.
Management Discussion & Analysis
For the Period Ended June 30, 2019

The following management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of Libby K Industries Inc. (the “**Corporation**” or “**Libby K**”) prepared for the period ended June 30, 2019 should be read in conjunction with the Corporation’s unaudited condensed interim financial statements for the period ended June 30, 2019. All figures contained in this MD&A are presented in Canadian dollars. The MD&A has been prepared effective August 27, 2019.

Forward-Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

The Corporation

The Corporation was incorporated under the *Business Corporations Act* (British Columbia) on July 5, 2018 and is classified as a Capital Pool Corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “**Exchange**”).

The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“**QT**”). The Corporation has not commenced operations and has no assets other than cash held in trust. The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of: (a) 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities; or (b) \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before 24 months from the date the Corporation's common shares ("**Shares**") were listed on the Exchange.

In a prospectus dated January 18, 2019, the Corporation offered to sell and issue up to 5,000,000 Shares at \$0.10 per Share (\$500,000) pursuant to the Corporation's IPO (the "**Offering**"). The Corporation entered into an agency agreement with PI Financial Corp. (the "**Agent**") to raise up to \$500,000, in connection with the Offering. The Corporation paid a commission of 10% of gross proceeds to the Agent and granted the Agent an option to acquire 10% of the Shares issued in the Offering exercisable for a period ending 24 months from the date the Shares were listed on the Exchange (the "**Agent Options**"). The Corporation also paid a corporate finance fee of \$50,000 upon the closing of the Offering and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. The Agent Options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.79%, expected volatility of 110% and an expected life of two years. The value attributed to the 500,000 Agent Options was \$28,550.

The head office of the Corporation is located at 1208 Rosewood Crescent, North Vancouver, BC, V7P 1H4 and its registered office is located at Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5.

On August 27, 2019 the board of directors of the Corporation approved the unaudited condensed interim financial statements for the period ended June 30, 2019.

Summary of Quarterly Results

The Corporation recorded a net loss of \$1,400 during the 3 months ended June 30, 2019. The net loss for the period is due mainly to costs relating to professional fees. This compares to a net loss of \$177,744 for the nine months ended June 30, 2019 and of \$194,021 since the Company was incorporated on July 5, 2018.

The Company anticipates incurring professional fees such as legal fees and audit fees, and transfer agent fees, on an ongoing basis.

Additional Disclosure for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred in the period from the date of incorporation (July 5, 2018) to June 30, 2019:

	Total	
	Jul 5, 2018 - Jun 30, 2019	Apr 1 - Jun 30, 2019
EXPENSES		
Bank charges	278	0
Filing Fees	22,761	0
Legal and professional fees	75,301	1,250
Office expenses	5,796	0
Other general and administrative expenses	2,100	150
Share-based payments	87,785	0
Total Expenses	\$194,021	\$1,400
PROFIT	\$(194,021)	\$(1,400)

Liquidity and Capital Resources

As at June 30, 2019, the Corporation had cash of \$641,259. The Corporation had current liabilities of \$nil and working capital of \$648,764.

Negative cash flows of \$156,236 were recorded from operating activities from the date of incorporation (July 5, 2018) to June 30, 2019. This is primarily due to outflows relating to filing fees, professional fees and commissions.

Outstanding Share Data

As of the date of this MD&A, the Corporation had 11,100,000 Shares issued and outstanding.

In a prospectus dated January 18, 2019, the Corporation offered to sell and issue up to 5,000,000 common shares at \$0.10 per share (\$500,000) pursuant to the Offering. The Corporation entered into an agency agreement with the Agent to raise up to \$500,000, in connection with the Offering. The Corporation paid a commission of 10% of gross proceeds to the Agent and granted the Agent the Agent's Options. The Corporation also paid a corporate finance fee of \$50,000 upon the closing of the Offering and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering.

The Corporation's Shares were listed on the Exchange under the trading symbol "LBB.P" on February 8, 2019.

Concurrently with closing of the Offering, an aggregate of 1,110,000 stock options granted to the directors and officers of the Corporation to acquire Shares at an exercise price of \$0.10 per Share, which may be exercised for a period of 5 years from the date of grant.

There were no additional securities issued in the 3 months ended June 30, 2019.

Off-Balance Sheet Arrangements

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

Proposed Transactions

Except for starting its business to identify, evaluate and then acquire an interest in a business or assets, the Company does not have any proposed transactions to discuss at this time.

Related Party Transactions

A director and senior officer of the Corporation, together with an associated entity of such director and senior officer, purchased a total of 180,000 Shares in the Offering. Accordingly, the Offering constituted to that extent a "related party transaction" under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The transaction was exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 as neither the fair market value of any Shares issued to or the consideration paid by such persons exceeds 25% of the Corporation's market capitalization. The Corporation did not file a material change report more than 21 days before the expected closing of the Offering as the details of the Offering and the participation therein by related parties of the Corporation were not settled until shortly prior to closing and the Corporation wished to close on an expedited basis for sound business reasons.

Share-based payment expense recognized for stock options granted to key management for the 9 months ended June 30, 2019 was \$87,785.

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of

the Corporation. These restrictions apply until completion of a QT by the Corporation as defined under the Exchange policy 2.4.

Risk Disclosures and Fair Values

The Corporation's financial instruments, consisting of cash held in trust and due to shareholder approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Critical Accounting Estimates

The Corporation's significant accounting policies are summarized in Note 3 to the financial statements for the period ended June 30, 2019.

Additional Information

For further detail, see the Corporation's unaudited condensed interim financial statements for the period ended June 30, 2019. Additional information about the Corporation can also be found on its SEDAR profile at www.sedar.com.