

Plurilock Security Inc.

(formerly Libby K industries Inc.)

Management's Discussion and Analysis

For the three and nine months ended September 30, 2020

Introduction

This management's discussion and analysis ("**MD&A**") for Plurilock Security Inc. ("**Plurilock**" or the "**Company**") should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2020 and 2019 which have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("**IAS 34**") using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") ("interim financial statements"). As such, the interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018 ("consolidated financial statements"). Except as otherwise indicated or where the context so requires, references to "Plurilock" or the "Company" include Plurilock and its subsidiaries. All dollar figures stated herein are expressed in Canadian dollars (\$ or Cdn\$), unless otherwise specified.

The date of this MD&A is November 27, 2020, the date on which it was approved by the Board of Directors.

The Company Background

Plurilock, formerly Libby K Industries inc. ("**Libby K**"), was incorporated under the *Business Corporations Act* (British Columbia) on July 5, 2018 and completed its initial public offering (the "**IPO**") on February 8, 2019. The Company's head office and principal place of business is located at Suite 330 - 700 Fort Street, Victoria, British Columbia, Canada V8W 1H2 and its website is www.plurilock.com.

The Company is an identity-centric cybersecurity company providing continuous multi-factor authentication ("**MFA**") solutions. Plurilock's software leverages behavioral-biometric, environmental, and contextual technologies to provide invisible, adaptive, and risk-based MFA, device and malware protection, and identity assurance.

The Company has one wholly owned subsidiary, Plurilock Security Solutions Inc. ("**PL**"), which was formed following the amalgamation of PL and 1243540 B.C. Ltd. on September 17, 2020 pursuant to QT (as defined below). PL in turn has one wholly owned subsidiary, Plurilock Security Corp. ("**PLUS**"). PLUS was incorporated on November 15, 2017 in the State of Delaware, USA.

On September 17, 2020, the Company and PL completed a Qualifying Transaction ("**QT**") pursuant to the policies of the TSX Venture Exchange. The QT was effected pursuant to a three-cornered amalgamation whereby Libby K's wholly owned subsidiary, 1243540 B.C. Ltd., amalgamated with PL under the *Business Corporations Act* (British Columbia) and the amalgamated entity adopted the name "Plurilock Security Solutions Inc." and PL became a wholly owned subsidiary of the Company. On the same day, the Company changed its name from "Libby K Industries Inc." to "Plurilock Security Inc." and the newly appointed Company Board of Directors ratified changing Plurilock's year-end to coincide with that of PL and PLUS. In connection with the QT, the Company and PL completed concurrent brokered private placements (the "**Concurrent Financings**") for aggregate proceeds of \$2.6 million. See also Qualifying Transaction below.

On September 24, 2020, the Company common shares resumed trading on the TSX Venture Exchange as a Tier 2 technology issuer under the ticker symbol "**TSX-V: PLUR**".

Qualifying Transaction

The QT was completed on September 17, 2020 by way of a three-cornered amalgamation whereby the Company's wholly owned subsidiary amalgamated with PL under the *Business Corporations Act* (British Columbia) and PL became a wholly owned subsidiary of the Company.

In connection with the QT, PL and Libby K completed the Concurrent Financings for aggregate proceeds of \$2.6 million.

The Libby K brokered component comprised of 1,262,000 units of the Company (the "**Libby K Units**") at a price of 30 cents per unit, for aggregate gross proceeds of \$378,600. Each Libby K Unit comprised of one share of the Company and one-half of a warrant of the Company, and each whole warrant is exercisable for one share at an exercise price of 40 cents until September 17, 2022, all on a post consolidation basis. The shares and warrants issued under the Libby K brokered component, as well as any shares issued upon exercise of such warrants, are subject to a hold period and may not be traded until January 18, 2021, except as permitted by applicable securities legislation and the rules and policies of the TSX-V.

The PL brokered component comprised 7,416,162 subscription receipts of PL at a price of 30 cents per subscription receipt, for aggregate gross proceeds of approximately \$2,224,849. Pursuant to the terms of the QT (and after giving effect to the consolidation), each subscription receipt was effectively converted into one Libby K Unit for a total of 7,416,162 Libby K Units.

PI Financial Corp. ("**PI Financial**") (as lead agent) and Industrial Alliance Securities Inc. acted as agents for the Concurrent Financings. As consideration for certain services provided in connection with the Concurrent Financings, the agents and members of the selling group received an aggregate of approximately \$186,676 in cash and 622,252 compensation warrants. Each compensation warrant is exercisable for one share at an exercise price of 30 cents until September 17, 2022. In addition, PL issued to PI Financial 200,000 common shares of PL as consideration for corporate finance advisory services. The corporate finance shares were exchanged for 200,000 common shares of the Company upon completion of the QT. The compensation warrants and any shares issued upon exercise of the compensation warrants are subject to a hold period and may not be traded until January 18, 2021, except as permitted by applicable securities legislation, and the rules and policies of the TSX-V. No other finders' fees were payable in connection with the Concurrent Financings.

In accordance with the Amalgamation Agreement dated June 23, 2020, as amended and immediately before completion of the share exchange ("**Share Exchange**"): (a) all of the in-the-money stock options and warrants of PL were deemed to be exercised into 900,524 common shares of PL on a cashless basis; and (b) each outstanding preferred share of PL was cancelled and converted into 2,514,692 common shares of PL. After completion of such transactions, and before the Share Exchange and the completion of the PL brokered component, there were an aggregate of 27,515,637 common shares of PL issued and outstanding. All stock options of PL that were not in the money were cancelled.

The amalgamated entity formed pursuant to the QT is now a wholly owned subsidiary of Plurilock, and the outstanding securities of PL were exchanged for securities of Plurilock immediately before the completion of the QT, as follows:

- Each outstanding common share of PL held by certain shareholders that formed the founder trust distribution in 2020 were exchanged for 1.655 shares of Plurilock on a post consolidation basis.

- All securities issued pursuant to the PL's financings were exchanged for one Libby K Unit, at a discounted price of 22.5 cents per unit, for an aggregate of 6,879,992 Libby K Units.
- Each outstanding PL share that (i) is not held by 1.655 exchange ratio PL holders and (ii) does not comprise a portion of the financings units was exchanged for 0.8152 Plurilock share.

After the Share Exchange, each outstanding common share of PL was exchanged for one Plurilock share.

As a result of the QT, on September 17, 2020, there were an aggregate of 45,055,790 Plurilock shares issued and outstanding, of which the previous shareholders of the Company held approximately 12.2 per cent, the purchasers under the Concurrent Financings held approximately 19.7 per cent, the purchasers under the bridge financings of PL held approximately 15.3 per cent, and the former shareholders of PL held approximately 52.8 per cent, respectively.

The PL shareholders, representing an aggregate of 14,932,573 Plurilock shares post-QT, also entered into contractual lock-up agreements, an aggregate of 2,986,838 Plurilock shares and 123,610 Plurilock warrants are subject to Tier 2 surplus escrow agreements, an aggregate of 5,070,614 Plurilock shares are subject to Tier 2 value escrow agreements, and the 1,262,000 units issued in the Libby K brokered component are subject to a four-month hold, pursuant to B.C. Instrument 45-536.

Forward-looking statements

Certain statements in this MD&A constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, the Company's goals, expected costs, objectives, growth strategies, merger and acquisition program and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company's industry, government regulation and funding and other such risk factors described herein and in other disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change.

Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this MD&A are qualified by these cautionary statements. Other than specifically required by applicable laws, we are under no obligation and we expressly disclaim any such obligation to update or alter the forward-looking statements whether as a result of new

information, future events or otherwise except as may be required by law. These forward-looking statements are made as of the date of this MD&A.

Selected Q3 2020 financial information

The following selected financial information for the three and nine months ended September 30, 2020 and 2019 has been derived from the interim financial statements and should be read in conjunction with those financial statements and related notes. Non-IFRS measures are defined below.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	168,854	179,216	351,705	272,128
<i>Government</i>	<i>83,939</i>	<i>102,059</i>	<i>103,310</i>	<i>143,859</i>
<i>License</i>	<i>84,915</i>	<i>77,157</i>	<i>248,395</i>	<i>128,269</i>
Cost of sales	(32,497)	(23,849)	(54,395)	(31,255)
Gross profit	136,357	155,367	297,310	240,873
Gross margin	80.8%	86.7%	84.5%	88.5%
Net loss and comprehensive loss for the period	(1,750,540)	(279,144)	(2,850,916)	(1,159,457)
EBITDA ⁽¹⁾	(1,740,995)	(266,726)	(2,801,511)	(1,129,862)
Adjusted EBITDA ⁽¹⁾	(276,205)	(256,182)	(1,313,954)	(1,098,230)
Basic loss per share - for the period	(0.07)	(0.01)	(0.13)	(0.06)
Diluted loss per share - for the period	(0.07)	(0.01)	(0.13)	(0.06)
Weighted average number of common shares	25,428,332	20,374,902	22,328,011	20,323,575
Reconciliation of EBITDA and adjusted EBITDA:				
Net loss and comprehensive loss for the period	(1,750,540)	(279,144)	(2,850,916)	(1,159,457)
Amortization	6,372	2,240	17,064	5,860
Interest expense	3,173	10,178	32,341	23,735
EBITDA ⁽¹⁾	(1,740,995)	(266,726)	(2,801,511)	(1,129,862)
Listing expenses	1,455,962	-	1,455,962	-
Share-based compensation	8,828	10,544	31,595	31,632
Adjusted EBITDA ⁽¹⁾	(276,205)	(256,182)	(1,313,954)	(1,098,230)

	September 30, 2020	December 31, 2019
	\$	\$
Cash & cash equivalents	3,066,542	147,433
Trade and other receivables	324,229	532,016
Total assets	3,855,115	1,002,917
Trade and other payables	1,096,614	340,629
Unearned revenue	51,105	138,659
Loans - short term	52,151	401,033
Loans - related parties	-	52,164
Lease liability - current	17,125	15,893
Total current liabilities	1,216,995	948,378
Total non-current liabilities	43,855	16,856
Total liabilities	1,260,850	965,234

(1) EBITDA and Adjusted EBITDA are non-IFRS measures and are discussed in Non-IFRS Measures section below

Non-IFRS Measures

Earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA should not be construed as alternatives to net income/loss determined in accordance with IFRS. EBITDA and Adjusted EBITDA do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company defines EBITDA as earnings before interest, taxes, and

amortization. Adjusted EBITDA is defined as EBITDA before Share-based compensation expense and Listing expenses. The Company believes that EBITDA and Adjusted EBITDA is a meaningful financial metric for investors as it adjusts income to reflect amounts which the Company can use to fund working capital requirements, service future interest and principal debt repayments and fund future growth initiatives.

Q3 2020 Financial Highlights

- Total revenue for the three and nine months ended September 30, 2020 was \$168,854 and \$351,705 (\$179,216 and \$272,128 respectively in 2019), a decrease of 6% and an increase of 29% over the same periods in the prior fiscal year.
- Government revenue accounted for 50% and 29% of total revenues for the three and nine months ended September 30, 2020 (57% and 53% for the same periods in 2019) while license revenues accounted for 50% and 71% of total revenues for the three and nine months ended September 30, 2020 (43% and 47% for the same periods in 2019).
- Government revenue was \$83,939 and \$103,310 for the three and nine months ended September 30, 2020, compared to \$102,059 and \$143,859 over the same periods in the prior fiscal year.
- License revenue was \$84,915 and \$248,395 for the three and nine months ended September 30, 2020, compared to \$77,157 and \$128,269 over the same periods in the prior fiscal year.
- Gross margin was 80.8% and 84.5% for the three and nine months ended September 30, 2020, compared to 86.7% and 88.5% over the same periods in the prior fiscal year.
- Adjusted EBITDA was \$(276,205) and \$(1,313,954) for the three and nine months ended September 30, 2020 compared to \$(256,182) and \$(1,098,230) over the same periods in the prior fiscal year.
- Cash used in operating activities for the three and nine months ended September 30, 2020 was \$346,795 and \$865,338, compared to \$542,166 and \$1,136,615 during the same periods in the prior fiscal year.
- Cash generated from financing activities for the three and nine months ended September 30, 2020 was \$2,631,305 and \$3,799,847, compared to \$525,301 and \$1,059,289 over the same periods in the prior fiscal year.

Q3 2020 Operational Highlights

- On July 30, 2020, the Company was awarded a new contract by the US Department of Homeland Security ("**DHS**") to continue its development of advanced machine-to-machine ("**M2M**") authentication and anomaly detection tools. The contract, which totals some US\$198,000, is the third in a series of related contracts funded through the DHS Science and Technology ("**S&T**") Directorate's Silicon Valley Innovation Program ("**SVIP**") and renews the ongoing collaboration between Plurilock and DHS.
- On August 6, 2020, the Company announced that it was awarded advisory services and funding from the National Research Council of Canada Industrial Research Assistance Program ("**NRC IRAP**") for a research and development project. The funding provides Plurilock with up to \$120,000 to support the

development of advanced passwordless authentication technologies that can be used in commercial, enterprise, and highly regulated cybersecurity environments.

- On September 17, 2020, the Company completed the QT and closed the Concurrent Financings for aggregate proceeds of \$2.6 million.
- On September 17, 2020, the Company changed its name to Plurilock.
- On September 24, 2020, Plurilock shares commenced trading on the TSX Venture Exchange as a Tier 2 technology issuer under the ticker symbol "TSX-V: PLUR".
- On September 24, 2020, the Company announced it had retained PI Financial to provide market making services and Thesis Capital Inc. for investor relations services.
- On September 29, 2020, the Company announced that PL was awarded a USD \$42,000 annual recurring contract by a major US based financial services client.

Company

Overview

Plurilock provides continuous MFA solutions. Plurilock's flagship products, Plurilock DEFEND and Plurilock ADAPT, leverage state-of-the-art behavioral-biometric, environmental and contextual technologies to provide invisible, adaptive and risk-based MFA device and malware protection, and strong identity assurance.

Plurilock's products redefine identity as a person's ordinary every-day behavior, which is used to authenticate them – the way an individual writes an email, the individual's physical location and how individuals respond to icons on a screen. This process is invisible to the user, requiring no user training, awareness or required interaction. Plurilock's products are continually tracking a user's behavior in the background to build the user's unique identity.

Technology and Patent Portfolio

Plurilock's technology enables organizations to identify users based on individual, fingerprint-unique patterns in their behavior, environment, and context. Usernames, passwords, and authentication tokens can be forgotten or stolen. Fingerprint and facial scans can be fooled. Plurilock products track imperceptible micro-patterns in keyboard, mouse, and touchscreen use along with ambient environment and context data that is unique to each individual and their computing devices. Impersonation is impossible, accounts can't be stolen or shared, and privacy is protected because Plurilock data can't be used to reconstruct real-world identities.

Plurilock has been issued three patents across two patent families covering certain aspects of its behavioral biometric algorithms. These include:

Country	Patent Title	Patent No.
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Canada	System and Method for Determining a Computer User Profile from a Motion-Based Input Device	CA 2535542
United States	System and Method for Determining a Computer User Profile from a Motion-Based Input Device	8,230,232
United States	Password Generator, System and Use Thereof	8,024,793

Plurilock will continue to advance the protection of its current and future intellectual property.

Market opportunity

Plurilock operates in the cybersecurity industry. Cybersecurity as a whole is a fractured, segmented industry with varying levels of sophistication. Some market segments, such as asset management, have remained relatively unchanged over the last ten years, whereas other segments, such as next generation firewalls, have incorporated the latest machine learning and big data techniques.

Identity and Access Management ("**IAM**"), a US\$9.5 billion annual market (<https://www.fortunebusinessinsights.com/industry-reports/identity-and-access-management-market-100373>), is the security discipline ensuring that only the right individuals can access the right technology, at the right times, and for the right reasons. It has seen incremental improvements over the years, but no game changing technology has yet disrupted the market of incumbents.

Plurilock's business is focused predominantly in the IAM market segment. This segment is dominated by larger incumbents which specialize in different ways of authenticating users at the time of login. Notably, these vendors use a combination of hardware ("**something you have**") and shared secrets like passwords ("**something you know**") to govern access to a system. A simple analogy is to think of them as a locked door, with successful authentication being the key needed to unlock the door. In contrast, Plurilock acts both as a locked door *and* as a security guard that follows users continuously, even after they have entered the building. The Company believes that this is a clear paradigm shift for the industry.

Key drivers in the IAM market segment include: increasing instances of cyber-attacks and data breaches in enterprises; growing stringent regulations and compliance requirements; Increasing adoption of cloud-based, risk-based authentication solutions; the need to augment or replace transactional authentication with continuous or adaptive authentication; and the trend by cybersecurity solutions customers of favoring single-source providers.

While there are legacy solutions in the market today, there does not yet exist a clear market leader. Plurilock plans to become that market leader with its frictionless and preventative model, compliance benefits and partner-centric sales strategy.

Business Model & Growth Strategy

Plurilock is focused on acquiring market share through a sequential vertical strategy, based on the technology adoption lifecycle curve. Plurilock's core markets have been prioritized from verticals that have both significant cyber security risk and regulatory compliance pressure:

1. *Banking and Financial Services* Insurance seek an urgent solution because of the compliance pressures from FINRA, the Payment Card Industry Security Council and NIST, and because of their comparatively rapid adoption of new technology. Sensitive information includes personal financial information, deal and transaction information as well as ability to execute large value transactions.
2. *Public Sector* (which includes Government, Law Enforcement, Defense and the Intelligence Community), because of the market opportunity in cyber security spending and inefficiencies in existing solutions. Sensitive information includes that which is classified and sensitive, as well as strategic and tactical data.
3. *Healthcare*, because of the regulatory pressures from HIPPA. Personal health information is sensitive and protected by HIPAA as well as other privacy laws.

As well, an additional follow-on vertical which the Company intends to focus on will be the Critical Infrastructure market, which shares similar characteristics: high cost of breach and significant regulatory pressure from the North American Electric Reliability Corporation ("**NERC**"), the Federal Energy Regulatory Commission ("**FERC**") and the (National Institute of Standards and Technology ("**NIST**"). Manufacturing, Engineering, Construction and Entertainment organizations also face high cost of breach of security, and while industry specific regulatory compliance may not be in place, horizontal compliance standards such as Sarbanes-Oxley are equally applicable.

Plurilock intends to continue to generate or acquire targeted leads through inbound sales via the Company's website, reseller partners, and channel referrals; outbound direct sales via Plurilock's sales team; and event-driven sales via in-person attendance or speaking at trade shows.

Plurilock's growth strategy also includes completing strategic acquisitions. In assessing the suitability of potential acquisition targets ("**PAT**"), Plurilock considers numerous operational and strategic factors as they related to Plurilock which may include, amongst others, the following: enhanced ,additional and diversification of product offerings and customer lists; strong brands and Intellectual Property; and accretive revenue and costs synergies. To date, Plurilock has not made any such acquisitions.

Plurilock's proposed acquisition model is expected to include paying for acquisitions with a combination of cash, shares, and earn-out payments (debt). Acquisitions may also be structured to accommodate the continued involvement for the vendor and the retention of individuals key to the success and viability of the acquired firm. The structure of Plurilock's acquisitions, including the proportion of cash, shares, and earn-out payments/debt as consideration are subject to deal specific factors including business, legal and tax advice.

Plurilock does not necessarily envision integrating newly acquired businesses under one common corporate brand. Instead, Plurilock's strategy may include maintaining the value created by the vendor by retaining the identity, specialization, and other success factors of the target firm within its local market. Each PAT will be reviewed and negotiated separately.

Overall performance and discussion of operations

COVID-19 Impact on Operations and Financial Position

In March 2020, the World Health Organization declared the coronavirus (specifically identified as "**COVID-19**") a global pandemic. The Covid-19 spread has had a limited impact on the Company's operations. All

employees have switched to working remotely during this time. The Company has resources available to fulfill its customers' deliverables. The Company does not expect that the impact of COVID-19 will materially affect its business and financial results. The Company believes its response plan represents its positive contribution to the society and the business community.

Revenue

The Company derives revenues from two main sources: (1) licenses, and (2) government. It obtains the majority of its customer arrangements through direct sales and reseller partners, most of which are in North America. All reseller partner sales are recorded at the net amount received from the reseller, if applicable, provided that all significant contractual obligations have been satisfied. For direct sales, revenues are recorded at the amount received from the end customer. The Company's subscription service arrangements are non-cancelable and do not contain refund-type provisions.

(1) Government revenues

The Company's government contracts are generally on either a fixed fee, milestone based or subscription basis. These revenues are recognized on a proportional performance basis for fixed price contracts, and rateably over the contract term for subscription managed government contracts.

(2) License revenues

License and support revenues are comprised of fees that provide customers with access to software licenses and related support and updates during the term of the arrangement. License revenues are recognized straight-lined over the contract terms beginning on the commencement date of each contract, which is the date the service is made available to customers. The Company typically executes a new contract for subsequent renewals or follow on orders. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

The following table shows the details of revenues from operations for the three and nine months ended September 30, 2020 and 2019:

	For the three months ended September 30,				Increase/-Decrease %
	2020		2019		
	\$	%	\$	%	%
Government	83,939	50%	102,059	57%	-18%
License	84,915	50%	77,157	43%	10%
Total revenue	168,854	100%	179,216	100%	-6%

	For the nine months ended September 30,				Increase/-Decrease %
	2020		2019		
	\$	%	\$	%	%
Government	103,310	29%	143,859	53%	-28%
License	248,395	71%	128,269	47%	94%
Total revenue	351,705	100%	272,128	100%	29%

Total revenue for the three and nine months ended September 30, 2020 was \$168,854 and \$351,705 (\$179,216 and \$272,128 respectively in 2019), a decrease of 6% and an increase of 29% over the same periods in the prior fiscal year. During the three and nine months ended September 30, 2020, government sales revenue accounted for 50% and 29% of total revenues (57% and 53% during the same periods in 2019) while license revenues accounted for 50% and 71% of total revenues (43% and 47% during the same periods in 2019). The Company continues to focus its growth strategy on increasing its license revenue, organically and through acquisitions.

Gross Profit and Gross Margin

The following table summarizes gross profit and gross margin from operations for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020		2019	
	\$	\$	\$	\$
Revenue	168,854	179,216	351,705	272,128
Cost of sales	(32,497)	(23,849)	(54,395)	(31,255)
Gross profit	136,357	155,367	297,310	240,873
Gross profit (%)	80.8%	86.7%	84.5%	88.5%

Gross profit as a percent of revenue for the three and nine months ended September 30, 2020 decreased to 80.8% from 86.7% during the same period in 2019 and 84.5% from 88.5% during the same period in 2019.

Gross profit depends on the product mix and costs of sales for the reporting period. Revenues are comprised of a combination of recurring license sales and repeatable government sales. Cost of sales include expenses

related external cloud-based server providers, project management & customer support staff and third-party subcontractors.

Research and Development Expenses ("R&D")

The following table is a breakdown of the Company's R&D related expenses for the three and nine months ended September 30, 2020 and 2019:

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Communication and IT services	38,396	39,494	104,593	99,990
Contractors	11,278	22,834	11,278	69,152
Government assistance	(186,954)	(4,279)	(340,446)	(74,925)
Office and general	427	—	1,892	181
Salaries and benefits	192,042	160,907	591,567	490,390
SRED tax credit	(14,726)	(43,500)	(107,614)	(101,852)
Travel and entertainment	65	1,757	2,129	8,832
COGS allocation	(45,767)	(27,842)	(78,825)	(36,803)
	(5,239)	149,371	184,574	454,965

For the three and nine months ended September 30, 2020, Plurilock's R&D expenses primarily include salaries and benefits, consulting and contractor fees, communication and IT services, travel and entertainment less \$14,726 and \$107,614 (\$43,500 and \$101,852 during the same periods in 2019) of refundable Canadian Scientific Research & Experimental Development ("SRED") claimed tax credits and \$89,916 and \$129,878 (\$4,279 and \$74,925 during the same periods in 2019) of Canadian National Research Council ("NRC") Industrial Research Assistance Program ("IRAP") funding. During the three and nine months ended September 30, 2020, the Company also received government assistance of \$97,038 and \$210,568 from the Government of Canada under the relief programs for the COVID-19 pandemic.

R&D expenses may continue to increase in the future as the Company seeks to evolve and improve its behavioral biometrics authentication platform, invest in creating new technology and products that will enhance the Company's value proposition to customers and provide additional revenues, hire new staff or not be able to claim additional SRED tax credits or receive IRAP funding.

Sales and Marketing expenses ("S&M")

The following is a breakdown of the Company's S&M related expenses for the three and nine months ended September 30, 2020 and 2019:

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Advertising and promotion	11,886	500	25,732	3,497
Communication and IT services	16,889	8,559	41,470	28,829
Contractors	42,910	5,000	65,685	5,000
Government assistance	(35,553)	—	(69,037)	—
Marketing	23,768	3,993	39,078	5,599
Office and general	—	—	2,643	—
Salaries and benefits	182,537	97,681	539,306	310,286
Sales commission	1,848	—	13,687	—
Travel and entertainment	—	(166)	614	5,477
	244,285	115,567	659,178	358,688

For the three and nine months ended September 30, 2020, the Company's S&M expenses primarily include salaries & benefits, consulting & contractor fees, communication & IT expenses, travel & entertainment expenses, marketing and advertising. The increase of S&M expenses is a result of the increased activities for growing the business including new additions to our sales team. Plurilock hired a senior New York USA based Account Executive in the first half of 2020. During the three and nine months ended September 30, 2020, the Company also received government assistance of \$35,553 and \$69,037 (nil in 2019) from the Government of Canada under the relief programs for the COVID-19 pandemic.

S&M expenses may continue to increase in the future as the Company seeks to execute on its sales growth strategy with the addition of additional S&M staff, both organically and through acquisitions.

General and Administrative expenses ("G&A")

The following table is a breakdown of the Company's G&A related expenses for the three and nine months ended September 30, 2020 and 2019:

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Amortization	6,372	2,240	17,064	5,860
Communication and IT services	10,660	10,948	31,893	25,998
Contractors	56,600	52,714	200,606	122,942
Government assistance	(17,441)	—	(37,531)	—
Insurance	3,103	4,731	16,286	10,736
Office and general	9,019	12,544	26,577	44,209
Professional fees	3,158	19,236	292,856	83,053
Regulatory filing	12,552	—	12,552	—
Salaries and benefits	84,916	37,118	220,883	173,085
Travel and entertainment	1,568	8,304	15,201	59,854
	170,507	147,835	796,387	525,737

The Company's G&A expenses primarily include salaries & benefits, contractor fees, professional fees (audit & accounting, legal and corporate finance), communication & IT expenses, insurance, travel & entertainment expenses, bad debt expense and other. The increase in G&A expenses for the three and nine months ended September 30, 2020 compared to the prior year relate to increased salaries and benefits expenses, consulting & contractors fees as well as higher professional fees relating from increased headcount and audit expenses as the Company obtained audited financial statements with the adoption of IFRS effective January 1, 2018. During the three and nine months ended September 30, 2020, the Company also received government assistance of \$17,441 and \$37,531 (nil in 2019) from the Government of Canada under the relief programs for the COVID-19 pandemic.

G&A expenses may continue to increase in the future with increased public reporting issuer expenses, corporate finance fees, investor relations, legal and other expenses, as the Company completes its qualifying transaction.

Share-based compensation

During the three and nine months ended September 30, 2020, the Company recognized \$8,828 and \$31,595 (\$10,544 and \$31,632 in 2019) respectively of share-based compensation expense. The decrease in share-

based compensation expenses for the three and nine months ended September 30, 2020 compared to the prior year was a result of the conversion of the options to common shares as part of the Qualifying Transaction.

The Company issued stock options to directors and employees in 2020, 2019 and 2018. The fair value of these options, as determined on the date of grant, is being recognized as an expense of the vesting periods of the options. See Note 16 of the September 30, 2020 condensed interim financial statements for further information.

Liquidity and capital resources

Cash and cash equivalents

As at September 30, 2020 and December 31, 2019, the Company had \$3,066,542 and \$147,433, respectively, of cash and cash equivalents.

Operating activities

During the three and nine months ended September 30, 2020, the Company used \$346,795 and \$865,338 of cash (\$542,166 and \$1,136,615 during the same periods in 2019) on operating activities.

Investing activities

During the three and nine months ended September 30, 2020, the Company used \$7,722 and \$17,795 of cash (\$nil and used \$5,172 during the same periods in 2019) on investing activities.

Financing activities

During the three and nine months ended September 30, 2020, the Company raised a total of \$2,631,305 and \$3,799,847 (\$525,301 and \$1,059,289 during the same periods in 2019) through common shares as part of the two bridge financings and the Concurrent Financings with the Qualifying Transaction. Under the two bridge financings, common shares of PL were issued at a price of \$0.225 per share (\$0.25 in 2019) and resulted in the issuance of 257,776 and 1,069,441 (1,395,000 and 2,275,000 during the same periods in 2019) common shares of PL. As part of Bridge #1 Financing (as defined herein), \$22,000 was raised through a non-cash transaction as a result of exercising the conversion feature of a short-term loan. Share issuance costs during the periods totaling nil and \$5,500 (nil and \$3,750 during the same periods in 2019) were netted against share capital. During the nine months ended September 30, 2020, as part of the two bridge financings, the Company received \$1,307,375 through the issuance of convertible debts (nil in 2019). Under the Concurrent Financings, Libby K Units were issued at a price of \$0.3 per unit and resulted in 8,678,162 common shares and 4,339,081 warrants.

During the three and nine months ended September 30, 2020, the Company has a comprehensive loss of \$1,750,540 and \$2,850,916 (\$279,144 and \$1,159,457 during the same periods in the prior year) and an accumulated deficit of \$7,654,744 (December 31, 2019: \$4,806,893). The Company has financed its operating cash requirements primarily through the issuance of share capital. The Company's ability to realize the carrying value of its assets and to continue as a going concern is dependent upon the successful execution of the Company's strategic plan to improve the scale and profitability of its business to achieve future profitable operations, the outcome of which cannot be predicted at this time. It will be necessary for

the Company to raise additional funds from time to time for the continued execution of its strategic plan. These funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. The ability of the Company to continue as a going concern is dependent upon the continued support from the Company's shareholders, lenders, and the Company ability to attain profitable operations in the near future. There can be no assurance that the Company will successfully generate sufficient operating cash flows or raise sufficient funds to continue the execution of its strategic plan and to operate as a going concern. As a result of the above, there may be material uncertainties in the future that may cast significant doubt on the Company's ability to continue as a going concern.

On February 21, 2020, the Company completed the Bridge Financing #1 totaling for proceeds approximately \$1.0 million. On June 18, 2020, the Company completed the Bridge Financing #2 for proceeds of approximately \$548,000. On September 17, 2020, the Company completed the Qualifying Transaction and closed the Concurrent Financing for aggregate proceeds of \$2.6 million.

Trade and other receivables

The following table shows the details of the Company's trade and other receivables at September 30, 2020 and December 31, 2019:

	September 30, 2020 \$	December 31, 2019 \$
Trade receivables	204,257	515,934
Other receivables	119,972	16,082
	324,229	532,016

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. At September 30, 2020, 59% of the Company's trade receivables balance is over 90 days past due (44% as at December 31, 2019) and 100% (98% as at December 31, 2019) of the trade receivable balances are owing from 2 (4 as at December 31, 2019) customers.

Trade and other payables

The following table summarizes the Company's trade and other payables as at September 30, 2020 and December 31, 2019:

	September 30, 2020 \$	December 31, 2019 \$
Trade payables	918,087	103,398
Accrued liabilities	114,487	119,841
Payroll liabilities	64,040	117,390
	1,096,614	340,629

Trade payables include deferred consulting fees to the CFO totaling \$nil as at September 30, 2020 (December 31, 2019: \$34,020). Payroll liabilities include deferred compensation to the CEO totaling \$8,029 as at September 30, 2020 (December 31, 2019: \$83,025 containing deferred compensation to the CEO, CFO and CTO).

Unearned revenue

The following table summarizes the Company's unearned revenue balance which consists customer contract revenue earned for services which have been invoiced but have not yet been earned or recognized as revenue. These are all expected to be realized in the next twelve months.

	September 30, 2020 \$	December 31, 2019 \$
Balance, opening	138,659	33,547
Amounts received	67,815	516,463
Revenue recognized	(155,369)	(411,351)
Balance, closing	51,105	138,659

Short-term loans

The following table summarizes loans payable as at September 30, 2020 and December 31, 2019.

	September 30, 2020 \$	December 31, 2019 \$
Promissory Notes (a)	—	223,088
Bridge loan (b)	—	177,945
Government loans (c)	52,151	—
	52,151	401,033
Due for settlement in under 12 months	(52,151)	(401,033)
Due for settlement after 12 months	—	—

- a) As at September 30, 2020, promissory notes balance was \$nil (December 31, 2019 \$223,088). The promissory notes were secured by certain accounts receivable, bore interest at 14% per annum. The promissory notes were repaid in their entirety during the quarter.
- b) As at September 30, 2020, the Company repaid its bridge loan in its entirety and has a nil balance (December 31, 2019 \$177,945). The bridge loan was secured by first priority General Security Agreement ("**GSA**"), current and all future SRED claims from CRA and all future *Industrial Research Assistance Program* ("**IRAP**") claims, bore interest at 1.6% per month compounded monthly. On

May 19, 2020, the Company received cash for SRED tax credits from CRA totaling \$220,671 and repaid in full the bridge loan outstanding. The related GSA was discharged shortly thereafter.

- c) On April 14, 2020, the Company entered into a loan agreement with the Silicon Valley Bank for US\$39,072 ("**PPP Loan**") under the U.S. Small Business Administration Paycheck Protection Program ("**PPP**"). The Company has received the PPP Loan proceeds. The PPP was established as part of the U.S. Coronavirus Aid, Relief and Economic Security Act ("**CARES Act**"). The amount borrowed under the PPP Loan is eligible to be forgiven provided that the Company uses the loan proceeds after an eight-week period following receipt. The amount of PPP loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels. Principal and interest payments on any unforgiven portion of the PPP Loan will be deferred for nine months and will accrue interest at a fixed annual rate of 1%. Additionally, the remaining PPP loan balance will carry a two-year maturity date. There is no prepayment penalty on the PPP loan. The PPP Loan was forgiven by the PPP on November 7, 2020. See Subsequent Events.

Loans payable to related parties

The following table summarizes loan payable to related parties as at September 30, 2020 and December 31, 2019.

	September 30, 2020 \$	December 31, 2019 \$
Loans payable to related parties	—	52,164

Loans payable to related parties as at September 30, 2020 was nil (December 31, 2019 \$52,164) which included a short-term promissory note of \$25,000 owed to the former Chairman of the Company ("**Lender**"). The loan amount was secured by certain accounts receivable, bear simple interest at 14% per annum. The loan was repaid in its entirety during the quarter.

Convertible debt

On February 21, 2020, PL completed a non-brokered private placement for proceeds of approximately \$1,000,000 (the "**Bridge #1 Financing**"). The Bridge #1 Financing was comprised of: (a) \$182,625 equity in units of PL (the "**PL Units**"), each PL Unit comprised of one common share at \$0.225 per share and one-half of one warrant whereby each whole warrant has the same terms as the warrants forming part of the Libby K Units; and (b) \$817,375 secured convertible debentures of PL (the "**Debentures**"). The PL Units and the Debentures were exchanged for or converted into, as applicable, Libby K Units upon completion of the QT. The CEO, CFO and CTO collectively subscribed to \$55,000 of the Bridge #1 Financing. Pursuant to the QT: (a) the Debentures had a conversion price representing a 25% discount to the price of the Libby K Units in the Concurrent Financings; and (b) the PL Units entitled the holders to such number of Libby K Units as reflects such 25% discount. The Company incurred an aggregate of \$30,430 in cash as finder's fees in relation to the Bridge #1 Financing.

On June 18, 2020, PL completed a second non-brokered private placement for proceeds of approximately \$548,000 (the "**Bridge #2 Financing**"). The Bridge #2 Financing was comprised of: (a) \$58,000 equity in PL Units, and (b) \$490,000 Debentures. The PL Units and the Debentures were exchanged for or converted into, as applicable, Libby K Units upon completion of the QT. The Company incurred an aggregate of \$27,760 in cash and 69,400 in broker's warrants as finder's fees in relation to the Bridge #2 Financing.

The Company designated the Debenture at fair value through profit or loss at the date of inception as the conversion features related to the debt contains an embedded derivative related to the automatic conversion feature upon completion of the QT.

As at September 30, 2020, the balance of Debenture was nil. All Debenture raised through Bridge #1 Financing and Bridge #2 Financing was converted into common shares of Plurilock as a result of the completion of the QT. All previously booked change in fair value of the Debenture of \$766 has been reversed during the quarter.

Lease liability

Lease liability relates to the lease of an office space, which has a remaining lease term of fifteen months, and was discounted using an interest rate of 10%. During the three and nine months ended September 30, 2020, the Company recognized \$554 and \$1,956 respectively in interest expense on lease liability (\$922 and \$3,006 respectively in 2019), which is included in interest expense.

	September 30, 2020 \$	December 31, 2019 \$
Opening balance	32,749	45,678
Add: interest during the year	1,956	3,846
Less: payments during the year	(13,725)	(16,775)
Balance at end of the year	20,980	32,749
Less: current portion of lease liability	(17,125)	(15,893)
Non-current portion of lease liability	3,855	16,856

Off balance sheet arrangements

As at September 30, 2020 and the date of the MD&A, The Company does not have any off-balance sheet arrangements.

Related party transactions

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's Board of Directors and members of the executive team.

The following table summarizes the key management personnel transactions during the three and nine months ended September 30, 2020 and 2019:

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Wages and benefits	111,352	85,346	377,081	241,290
Consulting fees	48,216	32,105	174,305	82,454
Stock-based compensation expense*	6,721	7,719	23,135	23,156
	166,289	125,170	574,522	346,901

Note:

* Reflects the amount recorded as expense in the consolidated statement of loss. The fair value of stock-based compensation is measured at grant date and is recognized as an expense over the vesting period.

Critical accounting estimates

Main sources of estimation uncertainty and critical judgements by management

The preparation of financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements, and the carrying amount of revenues and expenses for the reporting period. These estimates are changed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known. These changes have not changed since December 31, 2019.

The significant accounting policies subject to such estimates that, in the Company's opinion, could significantly affect the reported results or financial position, are as follows:

Revenue recognition, contracts with multiple performance obligations

The Company enters into contracts with its customers that may include promises to transfer multiple subscription services and services. A performance obligation is a commitment in a contract with a customer to transfer products or services that are distinct. Determining whether products and services

are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

The Company's subscription services are distinct as such services are often sold separately. In determining whether services are distinct, the Company considers the following factors for each type of services agreement: the availability of the services from other vendors; the nature of the services; and the timing of when the services contract was signed in comparison to the start date of any related subscription services.

The Company allocates the transaction price to each distinct performance obligation on a relative standalone selling price ("**SSP**") basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgment is required to determine the SSP for each distinct performance obligation. In certain cases, the Company is able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company generally uses a range of SSP when it has observable prices.

If SSP is not directly observable, for example when pricing is highly variable, the Company uses a range of SSP. The Company determines the SSP range using information that may include market conditions or other observable inputs. The Company may have more than one SSP for individual products and services due to the stratification of those products and services by customer size, geography, and the other factors noted above.

Valuation of share-based compensation

The Company uses the Black-Scholes model to value share options issued to employees. The model's estimates include inputs that require management estimates and judgement, such as the volatility of the underlying equity instruments, the forfeiture rate and expected life of the options.

Carrying values of allowances for unrecoverable accounts receivable

Management estimates the allowance for doubtful accounts as it relates to trade and other receivables based on the expected credit losses.

Recoverability of tax credits

The Company regularly accrues refundable incentive tax credits earned through the Scientific Research and Experimental Development ("**SRED**") program administered through the Canada Revenue Agency ("CRA"). The recoverability of qualified expenditures is based on the results of the assessment by the CRA. Management estimates the recoverable amount of research and development costs based on experience with prior assessments under the program.

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimates above, that has the most significant effect on the amounts in the Company's consolidated financial statements, are related to:

- Determination of the functional currency of the Company and its subsidiary;
- Determination of the stand-alone selling prices for the licenses.

The following standards are applicable for periods beginning on or after January 1, 2020. These policies have been adopted and there has been no material impact to the financial statements.

a) Amendments to IAS 1 - Presentation of financial statements ("IAS 1") and IAS 8 - Accounting policies, changes in accounting estimates and errors ("IAS 8")

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020.

b) Amendments to references to the conceptual framework in IFRS standards

Together with the revised conceptual framework, which became effective upon publication on March 29, 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards.

The document contains amendments to various IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2020.

c) Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations ("**IFRS 3**") to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. The amendments to IFRS 3 are effective for business combinations or asset acquisitions with acquisition dates on or after January 1, 2020.

Financial instruments and other instruments

The Company's financial instruments consist of cash and cash equivalents, tax credits receivable and other receivables, and accounts payable and accrued liabilities.

Cash and cash equivalents, tax credits receivable and trade and other receivables are classified as loans and receivables and are measured at amortized cost using the effective interest rate method. The carrying value of these financial assets approximates their fair value due to the relatively short period to maturity.

Trade and other payables, promissory notes, bridge loans, and the loans to related parties are classified as other financial liabilities and measured at amortized cost. The carrying value of these other financial liabilities approximates fair value due to the relatively short period to maturity.

Financial risk management

Management and monitoring of financial risks is performed by the Company's management, which manages all financial exposures. The Company is exposed to various financial risks through its financial instruments: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risks). The following analysis enables users to evaluate the nature and extent of the risks at the end of each reporting period. There have been no significant changes in the various financial risks and the management of such risks from the year ended December 31, 2019.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's significant financial assets include cash and cash equivalents, accounts receivable, and tax credits receivable. The Company mitigates credit risk on cash by placing it at a credit-worthy financial institution. Tax credits receivable and other receivables are due from the Government of Canada. The carrying amounts of the financial assets represent the Company's maximum credit exposure:

	September 30, 2020 \$	December 31, 2019 \$
Cash and cash equivalents	3,066,542	147,433
Trade and other receivables	324,229	532,016
Tax credits receivable	69,243	178,036
	3,460,014	857,485

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates of the Company's short-term loans and loans payable to related parties are fixed; as a result, the Company is not subject to significant interest rate risk. Interest rate on the Company's cash deposits and guaranteed income certificates held at the bank is nominal.

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive costs. The Company's ability to continue as a going concern may be dependent on management's ability to raise required funding through future equity issuances and through short term borrowing. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due, through cash flows from its operations and anticipating any investing and financing activities. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies. The Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates.

The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk. If the Canadian dollar to US dollar exchange rates were to increase/decrease by 5% relative to the rate as of September 30, 2020, there would not be a significant impact to the net loss for the year.

(e) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value reflects market conditions at a given date and, for this reason, may not be representative of future fair values or of the amount that will be realized upon settling the instrument.

To the extent possible, the Company uses data from observable markets to measure the fair value of an asset or liability. Fair value measurements are established based on a hierarchy into three levels that categorizes the inputs to valuation techniques

Level 1 – Fair value measurement based on quoted prices (unadjusted) observable in active markets for identical assets or liabilities.

Level 2 – Fair value measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Fair value measurement using inputs that are not based on observable market data (unobservable inputs).

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets, Level 2 assets or liabilities that are estimated based on quoted prices that are observable for similar instruments, or Level 3 financial assets or liabilities that require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data.

Subsequent events

- a) On October 26, 2020, the Company conditionally granted stock options for the purchase of an aggregate of 6,105,657 common shares to employees, officers, directors and consultants of the Company, pursuant to the terms of the Plurilock Plan. See Note 16(c). The stock options are exercisable at \$0.34 per share, expire in 10 years from the date of grant, and vest over 36 months such that one-third of the stock options will vest on the date of grant and two-thirds of the stock options will vest quarterly starting from one (1) year following the date of grant.

- b) On November 6th, 2020, the Company's US\$39,072 PPP Loan with the Silicon Valley Bank was forgiven by the U.S. Small Business Administration Paycheck Protection Program (PPP) and the PPP Loan agreement was automatically cancelled.

Disclosure of outstanding share data

As of November 27, 2020, the Company has the following securities outstanding:

Description	Number	Exercise Price Per Share and Expiry
Common shares	45,146,471	NA
Options	6,570,657	Exercise price from \$0.2 to \$0.34 and which expire between February 2024 and October 2030
Warrants	8,630,026	Exercise price from \$0.2 to \$0.4 and which expire between June 2021 and February 2024
Total diluted number of shares	60,347,154	

Risks and uncertainties

The Company's management believes that the following risks are among the most important in order to understand the issues that face its financial performance, business and its approach to risk management:

- Customer Concentration** - The majority of the Company's revenues are currently generated from a few customers. If economic or other factors were to change and thus impact these customers or the market, then the revenues of the Company would be negatively impacted.
- Ability to Predict Rate of Growth and Profitability** - Plurilock focuses on several key performance metrics including, but not limited to, Revenue, Net Income (Loss), EBITDA and Adjusted EBITDA. Management believes that IFRS profitability will increase over time, however, due to the evolving SaaS business model and the unpredictability of its emerging and competitive category of security products, the Company may not be able to accurately forecast the rate of adoption of its services and hence its revenue growth and profitability. The Company bases its current and future expense levels and its investment plans on estimates of future revenue growth. Plurilock may not be able to adjust its spending quickly enough if the rate of new or renewed subscriptions falls short of its expectations. In addition, the intense competition the Company faces in the sales of its products and services and general economic and business conditions (including foreign exchange rates) can put pressure on it to change its prices. If Plurilock's competitors offer deep discounts on certain products or services or develop products that the marketplace considers more valuable, the Company may need to lower its prices or offer other favorable terms in order to compete successfully. Any such changes may reduce margins and could adversely affect operating results. Plurilock's operating results may also fluctuate significantly on a quarterly basis. Accordingly, period-to-period comparisons of its operating results may not necessarily be a meaningful indicator of future performance.

3. **Efforts to Sell to Larger Enterprise Customers** – As Plurilock currently sells to larger enterprise and government customers, the Company could face greater costs, less favourable terms and conditions, greater due diligence, longer sales cycles, less predictability in completing some sales and greater fluctuation in sales and cash flow in quarters where these large deals conclude. In this market segment, the customer's decision to use Plurilock's products may be an enterprise-wide decision and, if so, these types of sales may require the Company to provide increased product discounts, additional global support and professional services, increased service level availability, greater levels of education and training regarding the use and benefits of the service, as well as education regarding privacy and data protection laws and regulations to prospective customers with international operations. As a result of these factors, sales opportunities may require Plurilock to devote greater sales support and professional services resources to individual customers, driving up costs and time required to complete sales and diverting sales and professional services resources to a smaller number of larger transactions.
3. **The Company is reliant on its key personnel** – The Company's success depends substantially on its small number of officers and executives. If the Company should lose the services of one or more key members of its executive, its ability to implement its business plan could be severely impaired.
4. **Dependence on Distribution Channels** – Plurilock's product and sales strategies include its ability to partner with successful distribution partners. The Company's products may compete with other solutions developed and/or marketed by another distribution partner or otherwise lose favour with these partners. Its distribution partners may also cease or reduce marketing its products with limited or no notice and with little or no penalty. New distribution partners require extensive training and may take several months or more to achieve productivity. If any of its distribution partners elect to sell competing products, this could have a material adverse effect on the Company's business, operating results and financial condition. In addition, if any of its distribution partners cease or reduce marketing our solutions and/or the Company fails to manage these important sales and distribution channels effectively, Plurilock may have to change its sales strategies, which could have a material adverse effect on its business, operating results and financial condition.
5. **Competition** – It is possible that new competitors will enter the markets with products similar to those sold by Plurilock. Several competitors are marketing or have announced the development of products that could be in competition with Plurilock. In addition, as the Company develops new products, it may begin competing against companies with whom it did not previously compete. Such competitors may be able to develop and expand their products more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements, take advantage of acquisition and other opportunities more readily, devote greater resources to the marketing and sale of their services and products than Plurilock and place downward pressure on the pricing of its products. Accordingly, the entry of new competitors could have a material adverse effect on Plurilock's business, financial condition and results of operations. Industry consolidation also may affect prices or demand for our products.
6. **Emerging Products and Technology** – The market for Plurilock's products is still emerging and continued growth and demand for, and acceptance of, these products remains uncertain. In addition, other emerging technology and products may impact the viability of the market for the Company's products. Plurilock's continued success will depend upon its ability to keep pace with technological and marketplace change and to introduce, on a timely and cost-effective basis, new and enhanced products that satisfy changing customer requirements and achieve market acceptance. There can be no assurance that Plurilock will be able to respond effectively to changes in technology or customer demands. Moreover, there can be no assurance that Plurilock's competitors or current partners) will not develop

competitive products or that any such products will not have an adverse effect upon Plurilock's business, financial condition or results of operations.

7. **Cybersecurity** – The Company relies on digital and internet technologies to conduct and expand its operations, including reliance on information technology to process, transmit and store sensitive and confidential data resulting in exposure to cybersecurity risks. Such risks may include unauthorized access, use, or disclosure of sensitive information, corruption or destruction of data, or operational disruption resulting from system impairment (e.g., malware). Third parties to whom the Company outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm the Company's business even if the Company does not control the service that is attacked. A compromise of the Company's information technology or confidential information and third parties with whom the Company interacts, may result in negative consequences, including the reputational harm affecting customer and/or investor confidence, potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties and additional regulatory scrutiny, any of which could have a material adverse effect on the Company's business, financial position, results of operations or cash flows. The Company continues to place a significant focus on its cybersecurity technologies, processes and practices to protect its networks, systems, computers and data from attack, damage or unauthorized access.
8. **The Company relies on third parties to provide some of its services and its business will be harmed if it is unable to provide these services in a cost-effective manner** - The Company relies heavily on third parties such as cloud computing service vendors and partners to provide some of its services. If these third parties were unable or unwilling to provide these services in the future, or if these third parties are ineffective at providing services, the Company would need to obtain such services from other providers. This could cause the Company to incur additional costs or cause interruptions in its business until these services are replaced.
9. **Acquisitions and integration of new businesses create risks and may affect operating results** - The Company may acquire additional businesses. The Company's M&A strategy involves a number of risks related to the realization of synergies and overall integration of the Company's operations including but not limited to human resources, company culture, information technology, data integrity, information systems, business processes and financial management.
10. **Economic and Geo-Political Uncertainty** - Current and future global economic and geo-political conditions remain volatile and uncertain. As a result, it is difficult to estimate the level of growth or contraction for the global economy as a whole. It is even more difficult to estimate economic growth or contraction in various sectors and regions, including the markets in which the Company operates. Because all components of the Company's budgeting and forecasting are dependent upon estimates of growth or contraction in the markets it serves and the demand for its products and services, the prevailing economic uncertainties render estimates of future income and expenditures very difficult to make. Adverse changes may occur as a result of stagnant economic conditions, trade tensions and tariff uncertainty, political deadlock, nationalism and protectionism, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, declines in real estate values, or other factors affecting economic conditions generally. These changes may negatively affect the sales of the Company's services and, therefore, may impact our ability to meet its targets for Revenue, Net Income (Loss), EBITDA, and Adjusted EBITDA.

The COVID-19 contagious disease outbreak resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in significant economic uncertainty. These measures adopted by various governments worldwide could impact the Company's business whether through supply chain or retail demand. However, at this time, it is not possible for the Company to reliably estimate the duration or magnitude of the adverse results of the outbreak and its impact on the Company's financial results in future periods. The continued spread of the COVID-19 around the globe and the responses of governmental authorities and corporate entities, including through mandated or voluntary shutdowns, could lead to a prolonged general slow-down in the global economy with temporary disruptions and slowdowns to work forces and customers. The situation is dynamic and changing day-to-day, such that the Company will continue to monitor it closely as it develops and will take appropriate measures to mitigate any impact on the Company.

11. **Intellectual Property Protection** – Plurilock's revenue, cost of revenue, and expenses may suffer if it cannot protect its intellectual property rights, or if third parties assert that Plurilock violates its intellectual property rights. The Company relies upon patent, copyright, trademark and trade secret laws in Canada and the United States, and agreements with employees, customers, suppliers and other parties, to establish and maintain intellectual property rights in its Plurilock technology platform. However, the industry in which the Company competes may include new or existing entrants that own, or claim to own, intellectual property and the Company has received, and may receive in the future, assertions and claims from third parties that the Company's products infringe on their patents or other intellectual property rights (see "*Technology & Patent Portfolio*" above). Litigation in the future may be necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish the Company's proprietary rights. Any of the Company's direct or indirect intellectual property rights could be challenged, invalidated or circumvented, or such intellectual property rights may not be sufficient to permit Plurilock to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly or delayed product redesign efforts, discontinuance of certain product offerings or other competitive harm. Third parties also may claim that Plurilock or customers or partners indemnified by Plurilock are infringing upon their intellectual property rights. Even if the Company believes that the claims are without merit, the claims can be time-consuming and costly to defend and divert management's attention and resources away from the business. Claims of intellectual property infringement also might require Plurilock to redesign affected products, enter into costly settlement or license agreements (if such licenses can be obtained on commercially reasonable terms, or at all) or pay costly damage awards, or face a temporary or permanent injunction prohibiting the marketing or selling certain of our products, which could result in the Company's business, operating results and financial condition being materially adversely affected.
12. **Additional Patent Applications** – The Company's research and development activities and commercial success depend upon its ability to develop new or improved technologies and products and to successfully obtain patent or other proprietary or statutory protection for these technologies and products in Canada and the United States. The Company seeks to patent concepts, components, protocols and other inventions that are considered to have commercial value or that will likely yield a technological advantage. The Company owns rights to patented and patent pending technologies in Canada and the United States. However, the Company may not be able to develop new technology that is patentable, allowed claims may not be sufficient to protect the Company's new technology, and patents may not be obtained by the Company in every jurisdiction where the Company's products are

sold. Furthermore, any patents issued could be challenged, invalidated or circumvented and may not provide proprietary protection or a competitive advantage. New entrants to the field may have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights, for technologies similar to those that the Company has made or may make in the future. Since patent applications filed before November 29, 2000 in the United States are maintained in secrecy until issued as patents, and since publication or public awareness of new technologies often lags behind actual discoveries, the Company cannot be absolutely certain that it was the first to develop the technology covered by its pending patent applications or that it was the first to file patent applications for the technology. In addition, the disclosure in the Company's new patent applications, particularly in respect of the utility of its claimed inventions, may not be sufficient to meet the statutory requirements for patentability in all cases. As a result, there can be no assurance that the Company's new patent applications will result in enforceable patents, nor can the breadth of allowed claims in the Company's patents, and their enforceability, be predicted. Even if the Company's patents are held to be enforceable, others may be able to design around these patents or develop products similar to the Company's products that are not within the scope of these patents.

13. **Research and Development** - Plurilock believes that it must continue to dedicate a significant amount of resources to its research and development efforts to maintain its competitive position. The Company recognizes the costs associated with these research and development investments earlier than the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than they expect. If Plurilock spends significant resources on research and development and is unable to generate an adequate return on its investment, its business, financial condition and results of operations may be materially and adversely affected.
14. **Product Errors and Third-Party Mischief** - The software technology enabling the Company's software services is complex and, despite testing prior to their release, the related application software may contain errors, vulnerabilities or defects, especially when upgrades or new versions are released. Any errors or vulnerabilities that are discovered after commercial release could result in loss of revenues or delay in market acceptance, diversion of development resources, damage to Plurilock's reputation, increased service and warranty costs, liability claims and our end-customers' unwillingness to buy products from us. In addition, it is possible that the Company's product may become the subject of a third-party attack or disruption, whether malicious or otherwise. This could detrimentally affect the persistence of the Company's technology, which could have a material adverse effect on its business.
15. **Growing stringent regulations and compliance requirements** - Regulatory bodies are increasing cybersecurity requirements, and cybersecurity practices are therefore becoming a board-level fiduciary and legal concern. Evidence for this can be seen in the proliferation of standards and regulations, including the General Data Protection Regulation, the Payment Card Industry Data Security Standard, the Health Insurance Portability and Accountability Act ("**HIPPA**"), the Federal Information Security Management Act, and the Gramm-Leach-Bliley Act, amongst others. As requirements grow, the use of point solutions and hotfixes to maintain near-term compliance is also increasing, causing intractable complexity, high maintainability costs, and unforeseen knock-on vulnerabilities. As a result, there is growing enterprise demand for risk-based authentication solutions, common, extensible infrastructures to support compliance regimes, and the collection of more sophisticated and timely security intelligence. As a result, Plurilock's business operates in an environment in which government regulations and funding play a key role. Any change in governmental regulation and licensing requirements or their interpretation and application, which are beyond the Company's control, could adversely affect the business, financial condition and results of operations of the business. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any

existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

16. **Uncertainty of Liquidity and Capital Requirements** - The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of growth of its customer base, the costs of expanding into new markets, the growth of the market for cybersecurity services and the costs of administration. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture, which could result in dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.
17. **Confidentiality & Privacy of Information** - The Company's staff may have access, in the course of their duties, to certain information of the Company's customers. Although, all staff are required to sign confidentiality agreements, there can be no assurance that the Company's existing policies, procedures and systems will be enough to address the privacy concerns of existing and future customers. If a customer's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.
18. **Directors and Officers May Have Conflicts of Interest** - Certain of the directors and/or officers of the Company may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.
19. **The Company Needs to Comply with Financial Reporting and Other Requirements as a Public Company** - The Company is subject to reporting and other obligations under applicable Canadian securities laws and TSX-V rules, including National Instrument 52-109. These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its securities. Management does not expect that Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide Plurilock assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by

management override of the controls. Due to the inherent limitations in a cost- effective control system, misstatements due to error or fraud may occur and not be detected.

20. **Other** - There can be no assurance that an active and liquid market for the Company's common shares will develop and investors may find it difficult to resell the common shares