

A copy of this draft filing statement has been filed with the TSX Venture Exchange and is subject to their review and comment. This draft filing statement has not yet become final in accordance with Section 12.4 of TSX Venture Exchange Policy 2.4 for the purposes of the Qualifying Transaction described in this draft filing statement. Information contained in this draft filing statement may not be complete and may have to be amended.

LIBBY K INDUSTRIES INC.

FILING STATEMENT

DATED AS AT **AUGUST 20, 2020**
(unless otherwise stated)

Neither the TSX Venture Exchange Inc. (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.

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FORWARD LOOKING STATEMENTS

The information provided in this Filing Statement, including information incorporated by reference, may contain "forward-looking statements" or "forward-looking information" (collectively referred to hereafter as "**forward-looking statements**") within the meaning of applicable Canadian securities legislation.

All statements, other than statements of historical facts, included in this Filing Statement that address activities, events or developments that Libby K, Plurilock and/or the Resulting Issuer expect or anticipate will, or may, occur in the future, including statements about the ability of Plurilock and Libby K to consummate the Transaction on the terms of the Amalgamation Agreement, anticipated impact the Transaction on the combined operations of Libby K and Plurilock, as well as the expected benefits of the Transaction and Plurilock's business prospects, future trends, plans, strategies (including, in particular, Plurilock's acquisition strategy and the expected benefits thereof) and objectives. In some cases, forward-looking statements are preceded by, followed by or include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements are not a guarantee of future performance and are based upon a number of, including, without limitation, assumptions about:

- the ability of Libby K and Plurilock to receive, in a timely manner and on satisfactory terms all necessary shareholder, stock exchange and regulatory approvals to complete the Transaction in a timely matter, or at all;
- the anticipated affects and benefits of the Transaction;
- the support and continued support of shareholders of Libby K and Plurilock, as applicable;
- future economic conditions;
- the general economic, financial market, regulatory and political conditions in which Libby K and Plurilock operate, including the effects of the novel coronavirus COVID-19;
- competition;
- anticipated and unanticipated costs;
- the ability of the Resulting Issuer to generate cash flow from operations and obtain any necessary financing on acceptable terms; and
- the ability of the Resulting Issuer to obtain qualified staff and services in a timely and cost-efficient manner.

Although management of Plurilock and Libby K believe that the assumptions made and the expectations represented by such statements are reasonable, there can be no assurance that a forward-looking statement herein will prove to be accurate.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Libby K, Plurilock or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risk that the Transaction will not realize anticipated benefits, the ability of Libby K and Plurilock to receive in a timely manner and on satisfactory terms, necessary shareholder, stock exchange and regulatory approvals for completion of the Transaction, the risk that the Amalgamation Agreement is terminated, a change in shareholder influence as a result of the Transaction, decline in the share price of the Resulting Issuer as a result of the Transaction, that Libby K has no operating business, that officers and directors of Libby K may have conflicts of interest that may affect the assessment of qualifying transactions, Libby K Shareholders will suffer significant dilution as a result of the Transaction; the Libby K Common Shares are currently halted from trading pending completion of the Transaction eliminating any liquidity and no regulatory authority has passed on the merits of the Transaction; risks relating to the limited operating history of Plurilock and the Resulting Issuer, reliance upon key management, adverse changes in general economic conditions, failure to identify eligible candidates, competition and low barriers to entry, litigation risk, cybersecurity risks, reputational damage, failure to access technology necessary to compete, failure to align cost structure with revenue, reliance on key customers, risk that Plurilock will be unable to meet its obligations under financial instruments, risks inherent to Plurilock's

acquisition strategy, conflicts of interest, significant ownership and control by significant shareholders, no dividends, requirement for additional financing, that costs and administrative burden of securities law compliance, discretion in the use of unallocated funds, fluctuations in the price of the Resulting Issuer's shares, potential dilution from the exercise of convertible securities, dilution from additional financings, the Resulting Issuer is effectively a holding company and the potential for activist shareholders, all as more particularly described in "*Risk Factors*". Although Libby K and Plurilock have attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended.

All forward-looking statements made in this Filing Statement are qualified by such cautionary statements. Libby K and/or Plurilock undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

INFORMATION RELATING TO PLURILOCK SECURITY SOLUTIONS INC.

The information contained or referred to in this Filing Statement relating to Plurilock has been furnished by Plurilock. In preparing this Filing Statement, Libby K relied upon Plurilock to ensure that the Filing Statement contains full, true and plain disclosure of all material facts relating to Plurilock. Although Libby K has no knowledge that would indicate that any statement contained herein concerning Plurilock is untrue or incomplete, neither Libby K nor any of its respective directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by Plurilock to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

GLOSSARY

The following terms used in this Filing Statement (including the summary) have the meanings set forth below.

“Acquisition Proposal” means, other than the transactions contemplated by the Amalgamation Agreement and other than any transaction between or agreed to by the Parties, with respect to any Party (other than Libby K Subco) any: (i) proposal or offer made by a third party regarding a merger, amalgamation, statutory arrangement, share exchange, business combination, recapitalization, take-over bid, tender offer, sale, joint venture or other disposition, directly or indirectly, of 20% or more of the assets of that Party (on a consolidated basis) in a single transaction or a series of related transactions (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale or other disposition of 20% or more the assets), reorganization, liquidation, winding-up, sale, issue or redemption of 20% or more of the total number of common shares or rights or interests therein or thereto or similar transactions involving that Party and/or its subsidiaries; or (ii) any transaction or agreement which could reasonably be expected to materially impede, prevent or delay the completion of the Amalgamation. For the purposes of the definition of “Superior Proposal”, reference in this definition of Acquisition Proposal to “20%” shall be deemed to be replaced by “100%”;

“Affiliate” has the meaning attributed to that term in Section 1.3 of the Canadian Securities Administrators’ National Instrument 45-106 – *Prospectus and Registration Exemptions*; .

“Agency Agreement” means the agency agreement among Plurilock, Libby K and the Agent to be entered pursuant to the Engagement Letter with respect to the Libby K Brokered Placement and the Plurilock Brokered Placement;

“Agent” or **“PI”** means PI Financial Corp.;

“Agent’s Expenses” means all reasonable costs, fees and expenses of or incidental to the issue of the Subscription Receipts and Resulting Issuer Units or incidental to all matters in connection with the Brokered Placements as set out in the Agency Agreement;

“Amalco” means Plurilock Security Inc., the corporation to be formed as a result of the Amalgamation;

“Amalgamation” means the amalgamation of Plurilock and Libby K Subco in accordance with the provisions of the BCBCA and the terms and conditions of the Amalgamation Agreement,

“Amalgamation Agreement” means the amalgamation agreement between Libby K, Libby K Subco, and Plurilock made as of June 23, 2020 (as amended on August 19, 2020 to extend the Termination Date from August 31, 2020 to September 30, 2020), setting forth the terms and conditions of the Amalgamation and related transactions and corporate proceedings;

“Associate” when used to indicate a relationship with a person or company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the person or company,
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity,
- (d) in the case of a person, a relative of that person, including:
 - (i) that person’s spouse or child, or
 - (ii) any relative of the person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company;

“Authorization” means any authorization, order, permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation, whether or not having the force of Law;

“BCBCA” means the *Business Corporations Act* (British Columbia);

“Brokered Placements” means the Libby K Brokered Placement and the Plurilock Brokered Placement;

“Business Day” means any day other than a Saturday, Sunday or a statutory holiday in Vancouver, British Columbia;

“Closing” means the closing of the Transaction and related transactions;

“Common Shares” means either: (i) the common shares of Libby K, or (ii) the common shares of the Resulting Issuer, as the context require and **“Libby K Common Shares”** and **“Resulting Issuer Common Shares”** have corresponding meanings, respectively;

“company” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“Compensation Warrant” has the meaning attributed to such term under *“Information Concerning the Transaction – Financings – Brokered Placement”*;

“Control Person” means, in respect of an issuer, any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

“CPC” means a corporation: (a) that has been incorporated or organized in a jurisdiction in Canada; (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and (c) in regard to which the completion of a Qualifying Transaction has not yet occurred;

“CPC Escrow Agreement” means the escrow agreement dated January 16, 2019 among Libby K, the Escrow Agent, and certain shareholders of Libby K;

“CPC Escrow Shares” means Libby K Common Shares held in escrow pursuant to the CPC Escrow Agreement;

“CPC Policy” means Exchange Policy 2.4 - *Capital Pool Companies*;

“Effective Date” means the effective date of the Amalgamation as set forth in the Certificate of Amalgamation;

“Effective Time” means 12:01 a.m. on the Effective Date;

“Engagement Letter” means the engagement letter dated January 30, 2020 between Libby K, Plurilock and PI as amended on March 25, 2020, April 2, 2020, June 10, 2020, June 22, 2020 and August 20, 2020;

“Escrow Agent” means Computershare Investor Services Inc., appointed under either the CPC Escrow Agreement or the QT Tier 2 Surplus Security Escrow Agreement, as the case may be;

“Escrow Release Conditions” has the meaning attributed to such term under *“Information Concerning the Transaction – Financings – Brokered Placement”*;

“Escrow Release Date” has the meaning attributed to such term under *“Information Concerning the Transaction – Financings – Brokered Placement”*;

“Escrow Release Deadline” means 4:30 p.m. (Vancouver time) on September 30, 2020, or such later date or time as may be agreed to by the Agent, Plurilock and Libby K;

“Escrowed Funds” has the meaning attributed to such term under *“Information Concerning the Transaction – Financings – Brokered Placement”*;

“Escrowed Proceeds” has the meaning attributed to such term under *“Information Concerning the Transaction – Financings – Brokered Placement”*;

“Exchange” or **“TSXV”** means the TSX Venture Exchange Inc.;

“Exchange Ratio” means 0.84754 of one Resulting Issuer Common Share for each one Plurilock Share, as may be adjusted immediately prior to Closing with the consent of the Libby K Board and the Plurilock Board, in order to ensure that holders of Libby K Pre-Closing Securities will collectively own 21.1% of that number of Resulting Issuer Common Shares as is equal to the sum of: (i) the number of outstanding Libby K Common Shares, on a post-Libby K Share Consolidation, on a fully diluted basis assuming exercise of all outstanding convertible securities of Libby K immediately prior to Closing; and (ii) the number of outstanding Plurilock Shares on a fully diluted basis assuming exercise and/or conversion of all outstanding Plurilock Convertible Securities immediately prior to Closing, and excluding any Plurilock Shares and/or Resulting Issuer Common Shares issued or issuable pursuant to the Brokered Placements, the Plurilock Bridge Placement and the Plurilock Subsequent Bridge Placement;

“Filing Statement” means this filing statement;

“Final Exchange Bulletin” means the Exchange Bulletin issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences final Exchange acceptance of the Qualifying Transaction;

“Governmental Entity” any of: (i) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (ii) subdivision, agent, commission, board, or authority of any of the foregoing, or (iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, including the Exchange;

“IFRS” means International Financial Reporting Standards;

“Issue Price” has the meaning attributed to such term under *“Information Concerning the Transaction – Financings – Brokered Placement”*;

“Insider” if used in relation to an issuer, means: (a) a director or senior officer of the issuer; (b) a director or senior officer of the company that is an Insider or subsidiary of the issuer; (c) a person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or (d) the issuer itself if it holds any of its own securities;

“Law” means all laws, by-laws, statutes, regulations, principles of law, statutory rules, policies, orders, ordinances, protocols, codes, guidelines, directions, judgments and terms and conditions of any grant of approval, permission, authority or license of any court or Governmental Entity, and the term **“applicable”** with respect to such Law and in the context that refers to one or more Persons, means that such Law applies to such Person or Persons or its or their

business, undertaking, property or securities and emanates from a Governmental Entity having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

“Letter Agreement” means the letter of intent between Libby K and Plurilock dated January 3, 2020 with respect to the proposed business combination between Libby K and Plurilock;

“Libby K” or **“Corporation”** means Libby K Industries Inc.;

“Libby K Board” means the board of directors of Libby K, as the same may be constituted from time to time and **“Resulting Issuer Board”** means the Libby K Board after completion of the Transaction;

“Libby K Brokered Placement” means the brokered private placement of Resulting Issuer Units to be conducted by Libby K pursuant to the Agency Agreement, which is expected to close at or immediately prior to the Effective Time for gross proceeds, together with the Plurilock Brokered Placement, subject to a minimum offering amount of \$2 million and a maximum of \$2.7 million;

“Libby K Closing Resolutions” means the directors resolutions of Libby K approving the resignation and appointment of directors as set out in the Amalgamation Agreement;

“Libby K Compensation Options” means the compensation options issued to PI upon completion of the initial public offering of Libby K;

“Libby K Interim Loan” means a secured loan that may be granted by Libby K to Plurilock in the circumstances set out in section 7.7 of the Amalgamation Agreement, subject to TSXV approval. The Libby K Interim Loan, if granted, would be in the principal amount of \$100,000 for a term ending on December 1, 2020, with interest at 10% per annum to be repaid on the earlier of the Closing or December 1, 2020 and the security for the Libby K Interim Loan will have priority over the Plurilock Bridge Debentures and any other outstanding debts of Plurilock;

“Libby K IPO” means the initial public offering by Libby K of its Common Shares on February 8, 2019;

“Libby K Options” means the options to acquire Common Shares (or Resulting Issuer Common Shares, as applicable);

“Libby K Pre-Closing Securities” means, collectively, all Libby K Common Shares, Libby K Options and Libby K Compensation Options issued and outstanding immediately prior to the Closing;

“Libby K Share Consolidation” means the proposed consolidation of Common Shares on the basis of one post-Libby K Share Consolidation share for every two pre-Libby K Share Consolidation shares;

“Libby K Shareholders” means the holders of Libby K Common Shares;

“Libby K Subco” means 1243540 B.C. Ltd., a wholly-owned Subsidiary of Libby K;

“Lock-Up Agreement” means the lock-up agreements to be entered into between Plurilock, Libby K and each of the Locked-Up Shareholders substantially in the form attached as Schedule “E” to the Amalgamation Agreement;

“Locked-up Shareholders” means:

- (i) each insider of Plurilock;
- (ii) all existing Plurilock Shareholders who hold that number of Plurilock Shares equal to, on an as exchanged basis at least 3% of the Resulting Issuer Common Shares before completion of the Plurilock Bridge Placement; and
- (iii) each holder of Plurilock Preferred Shares as of the date hereof;

“LTIP” means the 10% fixed long term incentive plan of the Resulting Issuer, whereby the Resulting Issuer may issue restricted share units, performance share units and deferred share units to directors, officers, employees and consultants of the Resulting Issuer, in accordance with its terms;

“Material Adverse Change” or “Material Adverse Effect”, when used in connection with a Party, means any matter or action that has a change or effect, respectively, that:

- (a) either individually or in aggregate, is, or would reasonably be expected to be, material and adverse to the business, condition (financial or otherwise) operations, assets, liabilities (whether absolute, accrued, conditional, contingent or otherwise), or capitalization of such Party taken as a whole, other than any matter, action, change or effect:
 - (i) relating to the announcement of the Amalgamation, the Amalgamation Agreement or any of the transactions contemplated in the Amalgamation Agreement;
 - (ii) relating to a matter that has been publicly disclosed prior to the date of the Amalgamation Agreement or otherwise disclosed in writing by a Party to the other Party prior to the date of the Amalgamation Agreement;
 - (iii) relating to any change in applicable accounting standards or any change in an applicable Law or any proposed change to an applicable Law;
 - (iv) relating to any change in global or national political, financial or economic, conditions or in global or national currency exchange, commodity or capital markets;
 - (v) affecting the cybersecurity industry in general;
 - (vi) relating to any effect resulting from any act of terrorism or any outbreak of hostilities or war (or any escalation or worsening thereof) or any natural disaster;
 - (vii) with respect to any action taken by Libby K or Libby K Subco, on the one hand, and Plurilock on the other, which is required pursuant to the Amalgamation Agreement or any action taken (or omitted to be taken) by such Party at the written request of the other Party or with the consent of the other Party;

provided, however, that the change or effect referred to in (iii), (iv) or (v) above does not primarily relate to (or have the effect of primarily relating to) a Party or materially disproportionately adversely affect a Party compared to other companies of similar size operating in the same industry in which the Party operates; or

- (b) either individually or in the aggregate prevents, or would reasonably be expected to prevent, the Party from performing a material obligation to be performed by it under the Amalgamation Agreement in any material respect;

“Material Agreement” means an agreement to which a Party is a party: (i) that has a term, the balance of which is equal to or in excess of one year and involves expenditures by or payments to that Party from and after the date of the Amalgamation Agreement aggregating in excess of \$25,000 in any year; (ii) whose termination (other than termination by passage of time) could individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Party; (iii) expressly limiting or restricting the ability of the Party to compete in, solicit in respect of, or otherwise to conduct, their respective businesses or operations; (iv) that contains any severance, change of control or termination pay or post-employment liabilities or obligations; (v) relating to material indebtedness, to the direct or indirect guarantee or assumption by the Party (contingent or otherwise) of any material payment or material performance obligations of any other Person; (vi) that is a financial risk management contract, such as a currency, commodity or interest related hedge contract; (vii) that is a securityholder agreement, declaration, voting trust or pooling agreement; (viii) relating to the disposition or acquisition by the Party after the date of the

Amalgamation Agreement of a material amount of assets; (ix) pursuant to which the Party has any material ownership interest in any other Person or other business enterprise; (x) relating to the acquisition or sale by the Party of any operating business or the capital stock or other ownership interest of any other Person and under which the Party has any material continuing liability or obligation; (xi) relating to any indemnification obligation of the Party not entered into in the ordinary course of business; (xii) which is required to be filed on SEDAR pursuant to applicable Securities Law; (xiii) that is a joint venture, partnership agreement or any other agreement that is outside the ordinary course of business or not consistent with past practice and is material to the business of the Party; or (xiv) any other agreement that is material to Plurilock, the Business or the transactions contemplated by the Amalgamation Agreement;

“Member” has the meaning ascribed to such term in Rule A of the rules and policies of the Exchange;

“Name Change” means the proposed change in the name of Libby K to “Plurilock Security Inc.” to be effective at the time of the Closing;

“Non-Arm’s Length Party” means, in relation to a company: (i) a Promoter, officer, director, other Insider or Control Person of that company and any Associates or Affiliates of any such person; (ii) another entity or an Affiliate of that entity if that entity or its Affiliates have the same Promoter, officer, director, Insider or Control Person as the company; and (iii) in relation to an individual, means any Associate of the individual or any company of which the individual is a Promoter, officer, director, Insider or Control Person;

“Non-Arm’s Length Qualifying Transaction” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction;

“Party” means either Libby K or Plurilock and **“Parties”** means both of them;

“Person” includes any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, First Nation, syndicate or other entity, whether or not having legal status;

“Plurilock” means Plurilock Security Solutions Inc.;

“Plurilock Amalgamation Resolution” means the special resolution of the Plurilock Shareholders authorizing the Plurilock Board to complete the Amalgamation as approved by Plurilock Shareholders at the Plurilock Meeting;

“Plurilock Board” means the board of directors of Plurilock;

“Plurilock Bridge Debentures” means convertible debentures of Plurilock issued under the Plurilock Bridge Placement and Plurilock Subsequent Bridge Placement with an aggregate principal amount of \$1,307,375, which Plurilock Bridge Debentures will be automatically converted into Plurilock Bridge Units prior to the Effective Time;

“Plurilock Bridge Placement” means the non-brokered private placement of Plurilock Bridge Debentures and 811,665 Plurilock Bridge Units for gross aggregate proceeds to Plurilock of approximately \$1,000,000, the last tranche of which was completed on February 21, 2020;

“Plurilock Bridge Unit” means the units of Plurilock that were issued or became issuable pursuant to the Plurilock Bridge Placement, which Plurilock Bridge Units will be exchanged for Resulting Issuer Units on a one-for-one basis at the Closing in accordance with the terms of the Amalgamation Agreement;

“Plurilock Bridge Warrants” means the warrants that comprise the Plurilock Bridge Units. Each Plurilock Bridge Warrant has the same terms as the Resulting Issuer Warrants;

“Plurilock Brokered Placement” means the brokered private placement of Plurilock Subscription Receipts to be conducted by Plurilock pursuant to the Agency Agreement, which is expected to close at the Effective Time, for gross proceeds, together with the Libby K Brokered Placement, subject to a minimum offering amount of \$2 million and a maximum of \$2.7 million;

“Plurilock Business” means the business carried on by Plurilock, as of the date hereof;

“Plurilock Common Share” means a common share in the capital of Plurilock, including, as the context requires, those issuable or issued upon the automatic conversion or exercise, as applicable, of the Plurilock Convertible Securities;

“Plurilock Convertible Securities” means Plurilock Preferred Shares, Plurilock Options and Plurilock Pre-Existing Warrants;

“Plurilock In-The-Money Options” means the options of Plurilock with exercise prices lower than \$0.30 per Plurilock Common Share;

“Plurilock Meeting” means the special meeting of Plurilock Shareholders held on July 13, 2020;

“Plurilock Option Plan” means the stock option plan adopted by the Plurilock Board on September 24, 2015;

“Plurilock Options” means all stock options exercisable to acquire Plurilock Common Shares outstanding immediately prior to the Effective Date;

“Plurilock Pre-Existing Warrants” means the 75,000 warrants exercisable to purchase Plurilock Shares outstanding as at the date hereof;

“Plurilock Preferred Shareholder” means a holder of Plurilock Preferred Shares;

“Plurilock Preferred Shares” means Class Seed Preferred Shares in the capital of Plurilock as constituted on the date hereof;

“Plurilock Subscription Receipts” means the subscription receipts to be issued by Plurilock pursuant to the Plurilock Brokered Placement, each of which entitles its holder to acquire, for no additional consideration, upon the satisfaction or waiver of the Escrow Release Conditions, one Resulting Issuer Unit;

“Plurilock Subsequent Bridge Placement” means means the non-brokered private placement of Plurilock Bridge Debentures with an aggregate principal amount of \$490,000 and 257,776 Plurilock Bridge Units for gross aggregate proceeds to Plurilock of approximately \$548,000, the last tranche of which was completed on June 18, 2020;

“Plurilock Shareholders” means the holders of Plurilock Common Shares;

“Plurilock Trust Shares” means the shares held by certain Plurilock Shareholders prior to Closing and the shares issuable to such Plurilock Shareholders upon deemed exercise of Plurilock Convertible Securities pursuant to the terms of the Amalgamation Agreement;

“PLUS” means Plurilock Security Corp.;

“Principal” means, in respect of an issuer:

- (a) a Person who acted as a Promoter of the issuer within two years or Associates or Affiliates thereof, before (in the case of Libby K) the Libby K IPO or (in the case of Plurilock) Final Exchange Bulletin;
- (b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of (in the case of Libby K) the Libby K IPO or (in the case of Plurilock) Final Exchange Bulletin;

- (c) a Person that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's (in the case of Libby K) the Libby K IPO or (in the case of Plurilock) immediately after the Final Exchange Bulletin; or
- (d) a Person that: (i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after, in the case of Libby K, the Libby K IPO or, in the case of Plurilock, the Final Exchange Bulletin; (ii) and has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

"Promoter" means:

- (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer; or
- (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business;

"QT" or "Qualifying Transaction" means a transaction whereby a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, and, specifically in the case of Libby K, means the Transaction, as more particularly described herein;

"QT Tier 2 Surplus Security Escrow Agreement" means the Tier 2 Surplus security agreement in Form 5D to be entered into by and among the Escrow Agent, the Resulting Issuer and certain Principals of the Resulting Issuer prior to the Closing;

"Regulatory Approvals" means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities required in connection with the execution, delivery or performance of the Amalgamation Agreement or the consummation of the Amalgamation or any of the transactions otherwise contemplated by the Amalgamation Agreement;

"Resulting Issuer" means Libby K, upon completion of the Transaction and issuance of the Final Exchange Bulletin;

"Resulting Issuer Units" means the units of the Resulting Issuer, with a subscription price of \$0.30 per unit, each of which will be comprised of one Resulting Issuer Common Share and one half of one Resulting Issuer Warrant, all on a post-Libby K Share Consolidation basis, unless such terms are amended with the approval of the Libby K Board and the Plurilock Board;

"Resulting Issuer Warrants" means the warrants that comprise the Resulting Issuer Units. Each whole Resulting Issuer Warrant will be exercisable for one Resulting Issuer Common Share for two years from the Closing, at an exercise price of \$0.40, unless such terms are amended with the approval of the Libby K Board and the Plurilock Board;

"Securities Act" means the *Securities Act* (British Columbia), as now in effect and as it may be amended from time to time prior to the Effective Date;

“Securities Authorities” means the British Columbia Securities Commission and the applicable securities regulatory authorities in each of the other provinces and territories of Canada, collectively;

“Securities Laws” means the Securities Act and the equivalent Laws in the other provinces and territories of Canada, and the published policies, instruments, rules, judgments, orders and decisions of any Securities Authorities or Governmental Entities administering those statutes, as well as the rules, regulations, by-laws and policies of the Exchange;

“SEDAR” means the System for Electronic Document Analysis and Retrieval;

“Significant Assets” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by a CPC, together with any other concurrent transactions would result in the CPC meeting the initial listing requirements of the Exchange;

“SR Agent’s Fee” has the meaning attributed to such term under *“Information Concerning the Transaction – Financings – Brokered Placement”*;

“Subscription Receipt Agent” means Computershare Trust Company of Canada in its capacity as subscription receipt agent, and any lawful successors or permitted assigns thereto appointed from time to time, pursuant to the Subscription Receipt Agreement;

“Subscription Receipt Agreement” means the subscription receipt agreement among Plurilock, the Subscription Receipt Agent and the Agent to be entered pursuant to the Plurilock Brokered Placement;

“Subsidiary” includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity;

“Success Fee” has the meaning given to such term in the Valeo Agreement;

“Superior Proposal” means an unsolicited *bona fide* written Acquisition Proposal: (i) that is reasonably capable of being completed on its terms without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (ii) is not subject to any financing condition beyond what would be permitted by Section 2.27 of National Instrument 62-104 in respect of a formal take-over bid (whether or not such transaction is a formal take-over bid); (iii) which is not subject to a due diligence or access condition; (iv) that did not result from a breach of the Amalgamation Agreement by the Party in respect of which the Acquisition Proposal is being made; (v) in the case of an Acquisition Proposal to purchase or acquire Plurilock Common Shares is made for all outstanding Plurilock Common Shares and is available to all Plurilock Shareholders on the same terms and conditions; (vi) in the case of an Acquisition Proposal to purchase or acquire Libby K Common Shares is made for all outstanding Libby K Common Shares and is available to all Libby K Shareholders on the same terms and conditions; and (vii) in respect of which the Party’s board of directors (and, in the case of Libby K Subco, the board of directors of Libby K) determines in good faith (after receipt of advice from its outside legal counsel with respect to (x) below and financial advisors with respect to (y) below) that: (x) failure to recommend such Acquisition Proposal to its shareholders would be inconsistent with its fiduciary duties; and (y) which would, taking into account all of the terms and conditions of such Acquisition Proposal, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to its shareholders from a financial point of view than the Amalgamation (including any adjustment to the terms and conditions of the Amalgamation proposed by the other Party pursuant to the terms of the Amalgamation Agreement);

“Tax Act” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

“Taxation Year” means the taxation year of the Resulting Issuer for the purposes of the Tax Act;

“Termination Date” means September 30, 2020, or such later date as may be agreed to in writing by the Parties;

“Transaction” means the acquisition by Libby K of all of the issued and outstanding securities of Plurilock, and related transactions and corporate proceedings contemplated in the Amalgamation Agreement;

“Transfer Agent” means Computershare Investor Services Inc., the transfer agent and registrar of Libby K;

“U.S. Securities Act” means the United States Securities Act of 1933, as amended;

“Valeo” means Valeo Corporate Finance Ltd.;

“Valeo Agreement” means the Corporate Advisory and IBK Investment Banking Engagement Agreement dated March 1, 2018 between Valeo and Plurilock, as amended on June 30, 2020; and

“Warrant Indenture” has the meaning attributed to such term under *“Information Concerning the Transaction – Financings – Brokered Placement”*.

SUMMARY OF THE FILING STATEMENT

The following is a summary of information relating to Libby K, Plurilock and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.

Libby K

Libby K was incorporated pursuant to the provisions of the BCBCA on July 5, 2018. Libby K is a "capital pool company" for the purposes of the CPC Policy. As such, Libby K's business has been restricted to the identification and evaluation of businesses or assets for the purposes of completing a Qualifying Transaction.

Libby K is a reporting issuer in the provinces of British Columbia, Alberta and Ontario and its Common Shares are listed for trading on the Exchange under the symbol "LBB.P".

Plurilock

Plurilock was incorporated pursuant to the provisions of the BCBCA on October 28, 2008. Plurilock's business focus is in providing continuous multi-factor authentication ("MFA") solutions. Plurilock's flagship products leverages 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.

Currently, Plurilock has one wholly-owned operating Subsidiary: PLUS, which was incorporated under the laws of the state of Delaware on November 15, 2017 with the purpose of serving sales and marketing functions for Plurilock. Plurilock is not a reporting issuer and the Plurilock Common Shares are not listed or posted on any exchange.

Libby K Subco

Libby K Subco, incorporated pursuant to the provisions of the BCBCA on March 6, 2020, is a wholly-owned subsidiary of Libby K, has no assets and conducts no operations, and was created solely for the purpose of completing the Transaction.

The Qualifying Transaction

Pursuant to the Amalgamation Agreement, and after giving effect to the Libby K Share Consolidation, Libby K will acquire all of the issued and outstanding Plurilock Common Shares at a deemed share price of \$0.30 by way of a "three cornered" amalgamation in which Libby K Subco will amalgamate with Plurilock to form Amalco. As a result of the Amalgamation the holders of all outstanding Plurilock Common Shares shall exchange such shares for Common Shares at the applicable Exchange Ratio.

As a result of the Transaction, and assuming the Brokered Placements are fully subscribed, it is expected that the Resulting Issuer will issue:

- a) an aggregate of approximately 5,500,000 Common Shares to Libby K Shareholders in replacement of their pre-Libby K Share Consolidation Common Shares pursuant to the Libby K Share Consolidation;
- b) an aggregate of approximately 23,747,636 Common Shares (representing the number of Plurilock Common Shares issued and outstanding as of January 1, 2020, prior to the Plurilock Bridge Financing and Plurilock Subsequent Bridge Financing and assuming the conversion of the all outstanding Plurilock Convertible Securities prior to Closing);
- c) an aggregate of approximately 6,897,992 Common Shares pursuant to the conversion of Plurilock Bridge Debentures and exchange of Plurilock Bridge Units;
- d) 200,000 Common Shares pursuant to the exchange of 200,000 Plurilock Common Shares issued to the Agent pursuant to the Engagement Letter; and

- e) an aggregate of: (i) 6,666,667 Common Shares in the event that the minimum of \$2.0 million is raised pursuant to the Brokered Placements; or (ii) 9,000,000 Common Shares in the event that the maximum of \$2.7 million is raised pursuant to the Brokered Placements.

Although the Transaction will result in Amalco becoming a wholly-owned subsidiary Libby K, the Transaction will constitute a reverse take-over of Libby K inasmuch as the former shareholders of Plurilock will own a majority of the outstanding shares of the Resulting Issuer and four of the five members of the board of directors of the Resulting Issuer will be designees of Plurilock.

The purchase price in connection with the Transaction was determined pursuant to arm's length negotiations between Libby K and Plurilock.

The Resulting Issuer

Following the Effective Date, Amalco will be a direct, wholly-owned subsidiary of the Resulting Issuer. The capital structure of the Resulting Issuer will remain unchanged, other than for the issuances of securities contemplated by the Transaction, the Libby K Share Consolidation and the Libby K Brokered Placement. Upon completion of the Transaction and subject to the approval of the Exchange, the Resulting Issuer expects to be listed on the Exchange as a Tier 2 Technology Issuer under the symbol "PLUR". See "*Information Concerning the Resulting Issuer – Corporate Structure*".

Libby K's current directors are Robert Kiesman, Mark Orsmond, Merv Chia and Kendra Low. In connection with the completion of the Transaction, each of those individuals, other than Robert Kiesman, will resign as directors and officers of Libby K. As a result, the proposed directors and officers of the Resulting Issuer are set out below.

Name and Municipality of Residence	Proposed Position With Resulting Issuer
Ian Paterson – Victoria, B.C.	Chief Executive Officer, Director
Robert Kiesman – Richmond, B.C.	Chairman, Director
Admiral Mike McConnell – Middleburg, Virginia, USA	Director
Barry Carlson – Victoria, B.C.	Director
Ed Hammersla – Mechanicsville, Maryland, USA	Director
Roland Sartorius – Vancouver, B.C.	Chief Financial Officer, Corporate Secretary
Jord Tanner – Victoria, B.C.	Chief Technology Officer

See "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" for additional information.

Interests of Insiders, Promoters and Control Persons

No Insider, Promoter or Control Person of Libby K or any of their respective Associates or Affiliates thereof (before and after giving effect to the Transaction) has any interest in Plurilock, except for: (a) Mark Orsmond, a director and CFO of Libby K, who holds a \$25,000 Plurilock Bridge Debenture, which is convertible into 83,333 Resulting Issuer Units; (b) Merv Chia, a director of Libby K, who holds a \$10,000 Plurilock Bridge Debenture, which is convertible into 33,333 Resulting Issuer Units; (c) Kendra Low, a director of Libby K, who holds a \$10,000 Plurilock Bridge Debenture, which is convertible into 33,333 Resulting Issuer Units; and (d) Marcy Kiesman, the spouse of Robert Kiesman, who is the Chairman and CEO of Libby K, who holds a \$25,000.00 Plurilock Bridge Debenture, which is convertible into 83,333 Resulting Issuer Units.

The interests of any Insider, Promoter or Control Person of Libby K and their respective Affiliates and Associates (before and after giving effect to the Transaction) including any consideration that any such individual or party may receive if the Transaction proceeds is set forth below:

Name of Insider, Promoter or Control Person or Affiliate or Associate thereof	Common Shares as at the date of this Filing Statement	% of Common Shares as at the date of this Filing Statement	Common Shares after the Transaction (and Libby K Share Consolidation)	% of Common Shares after the Transaction, assuming \$2.0M minimum Brokered Placements ⁽²⁾	% of Common Shares after the Transaction, assuming \$2.7M maximum Brokered Placements ⁽²⁾
Robert Kiesman	1,158,000 ⁽¹⁾	10.4%	662,333	1.5%	1.5%
Mark Orsmond	700,000	6.3%	433,333	1.0%	1.0%
Merv Chia	600,000	5.4%	333,333	0.77%	0.73%
Kendra Low	100,000	0.9%	83,333	0.19%	0.18%
Total	2,558,000	23.0%	1,512,332	3.5%	3.3%

Notes:

(1) Includes shares held by Marcy Kiesman, the spouse of Robert Kiesman, as well as shares under the control and direction of Mr. Kiesman.

(2) Reported on a non-diluted basis and assumes that the terms of the securities issuable in the Brokered Placements are not amended by the Plurilock Board and the Libby K Board.

Please see “Information Concerning the Resulting Issuer – Escrowed Securities” and “Pro-Forma Consolidated Capitalization”.

Not a Non Arm’s Length Qualifying Transaction

The Acquisition is not a Non-Arm’s Length Qualifying Transaction. As a result, Libby K Shareholders are not required to approve the Transaction pursuant to the policies of the Exchange.

Available Funds and Principal Purposes

After completion of the Transaction, the Resulting issuer will have approximately \$2,103,608 of funds available assuming a minimum of \$2 million is raised in the Brokered Placements and \$2,728,008 of funds available assuming a maximum of \$2.7 million is raised in the Brokered Placements, respectively, as follows:

	Min - \$2.0 million	Max - \$2.7 million
Estimated working capital of Libby K as at July 31, 2020	\$574,515	\$574,515
Estimated working capital of Plurilock as at July 31, 2020 ⁽¹⁾	\$127,087	\$127,087
Estimated to be utilized by Plurilock to Closing	-\$137,994	-\$137,994
Estimated gross proceeds from sales of securities	\$2,000,000	\$2,700,000
Estimated costs of the transaction (e.g. Agent’s expenses, Success fees etc.)	-260,000	-\$335,600
Estimated transaction costs – legal fees	-\$200,000	-\$200,000
Estimated available working capital:	\$2,103,608	\$2,728,008

Notes:

(1) Net of \$1,302,930 Convertible Debt.

The table below sets forth the principal purposes for which the estimated funds available to the Resulting Issuer upon completion of the Transaction of \$2,103,608, assuming a minimum of \$2 million is raised in the Brokered Placements and \$2,728,008, assuming a maximum of \$2.7 million is raised in the Brokered Placements, respectively, will be used for the ensuing 12 months. While management currently intends to use the available funds as set forth

in this Filing Statement, the Resulting Issuer may reallocate available funds for sound business reasons from time to time.

	Min - \$2.0 million	Max - \$2.7 million
Estimated Available Funds:	\$2,103,608	\$2,728,008
Plurilock cash generated from operations ⁽¹⁾	\$1,093,126	\$1,093,126
Plurilock cash generated from non-dilutive financing ⁽²⁾	\$150,000	\$150,000
Plurilock estimated short-term debt repayments	-\$82,177	-\$82,177
Plurilock estimated sales & marketing expenses	-\$1,114,494	-\$1,393,118
Plurilock estimated research & development expenses	-\$969,556	-\$1,077,284
Plurilock estimated general & administrative expenses	-\$1,027,547	-\$1,183,345
Unallocated working capital	\$152,960	\$235,210

Notes:

(1) Includes cashflow from contracted revenue as at July 31, 2020.

(2) Includes \$120,000 contribution from the National Research Council of Canada Industrial Research Assistance Program and an estimated \$30,000, net cash from the Scientific Research & Experimental Development Tax incentive Program in Canada.

The foregoing are estimates only and there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult at this time to definitively project the total funds necessary to achieve the Resulting Issuer business objectives, and as such management considers it to be in the best interest of the Resulting Issuer and its shareholders to grant management a reasonable degree of flexibility as to how the Resulting Issuer's funds are employed among the below uses or for other purposes, if and when the need arises.

Selected Pro Forma Consolidated Financial Information

The following table sets out certain financial information for Plurilock and Libby K and *pro forma* financial information for Libby K after giving effect to the Transaction, assuming both a minimum of \$2 million minimum and \$2.7 maximum are raised in the Brokered Financings, respectively, and certain other adjustments.

The information provided in the table below is derived from the unaudited financial statements of Libby K for the nine months ended June 30, 2020, the unaudited financial statements of Plurilock for the six months ended June 30, 2020 and the unaudited *pro forma* financial statements of the Resulting Issuer giving effect to the Transaction and should be read in conjunction with the financial statements and reports thereon included in this Filing Statement.

Statement of Financial Position Data	Libby K as at June 30, 2020 \$	Plurilock as at March 31, 2020 \$	Pro Forma as at June 30, 2020 (assuming \$2.0 million minimum Brokered Financings) \$	Pro Forma as at June 30, 2020 (assuming \$2.7 million maximum Brokered Financings) \$
Assets:				
Current Assets	587,444	1,168,892	4,014,105	4,658,105
Non-current Assets	-	105,563	105,563	105,563
Total Assets	587,444	1,274,455	4,119,668	4,763,668
Liabilities:				
Current Liabilities	2,426	1,597,211	856,223	856,223
Non-current Liabilities	-	12,630	12,630	12,630
Total Liabilities	2,426	1,609,841	868,853	868,853
Shareholders' Equity:				
Share Capital	684,590	4,814,788	10,031,352	10,719,685
Contributed Surplus and Reserves	116,335	230,074	127,274	140,807
Deficit	(215,907)	(5,380,248)	(6,907,810)	(6,965,677)

Statement of Financial Position Data	Libby K as at June 30, 2020 \$	Plurilock as at March 31, 2020 \$	Pro Forma as at June 30, 2020 (assuming \$2.0 million minimum Brokered Financings) \$	Pro Forma as at June 30, 2020 (assuming \$2.7 million maximum Brokered Financings) \$
Total Equity	585,018	(335,386)	3,250,815	3,894,815
Number of shares issued and outstanding at the end of the period	11,100,000	25,530,978	43,044,295	45,377,629

Market for Securities

The Common Shares are listed on the Exchange under the symbol "LBB.P". The closing market price of the Common Shares on January 2, 2020, the last trading day immediately preceding the announcement of the Transaction, was \$0.08. See *"Information Concerning Libby K Industries Inc. – Market Price and Trading Volume Data"* for information relating to the trading price of the Common Shares from February 12, 2019 to January 2, 2020. No public market exists for the Plurilock Common Shares.

Upon completion of the Transaction, the Resulting Issuer is expected to be listed on the Exchange as a Tier 2 Technology Issuer under the trading symbol "PLUR".

Agency Relationship

In connection with the Transaction, Plurilock and Libby K entered into the Engagement Letter with PI as its financial advisor and agent with a commission payable to PI on closing of the Brokered Placements both in cash and warrants for the Brokered Placements and a finance fee plus Plurilock Common Shares for the Plurilock Bridge Placement.

For additional information, see *"Information Concerning the Transaction – Plurilock Financings – Plurilock Bridge Placement"*.

Sponsorship

Libby K has submitted to the Exchange that it is exempt from the Sponsorship requirements of the CPC Policy on the basis that Plurilock will complete the Plurilock Brokered Placement in connection with the Transaction for aggregate gross proceeds of greater than \$500,000 and the Agent has provided the Exchange confirmation that it has completed appropriate due diligence on both the Transaction and this Filing Statement. See *"General Matters – Sponsorship."*

Conflicts of Interest

Each director of each Libby K has certain interests in Plurilock as disclosed above under "Interest of Insiders, Promoters and Control Persons". Each such director has informed the Libby K Board and the Plurilock Board of the nature and extent of their respective interests in both Libby K and Plurilock. Each of the Libby K Board and the Plurilock Board have determined that such interests are not material to the Transaction and do not represent a conflict of interest. In addition, the directors and officers of the Resulting Issuer may be subject to conflicts of interest from time to time in connection with the operations of the Resulting Issuer. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Resulting Issuer, including in respect of Conflicts, if any, will be subject to the procedures and remedies under the BCBCA. See *"Risk Factors"*.

Interest of Experts

Smythe LLP, as auditors of Libby K, report that they are independent with respect to Libby K within the meaning of the Chartered Professional Accountants of British Columbia. Deloitte LLP, as auditors of Plurilock, report that they are independent with respect to Plurilock within the meaning of the Chartered Professional Accountants of British Columbia.

No other person or company who is named as having prepared or certified a part of the Filing Statement or prepared or certified a report or valuation described or included in the Filing Statement has, or will have, immediately following completion of the Transaction, any direct or indirect interest in the Plurilock Business or in Libby K or in the Resulting Issuer.

Risk Factors

There are inherent risks in the business of Libby K and in the business of Plurilock. The Transaction must be considered speculative due to the nature of the business of Libby K and Plurilock, and each company's relatively formative stage of development. Libby K Shareholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of Libby K and the Resulting Issuer. There is no guarantee that the Resulting Issuer will be able to secure future financing to meet its future needs on reasonable terms. The business of the Resulting Issuer will be subject to risks and hazards related to Libby K and Plurilock, some of which are beyond its control.

Risk factors include, but are not limited to:

- (a) The Resulting Issuer may not realize the anticipated benefits of the Transaction;
- (b) Failure to meet all regulatory requirements and obtain all approvals for completion of the Transaction;
- (c) The Amalgamation Agreement may be terminated in certain circumstances;
- (d) The market price for the Libby K Common Shares may decline if the Transaction is not completed;
- (e) Change of shareholder influence upon completion of the Transaction;
- (f) Libby K is a CPC and has no operating business;
- (g) Libby K's officers and directors may have conflicts of interest that affect the assessment of qualifying transactions;
- (h) Libby K Shareholders will suffer immediate dilution as a result of the Transaction;
- (i) trading in Libby K Common Shares has been halted and may be halted from time to time in the future;
- (j) no regulatory authority has passed on the merits of the Transaction;
- (k) Plurilock has limited operating history;
- (l) Plurilock is reliant on key management;
- (m) The business of Plurilock is subject to broader economic factors;
- (n) Plurilock operates in a highly competitive industry and may be unable to retain clients or market share;
- (o) Plurilock may be subject to litigation;
- (p) Plurilock may not be able to prevent damages resulting from a cybersecurity attack;
- (q) Damage to Plurilock's brand may harm its results;
- (r) Plurilock may not successfully align its cost structure with revenue;
- (s) There are risks inherent in Plurilock's acquisition strategy;
- (t) Directors and officers of the Resulting Issuer may be subject to conflicts of interest;
- (u) The Resulting Issuer does not anticipate paying dividends on the Resulting Issuer Common Shares;
- (v) The Resulting Issuer may not be able to obtain financing necessary to implement Plurilock's business plan;
- (w) The requirements of being a public company may strain the Resulting Issuer's financial and human resources;
- (x) Management of the Resulting Issuer has discretion concerning unallocated funds;
- (y) The price of the securities of the Resulting Issuer may fluctuate significantly;
- (z) An active, liquid and orderly trading market may not develop for the securities of the Resulting Issuer;
- (aa) The Resulting Issuer will have significant number of convertible securities issued and outstanding, the exercise of which may be dilutive;

- (bb) Disease outbreaks may negatively impact the Resulting Issuer;
- (cc) The Resulting Issuer may issue additional equity securities in the future, which may adversely affect the market price of Resulting Issuer Common Shares;
- (dd) The Resulting Issuer will be a holding company with its only asset being direct ownership of Plurilock; and
- (ee) The Resulting Issuer's business could be disrupted as a result of actions of certain shareholders or potential acquirers of the Resulting Issuer.

See "*Risk Factors*" for a more detailed description of these risk factors and other risks. Common Shares are a risky and speculative investment.

Conditional Listing Approval

The Exchange has conditionally accepted the Transaction, subject to Libby K fulfilling all of the requirements of the Exchange on or before November 17, 2020.

RISK FACTORS

An investment in securities of the Resulting Issuer should be considered highly speculative, not only due to the nature of Plurilock's existing and proposed business and operations, but also because of the uncertainty related to completion of the Transaction and the business of the Resulting Issuer if the Transaction is completed.

The following risk factors should be carefully considered in evaluating Plurilock, Libby K, the Resulting Issuer and the Transaction. In addition, investors should carefully review and consider all other information contained in this Filing Statement (including all Schedules hereto) before making an investment decision. An investment in securities of the Resulting Issuer should only be made by persons who can afford a significant or total loss of their investment.

The risks factors presented below: (a) could cause actual results to be different from expected and historical results; and (b) may not represent all of the risks related to the Transaction, Libby K, Plurilock, or/and the Resulting Issuer. Other sections of this Filing Statement include additional factors that could have an effect on the business and financial performance of the Resulting Issuer following the completion of the Transaction. The market in which Plurilock currently competes is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those referenced in any forward-looking statements contained herein. You should not rely upon any forward-looking statements contained in this Filing Statement as a prediction of future results.

Risk Factors Relating to the Transaction

The Resulting Issuer may not realize the anticipated benefits of the Transaction

Plurilock is proposing to complete the Transaction to strengthen its position as a leading provider of behavioral-biometric authentication technologies and to create the opportunity to realize certain benefits including, among other things, those set forth in this Filing Statement. Achieving the benefits of the Transaction depends in part on the ability of the Resulting Issuer to effectively capitalize on its scale, to realize the anticipated capital and operating synergies, to profitably sequence the growth prospects of its asset base and to maximize the potential of its improved growth opportunities and capital funding opportunities as a result of combining the business and operations of Libby K and Plurilock. A variety of factors, including those risk factors, set forth in this Listing Statement may adversely affect the ability of the Resulting issuer to achieve the anticipated benefits of the Amalgamation.

Failure to meet all regulatory requirements and obtain all approvals for completion of the Transaction

Completion of the Transaction is subject to, among other things, the approval of the Exchange and the receipt of all necessary regulatory and shareholder approvals. There can be no certainty, nor can either party provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer or the trading price of the Resulting Issuer Common Shares after completion of the Transaction.

The Amalgamation Agreement may be terminated in certain circumstances

Each of Libby K and Plurilock has the right to terminate the Amalgamation Agreement in certain circumstances. Accordingly, there is no certainty, nor can either party provide any assurance, that the Amalgamation Agreement will not be terminated before the completion of the Transaction. In addition, the completion of the Transaction is subject to a number of conditions precedent, certain of which are outside the control of Libby K and Plurilock. There is no certainty, nor can either party provide any assurances, that these conditions will be satisfied.

The market price for the Common Shares may decline

If the Transaction is not completed, the market price of the Common Shares may decline. If the Transaction is not completed, and the Libby K Board or the Plurilock Board, as the case may be, decide to seek another merger or business combination, there can be no assurance that Libby K or Plurilock, as the case may be, will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Transaction.

Change of shareholder influence

Immediately after the completion of the Transaction, assuming: (a) a minimum of \$2 million is raised in the Brokered Financings former Plurilock Shareholders will hold approximately 55.2% of the Resulting Issuer Common Shares and Libby K Shareholders will hold 12.9% of the Resulting Issuer Common Shares; and (b) a maximum of \$2.7 million is raised in the Brokered Financings, former Plurilock Shareholders will hold approximately 52.3% of the Resulting Issuer Common Shares and Libby K Shareholders will hold 12.2% of the Resulting Issuer Common Shares. Former Plurilock Shareholders will therefore be in a position to exercise significant influence over all matters requiring shareholder approval, including the election of directors, determination of significant corporate actions, amendments to the Resulting Issuer's articles of incorporation and the approval of any business combinations, mergers or takeover attempts, in a manner that could conflict with the interests of other shareholders. Although there are no agreements or understandings among the Plurilock Shareholders of which Plurilock or Libby K is aware as to voting, if they voted in concert they would exert more influence over the Resulting Issuer than would the former Libby K Shareholders.

Risk Factors Relating to Libby K

No operating business

Libby K was a CPC and as a result has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and will not generate earnings or pay dividends until at least after completion of the Qualifying Transaction. Until Completion of a Qualifying Transaction, Libby K is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions. Furthermore, Libby K has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that Libby K will be able to identify another suitable Qualifying Transaction, if the Transaction is not completed.

Conflicts of Interest

The directors and officers of Libby K only devote a portion of their time to the business and affairs of Libby K and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time.

Dilution

Assuming completion of the Transaction, Libby K Shareholders will suffer an immediate dilution and will hold only approximately 12.9% of the Resulting Issuer Common Shares by completion of the Transaction if a minimum of \$2 million is raised in the Brokered Financings and approximately 12.2% of the Resulting Issuer Common Shares by completion of the Transaction if a maximum of \$2.7 million is raised in the Brokered Financings, assuming the terms of the securities issuable pursuant to the Brokered Placements are not amended by the Libby K Board and the Plurilock Board.

Halts in Trading

Prior to announcement of the Transaction, the Common Shares were halted. The Common Shares have been reinstated to trading prior to the Exchange completing its review of the Transaction. Reinstatement to trading

provides no assurance with respect to the merits of the Transaction or the likelihood of Libby K completing the Transaction. Trading in the Common Shares may be halted at other times for other reasons, including without limitation, for failure by Libby K to submit documents to the Exchange in the time periods required.

Merits of the Qualifying Transaction

Neither the Exchange nor any securities regulatory authority passes upon the merits of the Transaction.

Risk Factors Relating to Plurilock

Plurilock has limited operating history

Plurilock began carrying on business in 2008 and has been incurring operating losses and cash flow deficits since inception. Plurilock is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, and limitations with respect to personnel, financial, and other resources. There is no assurance that Plurilock will be successful and the likelihood of success must be considered in light of its early stage of operations. The majority of Plurilock's recently revenues were 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 Plurilock would be negatively impacted. To the extent Plurilock has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such operating cash flow. Plurilock may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that Plurilock will be able to generate a positive cash flow from operations, that additional capital or other types of financing will be available when needed or that these financings will on favourable terms.

Plurilock is reliant on key management

The success of Plurilock is dependent upon the ability, expertise and judgment of its senior management, and in particular, Ian Paterson, Roland Sartorius and Jord Tanner. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of Plurilock and results of operations of the business. The loss of any of Plurilock's senior management or key employees, particularly Mr. Paterson, Mr. Sartorius and/or Mr. Tanner could materially and adversely affect Plurilock's ability to execute its business plan and strategy and Plurilock may not be able to find adequate replacements on a timely basis, or at all.

The business of Plurilock is subject to broader economic factors.

Any adverse change in general economic conditions may adversely affect Plurilock's business and financial condition. The demand for workforce solutions is highly dependent upon the state of the economy and upon the staffing needs of Plurilock clients, which creates uncertainty and volatility. As economic activity slows, the need for temporary and new employees decreases. Significant declines in demand of any region or industry in which Plurilock has a major presence may significantly decrease its revenues and profits. Deterioration in economic conditions or the financial or credit markets could also have an adverse impact on the ability of Plurilock to collect payment for services.

It is difficult for Plurilock to forecast future demand for its services due to the inherent uncertainty in forecasting the direction and strength of economic cycles, the terms and nature of future staffing assignments and the financial viability of its clients. Additionally, Plurilock may experience a decline in revenue before a decline in economic activity is seen in the broader economy. When it is difficult for Plurilock to accurately forecast future demand, Plurilock may not be able to determine the optimal level of personnel and investment necessary to profitably take advantage of growth opportunities.

Plurilock operates in a highly competitive industry and may be unable to retain clients or market share.

Plurilock operates in a highly competitive business and may be unable to retain clients or market share. The staffing services industry is highly competitive, and the barriers to entry are low. There are many competitors, and new competitors are entering the market constantly. Current and new competitors may be better capitalized, have a stronger operating history, have more expertise and be able to provide comparable or superior services at the same

or lower cost. Also, long-term contracts form a small and declining portion of Plurilock's revenue. There is no assurance that Plurilock will be able to retain clients or its market share in the future, nor can there be any assurance that it will, in light of competitive pressures, be able to maintain or increase its current margins, or reach and sustain profitability.

Plurilock may be subject to litigation.

Plurilock may become party to litigation, either as plaintiff or defendant, from time to time in the ordinary course of business including but not limited to actions related to Plurilock's commercial relationships, employment matters, and services delivered. Such matters include both actual as well as threatened claims. Should any litigation in which Plurilock becomes involved be determined against Plurilock, such a decision could adversely affect Plurilock's ability to continue operating, and the market price for the Resulting Issuer Common Shares. Even if Plurilock is successful in litigation, litigation can redirect significant company resources.

Plurilock may not be able to prevent damages resulting from a cybersecurity attack.

The Plurilock Business uses confidential information about candidates, (successful and unsuccessful), employees and clients. Plurilock is subject to cyberattacks, computer viruses, social engineering schemes and other means of unauthorized access to its systems. Plurilock has not experienced any material losses to date related to cyber-attacks or other information security breaches, but there can be no assurance that Plurilock will not incur such losses in the future. The security controls over sensitive or confidential information and other practices implemented by Plurilock and its third-party vendors may not prevent the improper access to, disclosure of, or loss of such information. Failure to protect the integrity and security of such confidential and/or proprietary information could expose Plurilock to fines, litigation, contractual liability, damage to its reputation and increased compliance costs. In addition, as cyber threats continue to evolve, Plurilock may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Damage to Plurilock's brand may harm its results.

The Plurilock Business depends on a strong reputation, and anything that harms its reputation will likely harm its results. As a provider of temporary and permanent staffing, Plurilock's reputation is dependent, in part, on the performance of the employees it places. If Plurilock's clients become dissatisfied with the performance of those employees, or if any of those employees engage in or are believed to have engaged in conduct that is harmful to Plurilock's clients, Plurilock's ability to retain existing clients and maintain or expand its client base may be negatively affected. Plurilock's ability to attract suitable candidates to fulfil both temporary and permanent positions is also affected by the external perception of its brand and reputation.

Damage to Plurilock's reputation can be the result of the actual or perceived occurrence of any number of events and could include any negative publicity, whether true or not. Although Plurilock that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, Plurilock does not ultimately have direct control over how it is perceived by others. Reputational damage could negatively affect its ability to attract and retain employees, decreased shareholder confidence, increased challenges in maintain position relationships with prospective clients and other industry participants and an impediment to its ability to execute its business plan, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Alignment of Plurilock's cost structure with revenue

Plurilock must ensure that its costs and workforce continue to be proportionate to demand for its services. Failure to align Plurilock's cost structure and headcount with net revenue could adversely affect the Plurilock Business, financial condition, and results of operations. Plurilock attempts to mitigate the risks of short-term revenue shifts by having a large portion of employee compensation based on the revenue of the employee's business unit and for management to consolidate revenue and operating profit. Plurilock is a growth company and in order to facilitate

growth Plurilock must continually invest in resources and overhead costs ahead of planned revenue and accordingly Plurilock may operate with substantial negative cash flow in the future.

In 2019, 85% of Plurilock's revenue was from three customers. No other customer exceeded 10% of revenue during 2019. These three customers make up a significant portion of Plurilock's revenue. Plurilock's business is dependent on revenue generated from these customers. There can be no guarantee that any agreements with these three customers will be extended or renewed, or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Failure by Plurilock to maintain these relationships could have a material adverse impact on the business and financial condition of Plurilock. While Plurilock expects this concentration of business to decrease over time, it may continue to depend upon a relatively small number of clients for a significant portion of revenue into the foreseeable future.

Lenders may penalize or otherwise take action against Plurilock if it is unable to meet its obligations under financial instruments.

Plurilock's ability to continue its operations is dependent upon the continued support of its shareholders, its ability to obtain additional financing as and when required and generating revenue. Currently, Plurilock's revenues combined with its financing activities provide enough resources to fund its obligations as they come due.

There are risks inherent in Plurilock's acquisition strategy.

Plurilock intends to actively pursue accretive business acquisitions in Canada, the United States and/or internationally consistent with its investment strategy. Such acquisitions involve inherent risks including but not limited to: (a) unanticipated costs; (b) potential loss of key employees of the company or the business acquired; (c) unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and (d) decline in the value of the acquired business or assets. Further, there can be no assurance that an acquired business will achieve the desired levels of revenue, profitability or productivity or otherwise perform as expected. Any one or more of these factors could cause Plurilock to fail to realize the anticipated benefits of the acquisition in question. Additionally, there can be no assurance that Plurilock will be able to successfully identify suitable acquisition targets and complete acquisitions on terms beneficial to Plurilock and its shareholders. Plurilock's failure to successfully execute its acquisition strategy could have a Material Adverse Effect on the Plurilock Business. Moreover, Plurilock may be required to use available cash, incur debt, issue securities, or a combination of these in order to complete an acquisition. This could affect Plurilock's future flexibility and ability to raise capital, operate or develop its business and could dilute its existing shareholders' holdings, as well as, decrease the trading price of the Resulting Issuer Common Shares, assuming completion of the Transaction. In addition, the process of acquiring and integrating companies into Plurilock's existing business may also result in unforeseen difficulties which may absorb significant management attention, require significant financial resources and be disruptive to operations causing the business and results of operations to suffer materially. There is no assurance that when evaluating a possible acquisition, Plurilock will correctly identify and manage the risks and costs inherent in the business or asset to be acquired.

Risk Factors Relating to the Resulting Issuer

Directors and officers of the Resulting Issuer may be subject to conflicts of interest.

The Resulting Issuer will be subject to various potential conflicts of interest because of the fact that some of its officers and directors are engaged in a range of business activities. In addition, the Resulting Issuer's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Resulting Issuer. In some cases, the Resulting Issuer's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Resulting Issuer's business and affairs and that could adversely affect the Resulting Issuer's operations. These business interests could require significant time and attention of the Resulting Issuer's executive officers and directors.

In addition, the Resulting Issuer may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or corporations with which the Resulting Issuer may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Resulting Issuer. In addition, from time to time, these persons may be competing with the Resulting Issuer for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the BCBCA.

The Resulting Issuer does not anticipate paying dividends on the Resulting Issuer Common Shares.

The Resulting Issuer has not previously paid any dividends, and does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Resulting Issuer would be subject to tax and, potentially, withholdings. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of the Resulting Issuer may deem relevant. As a result, investors may not receive any return on an investment in Resulting Issuer Common Shares, other than an appreciation in share price.

The Resulting Issuer may not be able to obtain financing necessary to implement Plurilock's business plan.

A component of the Plurilock's long-term strategy is to consolidate the fragmented cyber security industry. There is no guarantee that that capital markets participants will support Plurilock's business strategy or that required capital will be available on acceptable terms or at all. Also, while a number of business owners have shown interest in joining Plurilock, there is no assurance that negotiations will result in completed acquisitions.

The requirements of being a public company may strain the Resulting Issuer's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members.

As a reporting issuer, the Resulting Issuer will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations will increase the Resulting Issuer's legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on its systems and resources. Applicable securities laws require the Resulting Issuer to, among other things, file certain annual and quarterly reports with respect to its business and results of operations. In addition, applicable securities laws may require the Resulting Issuer to, among other things, maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve its disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. Specifically, due to the increasing complexity of its transactions, it is anticipated that the Resulting Issuer will improve its disclosure controls and procedures and internal control over financial reporting primarily through the continued development and implementation of formal policies, improved processes and documentation procedures, as well as the continued sourcing of additional financial resources. As a result, management's attention may be diverted from other aspects of the business, which could harm the Resulting Issuer's business and results of operations. To comply with these requirements, the Resulting Issuer may need to hire additional employees in the future or engage outside consultants, which will increase its costs and expenses.

As a result of disclosure of information in filings required of a public company, the Resulting Issuer's business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, the Resulting Issuer's business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in its favor, these claims, and the time and resources necessary to resolve them, could divert the resources of the Resulting Issuer's management and harm its business and results of operations.

Management has discretion concerning unallocated funds

Management will have discretion concerning the use and allocation of the Resulting Issuer's available funds as well as the timing of their expenditure. As a result, shareholders will be relying on the judgment of management for the application of the available funds. The results and the effectiveness of the application of the funds are uncertain. If the Resulting Issuer's cash reserves are not applied effectively, the Resulting Issuer's results of operations may suffer.

The price of the securities of the Resulting Issuer may fluctuate significantly, which may make it difficult for holders of securities of the Resulting Issuer to sell their securities at a time or price they find attractive.

The price of the Resulting Issuer Common Shares may be volatile and subject to wide fluctuations as a result of a variety of factors, many of which are beyond its control including the following:

- actual or anticipated quarterly fluctuations in its operating results and financial condition;
- changes in financial estimates or publication of research reports and recommendations by financial analysts;
- reports in the press or investment community generally or relating to the Resulting Issuer's reputation or the industry in which it operates;
- strategic actions by the Resulting Issuer or its competitors, such as acquisitions, restructurings, dispositions, or financings;
- fluctuations in the stock price and operating results of the Resulting Issuer's competitors;
- future sales of the Resulting Issuer's equity or equity-related securities;
- proposed or adopted regulatory changes or developments;
- domestic and international economic factors unrelated to the Resulting Issuer's performance; and
- general market conditions.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Resulting Issuer Common Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospectus have not changed. There can be no assurance that continuing fluctuations in price and volume will not occur.

Plurilock and Libby K do not know whether an active, liquid and orderly trading market will develop for the securities of the Resulting Issuer or what the market price of the securities of the Resulting Issuer will be and as a result it may be difficult for investors to sell their securities of the Resulting Issuer.

An active trading market for securities of the Resulting Issuer may never develop or be sustained following the Transaction. The lack of an active market may impair an investor's ability to sell their securities of the Resulting Issuer at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of an investor's securities of the Resulting Issuer. Further, an inactive market may also impair the Resulting Issuer's ability to raise capital by selling securities of the Resulting Issuer and may impair its ability to enter into collaborations or acquire companies or products by using securities of the Resulting Issuer as consideration. The market price of securities of the Resulting Issuer may be volatile, and an investor could lose all or part of their investment.

The market price of the Resulting Issuer Common Shares may decline due to the large number of convertible securities issued and outstanding Resulting Issuer Common Shares eligible for future sale.

Sales of substantial amounts of Resulting Issuer Common Shares in the public market, or the perception that these sales could occur, could cause the market price of Resulting Issuer Common Shares to decline. These sales could also make it more difficult for the Resulting Issuer to sell equity or equity-related securities in the future at a time and price that it deems appropriate.

Disease Outbreaks may negatively impact the Resulting Issuer

A local, regional, national or international outbreak of a contagious disease, including the novel coronavirus COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could cause staff shortages, supply shortages and increased government regulation all of which may negatively impact the business, financial condition and results of operations of the Issuer. A pandemic could adversely affect the Resulting Issuer's customers' financial condition, resulting in reduced spending for the Resulting Issuer's products. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID-19, could cause employees to avoid the Resulting Issuer's properties, which could adversely affect the Resulting Issuer's ability to adequately staff and manage its businesses. "Shelter-in-place" or other such orders by governmental entities could also disrupt the Resulting Issuer's operations, if employees who cannot perform their responsibilities from home, are not able to report to work. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Resulting Issuer's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect the Resulting Issuer's business, financial condition and results of operations.

The Resulting Issuer may issue additional equity securities, or engage in other transactions that could dilute its book value or affect the priority of the Resulting Issuer Common Shares, which may adversely affect the market price of Resulting Issuer Common Shares.

The board of directors of the Resulting Issuer may determine from time to time that it needs to raise additional capital by issuing additional Resulting Issuer Common Shares or other securities. Except as otherwise described in this Filing Statement, the Resulting Issuer will not be restricted from issuing additional Resulting Issuer Common Shares, including securities that are convertible into or exchangeable for, or that represent the right to receive, Resulting Issuer Common Shares. Because the Resulting Issuer's decision to issue securities in any future offering will depend on market conditions and other factors beyond the Resulting Issuer's control, it cannot predict or estimate the amount, timing, or nature of any future offerings, or the prices at which such offerings may be affected. Additional equity offerings may dilute the holdings of the Resulting Issuer's existing shareholders or reduce the market price of the Resulting Issuer's Common Shares, or both. Holders of Resulting Issuer Common Shares are not entitled to pre-emptive rights or other protections against dilution. New investors also may have rights, preferences and privileges that are senior to, and that adversely affect, the Resulting Issuer's then-current holders of Resulting Issuer Common Shares. Additionally, if the Resulting Issuer raises additional capital by making offerings of debt or preference shares, upon liquidation of the Resulting Issuer, holders of its debt securities and preference shares, and lenders with respect to other borrowings, may receive distributions of its available assets before the holders of Resulting Issuer Common Shares.

The Resulting Issuer will be a holding company with its only asset being direct ownership of Plurilock.

The Resulting Issuer is, at least initially upon completion of the Transaction, a holding company and essentially all of its assets are the capital stock of its Subsidiaries. Consequently, the Resulting Issuer's cash flows and ability to leverage future business opportunities are dependent on the earnings of its Subsidiaries and the distribution of those earnings to the Resulting Issuer. The ability of its Subsidiaries to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt, if any. In the event of a bankruptcy, liquidation or reorganization of any of its Subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those Subsidiaries before any assets are made available for distribution to the Resulting Issuer.

The Resulting Issuer's business could be disrupted as a result of actions of certain shareholders or potential acquirers of the Resulting Issuer.

If any of the holders of Resulting Issuer Common Shares commence a proxy contest, advocate for change that is not necessarily in the best interests of the Resulting Issuer and all of its stakeholders, make public statements critical of the Resulting Issuer's performance or business, or engage in other similar activities, or if the Resulting Issuer becomes subject to a potential acquisition target, then the Resulting Issuer's business could be adversely affected because the Resulting Issuer may have difficulty attracting and retaining employees and clients due to perceived uncertainties as to its future direction and negative public statements about its business. In addition, responding to proxy contests and other similar actions by shareholders is likely to result in the Resulting Issuer incurring substantial additional costs and significantly diverting the attention of management and employees; and, if individuals are elected to board of directions of the Resulting Issuer with a specific agenda, the execution of the Resulting Issuer's strategic plan may be disrupted or a new strategic plan altogether may be implemented, which could have a material adverse impact on its business, financial condition or results of operations. Further, any of these matters or any such actions by shareholders may impact and result in volatility of the price of the Resulting Issuer Common Shares.

INFORMATION CONCERNING LIBBY K INDUSTRIES INC.

CORPORATE STRUCTURE

Name and Incorporation

Libby K Industries Inc. was incorporated pursuant to the BCBCA on July 5, 2018. The head office of Libby K is located at 1208 Rosewood Crescent, North Vancouver, BC, V7P 1H4 and the registered and records office is located at 400 - 725 Granville Street, Vancouver, BC, V7Y 1G5.

GENERAL DEVELOPMENT OF THE BUSINESS

History

Libby K is a "capital pool company" for the purposes of the CPC Policy. Accordingly, Libby K has no assets, other than cash, and does not have an active business other than the identification and assessment of potential Qualifying Transactions, and upon identifying and evaluating such opportunities, to negotiate an acquisition subject to acceptance by the Exchange.

Libby K completed the Libby K IPO on February 8, 2019, pursuant to which, Libby K issued 5,000,000 Common Shares for gross proceeds of \$500,000. Libby K is a reporting issuer in the provinces of British Columbia, Alberta and Ontario and its Common Shares are listed for trading on the Exchange under the symbol "LBB.P".

Libby K has no subsidiaries except for Libby K Subco. Libby K Subco is a wholly-owned subsidiary of Libby K formed solely for the purpose of entering into the Amalgamation Agreement and completing the Transaction. Libby K Subco was incorporated on March 6, 2020 pursuant to the BCBCA.

Libby K Brokered Placement

On January 23, 2020, Libby K entered into the Engagement Letter with PI and Plurilock in connection with the Brokered Placements. See "*Information Concerning the Transaction – Financings – Brokered Placements*" for more details concerning the Brokered Placements.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION & ANALYSIS OF LIBBY K

As stated above, Libby K's business, to date, has consisted solely of identifying a suitable Qualifying Transaction. Since incorporation, Libby K has incurred costs in carrying out the Libby K IPO, in seeking, evaluating and negotiating potential Qualifying Transactions, and in meeting the disclosure obligations imposed upon it as a reporting issuer. The following table sets out certain selected consolidated financial information of Libby K for the financial year ended September 30, 2019 and the nine month period ended June 30, 2020:

	Total Expenses	Amounts deferred in connection with the Transaction
Year ended September 30, 2018	\$27,195	Nil
Year ended September 30, 2019	\$153,876	Nil
Nine-months ended June 30, 2020	\$45,754	Nil
Total	\$226,825	Nil

The management’s discussion and analysis (the “**Libby K MD&A**”) of the financial condition, changes in financial condition and results of operations of Libby K for the financial year ended September 30, 2019 and for the nine months ended June 30, 2020 (see Appendix B, “*Management’s Discussion and Analysis of Libby K Industries Inc.*”) are based on Libby K’s financial statements attached to this Filing Statement and should be read in conjunction with the audited financial statements and notes thereto.

DESCRIPTION OF THE SECURITIES

Common Shares

Libby K is authorized to issue an unlimited number of common shares without nominal or par value of which, as of the date hereof, 11,100,000 Common Shares are issued and outstanding. After giving effect to the Libby K Share Consolidation, Libby K will have 5,550,000 Common Shares issued and outstanding, subject to minor deviation as a result of the effects of rounding at the individual shareholder’s level.

The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Company’s shareholders and are entitled to one vote for each Common Share held. The holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Libby K Board. In the event of liquidation, dissolution or winding-up of the Company, the holders of the Common Shares are entitled to share pro rata in the remaining assets of the Company. All Common Shares to be outstanding after completion of this Offering will be fully paid and non-assessable.

The Common Shares do not have attached thereto any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or any other material restrictions or provisions requiring a security holder to contribute additional capital.

Stock Options

On February 8, 2019, Libby K granted incentive stock options to certain directors and officers of Libby K to acquire, in aggregate, 1,110,000 Common Shares at a price of \$0.10 per Common Share, exercisable for a period of five (5) years after the date of grant (the “**Libby K Legacy Options**”). In connection with the Libby K Legacy Options, Libby K has reserved, in aggregate, 1,110,000 Common Shares for issuance upon exercise of the Libby K Options. All outstanding Libby K Options are fully vested. After giving effect to the Libby K Share Consolidation, there will be outstanding Libby K Options exercisable for 555,000 Common Shares at an exercise price of \$0.20 per share. As of the date hereof, none of the optionees have exercised any options.

The Libby K Legacy Options were issued pursuant to the Libby K Option Plan.

Compensation Options

On February 8, 2019 and in connection to the Libby K IPO, Libby K granted compensation options exercisable to purchase up to an aggregate of 500,000 Common Shares at a price of \$0.10 per Common Share, exercisable until February 8, 2021. In connection with the aforementioned compensation options, Libby K has reserved, in aggregate, 500,000 Common Shares for issuance upon exercise thereof. After giving effect to the Libby K Share Consolidation, there will be outstanding Libby K compensation options exercisable for 250,000 Common Shares at an exercise price of \$0.20 per share. As of the date hereof, no holder has exercised any compensation options.

OPTIONS AND WARRANTS TO PURCHASE SECURITIES OF LIBBY K

The following table sets forth the options and warrants granted and outstanding as of the date hereof, after giving effect to the Libby K Share Consolidation.

Number of Securities Outstanding	Grant Date	Weighted Average Exercise Price	Number of Securities Exercisable	Expiry Date
555,000 Libby K Legacy Options	February 8, 2019	\$0.20	555,000	February 8, 2024 ⁽¹⁾
250,000 compensation options ⁽²⁾	February 8, 2019	\$0.20	250,000	February 8, 2021

Notes:

- (1) Under the Libby K Option Plan, Libby K Options granted prior to the completion of a Qualifying Transaction to any person who does not continue as a director, officer, consultant or employee of the resulting issuer have a maximum term of the later of 12 months after the completion of a Qualifying Transaction and 90 days after such person ceases to be a director, officer, technical consultant or employee of the resulting issuer.
- (2) Pursuant to the Libby K IPO, Libby K granted compensation options exercisable to purchase up to 500,000 Common Shares at a price of \$0.10 per Common Share (on a Pre Libby K Share Consolidation basis) until February 8, 2021.

The Libby K Stock Option Plan

Libby K Shareholders approved the adoption of the Libby K Option Plan at its annual general and special meeting held on January 3, 2020.

Pursuant to the Libby K Option Plan, the Libby K Board may from time to time authorize the issue of Libby K Options to directors, officers, employees and consultants of Libby K and its Subsidiaries or employees of companies providing management or consulting services to Libby K or its Subsidiaries.

The terms of the Libby K Option Plan provide that the number of shares which may be reserved for issuance under the Libby K Option Plan (together with all other share compensation arrangements of Libby K) may not exceed: (a) prior to the completion of a Qualifying Transaction, 10% of the number of shares outstanding at the closing of the Libby K IPO; or (b) following completion of a Qualifying Transaction, 10% of the issued and outstanding shares of Libby K as it may be from time to time.

The purpose of the Libby K Option Plan is to give to directors, officers, employees and consultants an opportunity to advance the interests of Libby K, through the grant of Libby K Options, by: (a) providing an incentive mechanism to eligible persons, as additional compensation, the opportunity to participate in the success of Libby K by granting to such individuals, options to buy shares of Libby K at a price not less than the market price prevailing on the date an option is granted, less an applicable discount; (b) encouraging such persons to remain with Libby K or its Subsidiaries; and (c) attracting new directors, employees and consultants.

The Libby K Option Plan is administered by the Libby K Board, which shall, without limitation, have full and final authority in its discretion, but subject to the express provisions of the Libby K Option Plan, to interpret the Libby K Option Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Libby K Option Plan, subject to any necessary

shareholder or regulatory approval. The Libby K Board may delegate any or all of its authority with respect to the administration of the Libby K Option Plan to a committee of the Libby K Board. The Libby K Board shall determine to whom Libby K Options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested and the number of Common Shares to be subject to each option.

Under the Libby K Option Plan, Libby K Options are exercisable over periods of up to 10 years as determined by the Libby K Board at the time of grant.

Prior to the completion of a Qualifying Transaction, the exercise price of each Libby K Option shall not be less than the greater of the Libby K IPO price and the closing market price of the Common Shares on the trading day immediately preceding the day on which Libby K announces the grant of Libby K Options (or, if the grant is not announced, the closing market price prevailing on the day that the Libby K Option is granted), less the applicable discount, if any, permitted by the policies of the Exchange.

After the completion of a Qualifying Transaction, Libby K Options may not have an exercise price that is less than the closing market price of Libby K's shares on the trading day immediately preceding the day on which Libby K announces the grant of Libby K Options (or, if the grant is not announced, the closing market price prevailing on the day that the Libby K Option is granted), less the applicable discount, if any, permitted by the policies of the Exchange and approved by the Libby K Board.

In accordance with the policies of the Exchange, the Libby K Option Plan provides that: (a) the maximum number of Common Shares which may be issued pursuant to options previously granted and those granted under the Libby K Option Plan are 10% of the issued and outstanding Common Shares at the time of the grant; and (b) the number of shares which may be reserved for issuance to any one individual may not exceed (without shareholder approval) 5% of the issued shares on a yearly basis or 2% if the Optionee (as such term is defined in the Libby K Option Plan) is engaged in investor relations activities or is a consultant.

The Libby K Option Plan contains no vesting requirements, but permits the Libby K Board to specify a vesting schedule in its discretion, subject to the Exchange's minimum vesting requirements, if any; however, all stock options granted to consultants performing Investor Relations Activities (as defined in the Libby K Option Plan).

The Libby K Option Plan provides that if a change of control (as defined in the Libby K Option Plan) occurs, or if Libby K is subject to a take-over bid, all shares subject to stock options shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

The Libby K Option Plan contains adjustment provisions with respect to outstanding options in cases of share reorganizations, special distributions and other corporation reorganizations.

The Libby K Option Plan provides that on the death or disability of an option holder, all vested Libby K Options will expire at the earlier of 365 days after the date of death or disability and the expiry date of such Libby K Options. Where an Optionee is terminated for cause, any outstanding options (whether vested or unvested) are cancelled as of the date of termination. If an Optionee retires or voluntarily resigns or is otherwise terminated by Libby K other than for cause, then all vested options held by such Optionee will expire at the earlier of: (a) the expiry date of such options; and (b) the date which is 90 days (30 days if the Optionee was engaged in investor relations activities) after the Optionee ceases its office, employment or engagement with Libby K.

Notwithstanding the foregoing, the Libby K Option Plan provides that Libby K Options granted prior to the completion of the Qualifying Transaction to any person who does not continue as a director, officer, technical consultant or employee of the resulting issuer have a maximum term of the later of 12 months after the completion of the Qualifying Transaction and 90 days after such person ceases to become a director, officer, technical consultant or employee of the Resulting Issuer.

In accordance with good corporate governance practices and as recommended by National Policy 51-201 – *Disclosure Standards*, Libby K may impose black-out periods restricting the trading of its securities by directors, officers, employees and consultants during periods surrounding the release of annual and interim financial statements and at other times when deemed necessary by management and the Libby K Board.

Libby K does not provide any financial assistance to participants in order to facilitate the purchase of Common Shares under the Libby K Option Plan.

PRIOR SALES

Since the date of incorporation of Libby K, 11,100,000 Common Shares have been issued as follows (all numbers presented on a pre-Libby K Share Consolidation basis):

Date of Issue	Number of Common Shares	Aggregate Issue Price	Issue Price Per Common Share	Consideration Received
July 5, 2018	1 ⁽¹⁾	\$0.05	\$0.05	Cash
August 16, 2018	5,999,999 ⁽²⁾	\$299,999.95	\$0.05	Cash
December 10, 2018	100,000	\$5,000	\$0.05	Cash
February 8, 2019	5,000,000 ⁽³⁾	\$500,000	\$0.10	Cash
Total	11,100,000	\$805,000		

Notes:

- (1) Incorporator's share.
- (2) Seed share issuance, all of which are held in escrow.
- (3) Common Shares issued pursuant to the Libby K IPO, of which 180,000 Common Shares were sold to non-arm's length parties.

MARKET PRICE AND TRADING VOLUME DATA

The Common Shares are listed for trading on the Exchange under the trading symbol "LBB.P". The following table shows the high and low trading prices and total trading volume of the Common Shares on the Exchange on a monthly basis for the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters.

Month or Quarter	High	Low	Total Volume
January 1 to January 3, 2020 ⁽¹⁾	\$0.08	\$0.08	N/A
December 1 to December 31, 2019	\$0.08	\$0.08	25,000
November 1 to November 30, 2019	\$0.08	\$0.07	13,000
October 1 to October 31, 2019	\$0.09	\$0.09	50,000
Quarter (year) ended September 30, 2019	\$0.10	\$0.10	50,000
Quarter ended June 30, 2019	\$0.12	\$0.9	275,000
Quarter ended March 31, 2019	\$0.20	\$0.125	41,250

Note:

- (1) Trading halted on January 3, 2020, pending announcement of the Transaction and has remained halted since such date.

ARM'S LENGTH TRANSACTIONS

The proposed Qualifying Transaction described in this Filing Statement does not constitute a Non-Arm's Length Qualifying Transaction for Libby K within the meaning of the CPC Policy.

LEGAL PROCEEDINGS

Neither Libby K nor any of its property is the subject matter of any legal proceedings. Libby K is currently not aware of any legal proceedings contemplated against Libby K or any of its property.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Auditor

The auditor of Libby K are Smythe LLP, Chartered Professional Accountants, located at Suite 1700 – 475 Howe Street, Vancouver, BC, V6C 2B3.

Transfer Agent and Registrar

The registrar and transfer agent of the Common Shares is Computershare Investor Services Inc., 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

MATERIAL CONTRACTS

Libby K has not entered into any material contracts and is not expected to enter into any material contracts prior to the Closing, other than: (a) the CPC Escrow Agreement; (b) the Agency Agreement; (c) Transfer Agent, Registrar and Dividend Disbursing Agreement dated September 5, 2018 between Libby K and Computershare Investors Services Inc.; (d) Libby K Option Plan; and (e) the Amalgamation Agreement.

Copies of these agreements are available for inspection, without charge, at the office of Libby K located at 400 – 725 Granville Street, Vancouver, BC V7Y 1G5, at any time during ordinary business hours and until 30 days after the completion of the Transaction.

INFORMATION CONCERNING PLURILOCK SECURITY SOLUTIONS INC.

CORPORATE STRUCTURE

Name and Incorporation

Plurilock Security Solutions Inc. was incorporated under the BCBCA on October 28, 2008. The head office of Plurilock is located at 702 Fort Street, Suite 330, Victoria, British Columbia V8W 1H2 and its registered and records office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7. On September 12, 2018, the articles of Plurilock were amended to create a new class of seed preferred shares. On June 3, 2019, the articles of Plurilock were amended to make changes to the rights of the seed preferred shares.

Intercorporate Relationships

Plurilock has one wholly owned Subsidiary, PLUS.

PLUS was incorporated under the laws of the state of Delaware on November 15, 2017 with the purpose of serving sales and marketing functions for Plurilock.

GENERAL DEVELOPMENT OF THE PLURILOCK BUSINESS

History

Plurilock was initially formed in 2008 by Dr. Issa Traore and Dr. Ahmed Awad, as a spin-out from the University of Victoria (“**UVic**”) in Victoria, British Columbia, Canada. Both Dr Traore and Dr. Awad, were appointed directors of the initial board of Plurilock. In 2019, Dr. Traore was appointed CEO and Dr. Awad was appointed CTO. Plurilock was formed to develop a solution that would provide better security with less friction in the workplace. The founding management (“**Founders**”) saw a need to move away from the frustration, expense and vulnerabilities they perceived to be inherent in traditional computer/device user authentication systems, and to redefine identity in the context of workplace tusers.

Between 2008 and 2014, Plurilock completed three non-brokered private placements of Plurilock Common Shares for aggregate gross proceeds of \$207,833 at prices ranging between \$0.00001 and \$0.24 per Plurilock Common Share. The proceeds were primarily used to fund research and development.

Between 2015 and 2016, Plurilock completed two non-brokered private placements of Plurilock Common Shares for aggregate gross proceeds of \$1,365,000 at \$0.25 per Plurilock Common Share. The proceeds were used primarily used to fund research and development.

On September 15, 2015, the Plurilock transitioned from a development-stage company to an operating company. On the same date, Barry Carlson was appointed CEO and Chairman of Plurilock, Dr. Traore transitioned from CEO to the role of Chief Scientific Officer and Uvic assigned related patents (see Proprietary Protection section) to Plurilock. On the same day, Dr. Awad resigned as CTO.

On January 1, 2016, Ian Paterson was appointed VP Sales and on September 6, 2016, Ian Paterson was promoted to COO. This marked the beginning of Plurilock’s transition from a development stage company to a growth focused operational company.

On May 5, 2016, Mike McConnell, a former United States Director of National Intelligence, was appointed to the Plurilock Board.

Significant operational events of the last three fiscal years (2017 – 2019) and 2020 Year to Date

2017:

During the fiscal year ended 2017, Plurilock completed two non-brokered private placements of Plurilock Common Shares for aggregate gross proceeds of \$425,000 at \$0.25 per Plurilock Common Share.

On June 1, 2017, Ian Paterson was promoted from COO to CEO and was made a member of Plurilock Board. On the same day, Barry Carlson was promoted from CEO to Executive Chairman.

On August 1, 2017, Plurilock signed a sales agreement with U.S. Army Network Enterprise Technology Command (“NETCOM”) worth approximately USD\$250,000.

In June 2017 the Canadian Technology Accelerator (“CTA”) provided Plurilock access to USD\$100,000 in Amazon Web Services (“AWS”) and cloud-computing services credits which Plurilock started utilizing in the fall 2017 and ending fall 2018.

On November 1, 2017, Roland Sartorius was appointed CFO and Corporate Secretary of Plurilock.

On November 15, 2017, PLUS was incorporated.

2018:

During the fiscal year ended 2018, Plurilock completed two non-brokered private placements of Plurilock Common Shares for aggregate gross proceeds of \$1,167,627 at \$0.25 per Plurilock Common Share.

On July 12, 2018, Plurilock announced the launch of its new Plurilock Global Sales Channel Partner Program, including Carahsoft, Siltek, Tindo Pte Ltd, Paramount Computer Systems (PCS) and Assurity Systems Limited, allowing the offering of Plurilock’s invisible identity assurance solution to customers around the world. Through these and other partners, Plurilock is available in the Middle East, Europe and Asia/Pacific, in addition to the Americas. On July 12, 2018, Plurilock announced that it had landed additional clients in the financial services and energy sectors, including a critical infrastructure power plant.

On July 6, 2018, Plurilock signed a USD\$200,000 agreement with the U.S. Department of Homeland Security (“DHS”) Science and Technology Directorate (“S&T”) to develop an identity management (“IdM”) platform to protect smart devices, sensors and other Non-Person Entities (“NPEs”) against unauthorized use or cyberattack. The solution, based on Plurilock’s BioTracker continuous identity assurance technology, will leverage machine biometrics to continuously authenticate the identity of NPEs in real time to protect them against botnets, exploit kits, distributed denial of service and malware attacks designed to target Internet of Things (“IoT”) devices and sensor platforms. The award was made under the United States Department of Homeland Security (“DHS”) Science and Technology’s (“S&T”) Silicon Valley Innovation Program (“SVIP”), which gives DHS the ability to invest in and pilot new technologies to help solve some of the toughest threats facing the agency and its mission. Plurilock’s BioTracker is already in place at the U.S. Department of Defense Innovation Unit Experimental (“DIUx”) and U.S. Army NETCOM to protect laptop and desktop endpoints with continuous human user validation.

On August 24, 2018, Plurilock announced two new software-as-a-service products (“SaaS”). Plurilock AWARE is a product offering “real-time endpoint visibility and human telemetry” for biometric analysis; while Plurilock DEFEND is designed to offer continuous endpoint detection and response capabilities while running in the background on computing systems.

On September 13, 2018, Plurilock signed a funding contribution agreement with the Canadian Research Council – Industrial Research Application Program (“NRC-IRAP”) for \$200,000 grant to research the “Continuous Proof of Presence based on Touchscreen Devices Interactions and Signals”.

2019:

During the fiscal year ended December 31, 2019, Plurilock completed non-brokered private placements of Plurilock Common Shares and Plurilock Preferred Shares for aggregate gross proceeds of approximately \$932,801.00. Pursuant to such placements, 1,465,204 Plurilock Common Shares were issued at \$0.25 per Plurilock Common Share and 1,888,333 Plurilock Preferred Shares were issued at \$0.30 per Plurilock Preferred Share.

In February 2019, Plurilock released its newest product, ADAPT MFA (*multi-factor authentication*), which provides next-generation multi-factor authentication for Citrix, web, and enterprise environments using Plurilock's proprietary, device-free authentication stack. Plurilock also added ADAPT's capabilities to its DEFEND continuous authentication product. The release enables DEFEND to invisibly validate identities both at initial sign-on and potentially 800 times per day, as users work, making it the industry's first end-to-end composite authentication solution. By analyzing behavioral-biometric, environmental, and contextual factors throughout user sessions, DEFEND protects against credential sharing, credential theft, walk-away attacks, automated or scripted attacks, and improper escalations across an enterprise's internal endpoints, Citrix VDI sessions, and online applications.

On May 16, 2019, Dr. Issa Traore stepped down as a member of the board of directors. He also transitioned his role as Chief Scientific Officer from an executive capacity to that of an advisor of Plurilock.

On June 17, 2019, Plurilock's CEO, Ian Paterson, was named a top founder by Metabridge, an exclusive Canadian association of entrepreneurs, investors, mentors, and other key leaders in Canada's technology community.

On July 4, 2019, Canada's Department of National Defence and the Canadian Armed Forces ("**DND/CAF**") awarded Plurilock a contract to advance the state of the art real-time cyberattack detection. The project, funded through the Innovation for Defence Excellence and Security ("**IDEaS**") program, is designed to enhance DND/CAF's ability to combat advanced persistent threats ("**APTs**") in government cyber-systems, and will enable Plurilock to further develop its industry-leading behavioral biometrics technology.

On November 13, 2019, Plurilock was awarded a follow-on contract by the U.S. DHS to advance machine-to-machine authentication and anomaly detection and to continue development and delivery of machine-to-machine ("**M2M**") anomaly detection technologies. These will enable future IoT authentication capabilities in certain federal networks. The contract is funded through the DHS S&T Directorate's SVIP and represents the next phase in an ongoing collaboration between Plurilock and DHS in a program in which Plurilock is one of only three non-U.S. companies, and the only Canadian company, represented.

In November 2019, Plurilock signed a material three-year sale with a mid-size U.S. commercial bank.

On December 1, 2019, Jord Tanner was appointed CTO, rounding out the Plurilock's executive management team together with the CEO and CFO. Mr. Tanner was previously Plurilock's VP, Engineering.

During 2019, Plurilock incurred \$562,000 net research and development expenses in developing its products.

2020:

On January 3, 2020, Plurilock entered into a the Letter Agreement with Libby K, a capital pool company to complete the Transaction. See "*Information Concerning the Transaction – the Amalgamation*".

On January 16, January 30 and February 21, 2020, Plurilock completed the Plurilock Bridge Placement consisting of an aggregate of principal amount of \$817,375 Plurilock Debenture and 811,665 Plurilock Units at a price of \$0.225 per Plurilock Units thereunder, for aggregate gross proceeds of approximately \$1,000,000. The principal amount of Debenture is convertible into Plurilock Units upon satisfaction or waiver of the conditions to closing of the Transaction at \$0.225 per Plurilock Unit (the "**Debenture Units**"). The Debenture Units will thereafter upon closing of the Transaction will be exchanged for Resulting Issuer Units on a one-for-one basis. If the Transaction is not completed, the Debenture will bear interest at a rate of 10% per annum payable at maturity, maturing January 1,

2022. The holders of the Debentures have the option to convert the principal amount of the Debentures and outstanding interest into previously unissued Plurilock Common Shares at a conversion price of \$0.225 per Plurilock Common Share, all upon and subject to the terms and conditions set forth herein.

On April 1, 2020 Ed Hammersla was appointed to the Plurilock Board.

On May 29, 2020 and June 18, 2020, Plurilock completed the Plurilock Subsequent Bridge Placement consisting of an aggregate of principal amount of \$490,000 Plurilock Debentures and \$58,000 Plurilock Units on the same terms as the Plurilock Bridge Placement.

On June 24, 2020, Plurilock signed a funding contribution agreement with NRC-IRAP for \$120,000 grant to research the "Passwordless Authentication".

On June 24, 2020, Plurilock was awarded a follow-on contract totalling USD\$198,378 by the U.S. DHS to advance machine-to-machine authentication and anomaly detection and to continue development and delivery of M2M anomaly detection technologies. The contract is funded through the DHS S&T Directorate's SVIP and represents the third phase in an ongoing collaboration between Plurilock and DHS in a program in which Plurilock is one of only three non-U.S. companies, and the only Canadian company, represented.

During the three month period ending March 31, 2020, Plurilock incurred \$101,022 net research and development expenses in developing its products.

Significant Acquisitions and Dispositions

Plurilock has not made any significant acquisitions or dispositions since its incorporation.

On June 23, 2020, Plurilock entered into the Amalgamation Agreement with Libby K and Libby K Subco pursuant to which Libby K Subco will amalgamate with Plurilock and Plurilock Shareholders will receive the Consideration Shares at a deemed price of \$0.30 per Consideration Share. See "*Information Concerning the Transaction*".

NARRATIVE DESCRIPTION OF THE PLURILOCK BUSINESS

General

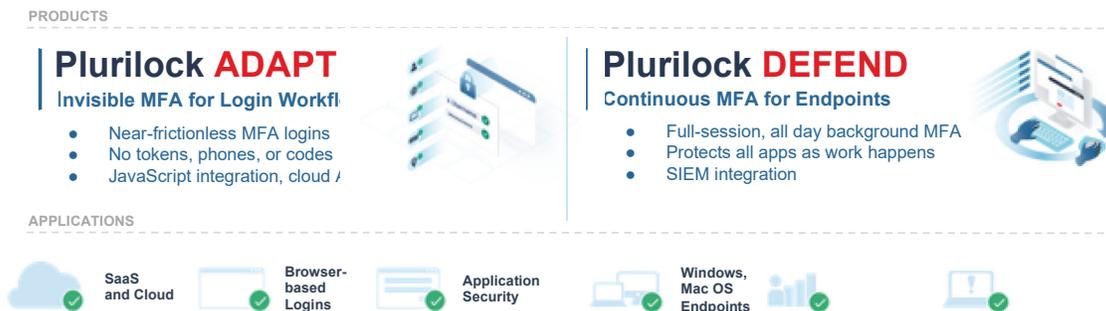
Plurilock believes that traditional authentication technologies are outdated, based on technology available to companies 5 to 20 years ago. They are inconvenient, frustrating for users, expensive to administer, and have failed to protect corporate assets from increasingly sophisticated threats. The Plurilock solution seeks to upend this market. It redefines identity as a person's ordinary every-day behaviour, which can then be used to authenticate them—the way they write an email, their physical location, how they respond to icons on a screen, and so on. This process is invisible to the user, requiring no user training, awareness, or authentication-specific interaction. Users compute as they normally do and authentication happens in the background.

Rather than interrupting the user to ask them to complete authentication step(s), Plurilock uses their observed behaviour to make an authentication decision. This radical change in authentication strategy enables employees to spend more time working and less time fumbling with hardware tokens or straining their memory to recall long, complex strings of characters. Businesses enjoy better employee efficiency, less downtime, less frustration, and lower total cost of ownership for their cyber-security solutions.

At the heart of our solution is the person (user) and their unique biometric signature. Plurilock uses AI and behavioral biometrics, both at login and throughout the session, to secure the workplace, while also retaining records for future use in forensics and user analytics tasks. This solution yields advanced and preventative threat protection, is frictionless for the user, and provides non-repudiation capabilities for the organization.

Principal Products

Plurilock's flagship products are "Plurilock DEFEND" and "Plurilock ADAPT" (collectively, the "Principal Products"), which comprise a disruptive authentication solution to secure workplace-computing devices.



Plurilock DEFEND

Plurilock DEFEND works by deploying a lightweight endpoint agent that resides on end-user computing devices. The endpoint agent can be deployed on a physical computing device, such as a desktop, laptop or server, or virtually through a Virtual Desktop Infrastructure. It can run on the desktop, protecting the entire work session, or run in a web browser, protecting a single application and requiring no installation. The agent is invisible to the user, and consumes less than minimal CPU, memory, and network resources.

Plurilock DEFEND uniquely identifies people by the way they use their corporate computing devices. After an initial 20 minutes of user activity, Plurilock builds a biometric profile unique to the user by analyzing keyboard and pointer behavior. The biometric profile is continuously updated using proprietary AI algorithms to track behaviour drift over time, without requiring any IT administration. Once the initial profile is built, it is always on thereafter, constantly learning via AI. Subsequent validation occurs in seconds, the initial 20 minutes only applying to the very first time the user works on a device protected by **Plurilock DEFEND**.

Plurilock ADAPT

Based on continuous observation and analysis, Plurilock's patented continuous authentication algorithm 'knows' who was where and when on the corporate network, thus preventing intruders in real time. When an intruder is detected, the desktop agent automatically challenges them to re-authenticate, quarantines the threat, or alerts management and security teams, all in real time, based on workplace policy. Activity is retained in an audit log, giving Plurilock's customers non-repudiation capabilities, which means that users are unable to deny they committed a malicious act.

Plurilock ADAPT uses behavioral biometrics to add a passive second identity factor to a login prompt and workflows. A typical login prompt for a desktop computer or a SaaS web application asks the user to enter a username and a password (things they know). If a third party has stolen these credentials, that third party can use them to impersonate the authorized user and access the system.

When **Plurilock ADAPT** is in use, the system passively monitors the manner in which the user at a login prompt enters a username and password, using the behavioral biometric signature for this entry as an invisible second identity factor to validate the user's identity.

If a stolen username and password are entered by a person other than their owner, the system recognizes the presence of a would-be intruder and refuses access. This prevents account takeovers, masquerade, and impersonation attacks, and it all happens without asking the legitimate user to complete any additional work— it's **frictionless**.

Plurilock has three core competencies:

- **Static Behavioral Authentication**, meaning validating user identity during logon, as provided by **Plurilock ADAPT**
- **Continuous Authentication**, meaning continuously validating the identity of a workplace user throughout their computer session, as provided by **Plurilock DEFEND**
- **User Analytics & Forensics**, meaning conducting post-session investigations into the identity of a user, an inherent property of both flagship products

Static authentication capability can be integrated into login flows for cloud access security brokers (“CASBs”) and SaaS applications that supports OpenID Connect, Security Assertion Markup Language (“SAML”), or that can be configured to run a JavaScript file.

Continuous authentication capability is Plurilock’s key competitive feature. When deployed on a workplace-computing device, the user’s biometric profile is used to confirm their identity transparently throughout a computing session, every few seconds. The user does not need to do anything extra for this ongoing analysis to function. Continuous authentication effectively eliminates the threat posed by account impersonations, whether committed by careless employees, malicious insider threats, or external attackers.

The features and differentiating benefits of a continuous authentication system include:

- Being preventative rather than reactive
- Distinguishing between real people and “bots”
- Being able to integrate with other login and multi-factor authentication systems
- Being able to integrate easily with other security solutions

Because Plurilock performs threat detection in real time, it has a strong advantage in preventing unauthorized entry and in limiting the damage that can be done by intruders before they are caught and excluded. Most user-analytic solutions are reactive. Plurilock’s continuous authentication solution is proactive and thus preventative—a key differentiator.

While the primary goal of continuous authentication is to accurately distinguish one user from another, it can also be leveraged to differentiate between human activity and malicious software or bot-driven activity.

Continuous authentication is a logical extension to traditional IAM. Plurilock also provides a mobile application and APIs that are suitable for integration with single sign-on (“SSO”) products. In this way, an alert triggered from **Plurilock DEFEND** can initiate a step-up authentication workflow using a company’s existing multi-factor authentication and/or SSO provider. Continuous authentication can also be deployed as part of a CASB, eliminating the need for any user-installed agent on the endpoint and providing continuous application protection for SaaS web apps.

On the back end, because Plurilock can directly identify users and intruders in real time, Plurilock is able to integrate with data loss prevention (“DLP”), user behavior analytics (“UBA”), and endpoint detection and response (“EDR”) solutions. Most of these user analytics applications are overloaded with too much data, and as a result have high false positive rates that require human involvement to resolve. These systems all seek to answer the basic question: “Is this person doing the right thing?” Plurilock simplifies that question by reducing it to a smaller question: “Is this the right person?” This simplifies workflows and enables a faster attack detection and response times.

In addition to real-time continuous authentication, Plurilock also has the capability to uniquely and biometrically ‘fingerprint’ a user’s behavior for use in post-session forensics investigations. Whereas most authentication solutions simply check to see if a user matches a profile, Plurilock is able to go a step further and answer the question: “If this isn’t User A, do they match any other known user profiles?” This enables Plurilock to protect against breaches *and* to identify perpetrators if we have a signature for them. Knowing who-did-what enables compliance officers to meet regulatory compliance standards such as NIST, FINRA, and SOX.

Lastly, historical events are useful for non-security applications such as understanding worker and workflow efficiency. When Plurilock is integrated with a security incident and event manager (“SIEM”) or log management solution, customers are able to triangulate activity to application, and to answer questions such as: “Where are bottlenecks occurring in user workflows?”, “What dialog pop-ups are causing users to pause and think?”, and “Who would benefit from re-training?”

Plurilock believes that **Plurilock ADAPT** and **Plurilock DEFEND** offer unique capabilities that are frictionless to users, that require no special hardware, and that enable machine-speed responses to prevent intruders.

Plurilock sells direct and through channel partners to primarily regulated companies in the financial services, government and related industries. During the 2019 and 2018 fiscal year ends, 100% of Plurilock’s sales were to customers outside of the consolidated entity.

Plurilock’s Principal Products are fully developed and commercially available in the marketplace. Continuous product research and development which primarily consists of product upgrades is conducted internally. The main component of research and development is salaries and wages.

Operations

The following real property is leased by Plurilock: Offices located at 702 Fort Street, Suite 330, Victoria, British Columbia V8W 1H2. The Plurilock office lease is for a two-year term, effective January 1, 2020 with rental payments of \$18,300 per year. The lease is in good standing.

Plurilock currently sells to larger enterprise and government customers. As such, the sales cycles are longer and less predictable and there may be fluctuation in sales and cash flow in quarters where these large deals conclude.

There are no major aspects of the business that are anticipated to be affected in the next 12 months due to termination or renegotiation of contracts.

Plurilock’s employees have deeply rooted domain knowledge of the regional and global cybersecurity industry, which provides a competitive advantage through its specialized software architecting and development skills and its sales, training and support capabilities. As at December 31, 2019, Plurilock had 15 full and part-time employees.

It is expected that after the Transaction, Plurilock will continue to be headquartered in Victoria, B.C., Canada. Sales, support, and information technology software development offices will be located at or managed at its headquarters. Plurilock will add regional sales offices as required.

Plurilock develops its products using employed software developers, as well as retaining specialized sub-contractors on a case by case basis.

Plurilock holds three patents, two in the US and one in Canada, all related to our core intellectual property. The patents expire in 2025, 2030, and 2033. See “*Proprietary Protection*” below.

Plurilock technologies and services depend on a variety of open source software tools, applications, and libraries. The continued availability of these tools, applications, and libraries under appropriate commercially compatible licences is important to the segment.

The reputation and importance of the Plurilock brand name has been built over time. The brand names of individual Plurilock products are less important. For example, within the last two years one product was renamed to disambiguate from similarly named products in other industries.

Plurilock's most important intangible asset is our intellectual property as trade secrets, in the form computer code, and experience learned by trial and error in practical behavioural biometrics methods and techniques.

Market

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 market¹, is the security discipline ensuring that only the right individuals are able to 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 is predominantly in the IAM market segment. This segment is dominated by incumbents such as Okta, Ping Identity, Duo, and RSA, 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. 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. This is a clear paradigm shift for the industry.

Key drivers in the space include:

- **Increasing instances of cyber-attacks and data breaches in enterprises:** Despite an increasing focus on cybersecurity, banks and financials, governments, healthcare organizations, and other similar regulated organizations continue to experience an increase in the rate of cyberattacks and data breaches. Employees and users at these organizations require access to sensitive tools, repositories, and databases in order to work, but failures and complexities in managing this access are the key causes of a majority of security breaches. The management of privilege lists, identities, passwords, and conditions becomes exponentially more difficult for IT teams as the number of systems and/or employees multiplies. Furthermore, today’s mobile-enabled and cloud-centric organizations generally do not have complete control over operational IT infrastructure, with critical systems being provided and operated as service commodities by third parties. Continuous and risk-based authentication solutions enable enterprises to authenticate based on risk scores that do not rely primarily on IT bookkeeping, and that evaluate and account for mobility and context across differently secured networks and systems, thereby enabling them to balance usability and protection in previously impossible ways.
- **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. Thanks to their reliance on robust identity data and statistical models, continuous and risk-based authentication solutions enable enterprises and consumers to more safely authenticate while also generating more robust and credible paper trails.

¹ <https://www.fortunebusinessinsights.com/industry-reports/identity-and-access-management-market-100373>

- **Increasing adoption of cloud-based, risk-based authentication solutions:** With the growing use of cloud-based infrastructure, the need to manage and secure a large number of variably located and variably protected accounts and systems is also increasing. This creates novel security challenges for service providers and ecosystem vendors, particularly as they seek to address the complexity of compliance with privacy and data protection regulations. As a result, service providers are adopting technologies able to practically provide and convey authentication across systems and networks, including biometric authentication, tokenization, and other distributed or offsite MFA models. Cloud-based authentication solutions are better able to cope with the risks, realities, and topographies associated with today's cloud-centric and distributed organizations, while risk-based authentication solutions in particular provide scalability to vendors that need to authenticate a huge and multifaceted list of users. For these reasons, demand for authentication solutions that are both cloud-based and risk-based is expected to increase many-fold in coming years.
- **The need to augment or replace transactional authentication with continuous or adaptive authentication:** Legacy approaches to increased security and compliance have generally meant a progressively poorer user experiences, with attempts to provide maximum security often failing entirely for human factors reasons rather than technical ones. Many security products have been left "sitting on the shelf," with incomplete deployments distributed in the end only to certain high-risk users or systems, in the process creating new problems and costs for IT management and bookkeeping. Strong demand is emerging for enterprise authentication workflows that resolve this tension between security and human factors constraints. Because it can be largely or entirely invisible to users, continuous, risk-based authentication can greatly simplify internal security segmentation and configuration, enabling the deployment of strong authentication in a far wider variety contexts and for a far larger population of users, while at the same time reducing or eliminating the user experience burdens associated with entering codes, interacting with phones, or using hardware tokens.
- **Vendor Fatigue:** Buyers of cybersecurity solutions are favoring single-source providers or platforms to reduce the number of vendors they deal with in achieving security and compliance. On average, enterprises have 75-point solutions². Security buyers do not want to purchase point solutions for every new threat, context, or system. Platform consolidation is taking place in the industry today to meet this goal and this trend is expected to continue.

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

Plurilock's staff frequently perform limited tests (whether paid or free of charge) with target customers ahead of a potential purchase. Customers have included commercial, regulated and non-regulated entities, as well as governments.

Plurilock is required to abide by US export controls primarily for sales to US federal governments.

Market Trends

The users for Plurilock's products are white-collar office workers, which in the United States is 65.0M³ potential users. This defines the majority of the potential users of its technology in the United States, its current target market.

² Momentum Cyber Almanac, 2018

³<http://www.kff.org/other/state-indicator/blue-and-white-collar-workers/?dataView=1¤tTimeframe=0&sortModel=%7B%22colId%22%3A%22Location%22%2C%22sort%22%3A%22asc%22%7D>

The potential addressable market in the United States alone for a SaaS-delivered “**Plurilock DEFEND** type” products is US\$4.95 billion (see “*Total Addressable Market (“TAM”)*” below).

While **Plurilock DEFEND** sees horizontal demand, 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, Financial Services, and Insurance** organizations 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 information related to and that enables the execution of large value transactions.
2. **Public Sector** organizations (which includes government, law enforcement, defense and the intelligence community), embody a market opportunity in cybersecurity spending due to the inefficiencies and limitations that plague existing solutions. Sensitive information includes classified and sensitive data, strategic data, and tactical data.
3. **Healthcare** organizations are a market opportunity due to the regulatory pressures from HIPAA. Personal health information and electronic medical records are both sensitive and protected by HIPAA and other privacy laws.

Following these three verticals, the **Critical Infrastructure** market shares similar characteristics: high breach costs and significant regulatory pressure from NERC (the North American Electric Reliability Corporation), FERC (the Federal Energy Regulatory Commission) and NIST (the National Institute of Standards and Technology). Critical infrastructure is a logical next vertical for Plurilock once traction in the first three has been established. Manufacturing, engineering, construction and entertainment organizations also face high breach costs, and while industry-specific regulatory compliance regimes may not yet be in place in these industries, horizontal compliance standards such as Sarbanes-Oxley are equally applicable.

The analysis that follows considers these verticals within the United States in order to calculate Plurilock’s immediate market opportunity. The global opportunity will be targeted in the future.

Total Addressable Market (“TAM”)

The TAM is derived from populations of users (census data) in government, financial services, healthcare, manufacturing, services, engineering, construction, entertainment, and other organizations in the United States with a need to protect data and/or intellectual property.

Census data shows a total of approximately 65.0M users in this market, which creates a TAM of between US\$6.0 billion to US\$16.0 billion across 1.2M organizations. Plurilock’s Service Addressable Market and Service Obtainable Market represent a subset of this, as explained below.

Serviceable Addressable Market

Of the above industries, six stand out as serviceable by Plurilock because of their requirements for extra security protocols and regulations that protect sensitive information (see definition above). These industries are defense (most specifically the U.S. Department of Defense, or “**DOD**”), government agencies, intelligence, law enforcement, financial services, and healthcare organizations.

When narrowed to these industries, a total annual serviceable market between US\$3.7 billion to US\$6.2 billion and 259,014 organizations are identified. These numbers are broken down by industry as follows^{4,5,6}:

INDUSTRY	ADDRESSABLE MIN	ADDRESSABLE MAX	ORGANIZATIONS
Defense	\$ 453,759,000	\$ 945,331,250	493
Government	\$ 423,867,000	\$ 883,056,250	38,910
Intelligence Community	\$ 677,186,400	\$ 1,410,805,000	7
Law Enforcement	\$ 202,500,000	\$ 421,875,000	17,985
Financial Services	\$ 688,518,000	\$ 860,647,500	32,080
Healthcare	<u>\$ 1,323,156,000</u>	<u>\$ 1,653,945,000</u>	<u>169,539</u>
	US\$ 3,768,986,400	US\$ 6,175,660,000	259,014

Note:

(1) The minimum and maximum pricing was based on Plurilock's per-user pricing for all industries to determine the market opportunity.

Serviceable Obtainable Market ("SOM")

For the purposes of determining the SOM, the market verticals Plurilock identifies are the defense and financial services verticals, as they are low-hanging fruit in the immediate term due of intense and ongoing cybersecurity threats (nation-states, criminal enterprises, hacktivists), as well as increasing regulatory scrutiny from organizations such as NIST, FINRA and PCI. Law enforcement, intelligence and healthcare have been left out of the SOM calculation, as they present follow-on target verticals after the first two have been materially penetrated. They will be targeted in the future as Plurilock scales up sales and marketing teams.

The DOD yields the highest return on investment for the following reasons:

- Per user license fees are higher than in the other two industries;
- The DOD has been mandated to replace older authentication technologies with newer, continuous, biometrics-based technologies that are harder to compromise;
- Existing traction from early contracts with subsidiaries of the DOD;
- Significant publicity from press releases that have named Plurilock as being piloted at these organizations; and
- Extensive partnership interest from major services and technology vendors for the DOD.

Following the defense market, financial services organizations have a very compelling use for Plurilock's technology as they struggle with securing their infrastructure while trying to make systems convenient for end users. Financial services has a size between US\$688M to US\$860M based on 236,000 organizations.

The total SOM for Plurilock is therefore between US\$1.1 billion to US\$1.8 billion based on 32,000 organizations, when the defense and financial services verticals are combined.

4 <https://www.cyberiskopportunities.com/how-to-determine-your-cybersecurity-program-budget/>

5 https://www.whitehouse.gov/wp-content/uploads/2019/03/ap_24_cyber_security-fy2020.pdf

6 <https://apps.bea.gov/iTable/iTable.cfm?reqid=52&step=1>

Marketing Plans and Strategies

Who Plurilock Targets

Plurilock's initial beachhead markets include Federal and government agencies, and financial technology companies that meet all or most of these criteria:

- They face evident pressures in security and/or security liability terms;
- They face evident pressures in statutory, regulatory, and/or compliance terms;
- They need an MFA solution able to robustly address these issues; and
- They need an MFA solution able to win buy-in from non-security stakeholders and users.

Plurilock prioritized the pursuit of government sales early to achieve rapid cash flow and credibility wins. Non-recurring Federal business has represented much of Plurilock's early recognized revenue.

With Federal success established, Plurilock is now rapidly ramping direct commercial sales, targeting a broad cross-section of North American mid-market financial institutions in order to establish and grow Plurilock's recurring revenue base. Mid-market companies are the ideal fit for Plurilock's operational capabilities at this time, and sustained growth in this segment will enable us to later expand Plurilock's coverage to include sales to organizations of all sizes.

Sales Strategies

Plurilock generates or acquires targeted leads through three primary avenues:

- **Inbound sales** via Plurilock's rapidly growing website, reseller partners, and channel referrals;
- **Outbound direct sales** via Plurilock's sales team; and
- **Event-driven sales** via in-person attendance or speaking, rather than exhibiting at, trade shows.

Plurilock's direct sales funnel, responsible for most commercial recurring revenue sales, leverages inbound sales (via website), outbound sales (via SDRs (defined below)), and event-driven sales (primarily via speaking engagements and onsite meetings).

In March 2020, PLUS hired a senior New York, U.S. based sales employee to deliver on new and existing business opportunities. Although the U.S. operations are not currently material, Plurilock views this hiring as laying the groundwork for organic growth in the United States, and as an important step to further evaluate the viability of increased operations in New York and elsewhere in the United States. Plurilock will also continue to evaluate new business opportunities in the United States as part of its acquisition strategy.

For outbound sales, Plurilock develops prospect lists primarily through a research-oriented process in which Plurilock leverages public and private segment data to identify possible prospects, engages in research to qualify these prospects in terms of need, company size, and deployed technology stack, then assigns a sales development representative ("**SDR**") to initiate contact and pursue sales on a bespoke, account-based basis:

Plurilock has developed and is iterating a body of and increasingly effective and repeatable marketing, SDR) and account executive ("**AE**") process flows:

- **Marketing: Refine messaging, positioning, and visibility.** Plurilock uses data from SDR and AE engagement along with an analytics-and-testing driven infrastructure to arrive at increasingly segment-appropriate messaging for targeted segment and account-based demand generation across a variety of passive contact channels.

- **SDR/AE: Ramp production and productivity.** Plurilock uses an analytics-driven workflow stack and three-month rolling averages to understand and iterate success drivers, best practices, and successful relationship strategies, both at early-touch and closing, as well as to eliminate unproductive approaches
- **AE: Understand and address churn drivers.** Though churn data is to date limited, Plurilock has assembled a framework to monitor churn drivers in order to understand them and iterate its framework to address them. Early churn indicators include stakeholder buy-in, prior client preference or infrastructure, pricing model details such as monthly vs. annual billing, and variations in client size and structure as exemplified in the differences between SMBs and government work.

Plurilock’s channel sales program is responsible for most Federal non-recurring revenue sales and relies on partners of three types: (i) resellers, (ii) referrals, and (iii) advisors and organizations.

Reseller relationships enable Plurilock to leverage out-of-house Federal contract vehicles to reduce the overhead and administrative domain expertise normally required to enable Federal buyers to procure a solution. Plurilock currently has reseller contracts with key U.S. Federal partners.

Plurilock maintains close relationships with other key players in the channel and Federal spaces with the option to collaborate on specific opportunities according to fit. Plurilock also maintains a well-established network of high-level contacts and advisors that provide Plurilock with the expertise necessary to navigate the inherent complexity of Federal opportunities.

Acquisition Strategy

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, and are reviewed and approved by the Plurilock Board.

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.

Marketing and Sales Costs

Marketing and sales costs, excluding employee labor costs, are currently centered heavily on software, infrastructure, and advertising expenses and on an annualized basis are as follows:

- Inbound sales — US\$41,300 annually
 - Website(s), distribution platform(s), and associated infrastructure — US\$3,300
 - Advertising, multiple platforms— US\$38,000
- Outbound direct sales — US\$1,200 annually
- Event-driven sales — US\$9,600 annually

Product and Service Pricing

Plurilock prices are broadly to market and list prices are thus intentionally in line with those of industry peers for the products and services that Plurilock seeks to displace. Plurilock’s messaging and value proposition argue that clients switching to Plurilock from other solutions will realize ROI in the form of significant non-product cost savings that result from the unique advantages of Plurilock products.

Plurilock list pricing for products and services is as follows:

- Plurilock ADAPT — US\$3.00/user/month
- Plurilock DEFEND — US\$9.00/user/month
- Professional services and support — US\$250/hour

Volume discounts apply for per-user costs and on a percentage basis. Volume discount tiers and associated percentages are as follows:

- 500-999 users — 20% discount vs. list price
- 1,000-4,999 users — 28% discount vs. list price
- 5,000+ users — 35% discount vs. list price

Competitive Conditions

	Plurilock	Duo	RSA	Okta
Overview	Based on extensive doctoral research at the University of Victoria, our advantage is the intellectual horsepower and research that back our behavioral biometric analysis, both static and continuous. Our core IP gives us an advantage in the MFA space.	Duo offer SSO, device monitoring, and some interesting features to help with security, such as checking for up-to-date software versions. Their authentication app is fairly streamlined, but they have yet to get into biometrics in any meaningful way, and have no behavioral biometric capabilities.	RSA have a broad offering, from a SIEM to authentication services and identity provision. Heavy on monitoring, including the ability to replay sessions. Better for high-security applications, but at the cost of privacy. Sell proprietary TOTP tokens.	They offer a wide variety of products and services. SSO/identity provider with MFA. Integrates with G-Suite, O365, AWS, and a number of VPNs (Cisco) and VDI applications (Citrix and VMware). Self-service enrollment upon first login.
Competitive Spaces	Behavioral Biometrics (BB), Multifactor Authentication (MFA), Risk-based Authentication (RBA), Adaptive authentication, Continuous Authentication, IoT security	SSO, Identity as a Service (IDaaS), MFA, RBA	SSO, MFA, RBA, IDaaS, SIEM	SSO, IDaaS, MFA
Behavioral Biometrics	9 Keyboard, mouse, and mobile; static and continuous authentication	0 N/A	0 N/A	0 N/A
Continuous Authentication	8 Continuous monitoring of keyboard and mouse on Windows and MacOS workstations	0 N/A	0 N/A	0 N/A
Risk-Based Authentication	9 BB, browser fingerprint, geolocation, gait	7 Identify risk of devices, to help with BYOD. Can block device access based on outdated software versions.	8 Since they offer a wide variety of products, including a SIEM, they have a handle on risk-based approaches. Much of their product is designed to go alongside their other services.	6 Analyze location, devices, and IP addresses for risk assessment and step-up authentication.
Deployment Options	8 Cloud or on-premises	8 Cloud or on-premises	8 Cloud or on-premises	5 Cloud-only
Configurability	8 Security policies for continuous and static authentication, but the system works with default configuration.	8 At higher tiers, users can set up a lot of policies to protect individual devices.	9 Highly configurable, and their authentication solutions work hand-in-hand with their SIEM.	8 Highly configurable policies for user access, including API access.
	42 Overall Score	23 Overall Score	25 Overall Score	19 Overall Score
Pricing	\$3/\$6/\$9 per user/month, depending on tier of service.	\$3/\$6/\$9/user/month, depending on tier of service	\$3/\$6/\$9 per user/month	\$3 for MFA, \$6 for adaptive MFA (per user/month)

Plurilock’s review of industry competitors based on publically available information and subjective scoring, at the time of authorship.

Plurilock’s competition falls into the following categories:

- **Inaction** – Some potential customers do not see the need for a solution and continue to struggle along using usernames and passwords. Plurilock’s pitch to them is better security with less friction (for users and IT administrators) that brings them into compliance with current regulatory requirements.

- **Incumbents** – There is some overlap between these solutions and Plurilock’s solutions. Plurilock can integrate and complement these solutions, or in some cases replace them entirely. Plurilock can show customers using legacy solutions that Plurilock has a better technology-enabled solution that is more efficient, more cost effective, and provides a better, more seamless user experience.
- **Technology competitors** — Some available solutions appear similar to Plurilock and thus compete for mindshare. Their technology is generally mentioned as apparently competitive, but while their marketing messaging is in some cases similar, these solutions are not able to provide true workplace continuous authentication.
- **Alternative approaches** — Some comparable value propositions are achieved in a different way. These companies leverage the sensors contained in wearables and mobile devices to enable capabilities that are superficially similar to Plurilock’s desktop continuous authentication solution. These comparable solutions are not, however, appropriate for all industries:
 - Oil and gas companies must frequently operate in environmental conditions that preclude the use of consumer-grade hardware;
 - National security, military, or intelligence community applications often require commodity mobile devices to be locked in a box before a secure facility is entered; and
 - Financial services firms often prohibit personal devices on the trading floor to avoid front-running on trades.

For Behavioral Biometrics companies, there are two potential paths to take:

- **B2C (focus on web/mobile)** — Companies who focus on B2C applications generally sell to fraud prevention teams within online payments/financial services companies. Their data models rely heavily on traditional fraud signals, and for practical contextual reasons, behavioral-biometric signals are not heavily weighted in their models. These solutions focus on the fraud prevention market, estimated to be US\$63 Billion by 2023⁷ and are often then acquired by payments companies (e.g. IBM, MasterCard, and Experian).
- **B2E (focus on desktop endpoint)** — Companies that focus on B2E applications sell to security teams within financial services companies (a different business unit than risk/fraud). Identity decisions are unable to leverage network signals like IP address reputation (a mainstay in fraud prevention), and as a result focus more heavily on BB capabilities. These solutions target the US\$8 Billion IAM market and often then go public or are acquired by technology firms. The majority of behavioral biometrics companies are focused on B2C. This leaves a substantial greenfield to use behavioral biometrics for B2E use cases, which is where Plurilock is uniquely positioned to succeed.

Proprietary Protection

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.
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	8,230,232

⁷ Fraud Detection and Prevention (FDP) Market worth \$63.5 billion by 2023 (<https://www.marketsandmarkets.com/PressReleases/fraud-detection-prevention.asp>)

	Profile from a Motion-Based Input Device	
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. Plurilock's success is dependent, in part, upon its proprietary rights to its products. Plurilock considers proprietary information related to Plurilock's algorithms to be trade secrets. Plurilock's employees with access to such information are subject to confidentiality provisions contained in their employment offers which prohibit them from disclosing information acquired by them during, as a consequence of or in connection with their employment. Plurilock relies on these agreements to protect our proprietary information. Additionally, Plurilock enters into intellectual property assignment agreements with employees, contractors and everyone with any exposure to Plurilock's algorithms.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION & ANALYSIS OF PLURILOCK

Summary Information

The table below sets out certain financial data of Plurilock with respect to the periods for which financial information is included elsewhere in this Filing Statement. This information should be read in conjunction with the financial statements and the notes thereto set out in *Appendix "C" – Financial Statements of Plurilock*.

	For the three month period ended March 31, 2020 (unaudited)	For the year ended December 31, 2019 (audited)	For the year ended December 31, 2018 (audited)
Total Revenues	\$103,339	\$646,900	\$653,490
Net loss	(\$578,815)	(\$1,337,129)	(\$1,431,596)
Total Assets	\$1,274,455	\$1,002,917	\$869,098
Total Long-Term Liabilities	\$12,630	\$16,856	\$32,749
Cash Dividends	NIL	NIL	NIL

Management's Discussion and Analysis of Financial Condition and Results of Operations

The management's discussion and analysis (the "**Plurilock MD&A**") of the financial condition, changes in financial condition, and results of operations of Plurilock for the financial year ended December 31, 2019 and for the three month period ended March 31, 2020 (see *Appendix "D", Management's Discussion and Analysis of Plurilock Security Solutions Inc.*), are based on Plurilock's financial statements attached to this Filing Statement and should be read in conjunction with the audited and unaudited, respectively, financial statements and notes thereon of Plurilock for the respective periods.

Trends

Other than such trends as are discussed elsewhere in this Filing Statement (see *Information Concerning Plurilock – General Development of the Business and Narrative Description of the Business*), management of Plurilock is not aware of any trend, commitment, event, or uncertainty that is reasonably expected to have a material effect on the business, financial condition, or results of operations of Plurilock.

DESCRIPTION OF SECURITIES

Authorized Capital

Plurilock is authorized to issue an unlimited number of common shares and class seed preferred shares of which 23,900,421 common shares are issued and outstanding and 1,888,333 class seed preferred shares as fully paid and non-assessable as at the date of this Filing Statement. As stated elsewhere, prior to Closing, Plurilock anticipates converting the class seed preferred shares into 2,514,692 common shares.

Common Shares

The holders of Plurilock Common Shares are entitled to dividends, if, as and when declared by the Plurilock Board, to receive notice of and attend all meetings of Plurilock Common Shareholders, to one vote per share at such meetings and, upon liquidation, to rateably receive such assets of Plurilock as are available for distribution to holders of the Plurilock Common Shares. The Plurilock Common Shares do not have attached thereto any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities and any other material restrictions and provisions requiring a security holder to contribute additional capital.

Preferred Shares

Plurilock Preferred Shares are convertible, at any time and from time to time, in whole or in part, at the option of the holders of Plurilock Preferred Shares and without payment of additional consideration, into fully paid and non-assessable Plurilock Common Shares. Plurilock Preferred Shares may be automatically converted into Plurilock Common Shares upon the earlier of the listing of the Plurilock Common Shares on a recognized stock exchange and upon obtaining majority approval from the holders of Plurilock Preferred Shares. The number of Plurilock Common Shares into which each Plurilock Preferred Share is convertible is equal to the quotient obtained by dividing the initial price of the Plurilock Preferred Shares by the conversion price applicable to such Plurilock Preferred Shares, as adjusted from time to time in accordance with the terms of the articles of Plurilock.

The holders of Plurilock Preferred Shares are entitled to receive notice of and to attend all meetings of Plurilock Common Shareholders, and to vote together as a single class with the holders of Plurilock Common Shares at such meetings, except meetings at which only holders of a specified class of shares or specified series of shares are entitled to vote. Each Plurilock Preferred Shares entitles the holder to the number of votes per share equal to the number of Plurilock Common Shares into which such Plurilock Preferred Shares is convertible pursuant to the terms thereof.

The Plurilock Preferred Shares are entitled to preference over the Plurilock Common Shares, and over any other shares of Plurilock ranking by their terms junior to the Plurilock Preferred Shares, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of Plurilock, or any other return of capital or distribution of assets of Plurilock among its shareholders for the purposes of winding-up its affairs.

Convertible Securities

As of the date hereof, Plurilock has the following convertible securities issued and outstanding:

Security	Issue/Grant Date	Amount Outstanding as of the date hereof	Exercise Price	Expiry Date
Options ⁽¹⁾	On or prior to April 1, 2020	5,328,151	\$0.25	Between 2025 and 2030
Warrants	March 1, 2018 ⁽²⁾	75,000	\$0.25	No expiry

Security	Issue/Grant Date	Amount Outstanding as of the date hereof	Exercise Price	Expiry Date
	January 30, 2020 ⁽³⁾	158,888	\$0.40	Two years from the date of the closing of the Libby K Brokered Placement
	February 21, 2020 ⁽³⁾	246,944	\$0.40	Two years from the date of the closing of the Libby K Brokered Placement
	May 29, 2020 ⁽⁴⁾	44,444	\$0.40	Two years from the date of the closing of the Libby K Brokered Placement
	May 29, 2020 ⁽⁴⁾	40,400	\$0.40	May 29, 2021
	June 18, 2020 ⁽⁴⁾	84,444	\$0.40	Two years from the date of the closing of the Libby K Brokered Placement
	June 18, 2020 ⁽⁴⁾	29,000	\$0.40	June 18, 2021
Convertible Debentures ⁽⁴⁾	January 16, 2020 ⁽³⁾	\$155,000	\$0.225	January 1, 2022
	January 30, 2020 ⁽³⁾	\$347,000	\$0.225	January 1, 2022
	February 21, 2020 ⁽³⁾	\$315,375	\$0.225	January 1, 2022
	May 29, 2020 ⁽⁴⁾	\$327,000	\$0.225	January 1, 2022
	June 18, 2020 ⁽⁴⁾	\$163,000	\$0.225	January 1, 2022

Notes:

- (1) Prior to Closing, Plurilock anticipates that all outstanding Plurilock Options will be exercised on a cashless basis into 888,025 Plurilock Common Shares.
- (2) Prior to Closing, Plurilock anticipates that 776,632 Plurilock Warrants will expire unexercised and the remaining balance of 75,000 Plurilock Warrants will be exercised on a cashless basis into 12,500 Plurilock Common Shares.
- (3) Issued pursuant to Plurilock Bridge Placement. See *"Information Concerning Plurilock Security Solutions Inc. – General Development of the Plurilock Business - History"*.
- (4) Issued pursuant to Plurilock Subsequent Bridge Placement. See *"Information Concerning Plurilock Security Solutions Inc. – General Development of the Plurilock Business - History"*.

CONSOLIDATED CAPITALIZATION

There have been no material changes in the share, convertible debt and convertible debenture capital of Plurilock on a consolidated basis since March 31, 2020 except as set out below:

Designation of Security	Amount Authorized	Amount Outstanding as of March 31, 2020	Amount Outstanding as of August 20, 2020
Common Shares	Unlimited	23,642,645	23,900,421 ⁽¹⁾
Preferred Shares	Unlimited	1,888,333	1,888,333
Plurilock Options	5,500,000	5,228,151	5,328,151 ⁽²⁾
Plurilock Pre-Existing Warrants and Plurilock Bridge Warrants	n/a	1,257,465	609,718 ⁽¹⁾⁽³⁾
Plurilock Broker Warrants	n/a	NIL	69,400 ⁽¹⁾
Plurilock Bridge Debentures	n/a	\$817,375	\$1,307,375 ⁽¹⁾

Notes:

- (1) In connection to the Plurilock Subsequent Bridge Financing, an aggregate total of \$490,000 principal amount of Plurilock Bridge Debenture and 257,776 Bridge Units were issued. 69,400 broker warrants were issued to eligible finders. See "Information Concerning Plurilock Security Solutions Inc. – General Development of the Plurilock Business - History".
- (2) 100,000 Plurilock Options were issued to a director of Plurilock.
- (3) 776,632 Plurilock Pre-Existing Warrants expired unexercised in April 2020.

PRIOR SALES

The following tables sets forth the dates and prices at which securities of Plurilock have been or are to be sold by Plurilock in the 12 months preceding the date hereof.

Date	Number of Securities	Type of Security	Price per Security	Aggregate Gross Proceeds	Consideration Received
May 13, 2019	100,000 ⁽¹⁾	Common Share	\$0.25	\$25,000	Cash
May 26, 2019	95,000 ⁽¹⁾	Common Share	\$0.25	\$23,750	Cash
June 3, 2019	1,000,000 ⁽²⁾	Preferred Share	\$0.30	\$300,000	Cash
July 30, 2019	58,333 ⁽²⁾	Preferred Share	\$0.30	\$17,500	Cash
August 28, 2019	830,000 ⁽²⁾	Preferred Share	\$0.30	\$249,000	Cash
September 4, 2019	190,204 ⁽¹⁾	Common Share	\$0.25	\$47,551	Cash
September 11, 2019	\$50,000 ⁽³⁾⁽⁶⁾	Convertible Debenture	\$1,000	\$50,000	Cash
September 13, 2019	\$50,000 ⁽³⁾	Convertible Debenture	\$1,000	\$50,000	Cash
September 16, 2019	\$50,000 ⁽³⁾	Convertible Debenture	\$1,000	\$50,000	Cash
December 13, 2019	\$100,000 ⁽³⁾	Convertible Debenture	\$1,000	\$100,000	Cash
January 16, 2020	\$155,000 ⁽⁴⁾	Convertible Debenture	\$1	\$155,000	Cash

Date	Number of Securities	Type of Security	Price per Security	Aggregate Gross Proceeds	Consideration Received
January 30, 2020	31,776 ⁽⁴⁾⁽⁷⁾	Unit	\$0.225	71,499.60	Cash
January 30, 2020	\$347,000 ⁽⁴⁾⁽⁸⁾	Convertible Debenture	\$1	\$347,000	Cash
February 21, 2020	493,889 ⁽⁴⁾⁽⁹⁾⁽¹⁰⁾	Unit	\$0.225	\$111,125.03	Cash
February 21, 2020	\$315,375 ⁽⁴⁾	Convertible Debenture	\$1	\$315,375	Cash
May 29, 2020	88,888 ⁽⁵⁾	Unit	\$0.225	\$19,999.80	Cash
May 29, 2020	\$327,000 ⁽⁵⁾	Convertible Debenture	\$1	\$327,000	Cash
May 29, 2020	40,400 ⁽⁵⁾	Broker's Warrants	\$0.40	N/A	N/A
June 18, 2020	168,888 ⁽⁵⁾	Unit	\$0.225	\$37,999.80	Cash
June 18, 2020	\$163,000 ⁽⁵⁾	Convertible Debenture	\$1	\$163,000	Cash
June 18, 2020	29,000 ⁽⁵⁾	Broker's Warrants	\$0.40	N/A	N/A

Notes:

- (1) These Plurilock Common Shares were issued in connection with a private placement.
- (2) These Plurilock Preferred Shares were issued in connection with a private placement.
- (3) These Plurilock Debentures were issued in connection with a private placement. Each Plurilock Debenture is convertible into Plurilock Preferred Shares at an exercise price of \$0.30 per Plurilock Preferred Share. See *"Information Concerning Plurilock Security Solutions Inc. – General Development of the Plurilock Business - History"*.
- (4) These securities were issued in connection with the Plurilock Bridge Financing. See *"Information Concerning Plurilock Security Solutions Inc. – General Development of the Plurilock Business - History"*.
- (5) These securities were issued in connection with the Plurilock Subsequent Bridge Financing. See *"Information Concerning Plurilock Security Solutions Inc. – General Development of the Plurilock Business - History"*.
- (6) These debentures were issued to the Chairman of Plurilock.
- (7) 53,333 Plurilock Bridge Units for proceeds of \$12,000 were issued to Plurilock's CEO.
- (8) \$20,000 of the Plurilock Bridge Debentures were issued to Plurilock's CFO.
- (9) 48,890 Plurilock Bridge Units for proceeds of \$11,000 were issued to Plurilock's CTO.
- (10) 56,111 Plurilock Bridge Units for proceeds of \$12,625 were issued to Plurilock's CEO.

Plurilock is a private company and is not listed on any stock exchange or other trading system.

EXECUTIVE COMPENSATION

The following disclosure of compensation earned by certain executive officers and directors of Plurilock in connection with their office or employment with Plurilock is made in accordance with the requirements of National Instrument 51-102F6V – *Statement of Executive Compensation – Venture Issuers* and the policies of the Exchange. Disclosure is required to be made with respect to "Named Executive Officers" of Plurilock, or "NEOs", being those individuals who served as the Chief Executive Officer and Chief Financial Officer and each of Plurilock's three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation was, individually, more than \$150,000 for the most recently completed financial year. In addition, disclosure is required under the policies of the Exchange with respect to the four most highly compensated executive officers, regardless of the amount of their compensation.

Director and NEO Compensation Excluding Compensation Securities

The following table sets forth information concerning all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by Plurilock, excluding compensation securities, for the NEOs, the

most highly compensated executive officers and directors for Plurilock's two most recently completed financial years.

Table of compensation excluding compensation securities							
Name and Position	Year	Salary, consulting, fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation ⁽⁹⁾ (\$)	Total Compensation (\$)
Ian Paterson CEO and Director ⁽¹⁾	2019	152,703	26,600	NIL	NIL	3,350	182,653
	2018	146,233	11,250	NIL	NIL	NIL	157,353
Roland Sartorius CFO and Corporate Secretary ⁽²⁾	2019	81,450	38,070	NIL	NIL	2,477	121,997
	2018	85,859	315	NIL	NIL	NIL	86,174
Jord Tanner CTO and former VP Engineering ⁽³⁾	2019	138,041	7,108	NIL	NIL	3,350	148,499
	2018	75,492	383	NIL	NIL	NIL	75,875
Barry Carlson Chairman ⁽⁴⁾	2019	NIL	NIL	NIL	NIL	2,354	2,354
	2018	25,000	NIL	NIL	NIL	3,267	28,267
Derek Spratt former Executive Chairman ⁽⁵⁾	2019	25,000	NIL	NIL	NIL	NIL	25,000
	2018	N/A	N/A	N/A	N/A	N/A	N/A
Issa Traore former Director ⁽⁶⁾	2019	N/A	N/A	N/A	N/A	N/A	N/A
	2018	27,500	NIL	NIL	NIL	NIL	NIL
David Raffa former Director ⁽⁷⁾	2019	N/A	N/A	N/A	N/A	N/A	N/A
	2018	15,514	NIL	NIL	NIL	NIL	NIL
Darryl Athans VP Worldwide Sales ⁽⁸⁾	2019	53,292	NIL	NIL	NIL	NIL	53,292
	2018	156,283	4,498	NIL	NIL	NIL	160,781

Notes:

- (1) Mr. Paterson was appointed CEO and Director on June 1, 2017.
- (2) Mr. Sartorius was appointed CFO and Corporate Secretary on November 1, 2017 and January 1, 2018, respectively.
- (3) Mr. Tanner was appointed CTO on December 1, 2019. Mr. Tanner was VP Engineering from May 14, 2018 to November 30, 2019.
- (4) Mr. Carlson was reappointed Chairman on August 27, 2019.
- (5) Mr. Spratt resigned as Executive Chairman on August 26, 2019.
- (6) Mr. Traore resigned from the Plurilock Board on May 15, 2019.
- (7) Mr. Raffa resigned from the Plurilock Board on February 28, 2018.
- (8) Mr Athans' employment was hired on February 12, 2018 and terminated on March 15, 2019
- (9) See "Stock Options and Other Compensation Securities" below.

In addition, the directors, NEOs, and other management of the Resulting Issuer may receive additional non-compensation security-based awards and/or bonuses in 2020. The actual award amounts, if any, will be determined by the board of directors of the Resulting Issuer in due course.

Stock Options and Other Compensation Securities

The following table sets forth information concerning all compensation securities granted or issued to each director and NEO by Plurilock by the financial year ended December 31, 2019:

Table of compensation securities								
Name and Position	Type of Compensation Security (1)	Number of compensation securities, number of underlying securities and % of class		Date of Issue or Grant (2)	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing Price of security or underlying security at year end (\$)	Expiry Date (2)
<i>Ian Paterson CEO and Director</i>	Options	1,990,548	38.07%	2015 (75,000) 2016 (150,000) 2017(365,548) 2018 (1,400,000)	0.25	0.25	0.25	2025 (75,000) 2026 (150,000) 2027(365,548) 2028 (1,400,000)
<i>Roland Sartorius CFO and Corporate Secretary</i>	Options	1,000,000	19.13%	2017 (600,000) 2018 (400,000)	0.25	0.25	0.25	2027 (600,000) 2028 (400,000)
<i>Jord Tanner CTO</i>	Options	275,000	5.26%	2018 (175,000) 2019 (100,000)	0.25	0.25	0.25	2028 (175,000) 2029 (100,000)
<i>Barry Carlson Director</i>	Options	225,000	4.30%	2015 09 10	0.25	0.25	0.25	2025 09 10
<i>Mike McConnell Director</i>	Options	200,000	3.83%	2016 (75,000) 2018 (50,000) 2019 (75,000)	0.25	0.25	0.25	2026 (75,000) 2028 (50,000) 2029 (75,000)

Notes:

- (1) Each option is exercisable for one Plurilock Common Share. For more information, please see "Stock Option Plan".
- (2) Prior to Closing, Plurilock anticipates that all outstanding Plurilock Options will be exercised on a cashless basis into Plurilock Common Shares, please see "Information Concerning the Transaction".

No Director or NEO has exercised any compensation securities during the financial year ended December 31, 2019.

The directors, NEOs and other management of the Resulting Issuer may receive additional compensation security-based awards in 2020. The actual award amounts, if any, will be determined by the board of directors of the Resulting Issuer.

Stock Option Plan

Plurilock adopted the Plurilock Option Plan on September 24, 2015 for the benefit of, employees, directors, officers, and consultants of Plurilock (including its Subsidiaries). The Plurilock Option Plan was established to: (i) support the achievement of Plurilock's performance objectives; and (ii) ensure that interests of key persons are aligned with the success of Plurilock.

The Plurilock Option Plan is administered by the Plurilock Board, or if the Plurilock Board so delegates, by a committee of the Plurilock Board. Pursuant to the Plurilock Option Plan, up to 5,550,000 Plurilock Common Shares have been reserved for issuance under the Plurilock Option Plan. Options granted under the Plurilock Option Plan are non-transferable unless approved by the administrator of the Plurilock Option Plan and vest in the manner determined at the time of grant. The term of options granted under the Plurilock Option Plan is determined at the date of grant, which date cannot be greater than ten (10) years from the date of the grant. On the expiry of a Plurilock Option, the Plurilock Option will be void and of no effect.

Vested Plurilock Options of officers, employees, or consultants terminate on the date that is the earlier of the expiry date and ninety (90) days following cessation of such optionee's position with Plurilock, unless the

optionee ceases to be an officer, employee or consultant as a result of cause, in which case the Plurilock Option will terminate on the date the optionee ceases to be an officer, employee or consultant of Plurilock. Any unvested Plurilock Options shall terminate on the date the optionee ceases to be an officer, employee or consultant of Plurilock.

If the optionee ceases to be a director, officer, employee, or consultant by reason of death, the Plurilock Options may be exercised until the earlier of the expiry date of the option and one year after such death.

In the event Plurilock receives a third party offer to acquire not less than 50% of its issued and outstanding Plurilock Common Shares, completes an amalgamation, arrangement, merger or other consolidation, or completes any sale of its business (each, a “**Trigger Event**”), the Plurilock Board may, at its sole discretion, deal with the outstanding Plurilock Options in the manner it deems fair and reasonable in light of the circumstances of the Trigger Event. The Plurilock Board may, without any action or consent required on the part of the optionee:

- (a) deliver a notice to the optionee advising the optionee that the unvested portion of the Plurilock Option held by the optionee, if any, will immediately vest;
- (b) deliver a notice to the optionee advising the optionee that the expiry date for any vested portion or portions of the Plurilock Option will be the earlier of the expiry date of such Plurilock Option and the fifth day following the date of the notice, and that the expiry date for any unvested portion of the Plurilock Option will be the date of the notice;
- (c) send a notice to the optionee advising the optionee that the Plurilock Option is, in connection with any third party offer, either to be assumed by an offeror or parent thereof or to be replaced with a comparable stock option to purchase shares in the capital of the offeror or parent thereof;
- (d) provided that the price per Plurilock Common Share being offered by the offeror is greater than the exercise price of the Plurilock Option, deem a Plurilock Option to have been exercised in full and the Plurilock Common Shares, as applicable, to have been tendered pursuant to any third party offer and apply a portion of the optionee’s proceeds from the closing under the Trigger Event to the exercise price payable by the optionee;
- (e) deem a Plurilock Option to have been exercised in full without any payment by the optionee and, in such case, the optionee will be entitled to receive the number of Plurilock Common Shares as is determined in accordance with the terms of the Plurilock Option Plan; or
- (f) take such other actions, and/or combinations of the foregoing actions, as it deems fair and reasonable under the circumstances.

The Plurilock Option Plan may be amended, suspended, or terminated at any time in accordance with applicable legislation, and subject to the required approvals, if any, of the relevant regulatory authority.

Under the terms of the Amalgamation Agreement, outstanding Plurilock Options are converted into Plurilock Common Shares on a cashless basis pursuant to the terms of the Plurilock Option Plan. Upon completion of the Amalgamation Agreement, no Plurilock Options will be outstanding.

Employment, Consulting and Management Contracts

Employment Agreement with Ian Paterson, CEO

Mr. Paterson entered into an employment agreement with Plurilock dated January 1, 2016 (the “**Paterson Agreement**”). The Paterson Agreement was subsequently amended on November 28, 2016, June 1, 2017, October 11, 2018 and April 1, 2020. Pursuant to the Paterson Agreement, Mr. Paterson currently receives: (i) an annual base

salary of \$175,000; and (ii) an annual bonus determined in discretion of the Plurilock Board of up to a maximum of \$50,000, in a combination of certain objective and subjective milestones, including an objective bonus equally to 2.5% of collected revenues. Mr. Paterson is also entitled to participate in Plurilock's benefits and long-term disability plans. The term of the Paterson Agreement is indefinite. In the event of termination without cause, Mr. Paterson is entitled to a severance equal to a minimum of three (3) month's salary with an additional month for each additional full year (commencing from January 1, 2016) of continuous employment as the CEO of Plurilock. Severance will be capped at twelve (12) months' equivalence notwithstanding length of service.

The Plurilock Board considers that the salary paid to Ian Paterson is comparable within the industry. The Plurilock Board confirms that fees payable under the Paterson Agreement are fair and reasonable and were negotiated on an arm's length basis with Ian Paterson and on conventional terms.

Consulting Agreement with Roland Sartorius, CFO & Corporate Secretary

On November 1, 2017, Plurilock entered into a consulting agreement (the "**Sartorius Agreement**") with RoJan Consulting Ltd., a private company owned and controlled by Roland Sartorius. The Sartorius Agreement was subsequently amended on June 15, 2018, November 1, 2018 and April 1, 2020. Pursuant to the terms of the Sartorius Agreement, Mr. Sartorius acts as Plurilock's CFO and Corporate Secretary on a part-time basis and currently receives from an annual base fee of \$150,000 plus applicable taxes and is also entitled to a discretionary year end bonus equal to 25% of his annual base fee. The term of the Sartorius Agreement is indefinite. In the event of termination without cause, Mr. Sartorius is entitled to severance of a minimum of four (4) months' consulting fees with an additional month for each additional full year (commencing from November 1, 2017) of continuous service as the CFO of Plurilock. Severance will be capped at six (6) months' equivalence notwithstanding length of service.

The Plurilock Board considers that the fees paid to Roland Sartorius are comparable within the industry. The Plurilock Board confirms that fees payable under the agreement are fair and reasonable and were negotiated on an arm's length basis with Roland Sartorius and on conventional terms.

Employment Agreement with Jord Tanner, CTO

Mr. Tanner entered into an employment agreement with Plurilock dated February 8, 2018 (the "**Tanner Agreement**"). Pursuant to the Tanner Agreement, Mr. Tanner currently receives an annual base salary of \$135,000. Mr. Tanner is also entitled to participate in Plurilock's benefits and long-term disability plans. The term of the Tanner Agreement is indefinite, though either party may terminate the Tanner Agreement subject to statutory requirements. The Tanner Agreement does not contain any provisions with respect to change of control, severance, termination or constructive dismissal.

The Plurilock Board considers that the salary paid to Jord Tanner is comparable within the industry. The Plurilock Board confirms that fees payable under the Tanner Agreement are fair and reasonable and were negotiated on an arm's length basis with Jord Tanner and on conventional terms.

Oversight and description of director and named executive officer compensation

The Plurilock Board has not yet established any formal objectives or criteria for executive compensation on the basis that its current stage of development and financial resources requires flexibility in determining remuneration for its officers and directors. Moreover, Plurilock has not used a peer group to determine compensation. Plurilock has not yet established a compensation committee to assess and negotiate compensation of executive officers and key employees, develop and implement an execution compensation philosophy, and assess and make recommendations thereon to the Plurilock Board. Generally, determinations as to executive compensation have been based on: (i) informal discussion among board members and management; and (ii) negotiation with each executive and key employee.

The objectives of Plurilock with respect to compensation of executive officers has been to provide levels of compensation necessary to attract and retain high quality executives and to align the interests of key executives with those of Plurilock. Accordingly, the principal components of Plurilock's executive compensation program, have

focused on a combination of base compensation, bonus remuneration, and long-term incentives in the form of stock options. Each of these elements of Plurilock's compensation is discussed in detail below.

Base Salary

Base salary or consulting fees are a fixed element of compensation payable to each executive for performing his or her specific duties. As stated above, during the financial year ended December 31, 2019, the amount of base salary or consulting fees, as applicable, for NEOs was determined primarily through negotiation with the NEO. The initial base salaries or consulting fee were determined by Plurilock to attract and retain exemplary executive officers or board members, as applicable, although the relative size and stage of development of Plurilock and the nature of industry also affected the quantum of base salary or consulting fees offered. Base salaries or consulting fees, have to date, been determined by the Plurilock Board based on the recommendation of the Compensation Committee on an as needed basis. Base salary or consulting fees are not currently dependant on any measurable performance criteria or benchmarks.

Bonuses

Plurilock's CEO and CFO are eligible for bonuses pursuant to their respective agreements as detailed under *Employment, Consulting and Management Contracts*.

Long-Term Incentive Plans

The long-term incentive plans of Plurilock are intended to align the interests of executives with those of Plurilock by linking individual compensation to the performance of Plurilock. The Plurilock Board is responsible for setting and amending any equity incentive plans under which equity-based awards are granted, including stock options issued pursuant to the Stock Option Plan. Plurilock adopted the Stock Option Plan for the benefit of eligible directors, officers, employees and consultants of Plurilock and its Subsidiaries. Stock options are granted at the discretion of Plurilock Board upon the recommendation of the Compensation Committee. Options may also be granted to executives upon hire or promotion and as special recognition for extraordinary performance. Factors that the Plurilock Board takes into account when deciding to grant stock options to an executive, director or consultant include: (i) the individual's performance; (ii) the individual's level of responsibility within Plurilock; (iii) the number and exercise price of options previously granted to the individual; and (iv) the overall mix of compensation being provided to the individual.

For the most recently completed financial year of Plurilock, the compensation of each Messrs. Paterson, Sartorius and Tanner included base compensation, and long-term equity incentives in the form of stock options issued pursuant to the Stock Option Plan, and the compensation of Messrs. Paterson and Sartorius included bonus compensation. Compensation during this period, except for Mr. Paterson's compensation, was not tied to specific performance criteria nor was a peer group used to determine compensation. No event occurred during the financial year ended December 31, 2019 that significantly affected compensation payable to any of these individuals, including the waiver or change of a performance criterion or goal.

NON-ARM'S LENGTH TRANSACTIONS

Within the five years prior to the date of this Filing Statement, Plurilock has not acquired any assets or services or provision of any assets or services in any transaction, from any director, officer or promotor of Plurilock, any principal security holder disclosed as such in this Filing Statement or an Associate or Affiliate of any such person except as set out elsewhere in this Filing Statement or below :

1. In July 2015, the Chairman of Plurilock converted two existing shareholder loans of \$75,860 and \$19,310 to common shares. A total of 518,075 Plurilock Shares were issued at a price of \$0.1837 per Plurilock Share.

2. In February 2018, Plurilock obtained a convertible loan of \$80,000 from the Chairman of Plurilock. The loan carried interest of 10% per annum and was secured by Plurilock's 2016 SR&ED claim. Repayment terms were cash or Plurilock Shares at a price of \$0.25 per Plurilock Shares. The loan was repaid in full prior to December 31, 2018.
3. In November 2018, Plurilock Shares obtained a convertible loan of \$70,000 from the Chairman of Plurilock. The loan carried interest of 12% per annum and was secured by Plurilock's 2018 SR&ED claim. Repayment terms were cash or Plurilock Shares at a price of \$0.25 per common share. The loan was repaid in full in February 2019.
4. For the period, September 2015 to December 31, 2018 the Chairman of Plurilock received employment compensation totaling \$97,883.
5. In September 2019, Plurilock obtained a convertible loan of \$50,000 from the Chairman of Plurilock. The loan carried interest of 14% per annum and was secured by certain receivables. Repayment terms were cash or conversion to preferred shares at a price of \$0.30 per preferred share. On February 28, 2020, the loan was amended to remove the convertible option. On June 1, 2020 Plurilock repaid \$25,000 in principal and the accrued interest of the loan.
6. During the year ended December 31, 2019, Plurilock received consulting services from a private company owned and controlled by the CFO in the amount of \$121,997 (2018 - \$86,174; 2017 - \$10,000).
7. During the year ended December 31, 2019, the CFO invested \$25,000 into Plurilock.
8. In February 2020, the CEO, CFO and CTO collectively invested \$55,000 into Plurilock.

LEGAL PROCEEDINGS

Neither Plurilock nor any of the Plurilock Subsidiaries is party to, nor is their respective property the subject matter of, any material legal proceedings and to the best knowledge of Plurilock, no such legal proceedings are contemplated.

MATERIAL CONTRACTS

Other than as set out below, Plurilock has not entered into any material contract, other than contracts entered into in the ordinary course of business, within the two years before the date of this Filing Statement:

- (a) the Amalgamation Agreement – see *“Information Concerning the Transaction”* for further details;
- (b) the Corporate Advisory and IBK Investment Banking Engagement Agreement dated March 1, 2018 between Valeo and Plurilock, as amended on June 30, 2020, in respect of the provision of business and M&A advisory services whereby Valeo will be paid a corporate advisory success fee of \$100,000 upon completion of the Amalgamation;
- (c) the Engagement Letter dated January 30, 2020, as amended, with PI for PI to act as agent in identifying and sourcing potential providers of capital for the purpose of raising at least \$2,700,000 through private and brokered placement offering of securities. See *“General Matters – Relationships”* for details concerning PI's compensation;
- (d) the Agency Agreement to be entered pursuant to the Engagement Letter; and
- (e) the Capital Advisory Agreement with Thesis Capital Inc. (**“Thesis”**) See *“Information Concerning the Resulting Issuer – Investor Relations Arrangements”* for details concerning Thesis' compensation.

Copies of these contracts may be inspected, without charge, during business hours at the offices of Plurilock at 702 Fort Street, Suite 330, Victoria, British Columbia V8W 1H2 until the date of closing of the Transaction and for a period of thirty (30) days thereafter.

INFORMATION CONCERNING THE TRANSACTION

THE AMALGAMATION

General

On June 23, 2020, Plurilock, Libby K and Libby K Subco entered into the Amalgamation Agreement. Pursuant to the terms of the Amalgamation Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals and the completion of the Libby K Share Consolidation, Plurilock will amalgamate with Libby K Subco pursuant to the provisions of Division 3 of Part 9 of the BCBCA, Amalco will be a wholly-owned subsidiary of Libby K and the Plurilock Shareholders will be issued Common Shares at the applicable Exchange Ratio for every one Plurilock Common Share held immediately prior to the completion of the Transaction.

Although the Transaction will result in Amalco becoming a wholly-owned subsidiary of Libby K, the Transaction will constitute a reverse take-over of Libby K because the former Plurilock Shareholders will own a majority of the outstanding shares of the Resulting Issuer and four of the five members of the board of directors of the Resulting Issuer will be designees of Plurilock.

FINANCINGS

Plurilock Bridge Placements

Plurilock completed the Plurilock Bridge Placement in multiple tranches on January 16, January 30, February 21, 2020, respectively, consisting of Plurilock Debentures in an aggregate principal amount of \$817,375 and 811,665 Plurilock Units at a price of \$0.225 per Plurilock Units thereunder, for aggregate gross proceeds of approximately \$1,000,000.

On June 18, 2020, Plurilock completed the Plurilock Subsequent Bridge Placement consisting of Plurilock Debentures an aggregate of principal amount of \$490,000 and 257,776 Plurilock Units on the same terms as the Plurilock Bridge Placement.

All outstanding Plurilock Bridge Debentures shall be converted into Plurilock Bridge Units at a conversion price of \$0.225 per Plurilock Bridge Unit, subject to adjustment in the event that the Resulting Issuer Units are issued at less than \$0.30 per Resulting Issuer Unit pursuant to the Libby K Brokered Placement (in which case the conversion price shall be reduced to a price equal to a 25% discount to the issue price of the Resulting Issuer Units under the Libby K Brokered Placement).

See *“Information Concerning Plurilock Security Solutions Inc. – General Development of the Plurilock Business”* for more details concerning the private placements.

Brokered Placements

As a condition to closing of the Transaction, and pursuant to Engagement Letter, Libby K and Plurilock intend to complete the Brokered Placements for minimum aggregate proceeds of \$2.0 million and maximum aggregate proceeds of \$2.7 million. Plurilock intends to offer up to 9,000,000 Plurilock Subscription Receipts at a price of \$0.30 per Plurilock Subscription Receipt (the **“Issue Price”**). Libby K intends to offer up to 9,000,000 Resulting Issuer Units at the Issue Price per Resulting Issuer Unit. Each Resulting Issuer Unit shall consist of one Resulting Issuer Common Share and one-half of one Resulting Issuer Warrant. Each Resulting Issuer Warrant will entitle the holder to acquire one Resulting Issuer Share at an exercise price of \$0.40 per Resulting Issuer Warrant Share for a period of two years from the date of issuance, subject to the right of the Resulting Issuer to accelerate the expiry date of the Resulting Issuer Warrants. In the event that the daily volume weighted average trading price of the Resulting Issuer Common Shares on the Exchange for any 10 consecutive days equals or exceeds \$0.60, then commencing on the date that is 4 months following the Escrow Release Date, the Resulting Issuer may, upon providing written notice to the holders of the Resulting Issuer Warrants, accelerate the expiry date of the Resulting Issuer Warrants to the date that is 30

days following the date of such written notice. The Resulting Issuer Warrants will be issued subject to the terms of a warrant indenture (the “**Warrant Indenture**”) to be entered between the Resulting Issuer and Computershare Trust Company of Canada upon closing of the Libby K Brokered Placement.

The Plurilock Subscription Receipts will be converted into Resulting Issuer Units upon satisfaction of the Escrow Release Conditions (without payment by the holders of the Subscription Receipts of any additional consideration therefor). The Plurilock Subscription Receipts shall be created and issued pursuant to and be governed by the Subscription Receipt Agreement to be entered into on the date of closing of the Plurilock Brokered Placement. The specific attributes of the Subscription Receipts shall be set forth in the Subscription Receipt Agreement.

The description of the Subscription Receipts, the Resulting Issuer Units, the Resulting Issuer Common Shares and the Resulting Issuer Warrants contained in this Filing Statement is a summary only and is subject to the provisions of the Agency Agreement, Subscription Receipt Agreement, the Warrant Indenture and the constating documents of the Resulting Issuer, as amended from time to time.

On the closing of the Plurilock Brokered Placement, the gross proceeds from the Plurilock Brokered Placement Offering less the Agent’s Expenses incurred to such date and 50% of the SR Agent’s Fee (the “**Escrowed Proceeds**”), will be delivered to and held in escrow by the Subscription Receipt Agent and invested pursuant to the terms of the Subscription Receipt Agreement (the Escrowed Proceeds, together with any interest and other income earned thereon, the “**Escrowed Funds**”), pending the satisfaction or waiver (to the extent such waiver is permitted) of the Escrow Release Conditions at or prior to the Escrow Release Deadline, in accordance with the provisions of the Subscription Receipt Agreement.

Pursuant to and in accordance with the Subscription Receipt Agreement and subject to the terms of the Agency Agreement, upon the satisfaction or waiver (to the extent such waiver is permitted) of certain conditions set out in the Subscription Receipt Agreement (collectively, the “**Escrow Release Conditions**”) at or prior to the Escrow Release Deadline, on such date (the “**Escrow Release Date**”) each Plurilock Subscription Receipt shall be deemed to be automatically converted, without payment of any additional consideration or any further act or formality on the part of the holder of such Plurilock Subscription Receipt, into one (1) Resulting Issuer Unit, and may include, amongst other conditions, the following Escrow Release Conditions:

- (a) all conditions precedent to the completion of the Transaction, other than the release of the Escrowed Funds, shall have been satisfied to the satisfaction of, or waived by, the Agent including, without limitation:
 - (i) the Amalgamation Agreement regarding the Transaction shall have been entered into by Plurilock and Libby K on terms acceptable to the Agent, acting reasonably;
 - (ii) receipt of any necessary government, regulatory and third-party approvals;
 - (iii) receipt of any required shareholder approvals of each of Libby K and Plurilock;
 - (iv) the conditional approval of the Exchange of the Transaction (including the Libby K Share Consolidation) and the listing of the Resulting Issuer Common Shares to be issued to the holders of Plurilock Subscription Receipts received upon the conversion of the Subscription Receipts; and
 - (v) the completion, satisfaction or waiver of all conditions precedent to such listing, other than the release of the Escrowed Funds;
- (b) the Agent has received an officer's certificate from each of Plurilock and Libby K certifying that each party has irrevocably instructed its counsel to, upon release of the Escrowed Funds to Plurilock, issue the Resulting Issuer Common Shares and the Resulting Issuer Warrants underlying the Plurilock Subscription Receipts and to complete the Transaction and issue the Resulting Issuer securities in accordance thereof;

- (c) the Agent has received an officer's certificate from Plurilock certifying that Plurilock is not in breach or default of any of its covenants or obligations under the Subscription Receipt Agreement and the Agency Agreement and all conditions set out in the Subscription Receipt Agreement and Agency Agreement shall have been fulfilled in all material respects;
- (d) the Agent has received an officer's certificate from Libby K certifying that Libby K is not in breach or default of any of its covenants or obligations under the Subscription Receipt Agreement and the Agency Agreement and all conditions set out in the Subscription Receipt Agreement and Agency Agreement shall have been fulfilled in all material respects; and
- (e) the delivery of a release notice to the Subscription Receipt Agent in accordance with the terms of the Subscription Receipt Agreement.

In the event that the Escrow Release Conditions are not satisfied or waived prior to the Escrow Release Deadline; or (ii) prior to the Escrow Release Deadline, Plurilock advises the Subscription Receipt Agent and the Agent or announces to the public that it does not intend to or will be unable to satisfy the Escrow Release Conditions or that the Transaction has been terminated or abandoned, the Plurilock Subscription Receipts will immediately be cancelled and will become null and void and of no further force or effect, and the Subscription Receipt Agent will return to each holder of Subscription Receipts an amount equal to the aggregate Issue Price of the Subscription Receipts held by them and their pro rata portion of any interest earned thereon, net of any applicable withholding tax.

In consideration for the Agent's services rendered in connection with the Plurilock Brokered Placement, Plurilock shall: (i) pay to the Agent a cash fee equal to 8% of the aggregate gross proceeds of the Plurilock Brokered Placement, other than on the Subscription Receipts sold to purchasers on a President's List, on which the Agent will receive a commission of 3.5% (collectively, the "**SR Agent's Fee**"), payable to the Agent in cash, as to 50% on the closing of the Plurilock Brokered Placement and as to the remaining 50% upon satisfaction of the Escrow Release Conditions and the release of the Escrowed Funds; and (ii) issue to the Agent that number of warrants (each, a "**Compensation Warrant**") equal to 8.0% of the number of Plurilock Subscription Receipts issued pursuant to the the Plurilock Brokered Placement, other than on the Plurilock Subscription Receipts sold to purchasers on a President's List, on which the Agent will receive a number of warrants equal to 3.5% of the number of Plurilock Subscription Receipts issued. Each Compensation Warrant will entitle the holder, on exercise to acquire one Resulting Issuer Common Share at the Issue Price for a period of 24 months from the Escrow Release Date.

In consideration for their services rendered in connection with the Libby K Brokered Placement, Libby K shall: (i) pay to the Agent a cash fee equal to 8% of the aggregate gross proceeds of the Libby K Brokered Placement, other than on the Resulting Issuer Units sold to purchasers on a President's list, on which the Agent will receive a commission of 3.5% payable to the Agent in cash, payable to the Agent in cash on the closing of the Libby K Brokered Placement; and (ii) issue to the Agent that number of Compensation Warrants equal to 8.0% of the number of Resulting Issuer Units issued pursuant to the Libby K Brokered Placement, other than with respect to purchasers on a President's list, in which case the Agent will be issued that number of Compensation Warrants equal to 3.5% of the number of Resulting Issuer Units issued pursuant to the Libby K Brokered Placement.

The closing of the Plurilock Brokered Placement is excepted to occur prior to the completion of the Transaction. The closing of the Libby K Brokered Placement is expected to occur concurrently with completion of the Transaction.

RESULTS OF THE TRANSACTION

There are currently 23,900,421 Plurilock Common Shares, 1,888,333 Plurilock Preferred Shares, 75,000 Plurilock Pre-Existing Warrants, 5,328,151 Plurilock Options, \$1,307,375 principal amount of Plurilock Bridge Debentures, 534,718 Plurilock Bridge Warrants and 69,400 broker warrants of Plurilock issued and outstanding. Further, there are currently 11,100,000 Common Shares, 1,100,000 Libby K Options and 500,000 Libby K Compensation Options issued and outstanding.

The Amalgamation will be effected as follows:

- (a) Prior to the Effective Time, the following will be completed:
 - (i) each outstanding Plurilock In-The-Money Option shall be exercised or deemed to be exercised into Plurilock Common Shares on a cashless basis in accordance with the terms of the Plurilock Option Plan;
 - (ii) each outstanding Plurilock Option that is not a Plurilock In-The-Money Option shall be cancelled and the Plurilock Option Plan and all applicable stock option agreements will be terminated or deemed to be terminated;
 - (iii) each outstanding Plurilock Pre-Existing Warrants shall be exercised or deemed to be exercised into Plurilock Common Shares on a cashless basis pursuant to the terms of the applicable agreement between each holder of the Plurilock Pre-Existing Warrants;
 - (iv) each outstanding Plurilock Preferred Shares shall be converted and deemed to be converted into Plurilock Common Shares in accordance with its terms thereof; and
 - (v) all outstanding Plurilock Bridge Debentures shall be converted into Plurilock Bridge Units at a conversion price of \$0.225 per Plurilock Bridge Unit.
- (b) Plurilock and Libby K Subco will amalgamate and continue as one corporation, being Amalco, under the BCBCA;
- (c) the common shares of Libby K Subco will be exchanged for common shares of Amalco on a one to one basis;
- (d) each outstanding Plurilock Trust Share shall be cancelled and its holder shall receive in exchange therefor 1.655 Resulting Issuer Common Shares for each Plurilock Trust Share;
- (e) each outstanding Plurilock Common Share (excluding any Plurilock Trust Shares and any Plurilock Common Shares that comprise a portion of the Plurilock Bridge Units) shall be cancelled and its holder shall receive in exchange therefor such number of Resulting Issuer Common Shares that reflects the Exchange Ratio;
- (f) each outstanding Plurilock Bridge Unit shall be cancelled and its holder shall receive in exchange therefor:
 - (i) if the issue price per Resulting Issuer Unit pursuant to the Brokered Placements is at least \$0.30, one Resulting Issuer Unit; or
 - (ii) if the Resulting Issuer Units are issued at less than \$0.30 per Resulting Issuer Unit pursuant to the Brokered Placements, such number of Resulting Issuer Units as would reflect a 25% discount to the issue price per Resulting Issuer Unit under the Brokered Placements;
- (g) as consideration for the issuance of Libby K Common Shares in connection with the Amalgamation, Amalco shall issue to Libby K one common share of Amalco for each Libby K Common Share so issued;
- (h) each outstanding Subscription Receipt shall be cancelled and its holder shall receive for no additional consideration one Resulting Issuer Unit; and
- (i) Amalco shall be a wholly-owned subsidiary of the Resulting Issuer.

As a result of the Transaction, and assuming the Brokered Placements are fully subscribed, it is expected that the Resulting Issuer will issue:

- a) an aggregate of approximately 5,500,000 Common Shares to Libby K Shareholders in replacement of their pre-Libby K Share Consolidation Common Shares pursuant to the Libby K Share Consolidation;

- b) an aggregate of approximately 23,747,636 Common Shares (representing the number of Plurilock Common Shares issued and outstanding as of the date hereof and assuming the conversion of the all outstanding Plurilock Convertible Securities prior to Closing);
- c) an aggregate of approximately 6,897,992 Common Shares pursuant to the conversion of Plurilock Bridge Debentures and exchange of Plurilock Bridge Units;
- d) 200,000 Common Shares pursuant to the exchange of 200,000 Plurilock Common Shares issued to the Agent pursuant to the Engagement Letter; and
- e) an aggregate of: (i) 6,666,667 Common Shares in the event that the minimum of \$2.0 million is raised pursuant to the Brokered Placements; or (ii) 9,000,000 Common Shares in the event that the maximum of \$2.7 million is raised pursuant to the Brokered Placements..

Upon closing of the Transaction, assuming the: (a) minimum of \$2.0 is raised in the Brokered Financing, former Plurilock Shareholders will hold approximately 52.3% of the Resulting Issuer Common Shares and Libby K Shareholders will hold approximately 12.2% of the Resulting Issuer Common Shares; and (b) maximum of \$2.7 is raised in the Brokered Financing, former Plurilock Shareholders will hold approximately 55.2% of the Resulting Issuer Common Shares and Libby K Shareholders will hold approximately 12.9% of the Resulting Issuer Common Shares

If the required shareholder approval and the other conditions to the Transaction are satisfied or waived, the Resulting Issuer is expected to be listed as Tier 2 Industrial Issuer under the trading symbol "PLUR".

THE AMALGAMATION AGREEMENT

The following is a non-exhaustive summary of certain material provisions of the Amalgamation Agreement and is qualified in its entirety by reference to the complete text of the Amalgamation Agreement, a copy of which is available at www.sedar.com under Libby K's profile. All terms not otherwise defined in this Filing Statement have the meanings ascribed thereto in the Amalgamation Agreement.

Mutual Covenants of Plurilock and Libby K Regarding the Conduct of Business

Each of Plurilock and Libby K covenanted with each other that, until the earlier of the Effective Time, or the time that the Amalgamation Agreement is terminated in accordance with its terms: (a) it will conduct its respective business in the ordinary course of business consistent with past practice; (b) promptly deliver written notice to the other of any circumstance or development that, to its knowledge, is or could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on it; and (c) it shall not directly or indirectly:

- (i) amend its notice of articles, articles or other constating documents;
- (ii) declare, set aside or pay any dividend, return of capital or other distribution or payment (whether in cash, shares or property) on or in respect of its securities;
- (iii) split, divide, consolidate, combine, exchange or reclassify any of its equity securities or issue or authorize the issuance of any other securities in lieu of or in substitution for, any of its equity securities;
- (iv) issue, grant, sell or pledge any securities or agree to do so;
- (v) redeem, purchase or otherwise acquire any of its outstanding securities, unless otherwise required by the terms of such securities;
- (vi) alter or amend the terms of any of its outstanding securities except, in the case of Libby K, such amendments are necessary to extend the term of the Libby K Options to the maximum period permitted by section 2.7 of TSXV Policy 2.4 of the Exchange;
- (vii) adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Plurilock (in the case of Plurilock) or Libby K or Libby K Subco (in the case of Libby K);

- (viii) make any changes to any of its accounting policies, principles, methods, practices or procedures (including by adopting any new accounting policies, principles, methods, practices or procedures), except as required by applicable Laws or by IFRS as advised by its regular independent accountants, as the case may be;
- (ix) make any material tax election or settle or compromise any material tax liability;
- (x) reorganize, amalgamate or merge with any other Person;
- (xi) sell, pledge, lease, exclusively license, transfer, dispose of or encumber any material assets;
- (xii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof;
- (xiii) make any investment, either by the purchase of securities, contribution of capital, property transfer, or purchase of any property or asset, in any other Person, except in the ordinary course of business consistent with past practice;
- (xiv) incur, extend, renew, replace or repay before it is due any indebtedness for borrowed money or any other liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other Person, or make any loans or advances;
- (xv) pay, settle, discharge or satisfy any material claim, liability, litigation, lawsuit, arbitration, proceeding or obligation other than the payment, discharge or satisfaction of liabilities in the ordinary course of business consistent with past practice;
- (xvi) waive, release, grant, transfer modify or amend any Authorization, claim or right of material value;
- (xvii) except in the ordinary course of business consistent with past practice, expend or commit to expend any amounts, individually or in the aggregate, in excess of \$50,000 (in the case of Plurilock), in excess of \$1,000 (in the case of Libby K Subco) or in excess of \$10,000 (in the case of Libby K);
- (xviii) enter into any contracts or other transactions with any officer or director or any holder of more than 5% of its outstanding common shares;
- (xix) exercise any termination rights (other than related to the passage of time) with respect to any Material Agreement;
- (xx) enter into or modify any Material Agreement or series of contracts resulting in a new Material Agreement, that would alone or in the aggregate, be reasonably expected to have a Material Adverse Effect on Plurilock;
- (xxi) (A) grant to any officer, director or employee an increase in compensation in any form; (B) grant any general salary increase to any officer, director or employee; (C) take any action with respect to the grant of any severance or termination pay to or enter into any employment agreement with any officer, director or employee; or (D) increase any benefits payable to any officer, director or employee under its current severance or termination pay policies;
- (xxii) settle or compromise: (A) any action, claim or proceeding brought against it that is or could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; or (B) any action, claim or proceeding brought by any present, former or purported holder of its securities in connection with the transactions contemplated by the Amalgamation Agreement or the Amalgamation;

- (xxiii) in the case of Plurilock, cause or allow the current insurance (or re-insurance) policies maintained by Plurilock to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductions and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (xxiv) initiate any material discussions, negotiations or filings with any Governmental Entity regarding any matter, except in the ordinary course of business consistent with past practice; or
- (xxv) authorize, agree, or otherwise commit, whether or not in writing, to do any of the foregoing.

Mutual Covenants of Plurilock and Libby K Regarding the Amalgamation

Each of Plurilock and Libby K covenanted and agreed with each other to perform all obligations required to be performed by it under the Amalgamation Agreement, co-operate with the other in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in the Amalgamation Agreement and, without limiting the generality of the foregoing, shall:

- (a) apply for and use commercially reasonable efforts to obtain all Regulatory Approvals required in connection with the Amalgamation Agreement, the Amalgamation or any of the other transactions contemplated in the Amalgamation Agreement;
- (b) use commercially reasonable efforts to obtain all necessary waivers, consents and approvals required to be obtained from, and to deliver all notices required to be delivered to, other parties to any of its Material Agreements in connection with the Amalgamation Agreement, the Amalgamation or any of the other transactions contemplated in the Amalgamation Agreement;
- (c) use commercially reasonable efforts to comply promptly with all requirements imposed by applicable Law with respect to the Amalgamation and any other transactions contemplated in the Amalgamation Agreement;
- (d) not knowingly take any action, refrain from taking any action, or permit any action to be taken or not taken, which is inconsistent with the Amalgamation Agreement or which is or could reasonably be expected to impede or delay the completion of the transactions contemplated under the Amalgamation Agreement except as specifically permitted by the Amalgamation Agreement;
- (e) defend all lawsuits or other legal, regulatory or other proceedings against Plurilock challenging or affecting the Amalgamation Agreement or the consummation of the Amalgamation or any of the other transactions contemplated by the Amalgamation Agreement. Each Party shall provide the other Party's legal counsel on a timely basis copies of any notice of appearance or other documents served on such Party in respect of such lawsuit or proceeding. In addition, each Party will not object to legal counsel to the other Party seeking leave or standing to make such submissions in connection with such lawsuit or proceeding as such counsel considers appropriate, provided, however, that such Party is advised of the nature of any submissions prior to any hearing and such submissions are consistent with the terms of the Amalgamation Agreement and the Amalgamation;
- (f) use commercially reasonable efforts to fulfil all conditions to closing contained in the Amalgamation Agreement that are within its power and satisfy all provisions of the Amalgamation Agreement and the Amalgamation applicable to it; and

- (g) other than with respect to holders of Plurilock securities who have provided in writing for the benefit of Libby K, representations and warranties in form and substance satisfactory to Libby K, acting reasonably, with respect to United States securities law matters necessary in order to permit the issue of securities of Libby K pursuant to the Amalgamation under an exemption from the registration requirements of the U.S. Securities Act and all applicable state securities laws, neither Plurilock nor any person acting on its behalf shall distribute (and Plurilock has confirmed that it has not distributed), whether orally or in writing, to any holder of Plurilock securities in the United States (as defined in Regulation S under the U.S. Securities Act) or to any address in the United States, any notice to be sent in relation with the Plurilock Meeting or other disclosure document to be prepared in connection with the Plurilock Meeting or any other information related to the Amalgamation.

Additional Covenants of Plurilock

In addition to the mutual covenants set forth above, Plurilock agreed to (a) deliver an executed amending agreement to the Valeo Agreement, in a form acceptable to Libby K and PI, that provides that the Success Fee payable to Valeo will be a payment of \$100,000 in cash, plus GST, at the Effective Time, which payment and issuance will constitute full and final satisfaction of the Success Fee; (b) use commercially reasonable efforts to have the Plurilock Shares held by Barry Carlson as the trustee of the Founders' Trust to be distributed to the Plurilock Shareholders listed in Schedule "G" to the Amalgamation Agreement, so that such Plurilock Shareholders will hold such number of Plurilock Shares set out in Schedule "G" to the Amalgamation Agreement prior to Closing; (c) use best efforts to obtain executed Lock-Up Agreements from the Locked-Up Shareholders; (d) furnish to Libby K all such information concerning Plurilock, as may be reasonably required by Libby K in the preparation of the listing statement (including any supplement or amendment thereto) and other documents related thereto, including any financial statements requested by the Exchange; and (e) deliver to Libby K, as soon as practicable the final audited financial statements of Plurilock for the year ended December 31, 2019 and the final interim financial statements for the three months ended March 31, 2020 (collectively the "**Plurilock Final Financial Statements**").

Additional Covenants of Libby K

In addition to the mutual covenants set forth above, Libby K agreed to: (a) as soon as reasonably practicable apply to the Exchange and diligently seek the approval of the Exchange to the transactions contemplated by the Amalgamation Agreement including conditional approval of the Exchange to the Amalgamation and listing on the Exchange of the Common Shares issuable pursuant to the Amalgamation, subject only to satisfaction by Libby K of customary listing conditions of the Exchange; (c) pass a resolution, in its capacity as the sole shareholder of Libby K Subco, approving the Amalgamation and the Amalgamation Agreement, such resolution to be in form and substance satisfactory to Plurilock acting reasonably; and (d) other than with respect to holders of Plurilock securities who have provided in writing, for the benefit of Libby K, representations and warranties in form and substance satisfactory to Libby K, acting reasonably, with respect to United States securities law matters necessary in order to permit the securities of Libby K issuable in connection with the completion of the Amalgamation to be issued pursuant to an exemption from the registration requirements of the U.S. Securities Act, and all applicable state securities laws, Libby K shall not issue any of its securities issuable upon completion of the Amalgamation, or deliver certificates representing such securities, to any address in the United States or to any person believed by Libby K or Libby K Subco to be in the United States or a United States resident.

Mutual Conditions Precedent

The respective obligations of each of Plurilock and Libby K to complete the Transaction, and any transactions otherwise contemplated by the Amalgamation Agreement will be subject to the fulfillment, or mutual waiver in writing by each of Plurilock and Libby K (on behalf of itself and Libby K Subco), of each of the following conditions:

- (a) the Plurilock Shareholders shall have approved the Plurilock Amalgamation Resolutions in accordance with the requirements of applicable Law;

- (b) no action, suit or proceeding shall be pending or threatened by any Governmental Entity or other Person, in each case having a reasonable likelihood of success, and no applicable Law, Authorization, order, permit or licence shall be in effect, which:
 - (i) makes the consummation of the Amalgamation illegal or otherwise enjoins or prohibits the Amalgamation or any transactions otherwise contemplated thereby; or
 - (ii) renders the Amalgamation Agreement unenforceable in any way or frustrates the purpose and intent thereof;
- (c) the Exchange shall have conditionally accepted the Amalgamation and the other transactions contemplated by the Amalgamation Agreement as part of Libby K's "Qualifying Transaction" under the rules and policies of the Exchange, including the approval of the Exchange for the listing of the Common Shares issuable pursuant to the Amalgamation (including Common Shares issuable upon exchange of the Plurilock Common Shares;
- (d) Plurilock and Libby K shall each have approved the form of the LTIP and the TSXV shall have approved such LTIP to be adopted by the board of the Resulting Issuer at the Effective Time;
- (e) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and others, necessary or desirable for the completion of the transactions provided for in the Amalgamation Agreement and the Amalgamation shall have been obtained or received from the Person or Governmental Authority having jurisdiction in the circumstances;
- (f) Libby K, as the sole shareholder of Libby K Subco, shall have approved the Amalgamation;
- (g) holders of no more than 10% in the aggregate of the Plurilock Common Shares and Plurilock Preferred Shares (as at the record date determined by Plurilock for determining Plurilock Shareholders entitled to notice and to vote at the Plurilock Meeting) shall have validly exercised dissent rights with respect to the Amalgamation;
- (h) exemptions from the registration requirements of the U.S. Securities Act and all applicable state securities laws of the United States shall be available for the issuance of all of the securities of Libby K issuable in connection with the completion of the Amalgamation and Libby K and Plurilock shall each have received all evidence to such effect that it has considered necessary in order to determine the availability of such exemptions;
- (i) the Brokered Placements will have been completed;
- (j) the completion of the Amalgamation will qualify as the "Qualifying Transaction" for Libby K, pursuant to Policy 2.4 of the TSXV; and
- (k) the Amalgamation Agreement shall not have been terminated in accordance with its terms.

Conditions Precedent for the Benefit of Libby K

The obligations of Libby K to complete the transactions contemplated by the Amalgamation Agreement shall also be subject to the satisfaction, on or before the Effective Date, of each of the following conditions precedent (each of which is for the exclusive benefit of Libby K and may be waived by Libby K (on behalf of itself and Libby K Subco), and any one or more of which, if not satisfied or waived, will relieve Libby K of any obligation under the Amalgamation Agreement):

- (a) all covenants of Plurilock under the Amalgamation Agreement to be performed on or before the Effective Date shall have been performed by Plurilock in all material respects;

- (b) all representations and warranties of Plurilock under the Amalgamation Agreement shall be true and correct as of the Effective Date as if made on and as of such date), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result, or would not reasonably be expected to result, in a Material Adverse Change in respect of Plurilock and would not, or would not reasonably be expected to, materially delay completion of the Amalgamation and the transactions otherwise contemplated thereby;
- (c) all consents, waivers, and approvals required to be obtained by Plurilock from a counter-party to a Material Agreement of Plurilock required in connection with, or to permit the consummation of, the Amalgamation or any transaction otherwise contemplated by the Amalgamation Agreement, shall have been obtained on terms and conditions satisfactory to Libby K, acting reasonably;
- (d) Plurilock shall have no liabilities other than: (i) its loans, lines of credit and other debts as specified in the Plurilock Disclosure Letter; and (ii) expenses incurred: (A) in the ordinary course of business; (B) in connection with the transactions contemplated by the Amalgamation Agreement; or (C) as mutually agreed with Libby K;
- (e) the Valeo Agreement shall have been amended as provided in Subsection 4.2(b) of the Amalgamation Agreement;
- (f) all of the matters pertaining to the exercise and cancelation of all outstanding Plurilock Options and Plurilock Pre-Existing Warrants; and conversion of the Plurilock Bridge Debentures shall have been completed prior to the Effective Time;
- (g) the form of escrow agreement will have been executed and delivered by such of the Plurilock securityholders as required by the TSXV, in a form and with terms and conditions satisfactory to the TSXV;
- (h) since June 23, 2020, there shall not have occurred a Material Adverse Change to Plurilock and Libby K shall have received a certificate of Plurilock addressed to Libby K and dated the Effective Date, signed, without personal liability, on behalf of Plurilock by two senior officers of Plurilock, confirming the same as at the Effective Date;
- (i) a business plan shall have been delivered to Libby K and such business plan: (i) must be detailed and current, including a financial forecast, outlining its proposed operations over the 24-month period after the Effective Date and reflecting the possible availability of the Brokered Placements; and (ii) shall have been approved by the TSXV; and
- (j) duly executed Lock-Up Agreements from the Locked-Up Shareholders shall have been delivered to Libby K.

Libby K may not rely on the failure to satisfy any of the above conditions precedent as a basis for non-compliance by Libby K with its obligations under the Amalgamation Agreement if the condition precedent would have been satisfied but for a material default by Libby K in complying with its obligations hereunder.

Conditions Precedent for the Benefit of Plurilock

The obligations of Plurilock to complete the transactions contemplated by the Amalgamation Agreement shall also be subject to the satisfaction, on or before the Effective Date, of each of the following conditions precedent (each of which is for the exclusive benefit of Plurilock and may be waived by Plurilock, and any one or more of which, if not satisfied or waived, will relieve Plurilock of any obligation under the Amalgamation Agreement):

- (a) all covenants of Libby K under the Amalgamation Agreement to be performed on or before the Effective Date shall have been performed by Libby K in all material respects;

- (b) all representations and warranties of Libby K under the Amalgamation Agreement shall be true and correct as of the Effective Date as if made on and as of such date, except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result, or would not reasonably be expected to result, in a Material Adverse Change in respect of Libby K and would not, or would not reasonably be expected to, materially delay completion of the Amalgamation and the transactions otherwise contemplated thereby;
- (c) all consents, waivers and approvals required to be obtained by Libby K from a counter-party to a Material Agreement of Libby K required in connection with, or to permit the consummation of, the Amalgamation or any transaction otherwise contemplated by the Amalgamation Agreement, shall have been obtained on terms and conditions satisfactory to Plurilock, acting reasonably;
- (d) since June 23, 2020, there shall not have occurred a Material Adverse Change or a Material Adverse Effect to Libby K and Plurilock shall have received a certificate of Libby K addressed to Plurilock and dated the Effective Date, signed, without personal liability, on behalf of Libby K and Libby K Subco by two senior officers of Libby K, confirming the same as at the Effective Date;
- (e) there shall not be in force or threatened any order or decree of any Governmental Entity or other Person that has the effect of ceasing or restricting trading in the Common Shares;
- (f) all necessary corporate procedures shall have been taken by Libby K to effect the Name Change, as at the Effective Time;
- (g) each of Mark Orsmond, Merv Chia and Kendra Low shall have provided resignations and mutual releases in favour of Libby K in form and substance satisfactory to Plurilock, acting reasonably;
- (h) the Libby K Share Consolidation shall have been completed;
- (i) Libby K will have not less than \$600,000 in its treasury immediately prior to the Closing, less any expenses and subject to any liabilities incurred in: (i) the ordinary course of business; (ii) connection with the transactions contemplated by this Agreement; or (iii) connection with the Libby K Interim Loan;
- (j) the auditor of Libby K, shall have agreed to resign as of the Effective Date, subject to the appointment by the Resulting Issuer of a successor auditor and such successor auditor shall have delivered to Plurilock all documents and complied with all procedures resulting therefrom;
- (k) the Libby K Closing Resolutions shall have been passed in accordance with all applicable Law; and
- (l) the Common Shares issuable pursuant to the Amalgamation and the Amalgamation Agreement, shall each be freely tradable, other than: (i) as a result of any control person restrictions which may arise by virtue of the ownership thereof; (ii) as specified in Section 4.7 (iii) pursuant to the applicable policies of the TSXV; (iv) pursuant to applicable securities Laws, including, but not limited to Section 8 of BC Instrument 45-536.

Plurilock may not rely on the failure to satisfy any of the above conditions precedent as a basis for non-compliance by Plurilock with its obligations under the Amalgamation Agreement if the condition precedent would have been satisfied but for a material default by Plurilock in complying with its obligations hereunder.

Representations and Warranties

The Amalgamation Agreement contains representations and warranties made by each of Libby K and Plurilock. The assertions embodied in those representations and warranties are solely for the purposes of the Amalgamation Agreement. Certain representations and warranties may not be accurate or complete as of any specified date

because they are subject to a standard of materiality or are qualified by a reference to the concept of an “adverse event” or “adverse change”. Therefore, the representations and warranties in the Amalgamation Agreement should not be relied on as statements of factual information.

The Amalgamation Agreement contains representations and warranties of Libby K and the Plurilock relating to certain matters including, among other things: incorporation; absence of conflict with or violation of constating documents, agreements or applicable laws; authority to execute and deliver the Amalgamation Agreement and perform its obligations under the Amalgamation Agreement; due authorization and enforceability of the Amalgamation Agreement; composition of share capital; options or other rights for the purchase of securities; financial condition, records and accounts; its assets, and conduct of operations; absence of litigation, judgment or order; employment matters; reporting issuer and listing status; and matters related to the Amalgamation.

Non-Solicitation

The Amalgamation Agreement also includes covenants of both Libby K and Plurilock to cease any discussions regarding an alternative transaction to the Amalgamation or: (i) solicit, assist, initiate, encourage or otherwise facilitate any inquiries, proposals or offers from any other Person (including any of its officers or employees relating to any Acquisition Proposal); (ii) provide any information with respect to, or otherwise co-operate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to make or complete any Acquisition Proposal; (iii) withdraw, modify or qualify, or propose publicly to withdraw, modify, or qualify, in any manner adverse to the other Party, the approval of the Libby K Board and the Plurilock Board, as the case may be; (iv) approve or recommend or propose publicly to approve or recommend any Acquisition Proposal; or (v) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal.

Provided, however, that nothing contained in the Amalgamation Agreement shall prevent Libby K or Plurilock, prior to the Plurilock Meeting from engaging in discussions or negotiations with, or responding to enquiries from any Person that has made a bona fide unsolicited Acquisition Proposal (which did not result from a breach of the Amalgamation Agreement by the Party in respect of which the Acquisition Proposal is being made) that it has determined constitutes or could reasonably be expected to result in a Superior Proposal.

If Libby K or Plurilock receives a request for material non-public information from a Person who proposes an unsolicited written Acquisition Proposal and the board of directors of either Libby K or Plurilock determines that such Acquisition Proposal constitutes or could reasonably be expected to result in a Superior Proposal then, and only in such case, the party that received such request for material non-public information may provide such Person with access to information regarding it, subject to the execution of a confidentiality and standstill agreement which is customary in such situations, provided that it sends a copy of any such confidentiality and standstill agreement to either Libby K or Plurilock, as applicable, promptly upon its execution and that the other party is provided with a list of, and, at the request of Libby K or Plurilock, as applicable, copies of, the information provided to such Person and immediately provided with access to the information to which such Person was provided.

Each of Libby K and Plurilock agree that it will not accept, approve or enter into any agreement (a “**Proposed Agreement**”), providing for or to facilitate any Acquisition Proposal unless: (a) the board of directors of the Party proposing to accept, approve, or enter into a Proposed Agreement (the “**Target Company**” and the other Party being the “**Non-Target Company**”) determines that the Acquisition Proposal constitutes a Superior Proposal; (b) the Plurilock Meeting (if the Target Company is Plurilock) has not occurred; (c) the Target Company has complied with the terms of the Amalgamation Agreement; (d) the Target Company has provided the Non-Target Company with a notice in writing that there is a Superior Proposal and not less than ten Business Days prior to the proposed acceptance, approval or execution of the Proposed Agreement by the Target Company; (e) ten Business Days shall have elapsed from the date the Non-Target Company received the notice, and if the Non-Target Company has proposed to amend the terms of the Amalgamation Agreement, the Libby K Board (if the Target Company is Libby K or Libby K Subco) or the Plurilock Board (if the Target Company is Plurilock), as the case may be, shall have determined, in good faith, after consultation with its financial advisors and outside legal counsel, that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of the Amalgamation by the

Non-Target Company ; and (f) the Target Company concurrently terminates the Amalgamation Agreement pursuant to the terms of the Amalgamation Agreement.

During the ten Business Day period referred to above, or such longer period as the Target Company may approve for such purpose, the Non-Target Company shall have the opportunity, but not the obligation, to propose to amend the terms of the Amalgamation Agreement and the Transaction and the Target Company shall co-operate with the Non-Target Company with respect thereto, including negotiating in good faith with the Non-Target Company to enable the Non-Target Company to make such adjustments to the terms and conditions of the Amalgamation Agreement and the Amalgamation as the Non-Target Company deems appropriate and as would enable the Non-Target Company to proceed with the Transaction and any related transactions on such adjusted terms.

Each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for the purposes of the Amalgamation Agreement.

In the event that the Target Company provides notice of an Acquisition Proposal on a date that is less than seven calendar days prior to the Plurilock Meeting (if the Target Company is Plurilock); Plurilock shall, at the request of the Non-Target Company, adjourn the Plurilock Meeting (if the Target Company is Plurilock) to a date that is not less than seven calendar days and not more than ten (10) calendar days after the date of such notice.

Termination of Amalgamation Agreement

The Amalgamation Agreement may be terminated at any time prior to the filing of the Articles of Amalgamation (notwithstanding any approval of the Libby K Shareholder Resolutions or any approval of the Plurilock Shareholders' Resolutions, as applicable):

- (a) by mutual written agreement of Libby K and Plurilock;
- (b) by either Plurilock or Libby K, if:
 - (i) the Effective Time shall not have occurred on or before September 30, 2020, (except that this right to terminate the Amalgamation Agreement shall not be available to any Party whose failure to perform any of its covenants or agreements or whose breach of any of its representations and warranties under the Amalgamation Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by the Termination Date; or
 - (ii) if approval of the Plurilock Shareholders' Resolutions shall not have been obtained at the Plurilock Meeting in accordance with the Amalgamation Agreement;
- (c) by Plurilock, if:
 - (i) prior to the Effective Time: the Libby K Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to Plurilock, or fails to publicly reaffirm, approval of the Transaction within five Business Days after having been requested in writing by Plurilock to do so; (2) the Libby K Board or a committee thereof shall have approved or recommended any Acquisition Proposal; or (3) Libby K shall have breached the non-solicitation provisions of the Amalgamation Agreement in any material respect;
 - (ii) a material breach of any representation or warranty or failure to perform any covenant or agreement on the part of Libby K or Libby K Subco set forth in the Amalgamation Agreement shall have occurred that would cause the mutual conditions precedent or the conditions precedent to the obligations of Plurilock not to be satisfied, and such conditions are incapable of being satisfied by the Termination Date, as reasonably determined by Plurilock; provided, however, that Plurilock is not then in breach of the

Amalgamation Agreement so as to cause any of the mutual conditions precedent or the conditions precedent to the obligations of Libby K not to be satisfied;

(iii) it decides to enter into a binding written agreement with respect to a Superior Proposal other than a non-disclosure and standstill agreement permitted under the Amalgamation Agreement, subject to non-solicitation provisions of the Amalgamation Agreement; or

(iv) there shall occur a Material Adverse Change in respect of Libby K; or

(d) by Libby K, if:

(i) prior to the Effective Time, (1) subject to the non-solicitation provisions of the Amalgamation Agreement, the Plurilock Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to Libby K, or fails to publicly reaffirm, the approval of the Transaction within five Business Days after having been requested in writing by Libby K to do so; (2) the Plurilock Board or a committee thereof shall have approved or recommended any Acquisition Proposal; or (3) Plurilock shall have breached the non-solicitation provisions of the Amalgamation Agreement in any material respect;

(ii) a material breach of any representation or warranty or failure to perform any covenant or agreement on the part of Plurilock shall have occurred that would cause the mutual conditions precedent or the conditions precedent to the obligations of Libby K not to be satisfied, and such conditions are incapable of being satisfied by the Termination Date, as reasonably determined by Libby K; set forth in the Amalgamation Agreement provided, however, that Libby K is not then in breach of the Amalgamation Agreement so as to cause any of the mutual conditions precedent or the conditions precedent to the obligations of Plurilock not to be satisfied;

(iii) it decides to enter into a binding written agreement with respect to a Superior Proposal other than a non-disclosure and standstill agreement permitted under the Amalgamation Agreement, subject to non-solicitation provisions of the Amalgamation Agreement; or

(iv) there shall occur a Material Adverse Change in respect of Plurilock.

INFORMATION CONCERNING THE RESULTING ISSUER

CORPORATE STRUCTURE

Name and Incorporation

The corporate name of the Resulting Issuer is expected to be “Plurilock Security Inc.”, or such other name as may be selected by the directors of the Resulting Issuer, in their discretion, and accepted by the Exchange. The Resulting Issuer will be a corporation governed by the BCBCA. The Resulting Issuer’s head office will be 330-702 Fort Street, Victoria, BC V8W 1H2 and its registered and records office will be located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

Intercorporate Relationships

Following closing of the Transaction, Amalco will be a wholly owned subsidiary of the Resulting Issuer, and will own 100% of the issued and outstanding shares of each of the Plurilock Subsidiaries.

NARRATIVE DESCRIPTION OF THE BUSINESS

The business, milestones and business objectives of the Resulting Issuer will be those of Plurilock. See “*Information Concerning Plurilock Security Solutions Inc. – Narrative Description of the Plurilock Business*”. A description of the funds available to the Resulting Issuer upon the completion of the Amalgamation, together with the intended uses for those funds, is set out below under the heading “Principal Purpose of Funds”.

The Resulting Issuer expects to use available funds to execute two key components of its business plan, namely to assess various complementary businesses for acquisition purposes and, if appropriate, complete the acquisition of one or more strategic businesses, and to expand its existing operations in the United States by organic expansion, partnership, joint venture, investment or acquisition.

DESCRIPTION OF SECURITIES

The authorized share capital of the Resulting Issuer will consist of an unlimited number of Common Shares. The holders of Common Shares are entitled to dividends, if, as and when declared by the Resulting Issuer Board, to receive notice of and attend all meetings of Resulting Issuer shareholders, to one vote per share at such meetings and, upon liquidation, to rateably receive such assets of the Resulting Issuer as are available for distribution to holders of the Common shares. The Common Shares do not have attached thereto any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities and any other material restrictions and provisions requiring a security holder to contribute additional capital.

PRO FORMA CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following table sets out the pro forma consolidated capitalization of the Resulting Issuer, based on the pro forma balance sheet attached hereto as Appendix “E” to this Listing Statement after giving effect to the Transaction.

		Prior to Giving Effect to the Transaction	After Giving Effect to the Transaction (assuming \$2.0M minimum Brokered Placements)	After Giving Effect to the Transaction (assuming \$2.7M maximum Brokered Placements)
Designation of Security	Amount Authorized	Amount Outstanding ^{1, 2, 3}	Amount Outstanding ^{1,2,3}	Amount Outstanding ^{1, 2, 3,}
Common Shares	Unlimited	11,100,000	43,044,295	45,377,628
Options	10% of the issued and outstanding Common Shares	1,110,000	730,000	730,000
Warrants and Replacement Warrants	N/A	Nil	6,773,309 ⁽⁴⁾	7,939,976 ⁽⁴⁾
Compensation Options	N/A	500,000	852,733 ⁽⁵⁾	1,039,400 ⁽⁵⁾

Notes:

- (1) Assumes completion of the Libby K Share Consolidation.
- (2) Assumes that none of the outstanding convertible securities of Libby K and Plurilock are exercised.
- (3) Subject to minor deviation as a result of the efforts of rounding at the individual securityholder level after giving effect to the Libby K Share Consolidation.
- (4) Assumes the terms of the securities issued under the Brokered Placements are not amended.
- (5) Assumes there are no investors on the president’s list.

Fully Diluted Share Capital

The following table sets out the fully diluted share capital of the Resulting Issuer after giving effect to the Transaction.

	After Giving Effect to the Transaction			
	Assuming \$2.0M minimum Brokered Placements		Assuming \$2.7M maximum Brokered Placements	
Securities Outstanding	Amount Outstanding ⁽¹⁾⁽²⁾⁽³⁾	% of Class ⁽⁴⁾	Amount Outstanding ⁽¹⁾⁽²⁾⁽³⁾	% of Class ⁽⁴⁾
Resulting Issuer Common Shares outstanding as of the date hereof ¹	5,550,000	10.8%	5,550,000	10.1%
Resulting Issuer Common Shares issuable on exercise of Libby K Options outstanding as of the date hereof	555,000	1.1%	555,000	1.0%
Resulting Issuer Common Shares issuable on exercise of Libby K compensation options outstanding as of the date hereof	250,000	0.5%	250,000	0.5%
<i>Existing Plurilock</i>				
Resulting Issuer Common Shares issuable to current holders of Plurilock Shares	18,265,699	35.5%	18,265,699	33.2%
Resulting Issuer Common Shares issuable to current holders of Plurilock Trust Shares	2,117,657 ⁽⁵⁾	4.1%	2,117,657 ⁽⁵⁾	3.8%

Securities Outstanding	After Giving Effect to the Transaction			
	Assuming \$2.0M minimum Brokered Placements		Assuming \$2.7M maximum Brokered Placements	
	Amount Outstanding ⁽¹⁾⁽²⁾⁽³⁾	% of Class ⁽⁴⁾	Amount Outstanding ⁽¹⁾⁽²⁾⁽³⁾	% of Class ⁽⁴⁾
Resulting Issuer Common Shares issuable to current holders of Preferred Shares upon conversion of the Preferred Shares into Plurilock Shares	2,131,303	4.1%	2,131,303	3.9%
Resulting Issuer Common Shares issuable to current holders of Options upon deemed exercise of the Options into Plurilock Shares on a cashless basis	1,212,289 ⁽⁶⁾	2.4%	1,212,289 ⁽⁶⁾	2.2%
Resulting Issuer Common Shares issuable to current holders of Pre-Existing Warrants upon deemed exercise of the Pre-Existing Warrants on a cashless basis	20,688 ⁽⁷⁾	0.04%	20,688 ⁽⁷⁾	0.04%
<i>Bridge Placement</i>				
Resulting Issuer Common Shares issuable to holders of Bridge Debentures	5,810,551 ⁽⁴⁾	11.3%	5,810,551 ⁽⁴⁾	10.5%
Resulting Issuer Common Shares issuable to holders of Bridge Units	1,069,441 ⁽⁴⁾	2.1%	1,069,441 ⁽⁴⁾	1.9%
Resulting Issuer Common Shares issuable upon exercise of the Resulting Issuer Warrants forming part of the Bridge Units	3,439,976 ⁽⁴⁾	6.7%	3,439,976 ⁽⁴⁾	6.2%
Resulting Issuer Common Shares issuable upon exercise of the broker's warrants issued to finders under the Bridge Placement	69,400 ⁽⁴⁾	0.1%	69,400 ⁽⁴⁾	0.1%
Resulting Issuer Common Shares issuable to the Agent	200,000	0.4%	200,000	0.4%
<i>Brokered Placements</i>				
Resulting Issuer Common Shares issuable upon automatic conversion of the Subscription Receipts	6,666,667 ⁽⁴⁾	13.0%	9,000,000 ⁽⁴⁾	16.3%
Resulting Issuer Common Shares issuable upon exercise of the Resulting Issuer Warrants issuable upon the automatic conversion of the Subscription Receipts	3,333,333 ⁽⁴⁾	6.5%	4,500,000 ⁽⁴⁾	8.2%
Maximum number of Resulting Issuer Common Shares issuable upon exercise of compensation warrants issued to the Agent under the Brokered Placements	533,333 ⁽⁴⁾	1.0%	720,000 ⁽⁴⁾	1.3%
<i>Issuance of Options</i>				
Resulting Issuer Common Shares issuable upon exercise of the Options issued upon closing of the Transaction	175,000	0.3%	175,000	0.3%
Total	51,400,337	100%	55,087,004	100%

Notes:

- (1) Assumes completion of the Libby K Share Consolidation and that no convertible securities of Libby K and Plurilock are exercised.
- (2) Subject to minor deviation as a result of the efforts of rounding at the individual securityholder level.
- (3) Assumes there are no investors on the president's list.
- (4) Assumes the terms of the securities issued under the Brokered Placements are not amended.
- (5) Does not include Resulting Issuer Common Shares issuable to convertible securities of Plurilock held by the holders of Plurilock Trust Shares.
- (6) 942,122 Resulting Issuer Common Shares are issuable to holders of Plurilock Trust Shares.
- (7) Issuable to a holder of Plurilock Trust Shares.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Funds Available

After completion of the Transaction, the Resulting issuer will have approximately \$2,103,608 of funds available assuming a minimum of \$2 million is raised in the Brokered Placements and \$2,728,008 of funds available assuming a maximum of \$2.7 million is raised in the Brokered Placements, respectively, as follows:

	Min - \$2.0 million	Max - \$2.7 million
Estimated working capital of Libby K as at July 31, 2020	\$574,515	\$574,515
Estimated working capital of Plurilock as at July 31, 2020 ⁽¹⁾	\$127,087	\$127,087
Estimated to be utilized by Plurilock to Closing	-\$137,994	-\$137,994
Estimated gross proceeds from sales of securities	\$2,000,000	\$2,700,000
Estimated costs of the transaction (e.g. Agent's expenses, Success fees etc.)	-260,000	-\$335,600
Estimated transaction costs – legal fees	-\$200,000	-\$200,000
Estimated available working capital:	\$2,103,608	\$2,728,008

Note:

(1) Net of \$1,302,930 Convertible Debt.

Dividends

It is not anticipated that the Resulting Issuer will pay any cash dividends in the foreseeable future. It is expected that the Resulting Issuer will use its earnings to finance further business development. Any future determination to pay dividends will be at the discretion of the Resulting Issuer's board of directors and will depend on, among other things, the Resulting Issuer's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the board of directors may deem relevant. There are no restrictions on the Resulting Issuer's ability to pay dividends.

Principal Purpose of Funds

The table below sets forth the principal purposes for which the estimated funds available to the Resulting Issuer upon completion of the Transaction of \$2,103,608, assuming a minimum of \$2 million is raised in the Brokered Placements and \$2,728,008, assuming a maximum of \$2.7 million is raised in the Brokered Placements, respectively, will be used for the ensuing 12 months. While management currently intends to use the available funds as set forth in this Filing Statement, the Resulting Issuer may reallocate available funds for sound business reasons from time to time.

	Min - \$2.0 million	Max - \$2.7 million
Estimated Available Funds:	\$2,103,608	\$2,728,008
Plurilock cash generated from operations ⁽¹⁾	\$1,093,126	\$1,093,126
Plurilock cash generated from non-dilutive financing ⁽²⁾	\$150,000	\$150,000
Plurilock estimated short-term debt repayments	-\$82,177	-\$82,177
Plurilock estimated sales & marketing expenses	-\$1,114,494	-\$1,393,118
Plurilock estimated research & development expenses	-\$969,556	-\$1,077,284
Plurilock estimated general & administrative expenses	-\$1,027,547	-\$1,183,345
Unallocated working capital	\$152,960	\$235,210

Notes:

(1) Includes cashflow from contracted revenue as at July 31, 2020.

(2) Includes \$120,000 contribution from the National Research Council of Canada Industrial Research Assistance Program and an estimated \$30,000, net cash from the Scientific Research & Experimental Development Tax incentive Program in Canada.

The foregoing are estimates only and there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult at this time to definitively project the total funds necessary to achieve the Resulting Issuer business objectives, and as such management considers it to be in the best interest of the Resulting Issuer and its shareholders to grant management a reasonable degree of flexibility as to how the Resulting Issuer's funds are employed among the below uses or for other purposes, if and when the need arises.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and senior officers of each of Libby K and Plurilock, as of the date hereof, no shareholder is anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over, more than 10% of any class of voting securities of the Resulting Issuer after giving effect to the Transaction.

DIRECTORS, OFFICERS AND PROMOTERS

Name, Address, Occupation and Security Holdings

Set forth below is the name, municipality and residence of each proposed directors and senior officers of the Resulting Issuer and its material Subsidiaries; the period during which each has served as a director of Plurilock or Libby K, the number and percentage of Common Shares proposed to be beneficially owned, directly or indirectly, or over which control or direction is proposed to be executed by each and the principal occupation of each for the past five (5) years.

Name, Age, Municipality of Resident and Position	Principal Occupation for the Past Five (5) Years	Resulting Issuer Common Shares	Percentage (assuming \$2.0M minimum Brokered Placements) ⁽¹⁾	Percentage (assuming \$2.7M maximum Brokered Placements) ⁽¹⁾
Ian L. Paterson (33) Chief Executive Officer and Director; Victoria, B.C.	CEO of Plurilock Security Solutions, Inc. (June 2017 - Present) Vice President, Sales of Plurilock Security Solutions, Inc. (Jan 2016 - June 2017)	1,450,480	3.4%	3.2%
Robert Kiesman (44) ⁽²⁾ Director & Chairman; Richmond, BC	Owner & Chief Legal Officer of Vancouver Corporate Solutions Inc. (July 2020 – Present) Owner & Chief Legal Officer of Valley Personnel Ltd. (May 2017 - Present) Owner & President of Steveston Employment Advisors Inc. (Sept 1994 - Present) M&A lawyer at Stikeman Elliott LLP (August 2010 - June 2017)	439,000 ⁽⁴⁾	1.0%	1.0%
Adm. Mike McConnell (76) ⁽²⁾⁽³⁾ Director; Middleburg, Virginia, USA	Executive Director (part-time) of the Center for Cybersecurity (Cyber Florida USA) (February 2020 – Present) Director of Securonix Inc. (November 2017– Present)] Director of ZeroFox (August 2014 - Present) Director of IronNet Cybersecurity, Inc (September 2016 – Present) Director of Fortinet Federal Inc. (August 2017 – Present) Member of Security Board Member of Nokia Corporation (February 2017 - Present)	28,251	<1%	<1%

Name, Age, Municipality of Resident and Position	Principal Occupation for the Past Five (5) Years	Resulting Issuer Common Shares	Percentage (assuming \$2.0M minimum Brokered Placements) ⁽¹⁾	Percentage (assuming \$2.7M maximum Brokered Placements) ⁽¹⁾
	Member of Advisory Board of USA National Security Agency (March 2018 – Present) Member of Advisory Board of 1Kosmos Block ID (February 2017– Present) Member of Security Board of Nokia Corporation (February 2017 - Present) Advisor of Booz Allen Hamilton Inc. (July 2014– Present) Advisor of Kohn’s Corporation (September 2016 - Present)			
Barry Carlson (73) ⁽²⁾⁽³⁾ Director; Victoria, BC	Chairman of Plurilock Security Solutions, Inc. (June 2017 - May, 2019) and (August 2019 - Present) CEO of Plurilock Security Solutions, Inc. (September 2015 - June 2017)	440,297	<1%	<1%
Ed Hammersla (66) ⁽³⁾ Director; Mechanicsville, Maryland, USA	CEO of Utilidata, Inc. (February 2017 - January 2018) President of Raytheon Cyber Products (October 2010 – January 2017)	14,126	<1%	<1%
Roland Sartorius (67) CFO & Corporate Secretary; Vancouver, BC	CFO & Corporate Secretary of Plurilock Security Solutions, Inc. (November 2017 - Present) CFO & Corporate Secretary of Datable Technology Corp. (October 2017 - Present) CFO & Corporate Secretary of Zorroa Corp. (March 2016 - March 2018) CFO & Corporate Secretary of Voleo Inc. (January 2014 - October 2016) President, RoJan Consultants Ltd. (April 2004 - Present)	844,672 ⁽⁵⁾	2.0%	1.9%
Jord Tanner (49) CTO Victoria, B.C.	CTO of Plurilock Security Solutions Inc. (December 2019 - Present) Vice President, Engineering of Plurilock Security Solutions Inc, (May 2018 - November 2019) VP Infrastructure and Security of Terapeak Canada Inc. (February 2016 - March 2018) Director, Information Technology of RevenueWire Inc. (February 2014 - January 2016)	209,012	<1%	<1%

Notes:

- (1) Percentage of voting securities on an undiluted basis, assuming that the terms of the Resulting Issuer Units are not amended by the Libby K Board and the Plurilock Board.
- (2) Member of the Audit Committee
- (3) Member of the Compensation Committee
- (4) Includes shares held by Skeena Gold Fishing Ltd. and Debra Wampler. Mr. Kiesman exercises control and direction over these shares.
- (5) Includes shares held by RoJan Consultants Ltd. Mr. Sartorius exercises control and direction over these shares.

Assuming completion of the Transaction, the proposed directors and officers of the Resulting Issuer will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 3,425,838 Common Shares, representing approximately: (a) 8.0% of the issued and outstanding Resulting Issuer Common Shares, on a non-diluted basis, assuming completion of the minimum \$2.0 million Brokered Placements; and (b) 7.5% of the issued and outstanding Resulting Issuer Common Shares, on a non-diluted basis, assuming completion of the maximum \$2.7 million Brokered Placements.

Compensation of Directors

It is anticipated that the directors of the Resulting Issuer will not be paid fees for their services, but each independent director will be issued deferred share units under the LTIP.

It is also expected that the Resulting Issuer will grant stock options to directors in recognition of their service as directors of the Resulting Issuer. The actual timing, amounts, terms (including exercise price and vesting terms) of these future option-based awards will similarly be considered and determined in the discretion of the board of directors of the Resulting Issuer following completion of the Transaction.

Committees

It is expected that the Resulting Issuer will have the following Board committees:

- Audit Committee: Mr. Carlson (Chair), Mr. Kiesman and Mr. Hammersla.
- Compensation Committee: Mr. Hammersla (Chair), Mr. Carlson, and Mr. McConnell.

It is anticipated that the Resulting Issuer will appoint the same committees with the same members and responsibilities although the actual composition of such Committees will be considered and determined in the discretion of the board of directors of the Resulting Issuer upon the completion of the Transaction.

Management

The principal occupants of employment during the preceding five years and industry experience of each proposed member of management (including directors) of the Resulting Issuer is set forth below.

Ian L. Paterson – Chief Executive Officer & Director, 33

Ian Paterson is the CEO of Plurilock, where he led the initial productization and later commercialization of over 35,000 hours of academic research. As CEO, he has raised early-stage investment and closed Plurilock's first \$1M in sales from lighthouse customers in the US federal government, critical infrastructure, and financial services.

To Mr. Paterson's knowledge, all of his employers during the last five years are carrying on business as of the date of this Filing Statement.

Mr. Paterson will be an employee of the Resulting Issuer, and, in his capacity as CEO and director of the Resulting Issuer, he will devote 100% of his time to the affairs of the Resulting Issuer. Mr. Paterson is a party to a non-competition and confidentiality agreement with Plurilock and proposes to enter into a non-competition and confidentiality agreement with the Resulting Issuer.

Robert Kiesman – Chairman & Director, 44

Robert Kiesman is a private business owner and corporate lawyer who specialized in securities law and mergers & acquisitions for eight years (2009 to 2017) with Stikeman Elliott LLP in Vancouver. He has served as a member of the Vancouver Airport Authority's environmental advisory committee and has served as board chairman of the Steveston Harbour Authority since 2011. He also serves as Vice Chair of the board of directors of the of the Provincial Health Services Authority, a public health authority with an annual budget of over \$3.5 billion. He served as a director and Audit Committee chair of Powerband Solutions Inc. (TSX-V:PBX) in 2018. Mr. Kiesman has a law degree from the University of British Columbia and a BA in Political Studies from Trinity Western University.

All of Mr. Kiesman's employers during the last five years are carrying on business as of the date of this Filing Statement. Mr. Kiesman will be an independent contractor of the Resulting Issuer, and, in his capacity as a director of the Resulting Issuer, he will devote 15% of his time to the affairs of the Resulting Issuer. Mr. Kiesman is not a

party to any non-competition agreement with the Resulting Issuer but proposes to enter into a confidentiality agreement with the Resulting Issuer.

Admiral Mike McConnell – Director, 76

Vice Admiral Mike McConnell, USN (Ret.) previously served as the Director of National Security Agency of the United States under President Clinton and President George H.W. Bush, then US Director of National Intelligence under President George W. Bush and President Obama, managing an organization of 100,000 people with annual budget of \$47.0B. Vice Admiral McConnell also served as the head of the intelligence business at Booz Allen Hamilton Inc. (NYSE: BAH) before retiring as Vice Chairman. He currently serves on the board of directors for several companies. He twice received the nation's highest award for service in the intelligence community, once by President Clinton and once by President W. Bush. Vice Admiral McConnell holds an M.P.A. from George Washington University and has been awarded four honorary doctorate degrees, the most recent from the University of South Florida.

To Mr. McConnell's knowledge, all of his employers during the last five years are carrying on business as of the date of this Filing Statement. Mr. McConnell will be an independent contractor of the Resulting Issuer, and, in his capacity as a director of the Resulting Issuer, he will devote 5% of his time to the affairs of the Resulting Issuer. Mr. McConnell is a party to a non-competition and confidentiality agreement with Plurilock and proposes to enter into a non-competition and confidentiality agreement with the Resulting Issuer.

Barry Carlson – Director, 73

Barry Carlson is the current Chairman of Plurilock and is a veteran executive and investor who has served for 45 years in leadership and governance roles in the software and information technology industries in BC. He was most recently the Founder and CEO of Parasun Technologies Inc. (acquired by Uniserve in 2007), and Chairman and CEO of Scorpion Software Inc. (acquired by Kaseya in 2015). He has served as President of the BC Electronic Manufacturers Association and led the creation of the BC Technology Industries Association (now BC TECH).

To Mr. Carlson's knowledge, all of his employers during the last five years are carrying on business as of the date of this Filing Statement. Mr. Carlson will be an independent contractor of the Resulting Issuer, and, in his capacity as a director of the Resulting Issuer, he will devote 5% of his time to the affairs of the Resulting Issuer. Mr. Carlson is a party to a non-competition and confidentiality agreement with Plurilock and proposes to enter into a non-competition and confidentiality agreement with the Resulting Issuer.

Ed Hammersla – Director, 66

Mr. W. Edward Hammersla III is a seasoned executive with more than 40 years of experience in software technology, start-ups and cyber security. He has demonstrated unique success in applying tech transfer methods to create enterprise value from technologies sourced from Government and Private Sector R&D labs. The resulting products are deployed worldwide today solving operational and security challenges in commercial and government organizations. Recently, Mr. Hammersla served as Chairman & CEO of Utilidata, Inc, a provider of intelligent software that protects and regulates the Grid. Prior to this, Mr. Hammersla served as President of Global Governments and Chief Strategy Officer for Forcepoint. As President of Raytheon Cyber Products, a cybersecurity software company owned by Raytheon, he lead sustained double digit growth in revenues, while coordinating M & A activities and the creation of the cyber security joint venture today known as Forcepoint. Prior to joining Raytheon Cyber Products, he held leadership positions with Trusted Computer Solutions, Sterling Software, Informix Federal and NEC. He has also worked in the venture capital community as investor and adviser for multiple companies. Mr. Hammersla has played a key role in the development of a trusted version of Linux that evolved into Red Hat Enterprise Linux (RHEL), the world's first commercially available mainstream Linux operating system evaluated under the internationally- recognized Common Criteria Evaluation and Certification Scheme (CCEVS) with an Evaluation Assurance Level (EAL) and Protection Profiles (PPs) that qualify it as a "trusted" operating system. He began his career with 10 years at IBM, moving from engineering to marketing and various management positions. He serves on the Advisory Board for the Critical Infrastructure Resilience Institute (CIRI) as well as other government committees, industry association working groups and boards of directors. Mr. Hammersla holds a bachelor's degree

in business administration and biblical archaeology from Principia College in Elsah, Illinois.

To Mr. Hammersla's knowledge, all of his employers during the last five years are carrying on business as of the date of this Filing Statement. Mr. Hammersla will be an independent contractor of the Resulting Issuer, and, in his capacity as a director of the Resulting Issuer, he will devote 5% of his time to the affairs of the Resulting Issuer. Mr. Hammersla is a party to a non-competition and confidentiality agreement with Plurilock and proposes to enter into a non-competition and confidentiality agreement with the Resulting Issuer.

Roland Sartorius, CPA, CGA – Chief Financial Officer & Corporate Secretary, 67

Roland Sartorius is the CFO & Corporate Secretary of Plurilock. He has over 25 years of proven senior CFO experience with North American and European high-growth public & private technology companies and private equity. His recent North American public company CFO tenures include Carmanah Technologies Corp. and Infosat Communications, Inc. (Bell Canada). Mr. Sartorius' background includes being the CFO of a significant sized Swiss-based private equity firm and spending eight years with KPMG in Corporate Finance and Audit. He is also a strategic & financial advisor to several Canadian & US early stage technology companies. Mr. Sartorius is a CPA, CGA and holds a Bachelor of Commerce & Business Administration degree from the University of British Columbia.

To Mr. Sartorius' knowledge, all of his employers during the last five years are carrying on business as of the date of this Filing Statement. Mr. Sartorius will be an independent contractor of the Resulting Issuer, and, in his capacity as Chief Financial Officer and Corporate Secretary of the Resulting Issuer, he will devote 80% of his time to the affairs of the Resulting Issuer. Mr. Sartorius is a party to a non-competition and confidentiality agreement with Plurilock and proposes to enter into a non-competition and confidentiality agreement with the Resulting Issuer.

Jord Tanner – Chief Technology Officer, 49

Jord Tanner has 25 years' experience in technology, specializing in leadership of software development and software service delivery teams. He has held a variety of senior technical leadership roles in manufacturing, financial services, insurance, and e-commerce. Mr. Tanner has excelled in regulated industries, valuing security and reliability without sacrificing user experience. He served for more than a decade at Terapeak, with Director and VP roles in technical operations, software development, research, and security, and stayed with the company through a purchase by eBay. Mr. Tanner also has worked as an independent software developer, value added reseller, document management specialist, PCI DSS specialist, and has migrated multiple physical data centers to the cloud. Mr. Tanner studied computer science at University of British Columbia.

To Mr. Tanner's knowledge, all of his employers during the last five years are carrying on business as of the date of this Filing Statement. Mr. Tanner will be an independent contractor of the Resulting Issuer, and, in his capacity as Chief Technology Officer of the Resulting Issuer, he will devote a majority of his time to the affairs of the Resulting Issuer. Mr. Tanner is a party to a non-competition and confidentiality agreement with Plurilock and proposes to enter into a non-competition and confidentiality agreement with the Resulting Issuer.

Promoter Consideration

Each of Mark Orsmond and Robert Kiesman has been within the two years immediately preceding the date of this Filing Statement, a promoter of Libby K. Mr. Orsmond's municipality of residence is North Vancouver, British Columbia and Mr. Kiesman's municipality of residence is Richmond, British Columbia. Assuming that the terms of the Resulting Issuer Units are not amended with the approval of the Libby K Board and the Plurilock Board, it is expected that Mr. Orsmond will own 433,333 Resulting Issuer Common Shares and Mr. Kiesman and his spouse will own 662,333 Resulting Issuer Common Shares, all after giving effect to the Transaction and the Libby K Share Consolidation. Following completion of the Transaction, Mr. Orsmond will not be a promoter of the Resulting Issuer and Mr. Kiesman will be considered a promoter of the Resulting Issuer.

Ian Paterson oversees and organizes the business of Plurilock and may therefore be considered a promoter of the Resulting Issuer for the purposes of applicable securities laws. Upon completion of the Transaction, Assuming that

the terms of the Resulting Issuer Units are not amended with the approval of the Libby K Board and the Plurilock Board, it is expected that Mr. Paterson will own 1,450,480 Resulting Issuer Common Shares.

Corporate Cease Trade Orders or Bankruptcies

Other than as stated elsewhere in this Filing Statement, no director, officer or Promoter of the Resulting Issuer, or shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or has been within the ten years preceding the date of this Filing Statement, a director, officer, Insider or Promoter of any other person or company that, while such person was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director, officer or Promoter of the Resulting Issuer, or shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable security holder making a decision about the Transaction.

Personal Bankruptcies

No director, officer or Promoter of the Resulting Issuer, or shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or personal holding company of any such persons, has within the ten years preceding this Filing Statement, as applicable, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Conflicts of Interest

Three directors of Libby K, have certain interests in Plurilock as disclosed above under “Interest of Insiders, Promoters and Control Persons”. Such interests were obtained after Libby K and Plurilock entered into the Letter Agreement and each of the Libby K Board and the Plurilock Board have determined that such interests are not material to the Transaction and do not represent a conflict of interest.

In addition, the directors and officers of the Resulting Issuer may be subject to conflicts of interest from time to time in connection with the operations of the Resulting Issuer. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies under the BCBCA. See “*Risk Factors*”.

Other Reporting Issuer Experience

The following table sets out the directors, officers and Promoter(s) of the Resulting Issuer that are, or have been within the five (5) years preceding the date of this Filing Statement, directors, officers or Promoters of other reporting issuers.

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
Robert Kiesman	PowerBand Solutions Inc.	TSXV	Director	February 2018	December 2018
	Libby K Industries Inc.	TSXV	CEO, Chairman & Director	July 2018	Present
Roland Sartorius	Datable Technology Corp.	TSXV	CFO & Corporate Secretary	November 2017	Present

EXECUTIVE COMPENSATION

The four most highly executive officers of the Resulting Issuer will be the same as that of Plurilock and each will continue to be compensated as they are currently compensated by Plurilock - see *“Information Concerning Plurilock – Executive Compensation”*.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the officers or directors of Libby K or Plurilock and none of the proposed directors or officers of the Resulting Issuer, and no individual who at any time within the most recently completed financial year of Libby K or Plurilock was, a director or officer of Plurilock or Libby K and no associate of such individual, has been indebted to either Libby K or Plurilock at any time during the most recently completed fiscal year of Libby K or Plurilock, as applicable, nor has Libby K or Plurilock guaranteed or otherwise supported the indebtedness of any such person to another entity during that period.

INVESTOR RELATIONS ARRANGEMENTS

No written or oral agreement or understanding has been reached with any person to provide any promotional or investor relations services for the Resulting Issuer, other than Thesis.

On June 1, 2020, Plurilock entered into a 12 month Capital Advisory Agreement (“CAA”) with Thesis to advise Plurilock on capital markets advisory matters. Thesis is a leading independent capital markets advisory firm catering to non-resource Canadian issuers. Thesis provides advice to public and private companies on their investor relations, communications strategy, and overall market intelligence. Thesis is located at 36 King Street East, Suite 400, M5C 1E5. Under the CAA, Thesis will be compensated with a monthly work fee of \$6,500 plus 175,000 options at an exercise price to be determined by Plurilock following closing of the Transaction. Thesis commenced service on June 1, 2020.

As of the date of the Filing Statement, Thesis beneficially owns Plurilock Bridge Debentures in the principal amount of \$15,000.

OPTIONS TO PURCHASE SECURITIES

Options to Purchase Securities

The following table sets forth all options of the Resulting Issuer to be outstanding, as of the completion of the Transaction.

Consultants of the Resulting Issuer

Optionee	Date of Grant	Securities Under Options Granted (#)	Exercise of Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Mark Orsmond	February 8, 2019 ⁽¹⁾	137,500	\$0.20	\$0.20	February 8, 2024
Merv Chia	February 8, 2019 ⁽¹⁾	137,500	\$0.20	\$0.20	February 8, 2024
Kendra Low	February 8, 2019 ⁽¹⁾	137,500	\$0.20	\$0.20	February 8, 2024

Note:

(1) Libby K Options granted under the Libby K Option Plan. The numbers of underlying securities are expressed after giving effect to the Libby K Share Consolidation. See "Information Concerning Libby K Industries Inc. - the Stock Option Plan"

Other Individuals

Optionee	Date of Grant	Securities Under Options Granted (#)	Exercise of Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Thesis Capital Inc.	To be issued on the date of the Final Exchange Bulletin	175,000	To be determined	To be determined	To be determined

STOCK OPTION PLAN

Upon Closing of the Transaction, the Resulting Issuer will continue to administer the Libby K Option Plan. For more information of the Resulting Issuer Option Plan, see "Information Concerning Libby K Industries Inc. – Options to Purchase Securities of Libby K – The Stock Option Plan".

Upon Closing of the Transaction, it is anticipated that the Resulting Issuer will have granted and outstanding 730,000 Resulting Issuer Options. See "Pro Forma Consolidated Capitalization".

LONG TERM INCENTIVE PLAN

The Libby K Board and the Plurilock Board approved the LTIP on August 20, 2020 and June 26, 2020, respectively, which LTIP will be presented to the shareholders for approval of the Resulting Issuer at its annual general and special meeting in 2021. Any grants of securities under the LTIP between Closing and the annual general and special meeting will be conditional upon approval of shareholders at such meeting.

The following description of the LTIP is qualified in its entirety by reference to the full text of the LTIP, a copy is attached to this Filing Statement as Appendix "F". The LTIP is subject to the rules and requirements under the Exchange Policy 4.4 - *Incentive Stock Options*. For the purposes of this section, capitalized terms are as defined in the LTIP unless otherwise defined.

Purpose

The purpose of the LTIP is to advance the interests of the Resulting Issuer by:

- (a) increasing the proprietary interests of Participants in the Resulting Issuer;
- (b) aligning the interests of Participants with the interests of the shareholders of the Resulting Issuer generally;
- (c) encouraging Participants to remain associated with the Resulting Issuer; and

(d) furnishing Participants with an additional incentive to achieve the goals of the Resulting Issuer.

Eligible Participants. “Eligible Participants” means an officer, director, employee or Consultant of the Resulting Issuer. Individually, an “Eligible Participant” is considered eligible to be selected to receive Deferred Share Units (“DSUs”), Restricted Share Units (“RSUs”) or Preferred Share Units (“PSUs”) under the LTIP. Notwithstanding that consultants are not eligible to receive DSUs.

Award Types. Under the LTIP, the Resulting Issuer may issue DSUs, PSUs and RSUs, each an “Award”. For the purposes of share counting, each Common Share subject to a DSU, RSU and PSU Award represent the right to receive one Common Share.

Number of Shares Issuable.

- (a) the maximum number of Common Shares that the Resulting Issuer is entitled to issue from treasury under the LTIP for payments in respect of Awards of RSUs, DSUs and Participants and PSUs shall not exceed 10% of the total number of Shares issued and outstanding at the time the Transaction is completed (anticipated to be approximately 4,304,429 assuming completion of the \$2.0 million minimum Brokered Placements or approximately 4,537,762 assuming completion of the \$2.7 million maximum Brokered Placements).
- (b) unless otherwise permitted by the policies of the Exchange, under no circumstances shall the LTIP, together with all of the Resulting Issuer’s other previously established or proposed stock options, restricted share units, deferred share units, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of Common Shares, result, at any time, in:
 - (i) the number of Common Shares reserved for issuance exceeding 10% of the Outstanding Issue;
 - (ii) the number of Common Shares reserved for issuance to Insiders exceeding 10% of the Outstanding Issue;
 - (iii) the issuance to Insiders, within a one year period, of a number of Common Shares exceeding 10% of the Outstanding Issue;
 - (iv) the issuance to any one Participant (and companies wholly owned by that Participant) and such Participant’s associates, within a one year period, of a number of Common Shares exceeding 5% of the Outstanding Issue, calculated on the date an Award is granted to such Participant; or
 - (v) the issuance to any one Consultant, within a one year period, of a number of Common Shares exceeding 2% of the Outstanding Issue, calculated on the date an Award is granted to such Consultant.

Description of Awards

Deferred Share Units

A DSU is an Award attributable to a person’s duties of an office, directorship or employment and that, upon settlement, entitles the recipient to receive such number of Common Shares as determined by the Board, or to receive the cash equivalent or a combination thereof, as the case may be, and is payable after termination of the recipient’s service with the Resulting Issuer. Consultants are not eligible for DSUs under the LTIP. The Resulting Issuer is entitled to make all payments in respect of an Award of a DSU in cash, in Common Shares issued from treasury, or in a combination of cash and Common Shares issued from treasury pursuant to the terms of the LTIP.

If the DSU Participant is terminated with cause or is involuntary removed as a director all unvested DSUs on or prior to such date of involuntary termination with cause or involuntary removal shall be immediately terminated and forfeited.

Performance Share Units

A PSU is an Award representing a bonus for services rendered in the calendar year in which the Award is made. A PSU may not be redeemed until it vests. The Board or any committee authorized by the Board shall set performance criteria, which, depending on the extent to which they are met, will determine, the value and/or number of each PSU that will be paid to the Participant.

All unvested PSUs granted under a particular Award shall expire on December 31 of the third calendar year following the calendar year in which the service was performed in respect of which the particular Award was made, and any PSUs for which the performance criteria and any other vesting requirements have not been met before such date shall expire and be terminated and forfeited as of such date.

Subject to the terms of the LTIP and the applicable Award Agreement, after the applicable Performance Period has ended, the holder of PSU shall be entitled to receive payout on the value and number of PSUs, determined as a function of the extent to which the corresponding performance criteria have been achieved. The Resulting Issuer is entitled to make all payments in respect of an Award of an earned PSU in cash, in Common Shares issued from treasury, or in a combination of cash and Common Shares issued from treasury pursuant to the terms of the LTIP.

Restricted Share Units

A RSU is an Award representing a bonus for services rendered in the calendar year in which the Award is made. Plurilock is entitled to make all payments in respect of an Award of a RSU to a RSU Participant in cash, in Common Shares issued from treasury, or in a combination of cash and Shares issued from treasury pursuant to the terms of the LTIP.

The Board or any committee authorized by the Board may determine: (i) the time during which RSUs shall vest and whether there shall be any other conditions or performance criteria to vesting; (ii) the method of vesting; or (iii) that no vesting restriction shall exist..

In the absence of any determination by the Board or authorized committee to the contrary, RSUs will vest and be redeemable as to one-third (1/3) of the total number of RSUs granted on each of the first, second and third anniversaries of date of grant. An RSU may not be redeemed until it vests.

Upon the RSU Participant ceasing to be an Eligible Person due to involuntary termination with cause or voluntary termination by the RSU Participant, all RSUs awarded, which did not become vested as of such termination date shall be forfeited and terminated.

No Assignment. No Award or other benefit payable under the LTIP shall, except as otherwise provided by law or specifically approved by the Board, be transferred, sold, assigned, pledged or otherwise disposed of in any manner other than by will or the law of descent.

Amendments Requiring Shareholder Approval. The Board shall seek shareholder approval to:

- (a) increase the number of Common Shares reserved in respect of RSUs, DSUs or PSUs;
- (b) change the definition of RSU Participants, DSU Participants or PSU Participants;
- (c) extend the term of an RSU or PSU held by an insider or to amend or remove the limits on the number of RSUs or PSUs which may be granted to insiders under the LTIP;

- (d) permit RSUs, DSUs or PSUs to be transferred otherwise than by testamentary disposition or in accordance with the laws governing the devolution of property in the event of death;
- (e) permit awards other than RSUs, DSUs and PSUs under the LTIP; and
- (f) amend the LTIP so as to increase the ability of the Board to amend the LTIP without shareholder approval.

Board Amendments without Shareholder Approval. The Board may,

- (a) amend the LTIP or any RSUs, DSUs or PSUs from time to time to (i) make amendments of a grammatical, typographical, clerical and administrative nature and any amendments required by a regulatory authority, (ii) change vesting provisions of the LTIP or any RSUs, DSUs or PSUs or (iii) make any other amendments of a non-material nature or to suspend, terminate; or
- (b) discontinue the terms and conditions of the LTIP and the RSUs, DSUs or PSUs granted hereunder by resolution of the Board, subject to certain restrictions outlined in the LTIP.

ESCROWED SECURITIES

CPC Escrowed Securities

As of the date of this Filing Statement, an aggregate of 6,100,000 of the 11,100,000 Common Shares (on a pre-Libby K Share Consolidation basis) are currently held in escrow with the Escrow Agent under the provisions of the CPC Escrow Agreement. All Common Shares acquired on exercise of Libby K Options prior to the completion of the Transaction, if any, must also be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

The CPC Escrow Shares will be released as to 10% thereof following issuance of the Final Exchange Bulletin in respect of the Transaction and as to 15% thereof on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin, assuming the Resulting Issuer is listed on Tier 2 of the Exchange.

The following table sets out, as of the date hereof and to the knowledge of Libby K, the name and municipality of residency of the Libby K securityholders whose Common Shares are held in escrow with the Escrow Agent under the provisions of the CPC Escrow Agreement.

Name and Municipality of Residence of Securityholder	Designation of Class	Before Giving Effect to the Transaction		After Giving Effect to the Transaction		
		Number of held in Escrow ¹	Percentage of Class ²	Number of Securities to be held in Escrow ³	Percentage of Class ⁴	
					Assuming \$2.0M minimum Brokered Placements	Assuming \$2.7M maximum Brokered Placements
Robert Kiesman, Richmond	Common Shares	700,000	12.6%	350,000	0.81%	0.77%
Mark Orsmond, North Vancouver	Common Shares	700,000	6.31%	350,000	0.81%	0.77%
NEX Industries Corp. ⁽⁵⁾ , Vancouver	Common Shares	600,000	5.41%	300,000	0.70%	0.66%
Kendra Low, North Vancouver	Common Shares	100,000	0.90%	50,000	0.12%	0.11%
John Anderson, Vancouver	Common Shares	200,000	1.80%	100,000	0.23%	0.22%

Name and Municipality of Residence of Securityholder	Designation of Class	Before Giving Effect to the Transaction		After Giving Effect to the Transaction		
		Number of held in Escrow ¹	Percentage of Class ²	Number of Securities to be held in Escrow ³	Percentage of Class ⁴	
					Assuming \$2.0M minimum Brokered Placements	Assuming \$2.7M maximum Brokered Placements
Neville McClure, Vancouver	Common Shares	200,000	1.80%	100,000	0.23%	0.22%
Victor Gerchikov, Vancouver	Common Shares	100,000	0.90%	50,000	0.12%	0.11%
John Stark, Vancouver	Common Shares	200,000	1.80%	100,000	0.23%	0.22%
Hein Poulus, Vancouver	Common Shares	300,000	2.70%	150,000	0.35%	0.33%
Marcy Kiesman, Richmond	Common Shares	280,000	2.50%	140,000	0.33%	0.31%
Vincent Cummings, West Vancouver	Common Shares	600,000	5.41%	300,000	0.70%	0.66%
Altaf Nazerali, Vancouver	Common Shares	300,000	2.70%	150,000	0.35%	0.33%
Stacey Burstall, Calgary	Common Shares	200,000	1.80%	100,000	0.23%	0.22%
Aimee Ward, Kelowna	Common Shares	200,000	1.80%	100,000	0.23%	0.22%
Harj Thind, Burnaby	Common Shares	25,000	0.23%	12,500	0.03%	0.03%
Kari Balzer, Port Moody	Common Shares	50,000	0.45%	25,000	0.06%	0.06%
Malcolm Macisaac, Vancouver	Common Shares	50,000	0.45%	25,000	0.06%	0.06%
Marni Katz, Vancouver	Common Shares	250,000	2.25%	125,000	0.29%	0.28%
Michael Marosits, West Vancouver	Common Shares	100,000	0.90%	50,000	0.12%	0.11%
Stephanie Elliott, Vancouver	Common Shares	75,000	0.68%	37,500	0.09%	0.08%
Todd Eymann, Vancouver	Common Shares	100,000	0.90%	50,000	0.12%	0.11%
Eymann Investments Corp., Vancouver ⁽⁶⁾	Common Shares	100,000	0.90%	50,000	0.12%	0.11%
Noordin S.K. Nanji Law Corporation, Vancouver ⁽⁷⁾	Common Shares	250,000	2.25%	125,000	0.29%	0.28%
Impactreneur Capital Corp., Vancouver ⁽⁸⁾	Common Shares	600,000	5.41%	300,000	0.70%	0.66%
Total	Common Shares	6,100,000	100.00%	3,050,000	100%	100%

Notes:

- (1) Prior to giving effect to the Libby K Share Consolidation and Plurilock Share Consolidation.
- (2) On a non-diluted basis based on 5,550,000 Libby K Common Shares outstanding immediately prior to completion of the Transaction.
- (3) After giving effect to the Libby K Share Consolidation.

- (4) On a non-diluted basis, assuming that the terms of the Resulting Issuer Units are not amended with the approval of the Libby K Board and the Plurilock Board.
- (5) NEX Industries Corp. is owned and controlled by Merv Chia.
- (6) Company controlled by John Eymann.
- (7) Company controlled by Noordin S.K. Nanji.

QT Escrow Securities

In accordance with the policies of the Exchange, the Resulting Issuer Common Shares to be received by the Principals of Plurilock (collectively, the "QT Escrow Securities"), will be required to be placed in escrow pursuant to a QT Tier 2 Surplus Security Escrow Agreement, as detailed in the following table:

Name and Municipality of Residence of Securityholder	Designation of Class	Before Giving Effect to the Transaction		After Giving Effect to the Transaction		
		Number of Securities to be held in Escrow	Percentage of Class	Number of Securities to be held in Escrow ⁽¹⁾	Percentage of Class (assuming min \$2.0M Brokered Placements) ⁽²⁾	Percentage of Class (assuming max \$2.7M Brokered Placements) ⁽²⁾
Ian L. Paterson, Victoria	Common Shares	Nil	Nil	1,450,480	3.4%	3.2%
	Warrants	Nil	Nil	54,721	<1%	<1%
Adm. Mike McConnell, Middleburg, Virginia, USA	Common Shares	Nil	Nil	28,251	<1%	<1%
Barry Carlson, Victoria	Common Shares	Nil	Nil	440,297	<1%	<1%
Ed Hammersla, Mechanicsville, Maryland, USA	Common Shares	Nil	Nil	14,126	<1%	<1%
Roland Sartorius, Vancouver	Common Shares	Nil	Nil	844,672	2.0%	1.9%
	Warrants	Nil	Nil	44,444	<1%	<1%
Jord Tanner, Victoria	Common Shares	Nil	Nil	209,012	<1%	<1%
	Warrants	Nil	Nil	24,445	<1%	<1%
TOTAL	Common Shares			2,986,838	7.0%	6.6%
	Warrants			123,610	1.8%	1.6%

Notes:

- (1) After giving effect to the Consolidation.
- (2) Assuming that the terms of the Resulting Issuer Units are not amended with the approval of the Libby K Board and the Plurilock Board .

The QT Escrow Securities that are subject to the QT Tier 2 Surplus Security Escrow Agreement will be released as to 5% thereof following issuance of the Final Exchange Bulletin in respect of the Transaction, 5% thereof on the 6 month anniversary of the Final Exchange Bulletin, 10% thereof on each of the 12 and 18 month anniversaries, 15% thereof on the 24 and 30 month anniversaries of the Final Exchange Bulletin and 40% thereof on the 36 month anniversary of the Final Exchange Bulletin.

Conditions Governing Transfer and Cancellation

The Exchange's prior consent must be obtained to a transfer of within escrow of escrowed Common Shares. Generally, the Exchange will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed Qualifying Transaction.

The escrow agreements described above provide, inter alia, that all voting rights attached to escrowed securities shall be exercised by the registered holder of such securities.

Lock-Up Agreements

Plurilock and Libby K have entered into Lock-Up Agreements with the Locked-Up Shareholders, whereby such shareholders have agreed, among other things, to not directly or indirectly, option, sell, convey, transfer, pledge, encumber, grant a security interest in, hypothecate, assign, gift, or otherwise dispose of any of their Resulting Issuer Common Shares, or enter into any agreement or contract in respect thereto or agree or announce any intention to do so for a one year period beginning on the date of the closing of the Transaction.

As at the date of this Filing Statement, Plurilock Shareholders have entered into Lock-Up Agreements representing a total of 13,289,874 Common Shares and 79,166 Resulting Issuer Warrants that they will receive upon closing of the Transaction. The Lock-Up Agreements shall terminate on the earliest of: (i) the date that is 12 months from the Effective Time; (ii) by mutual agreement of the parties to the Lock-Up Agreement; (iii) the Termination Date; and (iv) the day after a public announcement by either Plurilock or Libby K that the Transaction will not be completed.

Seed Share Resale Restriction

In addition, Resulting Issuer Common Shares issued to non-Principals upon completion of the Transaction may be subject to hold periods imposed by the Exchange. The purchase price of the underlying Plurilock Common Shares transferred to Libby K in exchange for the Resulting Issuer Common Shares pursuant to the Transaction and the time of their purchase relative to the date of conditional acceptance of the Transaction by the Exchange determines which, if any, Exchange hold periods apply. In particular, assuming the listing of the Common Shares of the Resulting Issuer on the Exchange is approved, 4,013,967 Resulting Issuer Common Shares will be subject to the QT Tier 2 Value Security Escrow Agreement.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Auditor

The auditor for the Resulting Issuer is expected to be Deloitte LLP, located at 939 Granville Street, Vancouver, BC. V6Z 1L3, Canada.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Shares will be Computershare Investor Services Inc., 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

GENERAL MATTERS

SPONSORSHIP

Libby K has submitted to the Exchange that it is exempt from the Sponsorship requirements of the CPC Policy on the basis that Plurilock has completed the Plurilock Brokered Placement in connection with the Transaction for aggregate gross proceeds of greater than \$500,000 and the Lead Agent has provided the Exchange confirmation that it has completed appropriate due diligence on both the Transaction and this Filing Statement.

RELATIONSHIPS

In connection with the Transaction, Plurilock engaged PI on January 30, 2020 pursuant to the Engagement Letter, as amended, as its financial advisor and agent with a commission payable to PI on closing of the Plurilock Brokered Placement both in cash and warrants for the Plurilock Brokered Placement and a finance fee plus common shares for the Plurilock Bridge Financing. In consideration of the services to be provided by PI, Plurilock agreed to pay PI a cash commission equal to 8% of the gross proceeds raised in the Plurilock Brokered Placement (the “**Cash Commission**”) payable on the closing of the Plurilock Brokered Placement. Plurilock also agreed to issue such number of common share purchase warrants (the “**Broker Warrants**”), as is equal to 8% of the aggregate number of securities of Plurilock sold pursuant to the Plurilock Brokered Placement. The Broker Warrants will entitle PI to purchase one Plurilock Common Share, at any time and from time to time for a period of two (2) years following the date of issuance at \$0.30 per share. The Cash Commission will be reduced to 3.5% and the Broker Warrants will be reduced to 3.5% in respect of funds raised from and securities sold, respectively, to investors who participate in the Plurilock Brokered Placement who are named on a President’s List, that was compiled and agreed to between Libby K, Plurilock and PI. In addition, Plurilock will grant PI 200,000 Plurilock Common Shares payable upon closing of the Plurilock Brokered Financing.

Pursuant to the Engagement Letter, Plurilock paid PI a corporate finance fee of \$25,000 plus taxes upon completion of the Plurilock Bridge Financing. Plurilock also paid PI a cash commission of \$25,300 and \$11,600 in connection with the Plurilock Brokered Placement and the Plurilock Subsequent Bridge Placement, respectively. In connection with the Plurilock Subsequent Bridge Placement, Plurilock paid PI a corporate finance fee of \$15,000 plus tax and issued to PI 29,000 broker’s warrants, each broker warrant entitles PI to purchase one Plurilock Common Share, at \$0.40 per share until June 18, 2021.

On June 1, 2020, Plurilock entered into the CAA with Thesis. See “*Information Concerning the Resulting Issuer – Investors Relations Arrangements*”.

EXPERTS

The financial statements of Libby K included in this Filing Statement have been audited by Smythe LLP. Smythe LLP, Chartered Professional Accountants, are the independent auditors of Plurilock and are independent within the meaning of the rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The consolidated financial statements of Plurilock included in this Filing Statement have been audited by Deloitte LLP. Deloitte LLP, Chartered Professional Accountants, are the independent auditors of Plurilock and are independent within the meaning of the rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

No person or company who is named as having prepared or certified a part of the Filing Statement or prepared or certified a report or valuation described or included in the Filing Statement has, or will have, immediately following completion of the Transaction, any direct or indirect interest in the Plurilock Business or in Libby K or in the Resulting Issuer.

OTHER MATERIAL FACTS

Other than the foregoing, there are no additional material facts about Libby K, Plurilock, the Resulting Issuer or the Transaction that are not otherwise disclosed and are necessary in order for the Filing Statement to contain full, true and plain disclosure of all material facts relating to Libby K, Plurilock and the Resulting Issuer, assuming completion of the Transaction.

BOARD APPROVAL

The Libby K Board has approved the contents of this Filing Statement.

CERTIFICATE OF LIBBY K INDUSTRIES INC.

DATE: August 20, 2020

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Libby K Industries Inc. assuming completion of the Qualifying Transaction.

By: "Robert Kiesman"
Robert Kiesman
Chief Executive Officer

By: "Mark Orsmond"
Mark Orsmond
Chief Financial Officer & Corporate Secretary

On behalf of the Board of Directors

By: "Merv Chia"
Merv Chia
Director

By: "Kendra Low"
Kendra Low
Director

CERTIFICATE OF PLURILOCK SECURITY SOLUTIONS INC.

DATE: August 20, 2020

The foregoing, as it relates to Plurilock Security Solutions Inc., constitutes full, true and plain disclosure of all material facts relating to the securities of Plurilock Security Solutions Inc.

By: "Ian Paterson"
Ian Paterson
Chief Executive Officer

By: "Roland Sartorius"
Roland Sartorius
Chief Financial Officer

On behalf of the Board of Directors

By: "Barry Carlson"
Barry Carlson
Director

By: "Admiral Mike McConnell"
Admiral Mike McConnell
Director

ACKNOWLEDGEMENT – PERSONAL INFORMATION

“Personal Information” means any information about an identifiable individual, and includes information contained in any items in the attached Filing Statement that are analogous to items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40, and 41 of Form 3B2 of the Exchange, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B to the Corporate Finance Manual of the Exchange (“Appendix 6B”)) pursuant to this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated as of August 20, 2020.

LIBBY K INDUSTRIES INC.

By: “Robert Kiesman”
Robert Kiesman
Chief Executive Officer

APPENDIX "A"
FINANCIAL STATEMENTS OF LIBBY K INDUSTRIES INC.

- Audited financial statements for the period from the date of incorporation on July 5, 2018 to September 30, 2018 and for the year ended September 30, 2019.
- Condensed interim consolidated financial statements for the nine month period ended June 30, 2020.

(See attached)

LIBBY K INDUSTRIES INC.

Financial Statements

For the year ended September 30, 2019 and period from incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBBY K INDUSTRIES INC.

Opinion

We have audited the financial statements of Libby K Industries Inc. (the "Company"), which comprise:

- ♦ the statements of financial position as at September 30, 2019 and 2018;
- ♦ the statements of comprehensive loss and changes in shareholders' equity for the year ended September 30, 2019 and the period from incorporation on July 5, 2018 to September 30, 2018;
- ♦ the statements of cash flows for the year ended September 30, 2019 and the period from incorporation on July 5, 2018 to September 30, 2018; and
- ♦ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the year ended September 30, 2019 and the period from incorporation on July 5, 2018 to September 30, 2018, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$153,876 during the year ended September 30, 2019 (2018 - \$16,277) and has an accumulated deficit of \$170,153 as at September 30, 2019 (2018 - \$16,277). As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management Discussion & Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 12, 2019

LIBBY K INDUSTRIES INC.
Statements of Financial Position
As at
(Expressed in Canadian Dollars)

	September 30, 2019	September 30, 2018
Assets		
Current		
Cash	\$ 636,772	\$ 272,590
Accounts receivable	-	633
Prepaid expenses	-	20,000
	\$ 636,772	\$ 293,223
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 6,000	\$ 9,500
Shareholders' Equity		
Share capital (note 4)	684,590	300,000
Reserves (note 5)	116,335	-
Deficit	(170,153)	(16,277)
	630,772	283,723
	\$ 636,772	\$ 293,223

Approved on behalf of the Board:

"Robert Kiesman" (signed)
 Director

"Mark Orsmond" (signed)
 Director

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

LIBBY K INDUSTRIES INC.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended September 30, 2019	For the period from incorporation on July 5, 2018 to September 30, 2018
Operating Expenses		
Bank charges	\$ 64	\$ 215
Filing fees	10,121	-
Legal and professional fees	44,161	11,062
Office expenses	796	5,000
Other general and administrative expenses	6,319	-
Share-based payments (notes 5 and 6)	87,785	-
Loss before other items	(149,246)	(16,277)
Write-down of GST	(4,630)	-
Net Loss and Comprehensive Loss for the Period	(153,876)	(16,277)
Basic and Diluted Loss per Share	\$ (0.02)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding	9,286,027	2,827,586

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

LIBBY K INDUSTRIES INC.**Statements of Changes in Shareholders' Equity****For the Year Ended September 30, 2019 and for the Period From Incorporation on July 5, 2018 to September 30, 2018****(Expressed in Canadian Dollars)**

	Share Capital			Deficit	Total Shareholders' Equity
	Number	Amount	Reserves		
		\$	\$	\$	\$
Balance, July 5, 2018 (date of incorporation)	1	1	-	-	1
Repurchased by the Company	(1)	(1)	-	-	(1)
Issuance of common shares	6,000,000	300,000	-	-	300,000
Net loss for period	-	-	-	(16,277)	(16,277)
Balance, September 30, 2018	6,000,000	300,000	-	(16,277)	283,723
Issuance of common shares, net	5,100,000	384,590	28,550	-	413,140
Share-based payments (notes 5 and 6)	-	-	87,785	-	87,785
Net loss for year	-	-	-	(153,876)	(153,876)
Balance, September 30, 2019	11,100,000	684,590	116,335	(170,153)	630,772

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

LIBBY K INDUSTRIES INC.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended September 30, 2019	For the period from incorporation on July 5, 2018 to September 30, 2018
Operating Activities		
Net loss for the period	\$ (153,876)	\$ (16,277)
Item not involving cash:		
Share-based payments	87,785	-
Change in working capital balances:		
Accounts receivable	633	(633)
Prepaid expenses	-	(20,000)
Accounts payable and accrued liabilities	(3,500)	9,500
Cash Used in Operating Activities	(68,958)	(27,410)
Financing Activity		
Common shares issued, net	433,140	300,000
Cash Provided by Financing Activity	433,140	300,000
Change in Cash	364,182	272,590
Cash, Beginning of Period	272,590	-
Cash, End of Period	\$ 636,772	\$ 272,590
Supplemental disclosure for cash flows		
Financing costs paid in previous period	\$ 20,000	\$ -

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

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Libby K Industries Inc. (the "Company") was incorporated under the *BC Business Corporations Act* on July 5, 2018. The Company is a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. The Company completed its initial public offering (the "IPO") on February 8, 2019 (the "Listing Date") and issued an aggregate of 5,000,000 common shares to subscribers in British Columbia, Ontario and Alberta at a price of \$0.10 per share for gross proceeds of \$500,000 pursuant to the Company's prospectus dated January 19, 2019.

The principal business of the Company is to identify, evaluate and then acquire an interest in a business or assets with a view of completing a Qualifying Transaction. The Exchange may suspend from trading or delist the common shares of the Company if it has failed to complete a Qualifying Transaction within 24 months of the Listing Date.

The Company's registered and records office address is 10th Floor, 595 Howe Street, Vancouver, BC, V6C 2T5. The head office of the Company is located at 1208 Rosewood Crescent, North Vancouver, BC, V7P 1H4.

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended September 30, 2019, the Company incurred a net loss of \$153,876 (period from incorporation on July 5, 2018 to September 30, 2018 - \$16,277). At September 30, 2019, the Company has an accumulated deficit of \$170,153 (2018 - \$16,277). The Company expects to incur further losses to identify and invest in the development of a new business venture, all of which casts significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses. In addition, the Company will require additional financing in order to carry out its business objectives. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

- (b) Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors on December 12, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

- (a) Financial instruments

- (i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in net loss. The Company classifies cash as fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance.

There are no financial assets classified as measured at amortized cost.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is carried in the statement of financial position with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial assets (Continued)

There are no financial assets classified as measured at FVTOCI.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company classifies accounts payable and accrued liabilities as financial liabilities at amortized cost.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash and accounts payable and accrued liabilities. These are recorded at their carrying amounts and approximate their fair values due to their short-term nature

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to

September 30, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

(c) Share-based payments

The Company records all share-based payments at fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized through profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Options and warrants issued as consideration in connection with common share placements are recorded at their fair value on the date of issuance as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options, agent options and warrants, share capital is recorded for the consideration received and for the fair value amounts previously recorded to share-based payments reserve. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

(d) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted tax rates. Changes in those rates could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(f) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant areas requiring the use of management's judgments include:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (f) Use of estimates and judgments (Continued)

Share-based payments

Assumptions are used in determining share-based payments. The fair value of stock options and warrants are subject to the limitation of the Black-Scholes option pricing model that requires market data and estimates used by the Company in the assumptions. These inputs are subjective assumptions and changes in these inputs can materially affect the fair value estimated.

4. SHARE CAPITAL

- (a) Authorized:

Unlimited number of common shares without par value.

- (b) Issued and outstanding:

During the year ended September 30, 2019, the Company;

- Issued 5,000,000 common shares at a price of \$0.10 per share for total proceeds of \$500,000 pursuant to its IPO. In connection with the IPO, the Company paid agents fees of \$50,000 in cash and issued 500,000 agent warrants fair valued at \$28,550 (note 5). In addition, the Company incurred \$41,860 in other share issuance costs; and
- Issued 100,000 common shares at a price of \$0.05 per share for total proceeds of \$5,000.

During the period incorporation on July 5, 2018 to September 30, 2018, the Company;

- Issued 1 common share for \$0.05 upon incorporation. The Company subsequently repurchased this share for the same amount, and
- Issued 6,000,000 common shares at a price of \$0.05 per share for total proceeds of \$300,000.

Escrow Shares

On September 30, 2019, the Company had 4,590,000 shares (2018 – 6,000,000) held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

5. WARRANTS AND OPTIONS

Warrants

Pursuant to an Agency Agreement between the Company and PI Financial Corp. (the "Agent"), the Agent received a cash commission equal to 10% of the gross proceeds (\$50,000) and were granted non-transferable warrants to purchase 500,000 common shares, which represents 10% of the number of common shares sold pursuant to the IPO, at a price of \$0.10 per share expiring 24 months from the date the common shares are listed on the Exchange. The Agent's warrants fair value of \$28,550 was estimated using the Black-Scholes Option Pricing Model with the following assumptions: expected life - two years, expected volatility - 110%, no dividend yield and a risk-free interest rate - 1.79%.

Warrant transactions are summarized as follows:

	September 30, 2019		September 30, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	-	\$ -	-	\$ -
Issued	500,000	0.10	-	-
Outstanding, end of period	500,000	\$ 0.10	-	\$ -

The following warrants are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	September 30, 2019	September 30, 2018
February 8, 2021	1.36	\$ 0.10	500,000	-

Stock Options

The Company has a stock option plan (the "Plan") in place under which it is authorized to grant options to directors, senior officers, employees, management company employees, and consultants to acquire up to 10% of the issued and outstanding common shares. Under the Plan, the maximum issuance in any 12-month period is limited for any consultant or person providing investor relations services to 2%, and 5% for any other participant. The exercise price of the shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.

Upon closing of the IPO, the Company granted 1,110,000 stock options to directors and officers of the Company. Each stock option is exercisable into one common share of the Company at \$0.10 per share for a period of 5 years. The stock options are exercisable immediately on grant and had a fair value of \$87,785 estimated using the Black-Scholes option pricing model with the

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

5. WARRANTS AND OPTIONS (Continued)

following assumptions: expected life - five years, expected volatility - 110%, no dividend yield and a risk-free interest rate - 1.79%.

Stock option transactions are summarized as follows:

	September 30, 2019		September 30, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	-	\$ -	-	\$ -
Granted	1,110,000	0.10	-	-
Outstanding and exercisable, end of period	1,110,000	\$ 0.10	-	\$ -

The following share options are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	September 30, 2019	September 30, 2018
February 8, 2024	4.36	\$ 0.10	1,110,000	-

6. RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

Share-based payment expense recognized for stock options granted to key management for the year ended September 30, 2019 was \$87,785 (period from incorporation on July 5, 2018 to September 30, 2018 - \$nil).

7. RISK MANAGEMENT

(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. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company is not exposed to significant liquidity risk.

LIBBY K INDUSTRIES INC.

Notes to the Annual Financial Statements

For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018

(Expressed in Canadian Dollars)

7. RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

As at September 30, 2019, the Company has cash of \$636,772 (2018 - \$272,590) available to apply against short-term business requirements, and current liabilities of \$6,000 (2018 - \$9,500).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

8. CAPITAL MANAGEMENT

The Company has just commenced operations. It has not yet determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

Pursuant to the policies of the Exchange, 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 for administrative and general expenses. These restrictions apply until completion of the Company's QT as defined by Exchange Policy 2.4.

There were no changes in the Company's approach to capital management during the year.

LIBBY K INDUSTRIES INC.**Notes to the Annual Financial Statements****For the Year Ended September 30, 2019 and Period from Incorporation on July 5, 2018 to September 30, 2018****(Expressed in Canadian Dollars)****9. INCOME TAXES**

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2019	2018
	\$	\$
Net loss for the period	(153,876)	(16,277)
Statutory income tax rate	27.00%	27.00%
Income tax benefit computed at statutory tax rate	(41,547)	(4,395)
Share issue costs	(4,862)	-
Non-deductible expenses	23,702	-
Unused tax losses and tax offsets not recognized	22,707	4,395
Income tax expense	-	-

The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable the Company will generate future taxable income to be able to utilize those tax assets. The Company's unrecognized deductible temporary differences for which no deferred tax asset is recognized consist of the following amounts:

	2019	2018
Non-capital loss carry-forwards	\$ 100,375	\$ 16,277
Share issuance costs	72,027	-
Unrecognized deductible temporary differences	\$ 172,402	\$ 16,277

At September 30, 2019, the Company has the following non-capital losses that may be carried forward to apply against future income for Canadian tax purposes:

	2018
2038	\$ 16,000
2039	84,000
Total	\$ 100,000

10. SEGMENTED INFORMATION

The Company has one operating segment, being the identification and evaluation of assets or businesses with the view of completing a Qualifying Transaction. All assets of the Company are located in Canada.

LIBBY K INDUSTRIES INC.

Condensed Interim Consolidated Financial Statements

For the nine months ended June 30, 2020

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Libby K Industries Inc. ("the Company") have been prepared by and are the responsibility of the Company's management.

LIBBY K INDUSTRIES INC.
Condensed Interim Consolidated Statements of Financial Position
As at
(Expressed in Canadian Dollars)
Unaudited – Prepared by Management

	June 30, 2020	September 30, 2019
Assets		
Current		
Cash	\$ 587,444	\$ 636,772
	\$ 587,444	\$ 636,772
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 2,426	\$ 6,000
Shareholders' Equity		
Share capital (note 4)	684,590	684,590
Reserves (note 5)	116,335	116,335
Deficit	(215,907)	(170,153)
	585,018	630,772
	\$ 587,444	\$ 636,772

Approved on behalf of the Board:

"Robert Kiesman" (signed)
 Director

"Mark Orsmond" (signed)
 Director

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

LIBBY K INDUSTRIES INC.**Condensed Interim Consolidated Statements of Comprehensive Loss****(Expressed in Canadian Dollars)****Unaudited – Prepared by Management**

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Nine Months Ended June 30, 2020	Nine Months Ended June 30, 2019
Operating Expenses				
Bank charges	\$ 25	\$ -	\$ 25	\$ 64
Filing fees	235	-	8,611	22,761
Legal and professional fees	23,133	1,250	27,280	64,239
Office expenses	(137)	-	9,838	795
Other general and administrative	-	150	-	2,100
Share-based payments (note 6)	-	-	-	87,785
Net Loss and Comprehensive Loss for the Period	(23,256)	(1,400)	(45,754)	(177,744)
Basic and Diluted Loss per	(0.00)	(0.00)	(0.00)	(0.00)
Weighted Average Number of Common Shares Outstanding	11,100,000	10,022,652	11,100,000	8,674,725

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

LIBBY K INDUSTRIES INC.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

For the Nine Months ended June 30, 2020 and June 30, 2019

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Share Capital			Deficit	Total Shareholders' Equity
	Number	Amount	Reserves		
		\$	\$	\$	\$
Balance, September 30, 2018	6,000,000	300,000	-	(16,277)	283,723
Issuance of common shares, net	5,100,000	426,450	28,550	-	455,000
Share based payments	-	-	87,785	-	87,785
Net loss for period	-	-	-	(177,744)	(177,744)
Balance, June 30, 2019	11,100,000	726,450	116,335	(194,021)	648,764
Balance, September 30, 2019	11,100,000	684,590	116,335	(170,153)	630,772
Net loss for period	-	-	-	(45,754)	(45,754)
Balance, June 30, 2020	11,100,000	684,590	116,335	(215,907)	585,018

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

LIBBY K INDUSTRIES INC.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited – Prepared by Management

	Nine Months Ended June 30, 2020	Nine Months Ended June 30, 2019
Operating Activities		
Net loss for the period	\$ (45,754)	\$ (177,744)
Items not involving cash		
Share-based payments	-	87,785
	(45,754)	(88,559)
Change in working capital balances:		
Accounts receivable	-	(6,872)
Prepaid expenses	-	20,000
Accounts payable and accrued liabilities	(3,574)	(9,500)
Cash Used in Operating Activities	(49,328)	(86,331)
Financing Activity		
Common shares issued	-	455,000
Cash Provided by Financing Activity	-	455,000
Change in Cash	(49,328)	368,669
Cash, Beginning of Period	636,772	272,590
Cash, End of Period	\$ 587,444	\$ 641,259

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

LIBBY K INDUSTRIES INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the Nine Months ended June 30, 2020 and June 30, 2019
(Expressed in Canadian Dollars)
Unaudited – Prepared by Management

1. NATURE OF OPERATIONS AND GOING CONCERN

Libby K Industries Inc. (the “Company”) was incorporated under the *BC Business Corporations Act* on July 5, 2018 and is in the process of applying for status as a Capital Pool Company as defined in the TSX Venture Policy 2.4. The Company completed its initial public offering (the “IPO”) on February 8, 2019 (the “Listing Date”) and issued an aggregate of 5,000,000 common shares to subscribers in British Columbia, Ontario and Alberta at a price of \$0.10 per share for gross proceeds of \$500,000 pursuant to the Company’s prospectus dated January 18, 2019. The principal business of the Company is to identify, evaluate and then acquire an interest in a business or assets with a view of completing a Qualifying Transaction. The TSX Venture Exchange (the “Exchange”) may suspend from trading or delist the common shares of the Company if it has failed to complete a Qualifying Transaction within 24 months of the Listing Date. The Company’s registered and records office address is 10th Floor, 595 Howe Street, Vancouver, BC, V6C 2T5. The head office of the Company is located at 1208 Rosewood Crescent, North Vancouver, BC, V7P 1H4.

On January 6, 2020, the Company entered into a non-binding letter of intent (the “LOI”) with Plurilock Security Solutions Inc. (“Plurilock”), to complete a public listing transaction for Plurilock by way of a reverse takeover of the Company. This transaction is intended to be the Company’s Qualifying Transaction, as defined in the policies of the Exchange.

On February 21, 2020, Plurilock had completed its bridge financing that was disclosed in the LOI, for total funds raised of approximately \$1,000,000.

On June 18, 2020, Plurilock disclosed had completed a second tranche of its bridge financing that was disclosed in the LOI, for additional funds of approximately \$548,000.

On June 23, 2020, the Company entered into a binding amalgamation agreement with Plurilock and 1243540 B.C. Ltd., a wholly owned subsidiary of the Company, in respect of the Qualifying Transaction.

These condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not yet achieved profitable operations with working capital of \$585,018 as at June 30, 2020 (September 30, 2019 - \$630,772) and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern.

The Company’s continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses. In addition, the Company will require additional financing in order to carry out its business objectives. These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

LIBBY K INDUSTRIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months ended June 30, 2020 and June 30, 2019

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended September 30, 2019, which have been prepared with IFRS.

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiary, 1243540 B.C. Ltd, in which the Company has control. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns. All significant intercompany balances and transactions have been eliminated.

(d) Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on July 13, 2020.

LIBBY K INDUSTRIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months ended June 30, 2020 and June 30, 2019

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of comprehensive loss. The Company classifies cash as fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

There are no financial assets classified as measured at amortized cost.

(ii) Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's financial liabilities included accounts payable and accrued liabilities.

LIBBY K INDUSTRIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months ended June 30, 2020 and June 30, 2019

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Financial instruments (Continued)

(iii) Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iv) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy is cash. The fair value of all other financial instruments which include prepaid expenses and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

(b) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

LIBBY K INDUSTRIES INC.
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(d) Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(e) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

LIBBY K INDUSTRIES INC.
Notes to the Condensed Interim Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Use of estimates and judgments (Continued)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant areas requiring the use of management's judgments include:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(f) Adoption of accounting standard

IFRS 16 Leases

The Company adopted IFRS 16 *Leases* ("IFRS 16") effective October 1, 2019. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Company reviewed its current operations and noted no impact on the adoption of IFRS 16.

LIBBY K INDUSTRIES INC.
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4. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and outstanding:

There were no share capital transactions during the nine-month period ended June 30, 2020.

During the nine-month period ended June 30, 2019 the Company:

- Issued 100,000 common shares at a price of \$0.05 per share for total proceeds of \$5,000.
- Issued 5,000,000 common shares at a price of \$0.10 per share for total proceeds of \$500,000 pursuant to its IPO. In connection with the IPO, the Company paid agents fees of \$50,000 in cash and issued 500,000 agents' warrants fair valued at \$28,550 (note 5). During the three-month period ended September 30, 2019, the Company incurred an additional \$41,860 in share issue costs related to the IPO.

Escrow Shares

On June 30, 2020, the Company had 4,590,000 shares (September 30, 2019 – 4,590,000) held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

LIBBY K INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Nine Months ended June 30, 2020 and June 30, 2019****(Expressed in Canadian Dollars)****Unaudited – Prepared by Management****5. WARRANTS AND OPTIONS****Warrants**

During the year ended September 30, 2019, pursuant to an Agency Agreement between the Company and PI Financial Corp. (the “Agent”), the Agent received a cash commission equal to 10% of the gross proceeds (\$50,000) and were granted non-transferable warrants to purchase 500,000 common shares, which represents 10% of the number of common shares sold pursuant to the IPO, at a price of \$0.10 per share expiring 24 months from the date the common shares are listed on the Exchange. The Agent’s warrants fair value of \$28,550 was estimated using the Black-Scholes Option Pricing Model with the following assumptions: expected life - two years, expected volatility - 110%, no dividend yield and a risk-free interest rate - 1.79%.

Warrant transactions are summarized as follows:

	Period ended		Year ended	
	June 30, 2020		September 30, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	500,000	\$ 0.10	-	\$ -
Issued	-	-	500,000	0.10
Outstanding, end of period	500,000	\$ 0.10	500,000	\$ 0.10

The following warrants are outstanding and exercisable as at June 30, 2020:

Expiry Date	Weighted Average Contractual Life in Years	Exercise Price	Warrants Outstanding	Warrants Exercisable
February 8, 2021	0.61	\$ 0.10	500,000	500,000

LIBBY K INDUSTRIES INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Nine Months ended June 30, 2020 and June 30, 2019****(Expressed in Canadian Dollars)****Unaudited – Prepared by Management****5. WARRANTS AND OPTIONS (Continued)****Stock Options**

The Company has a stock option plan (the “Plan”) in place under which it is authorized to grant options to directors, senior officers, employees, management company employees, and consultants to acquire up to 10% of the issued and outstanding common shares. Under the Plan, the maximum issuance in any 12-month period is limited for any consultant or person providing investor relations services to 2%, and 5% for any other participant. The exercise price of the shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.

Upon closing of the IPO, the Company granted 1,110,000 stock options to directors and officers of the Company. Each stock option is exercisable into one common share of the Company at \$0.10 per share for a period of 5 years. The stock options are exercisable immediately on grant and had a fair value of \$87,785 estimated using the Black-Scholes option pricing model with the following assumptions: expected life - five years, expected volatility - 110%, no dividend yield and a risk-free interest rate - 1.79%.

Stock option transactions are summarized as follows:

	Period ended June 30, 2020		Year ended September 30, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,110,000	\$ 0.10	-	\$ -
Granted	-	-	1,110,000	0.10
Outstanding, end of period	1,110,000	\$ 0.10	1,110,000	\$ 0.10

The following share options are outstanding and exercisable as at June 30, 2020:

Expiry Date	Weighted Average Contractual Life in Years	Exercise Price	Options Outstanding	Options Exercisable
February 8, 2024	3.61	\$ 0.10	1,110,000	1,110,000

LIBBY K INDUSTRIES INC.
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6. RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

The Company did not have any related party transactions during the nine-month period ended June 30, 2020. During the nine-month period ended June 30, 2019, the Company recognized share-based payments of \$87,785 for stock options granted to directors and officers of the Company.

7. RISK MANAGEMENT

(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. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company is not exposed to significant liquidity risk.

As at June 30, 2020, the Company has cash of \$587,444 (September 30, 2019 - \$636,772) available to apply against short-term business requirements and current liabilities of \$2,426 (September 30, 2019 - \$6,000). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

LIBBY K INDUSTRIES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months ended June 30, 2020 and June 30, 2019

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

8. CAPITAL MANAGEMENT

The Company has just commenced operations. It has not yet determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

9. SEGMENTED INFORMATION

The Company has one operating segment, being the identification and evaluation of assets or businesses with the view of completing a Qualifying Transaction. All assets of the Company are located in Canada.

APPENDIX "B"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF LIBBY K INDUSTRIES INC.

- MD&A for the year ended September 30, 2019
- MD&A for the nine month period ended June 30, 2020

(See attached)

Libby K Industries Inc.
Management Discussion & Analysis
For the Year Ended September 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 year ended September 30, 2019 should be read in conjunction with the Corporation’s audited financial statements for the year ended September 30, 2019 and period from incorporation July 5, 2018 to September 30, 2018. All figures contained in this MD&A are presented in Canadian dollars. The MD&A has been prepared effective December 12, 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 year ended September 30, 2019 represents the first full financial year of the Corporation.*

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 December 12, 2019 the board of directors of the Corporation approved the audited financial statements for the year ended September 30, 2019 and for the period from incorporation on July 5, 2018 to September 30, 2018.

Summary of Annual Results

The following selected financial data have been prepared in accordance with IFRS unless otherwise noted and should be read in conjunction with the Company's financial statements.

Financial Year Ended	September 30, 2019	July 5, 2018 to September 30, 2018
Comprehensive loss for the year	\$ (153,876)	\$ (16,277)
Total assets	636,772	293,223
Working capital	630,772	283,722
Net loss per share	(0.02)	(0.01)

The Corporation recorded a net loss of \$153,876 (2018: \$16,277). The net loss for the year is comprised mainly of filing, legal and professional fees of \$54,282 (2018 - \$11,062) which were incurred to file the Company's prospectus and list its shares on the Exchange. In addition, the Company issued 1,110,000 stock options to directors and officers of the Company, which resulted in share-based payments of \$87,785 (2018 - \$nil). 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 for the year ended September 30, 2019 and from incorporation on July 5, 2018 to September 30, 2018:

	Total	
	September 30, 2019	July 5, 2018 to September 30, 2018
EXPENSES		
Bank charges	\$ 64	\$ 215
Filing Fees	10,121	-
Legal and professional fees	44,161	11,062
Office expenses	796	5,000
Other general and administrative expenses	6,319	-
Share-based payments	87,785	-
Total Expenses	149,246	16,277
OTHER ITEM		
Write-down of GST	4,630	-
COMPREHENSIVE LOSS	\$(153,876)	\$(16,277)

Summary of Quarterly Results

The following table summarizes selected quarterly financial information for the Company:

Period Ended	Net Income (Loss) for the period	Basic and Diluted Income (Loss) per Share
September 30, 2019	(16,166)	(0.01)
June 30, 2019	(1,400)	(0.00)
March 31, 2019	(133,287)	(0.02)
December 31, 2018	(3,023)	(0.01)
Period from Incorporation on July 5, 2018 to September 30, 2018	(16,277)	(0.01)

During the quarter ended September 30, 2019, the Company incurred a net loss of \$16,166 (2018 - \$16,277), which related largely to accounting fees and other general and administrative costs.

Liquidity and Capital Resources

As at September 30, 2019, the Corporation had cash of \$636,772 (2018: \$272,590). The Corporation had current liabilities of \$6,000 (2018: \$9,500) and working capital of \$630,722 (2018: \$283,723).

Cash outflows of \$68,958 were recorded from operating activities (2018: \$27,410). This is primarily due to outflows relating to filing fees and professional fees.

Outstanding Share Data

As of the date of this MDA the Company has the following:

- (a) 11,100,000 issued and outstanding common shares;
- (b) 1,110,000 incentive stock options outstanding; and
- (c) 500,000 share purchase warrants outstanding.

On September 30, 2019, the Company had 4,590,000 shares (2018 – 6,000,000) held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

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.

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.

There were no changes in the Company's approach to capital management during the year.

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 year ended September 30, 2019 and for the period from incorporation on July 5, 2018 to September 30, 2018.

Additional Information

For further detail, see the Corporation's audited annual financial statements for the year ended September 30, 2019 and for the period from incorporation on July 5, 2018 to September 30, 2018. Additional information about the Corporation can also be found on its SEDAR profile at www.sedar.com.

Libby K Industries Inc.
Management Discussion & Analysis
For the Period Ended June 30, 2020

The following management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of Libby K Industries Inc. (the “**Company**” or “**Corporation**” or “**Libby K**”) prepared for the period ended June 30, 2020 should be read in conjunction with the Corporation’s audited financial statements for the year ended September 30, 2019 and unaudited condensed interim consolidated financial statements for the nine-month period ended June 30, 2020. All figures contained in this MD&A are presented in Canadian dollars. The MD&A has been prepared effective July 13, 2020.

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**”) as defined in the policies of the Exchange. 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 month 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.

On January 6, 2020, the Company entered into a non-binding letter of intent (the "LOI") with Plurilock Security Solutions Inc. ("Plurilock"), to complete a public listing transaction for Plurilock by way of a reverse takeover of the Company. This transaction is intended to be the Company's QT.

On February 21, 2020, Plurilock had completed its bridge financing that was disclosed in the LOI, for total funds raised of approximately \$1,000,000.

On June 18, 2020, Plurilock disclosed had completed a second tranche of its bridge financing that was disclosed in the LOI, for additional funds of approximately \$548,000.

On June 23, 2020, the Company entered into a binding amalgamation agreement with Plurilock and 1243540 B.C. Ltd., a wholly owned subsidiary of the Company, in respect of the Qualifying Transaction.

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 July 13, 2020 the board of directors of the Corporation approved the unaudited condensed interim consolidated financial statements for the nine-month period ended June 30, 2020.

Selected Annual Information

	Year ended September 30, 2019	Period from Incorporation on July 5, 2018 to September 30, 2018
Revenues	\$nil	\$nil
Comprehensive loss for the period	\$(153,876)	\$(16,277)
Total assets	\$636,772	\$292,223
Working capital	\$630,772	\$283,722
Net loss per share	\$(0.02)	\$(0.01)

The Corporation recorded a net loss of \$153,876 (2018: \$16,277). The net loss for the year is comprised mainly of filing, legal and professional fees of \$54,282 (2018 - \$11,062) which were incurred to file the Company's prospectus and list its shares on the Exchange. In addition, the Corporation issued 1,110,000 stock options to directors and officers of the Company, which resulted in share-based payments of \$87,785 (2018 - \$nil). The Corporation anticipates incurring professional fees such as legal fees and audit fees, and transfer agent fees, on an ongoing basis.

Results of Operations

Since the Corporation has no revenue from operations, the following is a breakdown of the costs incurred for the nine-month period ended June 30, 2020 and 2019:

	Nine-month period ended	
	June 30, 2020	June 30, 2019
EXPENSES		
Bank charges	\$ 25	\$ 64
Filing Fees	8,611	22,761
Legal and professional fees	27,280	64,239
Office expenses	9,838	795
Other general and administrative expenses	-	2,100
Share-based payments	-	87,785
NET LOSS AND COMPREHENSIVE LOSS	\$ (45,754)	\$ (177,744)

Summary of Quarterly Results

The following table summarizes selected quarterly financial information for the Company:

Period Ended	Net Loss for the period	Basic and Diluted Loss per Share
June 30, 2020	\$(23,256)	\$(0.00)
March 31, 2020	\$(20,325)	\$(0.00)
December 31, 2019	\$(2,173)	\$(0.00)
September 30, 2019	\$(16,166)	\$(0.01)
June 30, 2019	\$(1,400)	\$(0.00)
March 31, 2019	\$(133,287)	\$(0.02)
December 31, 2018	\$(3,023)	\$(0.01)
Period from Incorporation on July 5, 2018 to September 30, 2018	\$(16,277)	\$(0.01)

During the quarter ended June 30, 2020, the Company incurred a net loss of \$23,256 (2019 - \$1,400), which related largely due to higher legal and professional fees incurred during the period as the Corporation looks to completing their QT.

Liquidity and Capital Resources

As at June 30, 2020, the Corporation had cash of \$587,444 (September 30, 2019: \$636,772). The Corporation had current liabilities of \$2,426 (September 30, 2019: \$6,000) and working capital of \$585,018 (September 30, 2019: \$630,772).

During the nine-month period ended June 30, 2020, cash outflows of \$49,328 were recorded from operating activities. This is primarily due to outflows relating to office expenses and filing fees. During the nine-month period ended June 30, 2019, cash outflows of \$86,331 were recorded from operating activities and cash inflows of \$455,000 from the issuance of 5,000,000 common shares of the Company. The cash outflows during the nine-month period ended June 30, 2019 related primarily to legal and professional fees and filing fees.

Outstanding Share Data

As of June 30, 2020, and the date of this MDA the Company has the following:

- (a) 11,100,000 issued and outstanding common shares;
- (b) 1,110,000 incentive stock options outstanding and exercisable; and
- (c) 500,000 share purchase warrants outstanding and exercisable.

On June 30, 2020, the Company had 4,590,000 shares (September 30, 2019 – 4,590,000) held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

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

The Corporation has not had any proposed transactions From October 1, 2019 to the date of this MD&A.

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.

The Company did not have any related party transactions during the nine-month period ended June 30, 2020. During the nine-month period ended June 30, 2019, the Company granted stock options with a fair value of \$87,785 estimated using the Black-Scholes options pricing model to directors and officers of the Company.

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.

There were no changes in the Company's approach to capital management during the period.

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 audited financial statements for the year ended September 30, 2019 and for the period from incorporation on July 5, 2018 to September 30, 2018.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has 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 physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Additional Information

For further detail, see the Corporation’s audited annual financial statements for the year ended September 30, 2019 and for the period from incorporation on July 5, 2018 to September 30, 2018 and the unaudited condensed interim consolidated financial statements for the nine-month period ended September 30, 2020. Additional information about the Corporation can also be found on its SEDAR profile at www.sedar.com.

APPENDIX "C"
FINANCIAL STATEMENTS OF PLURILOCK SECURITY SOLUTIONS INC.

- Audited consolidated financial statements for the year ended December 31, 2018 and 2019.
- Unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2020

(See attached)

Consolidated financial statements of Plurilock Security Solutions Inc.

Years ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Shareholders and Board of Directors of Plurilock Security Solutions Inc.

Opinion

We have audited the consolidated financial statements of Plurilock Security Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and January 1, 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018 and January 1, 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$1.3 million and cash outflows from operating activities of \$1.4 million during the year ended December 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
August 20, 2020

Plurilock Security Solutions Inc.
Consolidated statement of loss and comprehensive loss
(Expressed in Canadian dollars)

		Years ended December 31,	
		2019	2018
		\$	\$
	Notes		
Revenue	16	646,900	653,490
Cost of sales		(79,959)	(48,449)
Gross profit		566,941	605,041
Operating Expenses			
Research and development	17	562,800	347,031
Sales and marketing	17	497,793	894,633
General and administrative	17	761,400	711,379
Share-based compensation	13(c)	30,148	61,013
		1,852,141	2,014,056
Operating loss		(1,285,200)	(1,409,015)
Other income (expenses)			
Foreign exchange gain		391	8,418
Interest expense		(52,320)	(30,999)
		(51,929)	(22,581)
Net loss for the year		(1,337,129)	(1,431,596)
Other comprehensive (loss) income			
Items that may be subsequently reclassified to net loss			
Foreign exchange translation difference		(8,841)	332
Other comprehensive (loss) income		(8,841)	332
Net loss and comprehensive loss for the year		(1,345,970)	(1,431,264)
Loss per share			
Basic loss per share		(0.05)	(0.07)
Diluted loss per share		(0.05)	(0.07)

The accompanying notes are an integral part of the financial statements.

Plurilock Security Solutions Inc.
Consolidated statement of changes in equity

(Expressed in Canadian dollars)

	Share capital	Share-based payment reserve	Equity reserve	Foreign currency translation reserve	Deficit	Total	
	#	\$	\$	\$	\$	\$	
Balance, January 1, 2018	16,695,662	2,579,735	118,698	—	103	(2,057,128)	641,408
Shares issued for cash	4,670,114	1,167,627	—	—	—	—	1,167,627
Recognition of share-based payments	—	—	61,013	—	—	—	61,013
Equity component of convertible debt	—	—	—	10,010	—	9,810	19,820
Net loss for the year	—	—	—	—	—	(1,431,596)	(1,431,596)
Other comprehensive loss	—	—	—	—	332	—	332
Balance, December 31, 2018	21,365,776	3,747,362	179,711	10,010	435	(3,478,914)	458,604
Shares issued for cash	3,353,537	932,801	—	—	—	—	932,801
Recognition of share-based payments	—	(42,500)	—	—	—	—	(42,500)
Share issuance costs	—	—	30,148	—	—	—	30,148
Equity component of convertible debt	—	—	—	(4,550)	—	9,150	4,600
Net loss for the year	—	—	—	—	—	(1,337,129)	(1,337,129)
Other comprehensive loss	—	—	—	—	(8,841)	—	(8,841)
Balance, December 31, 2019	24,719,313	4,637,663	209,859	5,460	(8,406)	(4,806,893)	37,683

Plurilock Security Solutions Inc.
Consolidated statement of cash flows
(Expressed in Canadian dollars)

	Years ended December 31,	
	2019	2018
	\$	\$
Net loss for the year	(1,337,129)	(1,431,596)
Operating activities		
Adjustments for		
Amortization	22,227	26,180
Share-based compensation	30,148	61,013
Interest expense - short term loans	40,490	15,625
Interest expense - loans payable to related parties	6,740	8,001
Interest expense - lease liability	3,846	5,031
Changes in working capital and other items		
Trade and other receivables	(416,127)	(39,490)
Tax credits receivable	8,446	182,594
Prepaid expenses and deposits	(22,981)	(7,901)
Trade and other payables	193,273	95,700
Unearned revenue	105,112	29,114
Net cash flows from operating activities	(1,365,955)	(1,055,729)
Investing activities		
Acquisition of equipment	(5,171)	—
Net cash flows from investing activities	(5,171)	—
Financing activities		
Proceeds from issuance of shares	890,301	1,167,627
Proceeds from short-term loans	400,000	270,000
Repayment of short-term loans	(150,699)	(258,787)
Advances from related parties	50,000	150,000
Repayment to related parties	(72,648)	(82,751)
Lease payments	(16,775)	(15,860)
Net cash flows from financing activities	1,100,179	1,230,229
Foreign exchange effect on cash	(8,841)	332
Net increase (decrease) in cash and cash equivalents	(270,947)	174,500
Cash and cash equivalents, beginning of year	427,221	252,389
Cash and cash equivalents, end of year	147,433	427,221

The accompanying notes are an integral part of the financial statements.

Plurilock Security Solutions Inc.
Notes to the consolidated financial statements

December 31, 2019 and 2018
(Expressed in Canadian dollars)

1. Nature of operations and continuance of business

Plurilock Security Solutions Inc. ("Plurilock" or the "Company") is a company incorporated under the Business Corporation Act of British Columbia on October 28, 2008. The Company is an identity-centric cybersecurity company in 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's head office and principal place of business is located at Suite 330 - 700 Fort Street, Victoria, British Columbia, Canada V8W 1H2.

These financial statements report that as at December 31, 2019, the Company has a current year loss and comprehensive loss of \$1,345,970 (\$1,431,264 in 2018) and an accumulated deficit of \$4,806,893 (December 31, 2018: \$3,478,914; January 1, 2018: \$2,057,128). The Company has financed its operating cash requirements primarily through the issuance of share capital, and lending from shareholders. 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's 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 are material uncertainties that exist that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at the amounts different from those reflected in the accompanying financial statements.

2. Basis of presentation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective as at December 31, 2019. As these financial statements are the Company's first financial statements prepared in accordance with IFRS, they were prepared in accordance with IFRS 1, First-Time Adoption of IFRS, as discussed in Note 21. The Company previously reported under Accounting Standards for Private Enterprises ("ASPE") and in accordance with Canadian generally accepted accounting principles for non-publicly accountable enterprises. The Company adopted IFRS on January 1, 2018.

These financial statements were authorized for issue by the Board of Directors on August 17th, 2020.

Basis of presentation

These financial statements were prepared on a going concern basis, under the historical cost convention, except for certain items not carried at historical cost as noted below. These financial statements are presented in Canadian dollars.

Plurilock Security Solutions Inc.
Notes to the consolidated financial statements

December 31, 2019 and 2018
(Expressed in Canadian dollars)

3. Significant accounting policies

Principals of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiary, Plurilock Security Corp. (100%-owned and incorporated on November 15, 2017 in the United States).

The Company consolidates its subsidiary, over which it has continuing power to determine the strategic operating, investing and financing policies without the cooperation of others.

All intercompany balances, transactions, revenues and expenses are eliminated.

Foreign currency translation

The presentation currency for the consolidated financial statements is the Canadian dollars. Items included in these consolidated financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the individual entity operates (the "**functional currency**"). The functional currency of the Company is in the Canadian dollars and the functional currency of the Company's subsidiary is U.S. dollar.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's subsidiary are translated into the Canadian dollar using the closing rates at the date of the statement of financial position is being presented. Revenue and expense items are translated at the average exchange rates for the reporting period. The exchange differences that arise on translation are recognized as a component of other comprehensive loss and recorded in equity as "foreign currency translation reserve". Accumulated amounts in the foreign currency translation reserve will be recognized in profit or loss in the period in which the foreign operation is disposed of.

Transactions in currencies which are not the entity's functional currency are translated at the exchange rate in effect at the time of the transaction. At each financial position reporting date, the foreign currency denominated monetary assets and liabilities are translated to the functional currency at the exchange rate in effect at the date of the financial position. Foreign currency denominated non-monetary assets and liabilities are translated to the functional currency at the historical exchange rates in effect on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the period in which they arise.

Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("**FVTPL**") or at amortized cost.

- Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of comprehensive loss in the period in which they arise.

3. Significant accounting policies (continued)

- Financial assets at fair value through other comprehensive income (“**FVTOCI**”): Equity instruments that are not held for trading may be irrevocably designated as FVTOCI on initial recognition, on an investment by investment basis, and any subsequent changes in the instruments fair value are recognized in other comprehensive income. Debt instruments that are not designated as FVTPL can be recognized as FVTOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.
- Financial assets at amortized cost: Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after reducing all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The component parts of convertible financial liabilities issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date. Transaction costs are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to deficit. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. Significant accounting policies (continued)

The Company's classification and measurement basis of its financial instruments are as follows:

Financial instruments	Classification and measurement basis
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Short-term loans	Amortized cost
Loans payable to related parties	Amortized cost

Estimated fair values for financial instruments are designed to approximate amounts at which the instruments could be exchanged in a current arm's-length transaction between knowledgeable willing parties.

The Company classifies and discloses fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

Level 1 – Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Cash and cash equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid, low risk investments with remaining maturity of three months or less. There were no cash equivalents at December 31, 2019, 2018 or January 1, 2018.

Plurilock Security Solutions Inc.
Notes to the consolidated financial statements

December 31, 2019 and 2018
(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment. A provision for impairment of trade receivable is established based on a forward-looking "expected loss" impairment model. The carrying amount of the trade receivables is reduced using the provision for impairment account, and the amount of any increase in the provision for impairment is recognized in the consolidated statement of operations and comprehensive income. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade receivable. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of operations and comprehensive income.

Tax credits receivable

Amounts received or receivable resulting from government assistance programs are reflected as reductions of the cost of the assets or expenses to which they relate when the Company becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

Equipment

Equipment is recorded at cost, less accumulated depreciation, and any impairment charges. When the cost of replacing part of an item of equipment is capitalized, the carrying amount of the replaced part is derecognized. Maintenance and repair expenditures that do not improve or extend productive life are expensed in the period incurred. On an annual basis, the assets' residual values and useful lives are reviewed, and adjusted if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates. The Company amortizes the equipment over their estimated useful lives using the straight-line method and the following duration:

Computer equipment	3 years
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Intangible assets

Intangible assets consist of patents covering certain aspects of our behavioral biometric algorithms. Patents acquired from third parties are recorded at their fair values. Their finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Research costs are charged to operations when they are incurred. Development costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. At December 31, 2019, the Company has not capitalized any development costs.

The Company amortizes its intangible assets over their estimated useful lives using the straight-line method and the following durations:

Patent	20 years
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At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated

Plurilock Security Solutions Inc.
Notes to the consolidated financial statements

December 31, 2019 and 2018
(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment of assets (continued)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously recognized impairment loss, is recognized immediately in profit or loss.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Corporation has the right to direct the use of the asset. At inception or on reassessment of a contract due to modification that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Corporation recognizes a right-of-use asset, which is included in equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;

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3. Significant accounting policies (continued)

- exercise prices of purchase options if the Corporation is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to loss in the period incurred.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to loss on a straight-line basis over the lease term.

Income taxes

The tax expense for the period comprises current and deferred income tax. Taxation is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity.

Current income tax is generally the expected income tax payable on the taxable income for the year calculated using rates substantively enacted at the date of the statement of financial position in the countries where the Company or its subsidiary operate and generate taxable income, and includes any adjustment to income tax payable or recoverable in respect of previous years.

Uncertain income tax positions are accounted for using the standards applicable to current income tax assets and liabilities; i.e., both liabilities and assets are recorded when probable at the Company's best estimate of the amount.

Deferred income tax is recognized using the liability method, based on temporary differences between consolidated financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax is determined using tax rates that have been substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. The amount of deferred income tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets are reviewed at each date of the consolidated statement of financial position and amended to the extent that it is no longer probable that the related tax benefit will be realized.

Current income tax assets and liabilities are offset when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Normally the Company would only have a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority and the taxation authority permits the Company to make or receive a single net payment. Deferred income tax assets and liabilities are offset when the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

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3. Significant accounting policies (continued)

Share capital

Share capital is presented at the value of the shares issued. Costs related to issuing the Company's common or preference shares or share options are reported net of tax as a deduction of the proceeds from the issue.

Revenue recognition

Revenue is recognized when control of a good or service transfers to a customer in accordance with a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company derives revenues from two main sources: (1) product licenses, and (2) professional services. It obtains the majority of its customer arrangements through reseller partners, most of which are in North America and direct sales. All revenues 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.

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3. Significant accounting policies (continued)

Multiple-deliverable arrangements

Multiple deliverables included in an arrangement are separated into components and the relative fair value is allocated to the identified components of the arrangement. Generally, such contracts may include product subscription and other professional services. If the deliverables have standalone value upon delivery, each deliverable is accounted for separately. Product subscription is generally sold separately and has a standalone value. For other professional services, such as training and project management, a time and material charge may be charged for the time spent. Consideration will also be made based on availability of the services from other vendors, the nature of the professional services, and the timing of when the professional services contract was signed in comparison to the product subscription service start date.

Cost of revenue

The primary components of cost of revenue are the allocation of the related employee compensation and benefits, costs related to the operation of the Company's SaaS-hosted infrastructure, services, and any operating supplies.

Research and development

The primary components of research and development expenses are staff compensation and benefits, professional services, communications, and travel, which are offset by any tax credits received.

Sales and marketing

The primary components of sales and marketing are staff compensation and benefits, third-party marketing programs, office and communications, travel, and professional services.

General and administration

The primary components of general and administration are staff compensation and benefits, communications, travel, insurance, professional services, and amortization of property and equipment.

Share-based compensation plans

The Company has a stock option plan and accounts for share options using the fair value-based method. Under the fair value-based method, share-based compensation cost is measured at fair value at the grant date and is expensed over the award's vesting period. The fair value of stock options is measured using the Black Scholes option pricing model. A corresponding increase in share-based payment reserve is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in share-based payment reserve.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted income per share is calculated using the treasury stock method, which assumes that cash that would be received on the exercise of stock options is applied to purchase shares at the average price during the period. The difference between the shares issued on the exercise of the stock options and the number of shares purchased under this

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3. Significant accounting policies (continued)

computation, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive stock options are not considered in computing diluted income per share. Stock options are typically dilutive when the Company has income for the year and the average market price of the common shares during the year exceeds the exercise price of the options.

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.

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.

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3. Significant accounting policies (continued)

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 were adopted in the year ended December 31, 2018, effective January 1, 2018.

*IFRS 9 – "Financial Instruments" ("**IFRS 9**")*

IFRS 9 was issued in November 2009 and contained requirements for financial assets. These standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 "*Financial Instruments – Recognition and Measurement*" for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, IFRS 9 added a single, forward-looking "expected loss" impairment model for financial assets, including trade receivables, which means it is no longer necessary for a triggering event to occur before an impairment loss is recognized. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company has adopted IFRS 9 retrospectively. As a result of the adoption of IFRS 9, there were no changes to the original measurement categories for each class of the Company's financial assets. These changes in accounting policies, and the adoption of the expected loss impairment model, did not have a material impact on the Company's financial performance or its financial position.

3. Significant accounting policies (continued)

IFRS 15 – “Revenue from Contracts with Customers” (“IFRS 15”)

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18 – “Revenue”, IAS 11 – “Construction Contracts” and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. Various clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) on a retroactive basis in accordance with the transitional provisions. IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue.

The impact of the adoption of IFRS 15 on reported revenue results was not material. Based on its analysis, the Company has determined that its customer contracts currently accounted for rateably over the term of the subscription meet the requirements for revenue recognition over time under IFRS 15, and as a result, the Company will continue to recognize subscription term revenues rateably over their term. There have been no material adjustments relating to the application of other aspects of IFRS 15.

IFRS 15 – “Revenue from Contracts with Customers” (“IFRS 15”) (continued)

The Company applied the provisions of IFRS 15 retrospectively and did not utilize any transitional practical expedients in the application of IFRS 15.

IFRS 16 – “Leases” (“IFRS 16”)

IFRS 16 was released in January 2016 to improve the accounting for leases, generally by eliminating a lessees’ classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard will be the lessee’s recognition of the initial present value of unavoidable future lease payments as right of use lease assets and lease liabilities on the statement of financial position, with exemptions for leases with durations of 12 months or less and leases for low-value assets.

The Company adopted IFRS 16 for the annual period beginning January 1, 2018, using the modified retrospective approach. There was no impact to the statement of financial position or the opening retained earnings balance at the date of adoption of IFRS 16. The Company made use of the following practical expedients available on transition to IFRS 16:

- Measure the right-of-use assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively;
- Reliance on previous assessments on whether leases are onerous
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3. Significant accounting policies (continued)

The following standards are applicable for periods beginning on or after January 1, 2020. The Company is currently assessing the impact of these standards:

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.

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4. Trade and other receivables

The Company's trade and other receivables are comprised of the following:

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Trade receivables	508,154	105,232	66,909
Other receivables	23,862	10,657	9,490
	532,016	115,889	76,399

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. At December 31, 2019, 44% of the Company's trade receivables balance is over 90 days past due (nil as at December 31, 2018) and 98%, (90% as at December 31, 2018) of the trades receivable balances are owing from 4 (1 as at December 31, 2018) customers.

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5. Equipment

Equipment consists of computer equipment and is broken down as follows:

	\$
Cost	
Balance January 1, 2018	21,159
Additions	-
Disposals	-
Balance December 31, 2018	21,159
Additions	5,171
Disposals	-
Balance December 31, 2019	26,330
Accumulated amortization	
Balance January 1, 2018	11,867
Amortization for the period	7,054
Disposals	-
Balance December 31, 2018	18,921
Amortization for the period	3,099
Disposals	-
Balance December 31, 2019	22,020
Net book value	
At January 1, 2018	9,292
At December 31, 2018	2,238
At December 31, 2019	4,310

6. Right of use asset

Right of use asset relates to an office space lease which was capitalized at January 1, 2018. The following table provides a reconciliation of this right of use asset:

	December 31, 2019	December 31, 2018
Opening balance	42,380	—
Addition of right of use asset, January 1, 2018	—	56,507
Less: amortiation for the year	(14,127)	(14,127)
Balance at end of the year	\$ 28,253	\$ 42,380

7. Lease liability

Lease liability relates to the lease of an office space, which has a remaining lease term of two years, and was discounted using an interest rate of 10%. During the year ended December 31,

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2019, the Company recognized \$3,845 in interest expense on lease liability (2018: \$5,030), which is included in interest expense.

	December 31, 2019	December 31, 2018
	\$	\$
Opening balance	45,678	—
Initial recognition of lease liability, January 1, 2018	—	56,507
Add: interest during the year	3,846	5,031
Less: payments during the year	(16,775)	(15,860)
Balance at end of the year	32,749	45,678
Less: current portion of lease liability	(15,893)	(12,929)
Non-current portion of lease liability	16,856	32,749

8. Intangible assets

Intangibles consist of patent costs incurred in 2015 related to (3) three 20-year patents covering certain aspects of our behavioral biometric algorithms. The values are broken down as follows:

	\$
Cost	
Balance January 1, 2018	100,000
Additions	-
Disposals	-
Balance December 31, 2018	100,000
Additions	-
Disposals	-
Balance December 31, 2019	100,000
Accumulated amortization	
Balance January 1, 2018	15,000
Amortization for the period	5,000
Disposals	-
Balance December 31, 2018	20,000
Amortization for the period	5,000
Disposals	-
Balance December 31, 2019	25,000
Net book value	
At January 1, 2018	85,000
At December 31, 2018	80,000
At December 31, 2019	75,000

9. Trade and other payables

The Company's trade and other payables are comprised of the following:

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	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Trade payables	103,398	59,380	5,740
Accrued liabilities	119,841	33,398	18,939
Payroll liabilities	117,390	54,577	26,979
	340,629	147,355	51,658

Trade payables include deferred consulting fees to the CFO totaling \$34,020 as at December 31, 2019 (December 31, 2018: \$1,575). Accrued liabilities and payroll liabilities include deferred compensation to the CEO and CTO totaling \$83,025 as at December 31, 2019 (December 31, 2018: \$5,100).

10. Unearned revenue

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Balance, opening	33,547	4,433	4,433
Amounts received	516,463	143,106	—
Revenue recognized	(411,351)	(113,992)	—
Balance, closing	138,659	33,547	4,433

Unearned revenue consists customer contract revenue earned for goods or services which have not yet been delivered and are expected to be provided in the next twelve months.

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11. Short-term debt

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Promissory Notes (a)	223,088	115,842	101,644
Bridge loan (b)	177,945	—	—
	401,033	115,842	101,644
Due for settlement in under 12 months	(401,033)	(115,842)	(101,644)
Due for settlement after 12 months	—	—	—

Continuity of promissory notes		
	December 31, 2019	December 31, 2018
Opening balance	115,842	—
Proceeds on promissory notes in the year	200,000	270,000
Less: allocation to equity for conversion option	(4,600)	(12,640)
Interest expense	16,215	117,269
Repayments during the year	(104,369)	(258,787)
Total	223,088	115,842
Less: current portion of promissory notes	(223,088)	(115,842)
Long-term portion of promissory notes	—	—

- a)** As at December 31, 2019, promissory notes totaling \$223,088 (\$115,842 in 2018) are secured by certain accounts receivable, bear interest ranging between 12% - 14% per annum, and are due on the earliest of (a) five (5) full business days after receipt by the Company of the funds from completion of a mutually agreeable financing event or a mutually agreeable substantial equity financing, and (b) the date that is not later than May 31, 2020 or other mutually agreed date. The lenders of the promissory notes have the options to convert the principal and accrued interest of the outstanding notes into either common shares (conversion rate of \$0.25 per share) or series seed preferred shares (conversion rate of \$0.30 per share) of the Company at conversion rates specified in the agreement. Upon issuance of the notes, the Company allocated the proceeds on the promissory notes between the estimated fair value of the debt and equity components using the residual method. The Company used an effective annual discount rate of 19%, which resulted in valuation of the debt components at \$195,400 (2018: \$257,360) and the equity component at 17,240 (2018: \$12,640).
- b)** As at December 31, 2019, the Company has a bridge loan outstanding of \$177,945 (nil in 2018) 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, bears interest of 1.6% per month compounded monthly, and is due two business days after receipt by the Company of the 2019 SRED claim or a mutually agreed date and is reduced by repayment of monthly 2018 and 2019 IRAP claims.

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12. Loans payable to related parties

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Loans payable to related parties	52,164	68,072	—

Continuity of loans payable to related parties		
	December 31, 2019	December 31, 2018
Opening balance	68,072	—
Proceeds on loans in the year	50,000	150,000
Less: allocation to equity for conversion option	—	(7,180)
Interest expense	6,740	8,003
Repayments during the year	(72,648)	(82,751)
Total	52,164	68,072
Less: current portion of loans payable to related parties	(52,164)	(68,072)
Long-term portion of loans payable to related parties	—	—

Loans payable to related parties as at December 31, 2019 total \$52,164 (2018: \$68,072), include a short-term promissory note of \$50,000 owed to the Chairman of the Company ("**Lender**"). The amount is secured by certain accounts receivable, bears simple interest at 14% per annum, and is due on the earliest of (a) five (5) full business days after receipt by the Company of the funds from completion of a mutually agreeable financing event or a mutually agreeable substantial equity financing, and (b) the date that is not later than March 31, 2020 or other mutually agreed date.

Loans payable to related parties as at December 31, 2018, included a promissory note of \$70,000 owed to the Lender. The amount was secured by 2018 SRED claims from the CRA and accrued simple interest at 12% per annum. The promissory note was repaid on February 28, 2019.

The loans payable are convertible into either common shares (conversion rate of \$0.25 per share) or series seed preferred shares (conversion rate of \$0.30 per share) of the Company at conversion rates specified in the agreement. Upon issuance of the notes, the Company allocated the proceeds on the loans payable between the estimated fair value of the debt and equity components using the residual method. The Company used an effective annual discount rate of 19%, which resulted in valuation of the debt components at \$50,000 (2018: \$142,820) and the equity component at \$7,180 (2018: \$7,180).

13. Share capital

(a) Authorized

Unlimited number of common shares without nominal or par value, and
Unlimited number of series seed preferred shares without nominal or par value

(b) Issued and outstanding

During the year ended December 31, 2019, the Company raised a total of \$932,801 (\$1,167,627 in 2018) through a common share and a series seed preferred share round of financing.

The common share round raised \$366,301 (\$932,801 in 2018) at a price of \$0.25 per share and resulted in issued 1,465,204 (4,670,114 in 2018) common shares being issued. The CFO indirectly invested \$25,000 in the 2018 common share round.

The series seed preferred round raised \$566,500 (nil in 2018) at a price of \$0.30 per share and resulted in 1,888,333 (nil in 2018) series seed preferred shares being issued.

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13. Share capital (continued)

(b) Issued and outstanding (continued)

Share issuance costs during the year totaled \$42,500 (nil in 2018) and are recorded as a credit to share capital.

The Company's series seed preferred shares are convertible into common shares of the Company without payment of additional consideration at any time at the option of the shareholder. The series seed preferred shares will automatically convert into common shares upon the earlier of a qualified initial public offering or the approval of the majority of the shareholders of the series seed preferred shares.

The following table summarizes the Company's issued and outstanding share capital:

	Number of common shares #	Number of preferred shares #	Number of shares #	\$
Balance, January 1, 2018	16,695,662	—	16,695,662	2,579,735
Shares issued for cash	4,670,114	—	4,670,114	1,167,627
Balance, December 31, 2018	21,365,776	—	21,365,776	3,747,362
Shares issued for cash	1,465,204	1,888,333	3,353,537	932,801
Share issuance costs	—	—	—	(42,500)
Balance, December 31, 2019	22,830,980	1,888,333	24,719,313	4,637,663

(c) Stock option plan

Commencing in 2015, the Company established an employee stock option plan whereby eligible employees, consultants, and directors are granted stock options to purchase common shares in the Company. The maximum number of non-voting shares available for issuance under this Plan was fixed at 5,500,000 by the Board on October 18, 2018. The options expire 10 years from the grant date and generally vest over a three-year period from the date of the grant.

The following table summarizes the continuity of stock options:

	Number of options #	Weighted average exercise price \$
Balance, January 1, 2018	2,546,548	0.25
Granted	2,682,379	0.25
Forfeited	(238,746)	0.25
Balance, December 31, 2018	4,990,181	0.25
Granted	684,458	0.25
Forfeited	(446,488)	0.25
Balance, December 31, 2019	5,228,151	0.25

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13. Share capital (continued)

(c) *Stock option plan (continued)*

Additional information concerning stock options outstanding as at December 31, 2019 and 2018 as follows:

	2019			2018		
	Exercise price \$	Number of options #	Weighted average remaining contractual life Years	Exercise price \$	Number of options #	Weighted average remaining contractual life Years
2019	0.25	237,970	0.46	-	-	-
2018	0.25	2,221,254	3.82	0.25	2,221,254	4.45
2017	0.25	1,311,427	2.01	0.25	1,311,427	2.37
2016	0.25	882,500	1.18	0.25	882,500	1.41
2015	0.25	575,000	0.66	0.25	575,000	0.81
	0.25	5,228,151	8.13	0.25	4,990,181	9.04

The weighted average remaining contractual life of stock options outstanding as at December 31, 2019 was 8.13 years (9.04 years in 2018).

Fair values – option plan

The average fair value per option granted under the Option Plan in the year ended December 31, 2019 was \$0.03 (\$0.03 in 2018).

The average fair value of the options granted under the Option Plan in the year ended December 31, 2019 was \$2,724 (\$6,881 in 2018).

The weighted average exercise price of stock options outstanding as at December 31, 2019 was \$0.25 (\$0.25 in 2018).

The estimated fair value of each option granted under the Option Plan was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions. The volatility used is based on volatilities of a peer group of companies:

	December 31, 2019	December 31, 2018
Risk-free interest rate	1.63%	2.13%
Dividend yield	—	—
Expected life (in years)	3–10	3–10
Volatility	13.00	15.24

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13. Share capital (continued)

(d) Stock-based payment reserve

Total stock-based compensation cost recognized in income was \$30,148 (\$61,013 in 2018) and is credited to contributed surplus.

The total stock-based compensation expense in the year ended December 31, 2019 is comprised of the expense related to stock options issued to founders of the Company of \$nil (\$36,000 in 2018), to related parties of \$26,721 (\$18,312 in 2018) and to other employees of \$3,427 (\$6,965 in 2018).

(e) Warrants

The Company issued 2,370,057 warrants during the year ended December 31, 2018 related to financing throughout the year.

The December 31, 2019 year-end balance is comprised of 926,632 of the warrants that are fully vested and expire between January 2020 and April 3, 2020. The remaining 75,000 warrants are exercisable for one common share at a price of \$0.25 per share and are fully vested with no expiry date.

The Company determined the fair value of the warrants to be \$nil upon issuance, therefore no value has been allocated to the warrants on the statement of financial position.

The weighted average exercise price of warrants outstanding is \$0.25 (\$0.25 in 2018).

The following table summarizes the continuity of the warrants:

	Number of warrants #	Weighted average exercise price \$
Balance, January 1, 2018	2,974,000	0.25
Issued	2,370,057	0.25
Exercised	(120,000)	0.25
Expired	(1,860,000)	0.25
Balance, December 31, 2018	3,364,057	0.25
Issued	—	0.25
Exercised	—	0.25
Expired	(2,362,425)	0.25
Balance, December 31, 2019	1,001,632	0.25

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14. Capital risk management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, short-term loans, loans payable to related parties, and equity comprised of issued share capital, and share-based payment reserve:

	December 31, 2019	December 31, 2018
	\$	\$
Cash and cash equivalents	147,433	427,221
Short-term loans	401,033	115,842
Loans payable to related parties	52,164	68,072
Share capital	4,637,663	3,747,362
Share-based payment reserve	209,859	179,711
	5,448,152	4,538,208

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, short-term loans, loans payable to related parties, or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2019.

15. Financial 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 risk). The following analysis enables users to evaluate the nature and extent of the risks at the end of the reporting period, December 31, 2019.

The significant financial risks to which the Company is exposed are credit risk, interest rate risk, liquidity risk, and currency risk.

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15. Financial instruments (continued)

Financial risk management (continued)

(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:

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Cash and cash equivalents	147,433	427,221	252,389
Accounts receivable	532,016	115,889	76,399
Tax credits receivable	178,036	186,482	369,076
	857,485	729,592	697,864

(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 is 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. Subsequent to December 31, 2019, the Company entered into a non-binding letter of intent to complete a public listing transaction for Plurilock which included private placement financings totalling \$1.5 million in addition to a \$2.7 million financing in connection with the closing of the transaction (Note 22).

(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.

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15. Financial instruments (continued)

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 for the year ended December 31, 2019, 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.

16. Segmented information

(a) *Operating Segments*

The Company and its subsidiary operate primarily in one principal business, that being developing and selling cyber security solutions to customers in government and other sectors.

	December 31, 2019	December 31, 2018
	\$	\$
Revenue		
Government	488,231	605,178
License	158,669	48,312
	646,900	653,490

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16. Segmented information (continued)

(b) Entity wide disclosures

Geographic revenue information is based on the location of the customers invoiced. Long-lived assets include non-current property and equipment, and intangible assets.

	December 31, 2019	December 31, 2018
	\$	\$
Revenue		
United States	448,544	646,140
Canada	198,356	7,350
	646,900	653,490
Long-lived assets		
Canada	107,563	124,618

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17. Operating expenses

	December 31, 2019	December 31, 2018
	\$	\$
Research and development		
Communication and IT services	135,322	38,276
Contractors	79,863	46,332
Government assistance	(125,045)	(4,738)
Office and general	477	6,687
Salaries and benefits	668,265	506,054
SRED tax credit	(121,594)	(199,500)
Travel and entertainment	11,883	2,369
COGS allocation	(86,371)	(48,449)
	562,800	347,031
Sales and marketing		
Advertising and promotion	3,497	13,140
Communication and IT services	38,705	34,920
Contractors	17,057	117,261
Marketing	9,732	5,905
Office and general	—	5,387
Salaries and benefits	402,749	660,307
Sales commission	18,375	6,269
Travel and entertainment	7,678	51,444
	497,793	894,633
General and administrative		
Amortization	22,227	26,180
Bad debt	229	—
Communication and IT services	34,992	35,624
Contractors	193,016	125,135
Insurance	17,405	7,209
Office and general	40,900	56,506
Professional fees	173,116	90,115
Salaries and benefits	210,792	285,900
Travel and entertainment	68,723	84,710
	761,400	711,379

Plurilock Security Solutions Inc.
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18. Income taxes

(a) Income tax expense

	December 31, 2019	December 31, 2018
	\$	\$
Current		
Canadian income tax	—	—
Foreign income tax	—	—
Adjustments in respect of prior year	—	—
Total current tax	—	—
Deferred		
Canadian income tax	—	—
Foreign income tax	—	—
Adjustments in respect of prior year	—	—
Total deferred tax	—	—
Income tax expense (recovery)	—	—

(b) Income tax expense (recovery) differs from applying Canadian federal and provincial income tax rates to income (loss) before taxes. The differences are summarized below:

	December 31, 2019	December 31, 2018
	\$	\$
Net loss for the period	(1,337,129)	(1,431,596)
Statutory tax rate	27%	27%
Recovery of tax at statutory rates	(361,025)	(386,531)
Permanent differences and other	29,344	28,712
Rate Differential	13,567	38,176
Benefit of deferred tax assets not recognized	314,782	323,910
Share issue costs in equity	(11,475)	(4,108)
Other	14,807	(159)
Tax recovery	—	—

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18. Income taxes (continued)

(c) Deferred tax balances

	December 31, 2019	December 31, 2018
	\$	\$
Deferred tax assets		
Tax losses	48,429	42,822
Equipment and other	—	—
Subtotal	48,429	42,822
Deferred tax liabilities		
ITC to be taxed in the following year	(45,175)	(38,218)
Intangibles	(3,254)	(4,604)
Subtotal	(48,429)	(42,822)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

(d) Unrecognized deductible temporary differences

Losses that have not been included on the consolidated statements of financial position:

	December 31, 2019	December 31, 2018
	\$	\$
Tax loss carryforwards	3,743,795	2,695,007
Financing costs -20(1)(e)	53,508	32,275
Deductible SR&ED pool	683,625	541,582
Lease obligation	4,496	3,298
Equipment and other	5,866	2,767
Subtotal	4,491,290	3,274,929

The Company's total unused tax losses:

Year of expiry	\$
2034	62,120
2035	310,875
2036	710,497
2037	422,416
2038	685,791
2039	872,498
No expiry date	858,963
	<u>3,923,160</u>

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19. Loss per share

The basic and diluted loss per share is \$0.05 (\$0.07 in 2018). The effect of the exercise of stock options and warrants was not included in the calculation of diluted earnings per share as they are anti-dilutive.

The basic and diluted net loss per share for the Company for the period is calculated using the following numerators and denominators:

	December 31, 2019	December 31, 2018
	\$	\$
Numerator		
Net loss and comprehensive loss	(1,345,970)	(1,431,264)
Denominator		
Total fully-diluted shares for loss and diluted loss per share calculation	31,862,429	30,480,014
	(0.05)	(0.07)

20 Related party transactions

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.

During the year, key management personnel transactions are as follows:

- (a) Wages, benefits, bonus and vacation pay, including accrued and deferred payments totaled \$333,506 (\$261,494 in 2018).
- (b) Consulting fees, benefits and bonus, including accrued and deferred payments totaled \$121,967 (\$86,174 in 2018).
- (c) Stock based compensation totaled \$26,721 (\$18,312 in 2018).
- (d) Stock Option grants to key personnel during the year were, CEO nil (1.4m in 2018), CFO nil (600,000 in 2018), CTO 100,000 (175,000 in 2018) The options have a ten-year term and a \$0.25 per option exercise price.

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20 Related party transactions (continued)

The following table summarizes the related party transactions:

	2019	2018
	\$	\$
Wages and benefits	333,506	264,830
Consulting fees	121,967	86,174
Stock-based compensation expense*	26,721	18,312
	482,194	369,316

Note:

* Reflects the amount recorded as expense in the consolidated statement of loss and comprehensive loss.

The fair value of stock-based compensation is measured at grant date and is recognized as an expense over the vesting period.

21. First-time adoption of IFRS

These financial statements represent the Company's initial presentation of the statements of financial position and comprehensive loss under IFRS for the year ended December 31, 2019. As a result, these financial statements have been prepared in accordance with IFRS 1.

IFRS 1 requires the presentation of comparative information as at the January 1, 2018 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, IFRS 1 permits certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs.

The accompanying reconciliations present the adjustments made to the Company's ASPE balance sheets and statements of comprehensive loss to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. The reconciliations presented include the Company's statements of financial position as at January 1, 2018, December 31, 2018, and the statement of comprehensive loss for the year ended December 31, 2018.

First-time adoption exemptions applied

The IFRS 1 applicable exemptions and exceptions applied in the conversion from ASPE to IFRS are as follows:

- (i) Share-based Payment Transactions – IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, *Share-based Payment*, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the transition date, which have been accounted for in accordance with ASPE.
- (ii) *Financial Instruments: Presentation* - IAS 32 requires an entity to split a compound financial instrument at inception into separate liability and equity components. IFRS 1 provides some relief for first-time adopters and to the extent that the liability component of a compound instrument is no longer outstanding at the date of transition to IFRS Standards, retrospective application of IAS 32's requirement to split the instrument is not required

21. First-time adoption of IFRS (continued)

The Company has not elected to adopt the remaining voluntary exemptions, or they do not apply to the Company.

IFRS employs a conceptual framework similar to ASPE. However, significant differences exist in certain matters of recognition, measurement, and disclosure. While adoption of IFRS has not changed the Company's cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's previous ASPE balance sheets and statements of loss and comprehensive loss have been reconciled to IFRS, with the resulting differences explained.)

The following are the adjustments made to the previously issued ASPE financial statements:

- a) Upon adoption of IFRS effective January 1, 2018, the Company adopted IFRS 16, Leases. This resulted in additional right-of-use assets at January 1, 2018 and December 31, 2018 of \$56,507 and \$42,380, respectively. In addition, the depreciation of the right-of-use asset of \$14,127 and interest expense \$5,031 were recognized in the year ended December 31, 2018, rather than lease expense of \$15,860.
- b) The Company issued promissory notes and loans to related parties in the year ended 2018 which were convertible into common or series seed preferred shares of the Company. Under ASPE, the Company measured the equity component of these compound instruments at zero. Under IFRS, the Company has measured the fair value of the liability component and assigned the residual amount to the equity component of the debt. The fair value of the liability is then accreted up to the face value of the financial instrument using the effective interest method. Upon repayment of the financial instrument, the equity component is reclassified to deficit. Upon conversion of the financial instrument, the debt and equity components are reclassified into share capital. As a result of this difference, the carrying values of short-term loans and loans payable to related parties were decreased by \$5,575 and \$3,217, respectively, with a corresponding increase in equity of \$10,010 at December 31, 2018, and increase in interest expense of \$1,218 for the year then ended.
- c) Under IFRS 15 Revenue from Contracts with Customers, the Company recognizes revenue based on performance obligations delivered over a period of time or at a period of time. ASPE provides a model based on the transfer of risk and rewards. As a result of the adoption of IFRS 15, the Company recognized \$99,301 in revenues in 2018 which had previously been recognized in 2017.
- d) Under ASPE, an enterprise can elect to measure its income taxes using the taxes payable method (and not record deferred taxes); this option is not available under IAS 12, *Income Taxes* ("IAS 12"). Under the deferred tax method in ASPE, when the amount related to an asset that will be deductible depends on whether the asset is sold or used, the tax base is the greater of those two amounts. Under IAS 12, the tax base is determined based on the manner in which the entity expects to recover the asset. There were no material changes to the Company's financial position at December 31, 2018 or January 1, 2018, or the year ended December 31, 2018 related to the accounting for income taxes in accordance with IAS 12.

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21. First-time adoption of IFRS (continued)

First-time adoption exemptions applied (continued)

(1) *ASPE to IFRS: Balance sheet January 1, 2018*

The ASPE balance sheet as at January 1, 2018 has been reconciled to IFRS as follows:

		January 1, 2018		
		ASPE	Effect of transition to IFRS	IFRS
Notes		\$	\$	\$
Assets				
Current assets				
	Cash	252,389	—	252,389
	Trade and other receivables	175,700	(99,301)	76,399
	Tax credits receivable	369,076	—	369,076
	Prepaid expenses and deposits	6,987	—	6,987
		804,152	(99,301)	704,851
	Equipment	9,292	—	9,292
	Right of use asset	—	56,507	56,507
	Intangible assets	85,000	—	85,000
		898,444	(42,794)	855,650
Liabilities				
Current liabilities				
	Trade and other payables	51,922	—	51,922
	Unearned revenue	4,433	—	4,433
	Short-term loans	101,644	—	101,644
	Loans payable to related parties	—	—	—
	Lease liability - current	—	10,829	10,829
		157,999	10,829	168,828
Non-current liabilities				
	Lease liability - non-current	—	45,678	45,678
		157,999	56,507	214,506
Shareholders' equity				
	Share capital	2,579,735	—	2,579,735
	Equity reserve	—	—	—
	Foreign currency translation reserve	103	—	103
	Contributed and other surplus	118,434	—	118,434
	Accumulated deficit	(1,957,827)	(99,301)	(2,057,128)
		740,445	(99,301)	641,144
		898,444	(88,472)	855,650

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21. First-Time Adoption of IFRS (continued)

First-time adoption exemptions applied (continued)

(2) *ASPE to IFRS: Balance sheet December 31, 2018*

The ASPE balance sheet as at December 31, 2018 has been reconciled to IFRS as follows:

		December 31, 2018		
		ASPE	Effect of transition to IFRS	IFRS
Notes		\$	\$	\$
Assets				
Current assets				
	Cash	427,221	—	427,221
	Trade and other receivables	115,889	—	115,889
	Tax credits receivable	186,482	—	186,482
	Prepaid expenses and deposits	14,888	—	14,888
		<u>744,480</u>	—	<u>744,480</u>
	Equipment	2,238	—	2,238
	Right of use asset	—	42,380	42,380
	Intangible assets	80,000	—	80,000
		<u>826,718</u>	42,380	<u>869,098</u>
Liabilities				
Current liabilities				
	Trade and other payables	147,355	—	147,355
	Unearned revenue	33,547	—	33,547
	Short-term loans	121,417	(5,575)	115,842
	Loans payable to related parties	71,289	(3,217)	68,072
	Lease liability - current	—	12,929	12,929
		<u>373,608</u>	<u>4,137</u>	<u>377,745</u>
Non-current liabilities				
	Lease liability - non-current	—	32,749	32,749
		<u>373,608</u>	<u>36,886</u>	<u>410,494</u>
Shareholders' equity				
	Share capital	3,747,362	—	3,747,362
	Equity reserve	—	10,010	10,010
	Foreign currency translation reserve	31,253	—	31,253
	Contributed and other surplus	179,711	—	179,711
	Accumulated deficit	(3,505,216)	(4,516)	(3,509,732)
		<u>453,110</u>	<u>5,494</u>	<u>458,604</u>
		<u>826,718</u>	42,380	<u>869,098</u>

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21. First-time adoption of IFRS (continued)

First-time adoption exemptions applied (continued)

(3) *ASPE to IFRS: Statement of loss and comprehensive loss*

The ASPE statement of loss and comprehensive loss for the year ended December 31, 2018 has been reconciled to IFRS as follows:

		For the year ended December 31, 2018		
		ASPE	Effect of transition to IFRS	IFRS
Notes		\$	\$	\$
	Revenue	554,190	99,300	653,490
	Cost of sales	(48,449)	—	(48,449)
	Gross margin	505,741	99,300	605,041
	Expenses			
	Research and development	347,031	—	347,031
	Sales and marketing	894,633	—	894,633
	General and administrative	713,112	(1,733)	711,379
	Stock-based compensation	61,013	—	61,013
		2,015,789	(1,733)	2,014,056
	Operating income (loss)	(1,510,048)	101,033	(1,409,015)
	Other income (expenses)			
	Foreign exchange gain (loss)	(22,400)	—	(22,400)
	Interest income (expense)	(14,940)	(16,059)	(30,999)
		(37,340)	(16,059)	(53,399)
	Net loss and comprehensive loss for the year	(1,547,388)	84,974	(1,462,414)
	Other comprehensive (loss) income			
	Items that may be subsequently reclassified to net loss			
	Foreign exchange translation difference	31,150	—	31,150
	Other comprehensive (loss) income	31,150	—	31,150
	Total comprehensive loss for the year	(1,516,238)	84,974	(1,431,264)
	Loss per share			
	Basic loss per share	(0.07)		(0.07)
	Diluted loss per share	(0.05)		(0.05)

21. First-time adoption of IFRS (continued)

(4) ASPE to IFRS: Statement of cash flows

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position and statements of loss and comprehensive loss have resulted in reclassifications of various amounts on the statements of cash flows. However, as there have been no changes to the net cash flows, no reconciliations have been presented.

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22. Subsequent events

- a) On January 3, 2020, the Company entered into a non-binding letter of intent (the "**Letter of Intent**") with Libby K Industries Inc. ("**Libby K**") (TSX-V: LBB.P), a capital pool company to complete a public listing transaction for Plurilock (the "**Proposed Transaction**") by way of a reverse takeover of Libby K. It is anticipated that the Proposed Transaction will be by way of a business combination involving either a three-cornered amalgamation whereby Plurilock will amalgamate with a newly incorporated wholly owned subsidiary of Libby K or an amalgamation between Plurilock and Libby K. Upon completion of the Proposed Transaction, the name of Libby K will be changed to "Plurilock Security Solutions Inc." The resulting entity (the "**Resulting Issuer**") will carry on the business of Plurilock as currently constituted and planned. It is expected that the Resulting Issuer will be a Tier 2 Technology issuer on the TSX-V. The final structure of the Proposed Transaction is subject to receipt of tax, corporate, and securities law advice by both Libby K and Plurilock. The Letter of Intent was negotiated at arm's length and the parties are currently negotiating the terms of a definitive amalgamation agreement ("**Definitive Agreement**"). The parties intend to complete a private placement financing ("**Financing**") comprised of units ("**Resulting Issuer Units**") in connection with the closing of the Proposed Transaction (the "**Closing**"). It is expected that each Resulting Issuer Unit will be comprised of one common share of the Resulting Issuer (each, a "Resulting Issuer Share") and a half warrant exercisable for two years from closing of the Financing (the "**Concurrent Warrants**"). The exact terms of the Financing will be mutually agreed upon before execution of the Definitive Agreement. The Proposed Transaction is expected to close in the second half of 2020. On June 23, 2020, the Company entered into the Definitive Agreement.
- b) On January 30, 2020, the Company engaged ("**Engagement Letter**") PI Financial Corp. ("**PI**" or "**PI Financial**") to engage PI as its financial advisor and agent with a commission payable to PI on closing of the Financing both in cash and warrants for the Financing and a finance fee plus common shares for the Pre-Transaction Financing. On March 25, 2020 the Company and PI amended (the "**Amendment**") the Engagement Letter to provide a payment of cash finder's fees of the gross proceeds raised under any additional Pre-Transaction Financing.
- c) On February 21, 2020, the Company completed the Pre-Transaction Financing totaling approximately \$1.0 million. The Company and Libby K agreed to oversubscription from what was specified in the Letter of Intent. Of the approximately \$1.0 million subscribed for, \$817,375 was in the form of Debentures and approximately \$182,625 was subscribed in Plurilock Units. Plurilock paid an aggregate of \$35,830 in cash as finder's fees in connection with the Pre-Transaction Financing. The CEO, CFO and CTO collectively subscribed to \$55,000 of the Pre-Transaction Financing.
- d) On March 30, 2020, the Company approved a non-brokered private placement for proceeds of up to \$500,000 (the "**2nd Pre-Transaction Financing**"). The 2nd Pre-Transaction Financing is structured on the same terms as the Pre-Transition Financing. As of the date of the Audit Report, the Company is in the process of raising the 2nd Pre-Transaction Financing.
- e) Effective April 11, 2020, Canada Emergency Wage Subsidy ("**CEWS**") came into force providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll during the period of March 15 to August 29, 2020. Under this program, qualifying businesses can receive up to 75% of their employees' wages. The Company meets the conditions to qualify for the CEWS and subsequently received \$23,540 in May 2020 under the program for the period related to the three months ended March 31, 2020. The Company will adopt IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) to account for the CEWS. The amount the Company is approved for under the CEWS program will be recognized as Government Assistance and netted against operating expenses of each department indicated in Note 17.
- f) 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

Plurilock Security Solutions Inc.
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Protection Program ("**PPP**"). 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 six 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.

- g) On April 15, 2020, the Company was approved for a \$40,000 line of credit ("**LOC**") with Royal Bank of Canada under the Canada Emergency Business Account ("**CEBA**") program funded by the Government of Canada to aid with economic effects resulting from the Coronavirus pandemic. The CEBA LOC is non-interest bearing, can be repaid at anytime without penalty and is valid until December 31, 2020. To date, the Company has not drawn from the CEBA LOC. On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a non-revolving term loan ("**CEBA Term Loan**"). The CEBA Term Loan will bear interest at 5% per annum and mature on December 31, 2025. The CEBA Term Loan may be repaid at any time without notice to us or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement Date on or before December 31, 2022 is repaid, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven ("**Early Payment Credit**").
- h) 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 as at March 31, 2020. The related GSA was discharged shortly thereafter (See Note 11b).
- i) On June 1, 2020, the Company paid down \$25,000 principal and accrued interest to date of the Loans Payable to Related Parties. The remaining \$25,000 principal amount of the loan was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- j) On June 3, 2020, \$25,000 principal of one of the Company's Short-term Loans was converted to equity as part of the 2nd Pre-Transaction Financing offering. The remaining \$25,000 principal amount of the loan and accrued interest to date was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- k) On June 5, 2020, the Company paid down \$25,000 principal and accrued interest to date of another of the Short-term Loans. The remaining \$25,000 principal amount of the loan was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- l) On June 18, 2020, the Company completed a 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 the Company comprised of common shares at \$0.225 per share, together with a warrant that will automatically be exchanged for warrants, if any, that comprise the Plurilock Units and (b) \$490,000 Debentures and together with the Plurilock Units, the "**Bridge #2 Securities**") that will automatically convert into or be exchanged for, Resulting Issuer Units at the Closing. The terms of the Bridge #2 Securities are similar to the Bridge #1 Securities. The Company incurred an aggregate of \$27,760 in cash and 40,400 in broker's warrants as finder's fees in relation to the Bridge #2 Financing.
- m) On June 23, 2020 and as amended on August 19, 2020, the Company entered into a "three-cornered amalgamation" agreement, the Definitive Agreement (see Note 1) with Libby K and 01243540 B.C. Ltd. ("**Subco**"), a wholly-owned subsidiary of Libby K. Pursuant to the terms of the Definitive Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, at the Closing, Plurilock will amalgamate with Subco

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pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "**Amalgamation**") and continue operating under the name Plurilock after the Amalgamation. On the Transaction date, Libby K will change its name to "Plurilock Security Inc." Immediately before completion of the Share Exchange ("**Share Exchange**") (as defined below): (a) all of the in-the-money stock options and warrants of Plurilock will be deemed to be exercised into Plurilock Shares on a cashless basis; and (b) each Plurilock preferred share (each, a "**Preferred Share**") which is outstanding will be cancelled and converted into Plurilock Shares in accordance with their terms. After completion of such transactions, and before the Share Exchange and the completion of the Plurilock Brokered Component (as defined below), it is expected that there will be an aggregate of 28,283,972 Plurilock Shares issued and outstanding. All stock options of Plurilock that are not in-the-money will be cancelled and no other securities of Plurilock will be issued or outstanding. Subco (after the Closing, the "**Resulting Issuer**") and the outstanding securities of Plurilock will be exchanged securities of the Resulting Issuer pursuant to exchange ratios ("**Exchange Ratios**" or "**Share Exchange**") immediately before the completion of the Closing as follows:

- 1) each outstanding common share in the capital of Plurilock (a "Plurilock Share") held by certain shareholders that formed the founder trust distribution in 2020 (the "1.655 Exchange Ratio Plurilock Holders") will be exchanged for 1.655 shares of the Resulting Issuer on a post-Consolidation basis (each, a "Resulting Issuer Share");
- 2) each outstanding Bridge Unit (as defined below) shall be exchanged for one Resulting Issuer Unit (as defined below), as described under the heading "Bridge Financing" below; and
- 3) each outstanding Plurilock Share that: (i) is not held by 1.655 Exchange Ratio Plurilock Holders; and (ii) does not comprise a portion of the Bridge Units, will be exchanged for 0.8475 Resulting Issuer Shares.

The Exchange Ratios were determined on the basis of a \$1.9 million valuation of Libby K and a \$7.1 million valuation of Plurilock, excluding funds raised pursuant to the Bridge #1 and Bridge #2 Financings and the Concurrent Financings (as such terms are defined below). The Amalgamation was approved at a meeting of shareholders of Plurilock on July 13, 2020. As a condition to closing of the Transaction, and pursuant to an engagement letter dated January 30, 2020, as amended on March 25, 2020, April 2, 2020 and June 10, 2020 (the "Engagement Letter") between Libby K, Plurilock and PI Financial Corp. ("PI"), Libby K and the Company intend to complete concurrent brokered private placements (together, the "Concurrent Financings") for aggregate proceeds of up to \$2.7 million, subject to minimum gross proceeds of \$2 million. The Concurrent Financings will be conducted in two components: (a) by Libby K, for retail investors who are subscribing under the prospectus exemption pursuant to BC Instrument 45-536 (the "Libby K Brokered Component"); and (b) by Plurilock, for investors who are subscribing under all other prospectus exemptions (the "Plurilock Brokered Component"). Unless such terms are amended with the approval of the Libby K board of directors and Plurilock board of directors, investors in the Libby K Brokered Component will be subscribing for units of the Resulting Issuer (each, a "Resulting Issuer Unit") with a subscription price of \$0.30 per unit (the "Offering Price"). Each Resulting Issuer Unit will be comprised of one Resulting Issuer Share and one-half of a warrant (each whole such warrant, a "Warrant"). Each Warrant will be exercisable for one Resulting Issuer Share for two (2) years from Closing, at an exercise price of \$0.40 per share. Pursuant to the terms of the Engagement Letter, the Resulting Issuer intends to pay PI a finder's fee equal to 8% in cash of gross proceeds and issuing to PI the number of compensation options equal to 8% of the number of securities sold in the Concurrent Financings, where each Compensation Option is exercisable to purchase one Common Share of the Resulting Issuer at the Offering Price. For funds raised pursuant to a joint president's list of Libby K and Plurilock, the cash payment payable to PI will be reduced to 3.5% and the warrants issuable to PI will be reduced to 3.5%. No other finders' fees are payable in connection with the Transaction. The Definitive Agreement has a termination date of September 30, 2020 or such later date as may be agreed to in writing by the Libby K and the Company. Libby K received conditional approval of the proposed qualifying transaction from the TSX-V on August 19, 2020.

Plurilock Security Solutions Inc.
Notes to the consolidated financial statements
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(Expressed in Canadian dollars)

- n) On June 24, 2020, the Company was awarded funding of up to \$120,000 to further develop passwordless authentication technology from the National Research Council of Canada Industrial Research Assistance Program ("**NRC IRAP**").

Condensed interim consolidated
financial statements of
Plurilock Security Solutions Inc.

For the three months ended March 31, 2020 and 2019 (unaudited)

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Plurilock Security Solutions Inc.**Condensed Interim Consolidated Statement of Financial Position (unaudited)**

(Expressed in Canadian dollars)

		March 31, 2020	December 31, 2019
	Notes	\$	\$
Assets			
Current			
Cash and cash equivalents		781,500	147,433
Trade and other receivables	4	85,160	532,016
Tax credits receivable		254,759	178,036
Prepaid expenses and deposits		47,473	37,869
		1,168,892	895,354
Non-current			
Equipment	5	7,090	4,310
Right of use asset	6	24,723	28,253
Intangible assets	8	73,750	75,000
		1,274,455	1,002,917
Liabilities			
Current			
Trade and other payables	9	369,647	340,629
Unearned revenue	10	98,497	138,659
Short-term loans	11	245,839	401,033
Loans payable to related parties	12	54,005	52,164
Convertible debt	13	812,930	—
Lease liability-current	7	16,293	15,893
		1,597,211	948,378
Non-current			
Lease liability-non-current	7	12,630	16,856
		1,609,841	965,234
Shareholders' equity			
Share capital	14	4,814,788	4,637,663
Equity reserve		—	5,460
Foreign currency translation reserve		8,607	(8,406)
Contributed and other surplus		221,467	209,859
Accumulated deficit		(5,380,248)	(4,806,893)
		(335,386)	37,683
		1,274,455	1,002,917

Subsequent events 21

The accompanying notes are an integral part of the financial statements.

Approved by the Board

"Barry Carlson", Director

"Ian Paterson", Director

Plurilock Security Solutions Inc.**Condensed Interim Consolidated Statement of Loss and Comprehensive Loss (unaudited)**

(Expressed in Canadian dollars)

		Three months ended March 31,	
		2020	2019
	Notes	\$	\$
Revenue	17	103,339	69,376
Cost of sales		(11,482)	(10,197)
Gross profit		91,857	59,179
Operating Expenses			
Research and development	18	101,022	129,405
Sales and marketing	18	210,407	157,377
General and administrative	18	314,252	191,516
Share-based compensation	14(c)	11,608	10,544
		637,289	488,842
Operating loss		(545,432)	(429,663)
Other income (expenses)			
Foreign exchange gain (loss)		12,640	(4,056)
Transaction costs	13	(30,430)	—
Change in fair value of convertible debt		4,445	—
Interest expense		(20,038)	(7,037)
		(33,383)	(11,093)
Net loss for the period		(578,815)	(440,756)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net loss			
Foreign exchange translation difference		17,013	74
Other comprehensive income (loss)		17,013	74
Net loss and comprehensive loss for the period		(561,802)	(440,682)
Loss per share			
Basic loss per share		(0.02)	(0.02)
Diluted loss per share		(0.02)	(0.02)

The accompanying notes are an integral part of the financial statements.

Plurilock Security Solutions Inc.
Condensed Interim Consolidated Statement of Changes in Equity (unaudited)

(Expressed in Canadian dollars)

		Share capital	Share-based payment reserve	Equity reserve	Foreign currency translation reserve	Deficit	Total
	#	\$	\$	\$	\$	\$	\$
Balance, January 1, 2019	21,365,776	3,747,362	179,711	10,010	435	(3,509,732)	427,786
Shares issued for cash	880,000	220,000	—	—	—	—	220,000
Recognition of share-based payments	—	—	10,544	—	—	—	10,544
Net loss for the period	—	—	—	—	—	(440,756)	(440,756)
Other comprehensive gain	—	—	—	—	74	—	74
Balance, March 31, 2019	22,245,776	3,967,362	190,255	10,010	509	(3,950,488)	217,648
Shares issued for cash	2,473,537	712,801	—	—	—	—	712,801
Share issuance costs	—	(42,500)	—	—	—	—	(42,500)
Recognition of share-based payments	—	—	19,604	—	—	—	19,604
Equity component of convertible debt	—	—	—	(4,550)	—	9,150	4,600
Net loss for the period	—	—	—	—	—	(865,555)	(865,555)
Other comprehensive loss	—	—	—	—	(8,915)	—	(8,915)
Balance, December 31, 2019	24,719,313	4,637,663	209,859	5,460	(8,406)	(4,806,893)	37,683
Shares issued for cash	811,665	182,625	—	—	—	—	182,625
Share issuance costs	—	(5,500)	—	—	—	—	(5,500)
Recognition of share-based payments	—	—	11,608	—	—	—	11,608
Equity component of convertible debt	—	—	—	(5,460)	—	5,460	—
Net loss for the period	—	—	—	—	—	(578,815)	(578,815)
Other comprehensive gain	—	—	—	—	17,013	—	17,013
Balance, March 31, 2020	25,530,978	4,814,788	221,467	—	8,607	(5,380,248)	(335,386)

The accompanying notes are an integral part of the financial statements.

Plurilock Security Solutions Inc.
Consolidated Statements of Cash Flows (unaudited)
(Expressed in Canadian dollars)

	Three months ended March 31,	
	2020	2019
	\$	\$
Net loss for the period	(578,815)	(440,756)
Operating activities		
Adjustments for		
Amortization	5,212	1,810
Share-based compensation	11,608	10,544
Change in fair value of convertible debt	(4,445)	—
Interest expense - short term loans	17,357	5,422
Interest expense - loans payable to related parties	1,841	1,355
Interest expense - lease liability	749	—
Changes in working capital and other items		
Trade and other receivables	446,856	118,063
Tax credits receivable	(76,723)	(43,500)
Prepaid expenses and deposits	(9,604)	6,434
Trade and other payables	29,018	(2,328)
Unearned revenue	(40,162)	(20,951)
Net cash flows from operating activities	(197,108)	(363,907)
Investing activities		
Acquisition of equipment	(3,211)	—
Net cash flows from investing activities	(3,211)	—
Financing activities		
Proceeds from issuance of shares	155,125	220,000
Proceeds from convertible debt	817,375	—
Proceeds from short-term loans	—	100,000
Repayment of short-term loans	(150,552)	(51,364)
Repayment to related parties	—	(72,647)
Lease payments	(4,575)	—
Net cash flows from financing activities	817,373	195,989
Foreign exchange effect on cash	17,013	74
Net increase (decrease) in cash and cash equivalents	617,054	(167,918)
Cash and cash equivalents, beginning of period	147,433	427,221
Cash and cash equivalents, end of period	781,500	259,377

Plurilock Security Solutions Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

1. Nature of operations and continuance of business

Plurilock Security Solutions Inc. ("Plurilock" or the "Company") is a company incorporated under the Business Corporation Act of British Columbia on October 28, 2008. The Company is an identity-centric cybersecurity company in 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's head office and principal place of business is located at Suite 330 - 700 Fort Street, Victoria, British Columbia, Canada V8W 1H2.

These condensed interim consolidated financial statements report that the Company has a net loss and comprehensive loss of \$561,802 for the three months ended March 31, 2020 (\$440,682 in Q1 2019) and an accumulated deficit of \$5,380,248 as at March 31, 2020 (December 31, 2019: \$4,806,893). The Company has financed its operating cash requirements primarily through the issuance of share capital, and lending from shareholders. 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's 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 are material uncertainties that exist that may cast significant doubt on the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at the amounts different from those reflected in the accompanying financial statements.

On January 3, 2020, the Company entered into a non-binding letter of intent (the "**Letter of Intent**") with Libby K Industries Inc. ("**Libby K**") (TSX-V: LBB.P), a capital pool company to complete a public listing transaction for Plurilock (the "**Proposed Transaction**") by way of a reverse takeover of Libby K. It is anticipated that the Proposed Transaction will be by way of a business combination involving either a three-cornered amalgamation whereby Plurilock will amalgamate with a newly incorporated wholly owned subsidiary of Libby K or an amalgamation between Plurilock and Libby K. Upon completion of the Proposed Transaction, the name of Libby K will be changed to "Plurilock Security Solutions Inc." The resulting entity (the "**Resulting Issuer**") will carry on the business of Plurilock as currently constituted and planned. It is expected that the Resulting Issuer will be a Tier 2 Technology issuer on the TSX-V. The final structure of the Proposed Transaction is subject to receipt of tax, corporate, and securities law advice by both Libby K and Plurilock. The Letter of Intent was negotiated at arm's length and the parties are currently negotiating the terms of a definitive amalgamation agreement ("**Definitive Agreement**"). The parties intend to complete a private placement financing ("**Financing**") comprised of units ("**Resulting Issuer Units**") in connection with the closing of the Proposed Transaction (the "**Closing**"). It is expected that each Resulting Issuer Unit will be comprised of one common share of the Resulting Issuer (each, a "Resulting Issuer Share") and a half warrant exercisable for two years from closing of the Financing (the "**Concurrent Warrants**"). The exact terms of the Financing will be mutually agreed upon before execution of the Definitive Agreement. The Proposed Transaction is expected to close in the second half of 2020. On June 23, 2020, the Company entered into the Definitive Agreement. See Note 21 (f).

Plurilock Security Solutions Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the accounting policies consistent with International Financial Reporting Standards ('IFRS').

These condensed interim consolidated financial statements should be read in conjunction with the most recently issued annual consolidated financial statements of the Company, which include information necessary or useful to understanding the Company's operations, financial performance, and financial statement presentation. In particular, the Company's significant accounting policies were presented as Note 2 to the consolidated financial statements for the year ended December 31, 2019 and have been consistently applied in the preparation of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 17th, 2020.

Basis of presentation

These condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for certain items not carried at historical cost as noted below.

3. Significant accounting policies

Principals of consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and its subsidiary, Plurilock Security Corp. (100%-owned and incorporated on November 15, 2017 in the United States).

The Company consolidates its subsidiary, over which it has continuing power to determine the strategic operating, investing and financing policies without the cooperation of others.

All intercompany balances, transactions, revenues and expenses are eliminated.

Foreign currency translation

The presentation currency for the condensed interim consolidated financial statements is the Canadian dollars. Items included in these condensed interim consolidated financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the individual entity operates (the "**functional currency**"). The functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary is U.S. dollar.

Main sources of estimation uncertainty and critical judgements by management

The preparation of condensed interim consolidated financial statements in accordance with IFRS 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 condensed interim 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

Plurilock Security Solutions Inc.

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For the periods ended March 31, 2020 and 2019

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profit or loss in the period in which they become known. These judgements, estimates and assumptions 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.

Plurilock Security Solutions Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

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(Expressed in Canadian dollars)

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 condensed interim 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 condensed interim consolidated 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. 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 IFRS 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.

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4. Trade and other receivables

The Company's trade and other receivables are comprised of the following:

	March 31, 2020	December 31, 2019
	\$	\$
Trade receivables	77,385	515,934
Other receivables	7,775	16,082
	85,160	532,016

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. At March 31, 2020, 55% 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 1 (4 as at December 31, 2019) customer(s).

5. Equipment

Equipment consists of computer equipment and is broken down as follows:

	\$
Cost	
Balance January 1, 2020	26,330
Additions	3,211
Balance March 31, 2020	29,541
Accumulated amortization	
Balance January 1, 2020	22,020
Amortization for the period	431
Balance March 31, 2020	22,451
Net book value	
At January 1, 2020	4,310
At March 31, 2020	7,090

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6. Right of use asset

Right of use asset relates to an office space lease which was capitalized at January 1, 2018. The following table provides a reconciliation of this right of use asset:

	March 31, 2020	December 31, 2019
	\$	\$
Opening balance	28,253	42,380
Less: amortization for the period	(3,531)	(14,127)
Ending balance	24,722	28,253

7. Lease liability

Lease liability relates to the lease of an office space, which has a remaining lease term of twenty-one months, and was discounted using an interest rate of 10%. During the three months ended March 31, 2020, the Company recognized \$749 in interest expense on lease liability (Q1 2019: \$1,081), which is included in interest expense.

	March 31, 2020	December 31, 2019
	\$	\$
Opening balance	32,749	45,678
Add: interest during the year	749	3,846
Less: payments during the year	(4,575)	(16,775)
Balance at end of the year	28,923	32,749
Less: current portion of lease liability	(16,293)	(15,893)
Non-current portion of lease liability	12,630	16,856

8. Intangible assets

Intangibles consist of patent costs incurred in 2015 related to (3) three 20-year patents covering certain aspects of our behavioral biometric algorithms. The values are broken down as follows:

	\$
Cost	
Balance January 1, 2020	100,000
Balance March 31, 2020	100,000
Accumulated amortization	
Balance January 1, 2020	25,000
Amortization for the period	1,250
Balance March 31, 2020	26,250
Net book value	
At January 1, 2020	75,000
At March 31, 2020	73,750

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9. Trade and other payables

The Company's trade and other payables are comprised of the following:

	March 31, 2020	December 31, 2019
	\$	\$
Trade payables	103,826	103,398
Accrued liabilities	225,478	119,841
Payroll liabilities	40,343	117,390
	369,647	340,629

Trade payables include deferred consulting fees to the CFO totaling \$31,500 as at March 31, 2020 (December 31, 2019: \$34,020). Payroll liabilities include deferred compensation to the CEO and CTO totaling \$8,358 as at March 31, 2020 (December 31, 2019: \$83,025).

10. Unearned revenue

	March 31, 2020	December 31, 2019
	\$	\$
Balance, opening	138,659	33,547
Amounts received	6,769	516,463
Revenue recognized	(46,931)	(411,351)
Balance, closing	98,497	138,659

Unearned revenue consists customer contract revenue earned for goods or services which have not yet been delivered and are expected to be provided in the next twelve months.

Plurilock Security Solutions Inc.

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11. Short-term loans

	March 31, 2020 \$	December 31, 2019 \$
Promissory Notes (a)	107,865	223,088
Bridge loan (b)	137,974	177,945
	245,839	401,033
Due for settlement in under 12 months	(245,839)	(401,033)
Due for settlement after 12 months	—	—

- a) As at March 31, 2020, promissory notes totaling \$107,865 (December 31, 2019 \$223,088) are secured by certain accounts receivable, bear interest rate of 14% per annum, and are due on the earliest of (a) five (5) full business days after receipt by the Company of the funds from completion of a mutually agreeable financing event or a mutually agreeable substantial equity financing, and (b) the date that is not later than September 30, 2020 or other mutually agreed date.
- b) As at March 31, 2020, the Company has a bridge loan outstanding of \$137,974 (December 31, 2019 \$177,945) 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, bears interest of 1.6% per month compounded monthly, and is due two business days after receipt by the Company of the 2019 SRED claim or a mutually agreed date and is reduced by repayment of monthly 2018 and 2019 IRAP claims. The bridge loan was repaid in full on May 19, 2020 and the GSA was discharged shortly thereafter – see Note 21 Subsequent Events.

12. Loans payable to related parties

	March 31, 2020 \$	December 31, 2019 \$
Loans payable to related parties	54,005	52,164

Loans payable to related parties as at March 31, 2020 totaling \$54,005 (December 31, 2019 \$52,164) include a short-term promissory note of \$50,000 owed to the Chairman of the Company (“Lender”). The amount is secured by certain accounts receivable, bears simple interest at 14% per annum, and is due on the earliest of (a) five (5) full business days after receipt by the Company of the funds from completion of a mutually agreeable financing event or a mutually agreeable substantial equity financing, and (b) the date that is not later than September 30, 2020 or other mutually agreed date.

13. Convertible debt

The Company 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 the Company comprised of common shares at \$0.225 per share, together with a warrant that will automatically be exchanged for warrants, if any, that comprise the Resulting Issuer Units (the “Plurilock Units”); and (b) \$817,375 secured convertible debentures of the Company (the “Debentures” and together with the Plurilock Units, the “Bridge #1 Securities”) that will automatically convert into or be exchanged for, Resulting Issuer Units at the Closing. The

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CEO, CFO and CTO collectively subscribed to \$55,000 of the Bridge #1 Financing. If the Proposed Transaction completes: (a) the Debentures will have a conversion price representing a 25% discount to the price of the Resulting Issuer Units in the Financing; and (b) the Plurilock Units will entitle the holders to such number of Resulting Issuer Units as reflects such 25% discount. The Debentures will bear interest at a rate of 10% per annum, in the event that the Proposed Transaction is not completed and will have a maturity date of January 1, 2022, and, at the option of the respective lenders: (a) the principal will be repaid in full, plus interest, on such date; or (b) the principal and interest outstanding on such date will convert into common shares of Plurilock at a price of \$0.225 per share, only if either: (i) the respective lender provides notice in writing that it wishes for the principal and interest to convert as noted; or (ii) there is a "Qualified Financing" (proceeds raised of at least \$2,000,000, excluding the Debentures, in connection with a public listing transaction of Plurilock,) in which case the principal and interest will automatically convert into the kind and class of shares of Plurilock sold under the Qualified Financing.

The Company has designated the convertible debt 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 Proposed Transaction. The Company determined the fair value of the Debentures using a probability weighted value of the forward value of the convertible units if the Proposed Transaction occurs and the value using a convertible bond model, which includes the value of the debt on a stand-alone basis and the value of the conversion option if the Proposed Transaction does not occur. The significant assumptions used in the valuation of the Debentures at the inception date included a probability of the Proposed Transaction occurring of 90%, a volatility of 14%, a risk-free rate of 2%, and a credit spread of approximately 17%. At March 31, 2020, the Company would be contractually required to pay \$817,375 at maturity, plus interest of 10% if the Proposed Transaction is not completed. The significant assumptions in determining the fair value at March 31, 2020 include a probability of the Proposed Transaction occurring of 90%, a volatility of 21%, a risk-free rate of 1.2%, and a credit spread of approximately 32%. The Company recognized a change in the fair value of the convertible debt of \$4,445 in the quarter ended March 31, 2020. Transaction costs incurred related to the Debentures of \$30,430 were expensed in the quarter ended March 31, 2020.

14. Share capital

(a) Authorized

Unlimited number of common shares without nominal or par value, and

Unlimited number of series seed preferred shares without nominal or par value

(b) Issued and outstanding

During the three months ended March 31, 2020, the Company raised a total of \$182,625 (\$220,000 in Q1 2019) through a common share round of financing. The common share round raised at a price of \$0.225 per share (\$0.25 in Q1 2019) and resulted in issued 811,665 (880,000 in Q1 2019) common shares being issued.

Share issuance costs during the three months ended March 31, 2020 totaled \$5,500 (nil in Q1 2019) and are recorded as a credit to share capital.

The Company's series seed preferred shares are convertible into common shares of the Company without payment of additional consideration at any time at the option of the shareholder. The series seed preferred shares will automatically convert into common shares upon the earlier of a qualified initial public offering or the approval of the majority of the shareholders of the series seed preferred shares.

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14. Share capital (continued)

(b) Issued and outstanding (continued)

The following table summarizes the Company's issued and outstanding share capital:

	Number of common shares #	Number of preferred shares #	Number of shares #	\$
Balance, January 31, 2019	21,365,776	—	21,365,776	3,747,362
Shares issued for cash	880,000	—	880,000	220,000
Balance, March 31, 2019	<u>22,245,776</u>	—	<u>22,245,776</u>	<u>3,967,362</u>
Shares issued for cash	585,204	1,888,333	2,473,537	712,801
Share issuance costs	—	—	—	(42,500)
Balance, December 31, 2019	<u>22,830,980</u>	<u>1,888,333</u>	<u>24,719,313</u>	<u>4,637,663</u>
Shares issued for cash	811,665	—	811,665	182,625
Share issuance costs	—	—	—	(5,500)
Balance, March 31, 2020	<u>23,642,645</u>	<u>1,888,333</u>	<u>25,530,978</u>	<u>4,814,788</u>

(c) *Stock option plan*

Commencing in 2015, the Company established an employee stock option plan whereby eligible employees, consultants, and directors are granted stock options to purchase common shares in the Company. The maximum number of non-voting shares available for issuance under this Plan was fixed at 5,500,000 by the Board on October 18, 2018. The options expire 10 years from the grant date and generally vest over a three-year period from the date of the grant.

The following table summarizes the continuity of stock options:

	Number of options #	Weighted average exercise price \$
Balance, January 1, 2019	4,990,181	0.25
Balance, March 31, 2019	4,990,181	0.25
Granted	684,458	0.25
Forfeited	(446,488)	0.25
Balance, December 31, 2019	5,228,151	0.25
Balance, March 31, 2020	5,228,151	0.25

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14. Share capital (continued)*(c) Stock option plan (continued)*

Additional information concerning stock options outstanding as at March 31, 2020 and December 31, 2019 as follows:

	March 31, 2020			December 31, 2019		
	Exercise price \$	Number of options #	Weighted average remaining contractual life Years	Exercise price \$	Number of options #	Weighted average remaining contractual life Years
2020		—				
2019	0.25	237,970	0.44	0.25	237,970	0.46
2018	0.25	2,221,254	3.72	0.25	2,221,254	3.82
2017	0.25	1,311,427	1.94	0.25	1,311,427	2.01
2016	0.25	882,500	1.14	0.25	882,500	1.18
2015	0.25	575,000	0.63	0.25	575,000	0.66
	0.25	5,228,151	7.88	0.25	5,228,151	8.13

The weighted average remaining contractual life of stock options outstanding as at March 31, 2020 was 7.88 years (8.13 years as of December 31, 2019).

The estimated fair value of each option granted under the Option Plan was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions. The volatility used is based on volatilities of a peer group of companies:

	March 31, 2020	December 31, 2019
Risk-free interest rate	0.44%	1.63%
Dividend yield	—	—
Expected life (in years)	3-10	3-10
Volatility	20.96	13.00

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14. Share capital (continued)*(d) Stock-based payment reserve*

Total stock-based compensation cost recognized in income for the three months ended March 31, 2020 was \$11,608 (\$10,544 in Q1 2019) and is credited to contributed surplus.

Total stock-based compensation expense for the three months ended March 31, 2020 is comprised of the expense related to stock options issued to related parties of \$8,132 (\$7,719 in Q1 2019) and to other employees of \$3,476 (\$2,825 in Q1 2019).

(e) Warrants

There are 1,257,465 warrants as at March 31, 2020 (1,001,632 as of December 31, 2019), of which 851,632 were carried forward from 2019 and 405,833 were issued as part of the Bridge #1 financing as stated in note 13. Of the 851,632 warrants carried forward from 2019, 776,632 warrants expired unexercised in April 2020; the remaining 75,000 warrants are exercisable for one common share at a price of \$0.25 per share and are fully vested with no expiry date.

The following table summarizes the continuity of the warrants:

Balance, January 1, 2019	3,364,057	0.25
Expired	(850,000)	0.25
Balance, March 31, 2019	2,514,057	
Expired	(1,512,425)	0.25
Balance, December 31, 2019	1,001,632	
Expired	(150,000)	0.25
Special warrants	405,833	0.45
Balance, March 31, 2020	1,257,465	

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15. Capital risk management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, short-term loans, loans payable to related parties, and equity comprised of issued share capital, and share-based payment reserve:

	March 31, 2020	December 31, 2019
	\$	\$
Cash and cash equivalents	781,500	147,433
Short-term loans	245,839	401,033
Loans payable to related parties	54,005	52,164
Share capital	4,814,788	4,637,663
Share-based payment reserve	221,467	209,859
	6,117,599	5,448,152

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, short-term loans, loans payable to related parties, or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2019.

16. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, short-term loans, loans payable to related parties, and convertible debt.

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, short-term loans, loans payable 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. The Company's convertible debt is measured at fair value through profit and loss (Note 13).

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 risk). The following analysis enables users to evaluate the nature and extent of the risks at the end of each reporting period. There has been no significant changes in the various financial risks and the management of such risks from the year ended December 31, 2019.

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16. Financial instruments (continued)

Financial risk management (continued)

(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:

	March 31, 2020	December 31, 2019
	\$	\$
Cash and cash equivalents	781,500	147,433
Accounts receivable	85,160	532,016
Tax credits receivable	254,759	178,036
	1,121,419	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 is 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. During the first quarter of 2020, the Company entered into a non-binding letter of intent to complete a public listing transaction for Plurilock which included private placement financings totalling \$1.5 million in addition to a \$2.7 million financing in connection with the closing of the transaction (Note 21).

(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.

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16. Financial instruments (continued)

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 March 31, 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.

17. Segmented information

(a) Operating Segments

The Company and its subsidiary operate primarily in one principal business, that being developing and selling cyber security solutions to customers in government and other sectors.

	For the three months ended March 31,	
	2020	2019
	\$	\$
Revenue		
Government	19,371	41,800
License	83,968	27,576
	103,339	69,376

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17. Segmented information (continued)*(b) Entity wide disclosures*

Geographic revenue information is based on the location of the customers invoiced. Long-lived assets include non-current equipment, right of use asset, and intangible assets.

	For the three months ended March 31,	
	2020	2019
	\$	\$
Revenue		
United States	103,189	67,538
Canada	150	1,838
	103,339	69,376
Long-lived assets		
Canada	105,563	107,563

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18. Operating expenses

	For the three months ended March 31,	
	2020	2019
	\$	\$
Research and development		
Communication and IT services	32,331	22,292
Contractors	—	17,531
Government assistance	(43,136)	(20,544)
Office and general	1,465	24
Salaries and benefits	200,953	156,682
SRED tax credit	(76,723)	(43,500)
Travel and entertainment	2,059	2,156
COGS allocation	(15,927)	(5,236)
	101,022	129,405
Sales and marketing		
Advertising and promotion	1,081	2,173
Communication and IT services	8,067	20,885
Contractors	11,814	—
Government assistance	(910)	—
Marketing	4,827	—
Office and general	2,643	—
Salaries and benefits	175,988	130,368
Sales commission	6,283	—
Travel and entertainment	614	3,951
	210,407	157,377
General and administrative		
Amortization	5,212	1,810
Communication and IT services	10,970	6,844
Contractors	80,077	37,868
Government assistance	(546)	—
Insurance	6,512	3,047
Office and general	9,365	16,377
Professional fees	135,986	30,707
Salaries and benefits	53,800	69,836
Travel and entertainment	12,876	25,027
	314,252	191,516

In March 2020, the World Health Organization declared the coronavirus (specifically identified as "COVID-19") a global pandemic. The Temporary Wage Subsidy ("TWS") came into effect on March 18, 2020 and allows eligible employers to reduce the amount of payroll deductions they would otherwise be required to remit to the Canada Revenue Agency ("CRA"). The amount of the subsidy is 10% of remuneration and applies during the period of March 18, 2020 to June 19, 2020. The Company meets the conditions to qualify for the TWS and received \$4,631 under the program for the three months ended March 31, 2020. The Company has adopted IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) to account for the TWS. The amount received has been recognized on a net basis as a reduction of operating expenses as Government Assistance under the respective department noted above.

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19. Loss per share

The basic and diluted net loss per share for the Company for the period is calculated using the following numerators and denominators:

	March 31, 2020 \$	March 31, 2019 \$
Numerator		
Net loss and comprehensive loss	(561,802)	(440,682)
Denominator		
Total basic shares for loss per share calculation	25,530,978	22,245,776
	(0.02)	(0.02)
Denominator		
Total fully-diluted shares for diluted loss per share calculation	31,862,429	30,480,014
	(0.02)	(0.02)

20 Related party transactions

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.

For the three months ended March 31, 2020, key management personnel transactions are as follows:

- (a) Wages, benefits, bonus and vacation pay, including accrued and deferred payments totaled \$163,508 (\$72,727 in Q1 2019).
- (b) Consulting fees, benefits and bonus, including accrued and deferred payments totaled \$75,864 (\$25,175 in Q1 2019).
- (c) Stock based compensation totaled \$8,132 (\$7,719 in Q1 2019).

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20 Related party transactions (continued)

The following table summarizes the related party transactions:

	For the three months ended March 31,	
	2020	2019
	\$	\$
Wages and benefits	163,508	72,727
Consulting fees	75,864	25,175
Stock-based compensation expense*	8,132	7,719
	247,504	105,621

Note:

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

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(Expressed in Canadian dollars)

21. Subsequent events

- (a) Effective April 11, 2020, Canada Emergency Wage Subsidy ("**CEWS**") came into force providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll during the period of March 15 to August 29, 2020. Under this program, qualifying businesses can receive up to 75% of their employees' wages. The Company meets the conditions to qualify for the CEWS and subsequently received \$23,540 in May 2020 under the program for the period related to the three months ended March 31, 2020. The Company has accounted for the CEWS in accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance). The amount the Company is approved for under the CEWS program will be recognized as Government Assistance and netted against operating expenses of each department indicated in Note 18.
- (b) 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 six 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.
- (c) On April 15, 2020, the Company was approved for a \$40,000 line of credit ("**LOC**") with Royal Bank of Canada under the Canada Emergency Business Account ("**CEBA**") program funded by the Government of Canada to aid with economic effects resulting from the Coronavirus pandemic. The CEBA LOC is non-interest bearing, can be repaid at any time without penalty and is valid until December 31, 2020. The Company has drawn \$40,000 from the CEBA LOC on May 11, 2020. On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a non-revolving term loan ("**CEBA Term Loan**"). The CEBA Term Loan will bear interest at 5% per annum and mature on December 31, 2025. The CEBA Term Loan may be repaid at any time without notice to us or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement Date on or before December 31, 2022 is repaid, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven ("**Early Payment Credit**").
- (d) 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 as at March 31, 2020. The related GSA was discharged shortly thereafter (See Note 11b).
- (e) On June 1, 2020, the Company paid down \$25,000 principal and accrued interest to date of the Loans Payable to Related Parties. The remaining \$25,000 principal amount of the loan was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- (f) On June 3, 2020, \$25,000 principal of one of the Company's Short-term Loans was converted to equity as part of the 2nd Pre-Transaction Financing offering. The remaining \$25,000 principal amount of the loan and accrued interest to date was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- (g) On June 5, 2020, the Company paid down \$25,000 principal and accrued interest to date of another of the Short-term Loans. The remaining \$25,000 principal amount of the loan was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.

Plurilock Security Solutions Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

- (h) On June 18, 2020, the Company completed a 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 the Company comprised of common shares at \$0.225 per share, together with a warrant that will automatically be exchanged for warrants, if any, that comprise the Plurilock Units and (b) \$490,000 Debentures and together with the Plurilock Units, the "**Bridge #2 Securities**") that will automatically convert into or be exchanged for, Resulting Issuer Units at the Closing. The terms of the Bridge #2 Securities are similar to the Bridge #1 Securities (Note 13). The Company incurred an aggregate of \$27,760 in cash and 40,400 in broker's warrants as finder's fees in relation to the Bridge #2 Financing.
- (i) On June 23, 2020, and as amended on August 19, 2020, the Company entered into a "three-cornered amalgamation" agreement, the Definitive Agreement (see Note 1), with Libby K and 01243540 B.C. Ltd. ("**Subco**"), a wholly-owned subsidiary of Libby K. Pursuant to the terms of the Definitive Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, at the Closing, Plurilock will amalgamate with Subco pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "**Amalgamation**") and continue operating under the name Plurilock after the Amalgamation. On the Transaction date, Libby K will change its name to "Plurilock Security Inc." Immediately before completion of the Share Exchange ("**Share Exchange**") (as defined below): (a) all of the in-the-money stock options and warrants of Plurilock will be deemed to be exercised into Plurilock Shares on a cashless basis; and (b) each Plurilock preferred share (each, a "**Preferred Share**") which is outstanding will be cancelled and converted into Plurilock Shares in accordance with their terms. After completion of such transactions, and before the Share Exchange and the completion of the Plurilock Brokered Component (as defined below), it is expected that there will be an aggregate of 28,283,972 Plurilock Shares issued and outstanding. All stock options of Plurilock that are not in-the-money will be cancelled and no other securities of Plurilock will be issued or outstanding. Subco (after the Closing, the "**Resulting Issuer**") and the outstanding securities of Plurilock will be exchanged for securities of the Resulting Issuer pursuant to exchange ratios ("**Exchange Ratios**" or "**Share Exchange**") immediately before the completion of the Closing as follows:
- 1) each outstanding common share in the capital of Plurilock (a "Plurilock Share") held by certain shareholders that formed the founder trust distribution in 2020 (the "1.655 Exchange Ratio Plurilock Holders") will be exchanged for 1.655 shares of the Resulting Issuer on a post-Consolidation basis (each, a "Resulting Issuer Share");
 - 2) each outstanding Bridge Unit (as defined below) shall be exchanged for one Resulting Issuer Unit (as defined below), as described under the heading "Bridge Financing" below; and
 - 3) each outstanding Plurilock Share that: (i) is not held by 1.655 Exchange Ratio Plurilock Holders; and (ii) does not comprise a portion of the Bridge Units, will be exchanged for 0.8475 Resulting Issuer Shares.

The Exchange Ratios were determined on the basis of a \$1.9 million valuation of Libby K and a \$7.1 million valuation of Plurilock, excluding funds raised pursuant to the Bridge #1 and Bridge #2 Financings and the Concurrent Financings (as such terms are defined below). The Amalgamation was approved at a meeting of shareholders of Plurilock on July 13, 2020. As a condition to closing of the Transaction, and pursuant to an engagement letter dated January 30, 2020, as amended on March 25, 2020, April 2, 2020 and June 10, 2020 (the "**Engagement Letter**") between Libby K, Plurilock and PI Financial Corp. ("**PI**"), Libby K and the Company intend to complete concurrent brokered private placements (together, the "**Concurrent Financings**") for aggregate proceeds of up to \$2.7 million, subject to minimum gross proceeds of \$2 million. The Concurrent Financings will be conducted in two components: (a) by Libby K, for retail investors who are subscribing under the prospectus exemption pursuant to BC Instrument 45-536 (the "**Libby K Brokered Component**"); and (b) by Plurilock, for investors who are subscribing under all other prospectus exemptions (the "**Plurilock Brokered Component**"). Unless such terms are amended with the approval of the Libby K board of

Plurilock Security Solutions Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

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directors and Plurilock board of directors, investors in the Libby K Brokered Component will be subscribing for units of the Resulting Issuer (each, a "**Resulting Issuer Unit**") with a subscription price of \$0.30 per unit (the "**Offering Price**"). Each Resulting Issuer Unit will be comprised of one Resulting Issuer Share and one-half of a warrant (each whole such warrant, a "**Warrant**"). Each Warrant will be exercisable for one Resulting Issuer Share for two (2) years from Closing, at an exercise price of \$0.40 per share. Pursuant to the terms of the Engagement Letter, the Resulting Issuer intends to pay PI a finder's fee equal to 8% in cash of gross proceeds and issuing to PI the number of compensation options equal to 8% of the number of securities sold in the Concurrent Financings, where each Compensation Option is exercisable to purchase one Common Share of the Resulting Issuer at the Offering Price. For funds raised pursuant to a joint president's list of Libby K and Plurilock, the cash payment payable to PI will be reduced to 3.5% and the warrants issuable to PI will be reduced to 3.5%. No other finders' fees are payable in connection with the Transaction. The Definitive Agreement has a termination date of September 30, 2020 or such later date as may be agreed to in writing by the Libby K and the Company. Libby K received conditional approval of the proposed qualifying transaction from the TSX-V on August 19, 2020.

- (j) On June 24, 2020, the Company was awarded funding of up to \$120,000 to further develop passwordless authentication technology from the National Research Council of Canada Industrial Research Assistance Program ("**NRC IRAP**").

APPENDIX "D"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLURILOCK SECURITY SOLUTIONS INC.

- MD&A for the year ended December 31, 2019
- Interim MD&A for the three month period ended March 31, 2020

(See attached)

Plurilock Security Solutions Inc.

Management's Discussion and Analysis

December 31, 2019

Introduction

This management's discussion and analysis ("MD&A") for Plurilock Security Solutions Inc. ("Plurilock" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2019. Except as otherwise indicated or where the context so requires, references to "Plurilock" or the "Company" include Plurilock and its subsidiary. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") – see note 2 of the December 31, 2019 annual consolidated financial statements for further information. All dollar figures stated herein are expressed in Canadian dollars (\$ or Cdn\$), unless otherwise specified.

The date of this MD&A is August 20th, 2020, the date on which it was approved by the Board of Directors.

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 2019 financial information

The following selected financial information for the fiscal years ended December 31, 2019 and 2018 has been derived from the annual consolidated financial statements and should be read in conjunction with those financial statements and related notes. Non-IFRS measures are defined below.

	Years ended December 31,	
	2019	2018
	\$	\$
Revenue	646,900	653,490
<i>Government</i>	488,231	605,178
<i>License</i>	158,669	48,312
Cost of sales	(79,959)	(48,449)
Gross profit	566,941	605,041
Gross margin	87.6%	92.6%
Net loss and comprehensive loss for the period	(1,345,970)	(1,431,264)
EBITDA ⁽¹⁾	(1,271,423)	(1,374,085)
Adjusted EBITDA ⁽¹⁾	(1,241,275)	(1,313,072)
Basic loss per share - for the period	(0.05)	(0.07)
Diluted loss per share - for the period	(0.05)	(0.07)
Common & preferred shares outstanding	24,719,313	21,365,776
Reconciliation of EBITDA and adjusted EBITDA:		
Net loss and comprehensive loss for the period	(1,345,970)	(1,431,264)
Amortization	22,227	26,180
Interest expense	52,320	30,999
EBITDA ⁽¹⁾	(1,271,423)	(1,374,085)
Share-based compensation	30,148	61,013
Adjusted EBITDA ⁽¹⁾	(1,241,275)	(1,313,072)
	December 31,	December 31,
	2019	2018
	\$	\$
Cash & cash equivalents	147,433	427,221
Trade and other receivables	532,016	115,889
Total assets	1,002,917	869,098
Trade and other payables	340,629	147,355
Unearned revenue	138,659	33,547
Loans - short term	401,033	115,842
Loans - related parties	52,164	68,072
Lease liability - current	15,893	12,929
Total current liabilities	948,378	377,745
Total non-current liabilities	16,856	32,749
Total liabilities	965,234	410,494

Note:

(1) Non-GAAP measure. 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 stock-based compensation expense. 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.

Annual 2019 Financial Highlights

- Total revenue was \$646,900 in 2019 (\$653,490 in 2018), a decrease of 1% over the prior fiscal year.
- Government sales revenue accounted for 75% (93% in 2018) of total revenues while license revenues accounted for 25% (7% in 2018) of total revenues.
- Government sales revenue was \$488,231 in 2019, compared to \$605,178 in the prior fiscal year
- License revenue was \$158,669, compared to \$48,312 in the prior fiscal year.
- Gross margin was 87.6% in 2019, compared to 92.6% in the prior fiscal year.
- Adjusted EBITDA was \$(1,241,275) in 2019 compared to \$(1,313,072) in the prior fiscal year.
- Cash used in operating activities during 2019 was \$1,365,955, compared to \$1,055,729 in the prior fiscal year.

Annual 2019 operational highlights

- During the fiscal year ended December 31, 2019, Plurilock completed Non-Brokered Private Placements consisting of an aggregate of principal amount of \$932,801 by way of Common Share and a Series Seed Preferred Share rounds of financing. The common share financing raised \$366,301 at a price of \$0.25 per common share and the series seed preferred financing raised \$566,500 at a price of \$0.30 per series seed preferred share. Share issuance costs incurred totaled \$42,500.
- In February 2019, Plurilock released of its newest product, ADAPT MFA (*multi-factor authentication*), which provides next-generation multi-factor authentication for Citrix, web, and enterprise environments using Plurilock's proprietary, device-free authentication stack. Plurilock has also added ADAPT's capabilities to its DEFEND continuous authentication product. The release allows DEFEND to now invisibly validate identities both at initial sign-on and up to 800 subsequent times per day, as users work, making it the industry's first end-to-end composite authentication solution. By analyzing behavioral-biometric, environmental, and contextual factors throughout user sessions, DEFEND protects against credential sharing, credential theft, walk-away attacks, automated or scripted attacks, and improper escalations across an enterprise's internal endpoints, Citrix VDI sessions, and online applications.
- On May 16, 2019, Dr. Issa Traore stepped down as a member of the board of directors. He also transitioned his role as Chief Scientific Officer from an executive capacity to that of an advisor of the Company.
- On June 17, 2019, Plurilock CEO, Ian Paterson was named a top founder by Metabridge, an exclusive Canadian association of entrepreneurs, investors, mentors, and other key leaders in Canada's technology community.
- On July 4, 2019, Canada's Department of National Defence and the Canadian Armed Forces ("**DND/CAF**") awarded Plurilock a contract to advance the state of the art real-time cyberattack detection. The project, funded through the Innovation for Defence Excellence and Security ("**IDEaS**") program, is designed to enhance DND/CAF's ability to combat advanced persistent threats ("**APTs**") in

government cyber-systems, and will enable Plurilock to further develop its industry-leading behavioral biometrics technology.

- On November 13, 2019, Plurilock was awarded new contracts by the United States Department of Homeland Security (“**DHS**”) to Advance Machine-to-Machine Authentication, Anomaly Detection and continued development and delivery of machine-to-machine (“**M2M**”) anomaly detection technologies to enable future Internet of Things (“**IoT**”) authentication in certain federal networks. The contract is funded through the DHS Science and Technology (“**S&T**”) Directorate’s Silicon Valley Innovation Program (“**SVIP**”) and represents the next phase in an ongoing collaboration between Plurilock and DHS in a program in which Plurilock is one of only three non-U.S. companies, and the only Canadian company, represented.
- In November 2019, Plurilock signed a material three-year contract with a mid-sized US commercial bank.
- On December 1, 2019, Jord Tanner was appointed CTO, rounding out the Plurilock’s Executive Management Team together with the CEO & CFO. Mr. Tanner was previously the Company’s VP, Engineering.

Company

Overview

Plurilock provides continuous multi-factor authentication (“**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.

Plurilock is headquartered in Victoria, B.C., Canada and its website is www.plurilock.com

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 even if somehow lost to the wild.

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.
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 HIPAA. 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. To this end, Plurilock plans to adopt a capital allocation program to fund acquisitions and has identified several strategic acquisition targets located in key markets in North America.

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, and it has sufficient funding resources going forward.

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 fiscal years ended December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	\$	%	\$	%
Government	488,231	75%	605,178	93%
License	158,669	25%	48,312	7%
Total revenue	646,900	100%	653,490	100%

Plurilock generated \$646,900 (\$653,490 in 2018) of total revenue in the fiscal year ended December 31, 2019, a decrease of 1% over the prior year. In 2019 government sales revenue accounted for 75% (93% in 2018) of total revenues while license revenues accounted for 25% (7% in 2018) of total revenues. 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 continuing operations for the fiscal years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	\$	\$
Revenue	646,900	653,490
Cost of sales	(79,959)	(48,449)
Gross profit	566,941	605,041
Gross profit (%)	87.6%	92.6%

Gross profit as a percent of revenue for the year ended December 31, 2019 decreased to 87.6% versus 92.6% compared to the same period in 2018.

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 is a breakdown of the Company's R&D related to operations for the fiscal years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	\$	\$
Communication & IT services	135,322	38,276
Contractors	79,863	46,332
Government assistance	(125,045)	(4,738)
Office & general	477	6,687
Salaries & benefits	668,265	506,054
SRED tax credits	(121,594)	(199,500)
Travel & entertainment	11,883	2,369
COGS allocation	(86,371)	(48,449)
	562,800	347,031

Plurilock's R&D expenses primarily include salaries and benefits, consulting and contractor fees, communication and IT services, travel and entertainment less \$121,594 (\$199,500 in 2018) of refundable Canadian Scientific Research & Experimental Development ("**SRED**") claimed tax credits and \$125,045 (\$4,738 in 2018) of Canadian National Research Council ("**NRC**") Industrial Research Assistance Program ("**IRAP**") funding. The increase in R&D communication & IT services expense for year ended December 31, 2019 compared to the prior year related to the Company using up a 2017 & 2018 \$100,000 promotional service credit from its off-site on-demand cloud computing platform services provider during 2018.

Research & development 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 to operations for the fiscal years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	\$	\$
Advertising and promotion	3,497	13,140
Communication and IT services	38,705	34,920
Contractors	17,057	117,261
Marketing	9,732	5,905
Office and general	—	5,387
Salaries & benefits	402,749	660,307
Commissions	18,375	6,269
Travel & entertainment	7,678	51,444
	497,793	894,633

The Company's S&M expenses primarily include salaries & benefits, consulting & contractor fees, communication & IT expenses, travel & entertainment expenses, marketing and advertising. The decrease in sales & marketing expenses for year ended December 31, 2019 compared to the prior year related to a turnover of US sales staff and consultants.

Sales & marketing expenses may continue to increase in the future as the Company seeks to execute on its sales growth strategy with the addition of additional sales & marketing staff, both organically and through acquisitions. Plurilock hired a senior New York USA based Account Executive in March 2020.

General and Administrative expenses ("G&A")

The following is a breakdown of the Company's G&A related to operations for the fiscal years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	\$	\$
Amortization expense	22,227	26,180
Bad Debts expense	229	—
Communication and IT services	34,992	35,624
Contractors	193,016	125,135
Insurance	17,405	7,209
Office and general	40,900	56,506
Professional fees	173,116	90,115
Salaries & benefits	210,792	285,900
Travel & entertainment	68,723	84,710
	761,400	711,379

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 general & administrative expenses for year ended December 31, 2019 compared to the prior year related to increased consulting & contractors fees as well as higher professional fees relating from accrued audit expenses as the Company obtained audited financial statements with the adoption of IFRS effective January 1, 2018.

General & administrative 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 fiscal years ended December 31, 2019 and 2018, the Company recognized \$30,148 and \$61,013, respectively of share-based compensation expense. The decrease in share-based compensation expenses for year ended December 31, 2019 compared to the prior year was a resulting of timing and amount of option awards.

The Company issued stock options to directors and employees in 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 13 of the December 31, 2019 annual consolidated financial statements for further information.

Income tax expense

The Company did not recognize income taxes during the fiscal years ended December 31, 2019 and 2018. On a consolidated basis, the Company reported a net loss from operations for the fiscal years ended December 31, 2019 and 2018

Liquidity and capital resources

Cash and cash equivalents

As at December 31, 2019 and 2018, the Company had \$147,433 and \$427,221, respectively, of cash.

Operating activities

During the fiscal years ended December 31, 2019 and, 2018, the Company used \$1,365,955 and \$1,055,729 of cash on operating activities related to operations.

Investing activities

During the fiscal years ended December 31, 2019 and, 2018, the Company used \$5,171 and \$nil of cash on investing activities.

Financing activities

During the year ended December 31, 2019, the Company raised a total of \$932,801 (\$1,167,627 in 2018) through a common share and a series seed preferred share round of financing. The common share round raised \$366,301 (\$1,167,627 in 2018) at a price of \$0.25 per share and resulted in issued 1,465,204 (4,670,114 in 2018) common shares being issued. The CFO indirectly invested \$25,000 in the 2018 common share round. The series seed preferred round raised \$566,500 (nil in 2018) at a price of \$0.30 per share and resulted in 1,888,333 (nil in 2018) series seed preferred shares being issued. Share issuance costs during the year totaled \$42,500 (nil in 2018) and are recorded as a credit to share capital.

As at December 31, 2019, the Company has a current year loss and comprehensive loss of \$1,345,970 (\$1,431,264 in 2018) and an accumulated deficit of \$4,806,893 (December 31, 2018: \$3,478,914). The Company has financed its operating cash requirements primarily through the issuance of share capital, and lending from shareholders. 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 are material uncertainties that exist that may cast significant doubt on the Company's ability to continue as a going concern.

On January 3, 2020, the Company entered into a non-binding letter of intent a capital pool company to complete a public listing transaction for Plurilock by way of a reverse takeover of Libby K. The parties intend to complete a private placement financing of at least \$3.2 million in connection with the closing of the Proposed Transaction. On February 21, 2020, the Company completed a non-brokered private placement financing totaling approximately \$1.0 million. On March 30, 2020, the Company approved an additional non-brokered private placement for proceeds of up to \$500,000. See Subsequent Events note for details.

Trade and other receivables

The following table shows the details of the Company's trade and other receivables at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	\$	\$
Trade receivables	508,154	105,232
Other receivables	23,862	10,657
	532,016	115,889

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. At December 31, 2019, 44% of the Company's trade receivables balance is over 90 days past due (nil in December 31, 2018) and 98%, (90% in December 31, 2019, of the trades receivable balances are owing from 4 (1 in December 31, 2018) customers.

Tax credits receivable

As at December 31, 2019, the Company had a SRED receivable of \$178,036 (\$186,482 in December 31, 2018).

Trade and other payables

The following table summarizes the Company's trade and other payables as at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	\$	\$
Trade payables	103,398	59,380
Accrued liabilities	119,841	33,398
Payroll liabilities	117,390	54,577
	340,629	147,355

Trade payables include deferred fees to the CFO totaling \$34,020 as at December 31, 2019 (December 31, 2018: \$1,575). Accrued liabilities and payroll liabilities include deferred compensation to the CEO and CTO totaling \$83,025 as at December 31, 2019 (December 31, 2018: \$5,100).

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.

	December 31, 2019	December 31, 2018
	\$	\$
Balance, opening	33,547	4,433
Amounts received	516,463	143,106
Revenue recognized	(411,351)	(113,992)
Balance, closing	138,659	33,547

Short-term loans

The following table summarizes loans payable as at December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018
	\$	\$
Promissory notes	223,088	115,842
Bridge loan	177,945	—
	401,033	115,842
Due for settlement in under 12 months	(401,033)	(115,842)
Due for settlement after 12 months	—	—

As at December 31, 2019, Promissory Notes totaling \$223,088 (\$115,842 in 2018) are secured by certain accounts receivable, bear interest rates ranging between 12% - 14% per annum, and are due on the earliest of (a) five (5) full business days after receipt by the Company of the funds from completion of the proposed Qualifying Transaction with Libby K Industries Inc. ("**Libby K**") as detailed in the January 3, 2020 Letter of Intent with Libby K or a mutually agreeable substantial equity financing, and (b) the date that is not later than May 31, 2020 or other mutually agreed date.

As at December 31, 2019, the Company has a bridge Loan outstanding of net \$177,945 (nil in 2018) secured by first priority General Security Agreement (“**GSA**”), current and all future SRED claims from Canada Revenue Agency (“**CRA**”) and all future IRAP claims, bears interest of 1.6% per month compounded monthly, and is due (a) two (5) business days after receipt by the Company of the 2019 SRED claim and reduced by repayment of monthly 2018 and 2019 IRAP claims and (b) the date that is no later than twelve (12) months from the date of the first disbursement of February 15, 2019 or a mutually agreed date.

Loans payable to related parties

The following table summarizes loan payable to related parties as at December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Loans payable to related parties	52,164	68,072	—

Loans payable to related parties at December 31, 2019 include a short-term promissory note of \$50,000 owed to the Chairman of the Company (“**Chairman**”). The amount is secured by certain accounts receivable, bears simple interest at 14% per annum, and is due on the earliest of (a) five (5) full business days after receipt by the Company of the funds from completion of the proposed Qualifying Transaction with Libby K as detailed in the January 3, 2020 Letter of Intent with Libby K, or a mutually agreeable substantial equity financing, and (b) the date that is not later than May 31, 2020 or other mutually agreed date. Loans payable to related parties as at December 31, 2018, included a promissory note of \$70,000 owed to the Chairman. The amount was secured by 2018 SRED claims and accrued simple interest at 12% per annum. The promissory note was repaid on February 28, 2019.

Lease liability

The Lease liability relates to the lease of an office space, which has a remaining lease term of two years, and was discounted using an interest rate of 10%. During the year ended December 31, 2019, the Company recognized \$3,845 in interest expense on lease liability (2018: \$5,030), which is included in interest expense.

	December 31, 2019	December 31, 2018
	\$	\$
Opening balance	45,678	—
Initial recognition of lease liability, Jan 1, 2018	—	56,507
Add: interest during the year	3,846	5,031
Less: payments during the year	(16,775)	(15,860)
Balance at end of the year	32,749	45,678
Less: current portion of lease liability	(15,893)	(12,929)
Non-current portion of lease liability	16,856	32,749

Off balance sheet arrangements

As at December 31, 2019 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 which comprise the Company's Board of Directors and members of the executive team.

The following table summarizes the key management personnel transactions during the fiscal year ended December 31, 2019:

	2019	2018
	\$	\$
Wages and benefits	333,506	264,830
Consulting fees	121,967	86,174
Stock-based compensation expense*	26,721	18,312
	482,194	369,316

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.

Stock Option grants to key personnel during the fiscal year ended December 31, 2019, totalled, CEO Nil (1,400,000 in 2018), CFO Nil (600,000 in 2018), CTO 100,000 (175,000 in 2018). The stock options have a ten-year term and a \$0.25 per option exercise price.

Other Related Party transactions

As at December 31, 2019 the Company had a short-term promissory note of \$50,000 payable to the Chairman of the Company (see "Related Party Loans" above).

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.

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:

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.

Changes in accounting policies including initial adoption

The Company's financial statements issued and effective as at December 31, 2019 are prepared in accordance with IFRS. As these financial statements are the Company's first financial statements prepared in accordance with IFRS, they were prepared in accordance with IFRS 1, First-Time Adoption of IFRS, as discussed in Note 21 of the Company's financial statements. The Company previously reported under Accounting Standards for Private Enterprises ("ASPE") and in accordance with Canadian generally accepted accounting principles for non-publicly accountable enterprises. The Company adopted IFRS on January 1, 2018.

IFRS 1 requires the presentation of comparative information as at the January 1, 2018 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, IFRS 1 permits certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs.

First-time IFRS adoption exemptions applied

IFRS 1 applicable exemptions and exceptions applied by the Company in the conversion from ASPE to IFRS are as follows:

- (i) Share-based Payment Transactions – IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, *Share-based Payment*, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company elected not to apply IFRS 2 to awards that vested prior to the transition date, which have been accounted for in accordance with ASPE.
- (ii) Financial Instruments: Presentation - IAS 32 requires an entity to split a compound financial instrument at inception into separate liability and equity components. IFRS 1 provides some relief for first-time adopters and to the extent that the liability component of a compound instrument is no longer outstanding at the date of transition to IFRS Standards, retrospective application of IAS 32's requirement to split the instrument is not required

The Company elected not to adopt the remaining voluntary exemptions, or they do not apply to the Company.

IFRS employs a conceptual framework similar to ASPE. However, significant differences exist in certain matters of recognition, measurement, and disclosure. While adoption of IFRS has not changed the Company's cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's previous ASPE balance sheets and statements of loss and comprehensive loss have been reconciled to IFRS, with the resulting differences explained.)

The following are the adjustments made to the previously issued ASPE financial statements:

- a) Upon adoption of IFRS effective January 1, 2018, the Company adopted IFRS 16, Leases. This resulted in additional right-of-use assets at January 1, 2018 and December 31, 2018 of \$56,507 and \$42,380, respectively. In addition, the depreciation of the right-of-use asset of \$14,127 and interest expense \$5,031 were recognized in the year ended December 31, 2018, rather than lease expense of \$15,860.
- b) The Company issued promissory notes and loans to related parties in the year ended 2018 which were convertible into common or series seed preferred shares of the Company. Under ASPE, the Company measured the equity component of these compound instruments at zero. Under IFRS, the Company has measured the fair value of the liability component and assigned the residual amount to the equity component of the debt. The fair value of the liability is then accreted up to the face value of the financial instrument using the effective interest method. Upon repayment of the financial instrument, the equity component is reclassified to deficit. Upon conversion of the financial instrument, the debt and equity components are reclassified into share capital. As a result of this difference, the carrying values of short-term loans and loans payable to related parties were decreased by \$5,575 and \$3,217, respectively, with a corresponding increase in equity of \$10,010 at December 31, 2018, and increase in interest expense of \$1,218 for the year then ended.
- c) Under IFRS 15 Revenue from Contracts with Customers, the Company recognizes revenue based on performance obligations delivered over a period of time or at a period of time. ASPE provides a model based on the transfer of risk and rewards. As a result of the adoption of IFRS 15, the Company recognized \$99,301 in revenues in 2018 which had previously been recognized in 2017.
- d) Under ASPE, an enterprise can elect to measure its income taxes using the taxes payable method (and not record deferred taxes); this option is not available under IAS 12, *Income Taxes* ("IAS 12"). Under the deferred tax method in ASPE, when the amount related to an asset that will be deductible depends on whether the asset is sold or used, the tax base is the greater of those two amounts. Under IAS 12, the tax base is determined based on the manner in which the entity expects to recover the asset. There were no material changes to the Company's financial position at December 31, 2018 or January 1, 2018, or the year ended December 31, 2018 related to the accounting for income taxes in accordance with IAS 12.

The following standards were adopted in the year ended December 31, 2018

IFRS 9 – "Financial Instruments" ("**IFRS 9**")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. These standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 *Financial Instruments – Recognition and Measurement* for debt

instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, IFRS 9 added a single, forward-looking "expected loss" impairment model for financial assets, including trade receivables, which means it is no longer necessary for a triggering event to occur before an impairment loss is recognized. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company has adopted IFRS 9 retrospectively. As a result of the adoption of IFRS 9, there were no changes to the original measurement categories for each class of the Company's financial assets. These changes in accounting policies, and the adoption of the expected loss impairment model, did not have a material impact on the Company's financial performance or its financial position.

IFRS 15 – "Revenue from Contracts with Customers" ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18 – "Revenue", IAS 11 – "Construction Contracts" and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. Various clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company has completed its implementation plan and has adopted IFRS 15 in its financial statements for the annual period beginning on July 1, 2018.

The impact of the adoption of IFRS 15 on reported revenue results was not material. Based on its analysis, the Company has determined that its customer contracts currently accounted for rateably over the term of the subscription meet the requirements for revenue recognition over time under IFRS 15, and as a result, the Company will continue to recognize subscription term revenues rateably over their term. There have been no material adjustments relating to the application of other aspects of IFRS 15.

The Company applied the provisions of IFRS 15 retrospectively and did not utilize any transitional practical expedients in the application of IFRS 15.

Future accounting standards

The IASB has issued the following amendments and new standards, which have not yet been adopted by the Company.

IFRS 16 – "Leases" ("IFRS 16")

IFRS 16 was released in January 2016 to improve the accounting for leases, generally by eliminating a lessee's classification of leases and introducing a single lessee accounting model. The most significant effect

of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low-value assets are both exempted.

The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases and will result in the recognition of amortization of the lease asset and of interest expense.

The standard is effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17, "Leases". The Company has substantially completed its assessment of the impact of the standard and will adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2020. The Company anticipates that its lease of office space, currently accounted for as an operating lease, will meet the requirements for recognition as right of use assets at that time.

There are additional new and amended accounting standards that have not been described herein as they are not expected to have a material impact on the Company.

Financial instruments and other instruments

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

Cash and cash equivalents, tax credits receivable 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.

Accounts payable and accrued liabilities 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 are 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 risk). The following analysis enables users to evaluate the nature and extent of the risks at the end of the reporting period, December 31, 2019.

The significant financial risks to which the Company is exposed are credit risk, interest rate risk, liquidity risk, and currency risk.

(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:

	December 31, 2019	December 31, 2018
	\$	\$
Cash and cash equivalents	147,433	427,221
Trade and other receivables	532,016	115,889
Tax credits receivable	178,036	186,482
	857,485	729,592

(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. 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 cost. The Company expects to satisfy obligations under accounts payable and accrued liabilities. Management intends to continue to finance its activities by raising funds through equity investments and debt.

All of the Company's financial liabilities are current in nature, and therefore are due prior to December 31, 2020.

(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 for the year ended December 31, 2019, 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

Subsequent events

- a) On January 3, 2020, the Company entered into a non-binding letter of intent (the "**Letter of Intent**") with Libby K Industries Inc. ("**Libby K**") (TSX-V: LBB.P), a capital pool company to complete a public listing transaction for Plurilock (the "**Proposed Transaction**") by way of a reverse takeover of Libby K. It is anticipated that the Proposed Transaction will be by way of a business combination involving either a three-cornered amalgamation whereby Plurilock will amalgamate with a newly incorporated wholly owned subsidiary of Libby K or an amalgamation between Plurilock and Libby K. Upon completion of the Proposed Transaction, the name of Libby K will be changed to "Plurilock Security Solutions Inc." The resulting entity (the "**Resulting Issuer**") will carry on the business of Plurilock as currently constituted and planned. It is expected that the Resulting Issuer will be a Tier 2 Technology issuer on the TSX-V. The final structure of the Proposed Transaction is subject to receipt of tax, corporate, and securities law advice by both Libby K and Plurilock. The Letter of Intent was negotiated at arm's length and the parties are currently negotiating the terms of a definitive amalgamation agreement ("**Definitive Agreement**"). The parties intend to complete a private placement financing ("**Financing**") comprised of units ("**Resulting Issuer Units**") in connection with the closing of the Proposed Transaction (the "**Closing**"). It is expected that each Resulting Issuer Unit will be comprised of one common share of the Resulting Issuer (each, a "Resulting Issuer Share") and a half warrant exercisable for two years from closing of the Financing (the "**Concurrent Warrants**"). The exact terms of the Financing will be mutually agreed upon before execution of the Definitive Agreement. The Proposed Transaction is expected to close in the second half of 2020. On June 23, 2020, the Company entered into the Definitive Agreement.
- b) On January 30, 2020, the Company engaged ("**Engagement Letter**") PI Financial Corp. ("**PI**" or "**PI Financial**") to engage PI as its financial advisor and agent with a commission payable to PI on closing of the Financing both in cash and warrants for the Financing and a finance fee plus common shares for the Pre-Transaction Financing. On March 25, 2020 the Company and PI amended (the "**Amendment**") the Engagement Letter to provide a payment of cash finder's fees of the gross proceeds raised under any additional Pre-Transaction Financing.
- c) On February 21, 2020, the Company completed the Pre-Transaction Financing totaling approximately \$1.0 million. The Company and Libby K agreed to oversubscription from what was specified in the Letter of Intent. Of the approximately \$1.0 million subscribed for, \$817,375 was in the form of Debentures and approximately \$182,625 was subscribed in Plurilock Units. Plurilock paid an aggregate of \$35,830

in cash as finder's fees in connection with the Pre-Transaction Financing. The CEO, CFO and CTO collectively subscribed to \$55,000 of the Pre-Transaction Financing.

- d) On March 30, 2020, the Company approved a non-brokered private placement for proceeds of up to \$500,000 (the "**2nd Pre-Transaction Financing**"). The 2nd Pre-Transaction Financing is structured on the same terms as the Pre-Transition Financing. As of the date of the Audit Report, the Company is in the process of raising the 2nd Pre-Transaction Financing.
- e) Effective April 11, 2020, Canada Emergency Wage Subsidy ("**CEWS**") came into force providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll during the period of March 15 to August 29, 2020. Under this program, qualifying businesses can receive up to 75% of their employees' wages. The Company meets the conditions to qualify for the CEWS and subsequently received \$23,540 in May 2020 under the program for the period related to the three months ended March 31, 2020. The Company will adopt IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) to account for the CEWS. The amount the Company is approved for under the CEWS program will be recognized as Government Assistance and netted against operating expenses of each department indicated in Note 17.
- f) 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 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 six 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.
- g) On April 15, 2020, the Company was approved for a \$40,000 line of credit ("**LOC**") with Royal Bank of Canada under the Canada Emergency Business Account ("**CEBA**") program funded by the Government of Canada to aid with economic effects resulting from the Coronavirus pandemic. The CEBA LOC is non-interest bearing, can be repaid at anytime without penalty and is valid until December 31, 2020. To date, the Company has not drawn from the CEBA LOC. On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a non-revolving term loan ("**CEBA Term Loan**"). The CEBA Term Loan will bear interest at 5% per annum and mature on December 31, 2025. The CEBA Term Loan may be repaid at any time without notice to us or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement Date on or before December 31, 2022 is repaid, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven ("**Early Payment Credit**").
- h) 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 as at March 31, 2020. The related GSA was discharged shortly thereafter.
- i) On June 1, 2020, the Company paid down \$25,000 principal and accrued interest to date of the Loans Payable to Related Parties. The remaining \$25,000 principal amount of the loan was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- j) On June 3, 2020, \$25,000 principal of one of the Company's Short-term Loans was converted to equity as part of the 2nd Pre-Transaction Financing offering. The remaining \$25,000 principal amount of the loan and accrued interest to date was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- k) On June 5, 2020, the Company paid down \$25,000 principal and accrued interest to date of another of the Short-term Loans. The remaining \$25,000 principal amount of the loan was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.

- l) On June 18, 2020, the Company completed a 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 the Company comprised of common shares at \$0.225 per share, together with a warrant that will automatically be exchanged for warrants, if any, that comprise the Plurilock Units and (b) \$490,000 Debentures and together with the Plurilock Units, the "**Bridge #2 Securities**") that will automatically convert into or be exchanged for, Resulting Issuer Units at the Closing. The terms of the Bridge #2 Securities are similar to the Bridge #1 Securities. The Company incurred an aggregate of \$27,760 in cash and 40,400 in broker's warrants as finder's fees in relation to the Bridge #2 Financing.
- m) On June 23, 2020 and as amended on August 19, 2020,, the Company entered into a "three-cornered amalgamation" agreement, the Definitive Agreement (see Note 1) with Libby K and 01243540 B.C. Ltd. ("**Subco**"), a wholly-owned subsidiary of Libby K. Pursuant to the terms of the Definitive Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, at the Closing, Plurilock will amalgamate with Subco pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "**Amalgamation**") and continue operating under the name Plurilock after the Amalgamation. On the Transaction date, Libby K will change its name to "Plurilock Security Inc." Immediately before completion of the Share Exchange ("**Share Exchange**") (as defined below): (a) all of the in-the-money stock options and warrants of Plurilock will be deemed to be exercised into Plurilock Shares on a cashless basis; and (b) each Plurilock preferred share (each, a "**Preferred Share**") which is outstanding will be cancelled and converted into Plurilock Shares in accordance with their terms. After completion of such transactions, and before the Share Exchange and the completion of the Plurilock Brokered Component (as defined below), it is expected that there will be an aggregate of 28,283,972 Plurilock Shares issued and outstanding. All stock options of Plurilock that are not in-the-money will be cancelled and no other securities of Plurilock will be issued or outstanding. Subco (after the Closing, the "**Resulting Issuer**") and the outstanding securities of Plurilock will be exchanged securities of the Resulting Issuer pursuant to exchange ratios ("**Exchange Ratios**" or "**Share Exchange**") immediately before the completion of the Closing as follows:
- 1) each outstanding common share in the capital of Plurilock (a "Plurilock Share") held by certain shareholders that formed the founder trust distribution in 2020 (the "1.655 Exchange Ratio Plurilock Holders") will be exchanged for 1.655 shares of the Resulting Issuer on a post-Consolidation basis (each, a "Resulting Issuer Share");
 - 2) each outstanding Bridge Unit (as defined below) shall be exchanged for one Resulting Issuer Unit (as defined below), as described under the heading "Bridge Financing" below; and
 - 3) each outstanding Plurilock Share that: (i) is not held by 1.655 Exchange Ratio Plurilock Holders; and (ii) does not comprise a portion of the Bridge Units, will be exchanged for 0.8475 Resulting Issuer Shares.

The Exchange Ratios were determined on the basis of a \$1.9 million valuation of Libby K and a \$7.1 million valuation of Plurilock, excluding funds raised pursuant to the Bridge #1 and Bridge #2 Financings and the Concurrent Financings (as such terms are defined below). The Amalgamation was approved at a Plurilock shareholder meeting held on July 13, 2020. As a condition to closing of the Transaction, and pursuant to an engagement letter dated January 30, 2020, as amended on March 25, 2020, April 2, 2020 and June 10, 2020 (the "Engagement Letter") between Libby K, Plurilock and PI Financial Corp. ("PI"), Libby K and the Company intend to complete concurrent brokered private placements (together, the "Concurrent Financings") for aggregate proceeds of up to \$2.7 million, subject to minimum gross proceeds of \$2 million. The Concurrent Financings will be conducted in two components: (a) by Libby K, for retail investors who are subscribing under the prospectus exemption pursuant to BC Instrument 45-536 (the "Libby K Brokered Component"); and (b) by Plurilock, for investors who are subscribing under all other prospectus exemptions (the "Plurilock Brokered Component"). Unless such terms are amended with the approval of the Libby K board of directors and Plurilock board of directors, investors in the Libby K Brokered Component will be subscribing for units of the Resulting Issuer (each, a "Resulting Issuer Unit") with a

subscription price of \$0.30 per unit (the "Offering Price"). Each Resulting Issuer Unit will be comprised of one Resulting Issuer Share and one-half of a warrant (each whole such warrant, a "Warrant"). Each Warrant will be exercisable for one Resulting Issuer Share for two (2) years from Closing, at an exercise price of \$0.40 per share. Pursuant to the terms of the Engagement Letter, the Resulting Issuer intends to pay PI a finder's fee equal to 8% in cash of gross proceeds and issuing to PI the number of compensation options equal to 8% of the number of securities sold in the Concurrent Financings, where each Compensation Option is exercisable to purchase one Common Share of the Resulting Issuer at the Offering Price. For funds raised pursuant to a joint president's list of Libby K and Plurilock, the cash payment payable to PI will be reduced to 3.5% and the warrants issuable to PI will be reduced to 3.5%. No other finders' fees are payable in connection with the Transaction. The Definitive Agreement has a termination date of September 30, 2020 or such later date as may be agreed to in writing by the Libby K and the Company. Libby K received conditional approval of the proposed qualifying transaction from the TSX-V on August 19, 2020.

- n) On June 24, 2020, the Company was awarded funding of up to \$120,000 to further develop passwordless authentication technology from the National Research Council of Canada Industrial Research Assistance Program ("**NRC IRAP**").

Disclosure of outstanding share data

As of August 17th, 2020, the Company has the following securities outstanding:

Description	Number	Exercise Price Per Share and Expiry
Common shares	23,900,421	NA
Preferred shares	1,888,333	NA
Total issued and outstanding	25,788,754	
Options	5,328,151	Exercisable at \$0.25 and which expire between September 2025 and April 2030
Warrants	75,000	Exercisable at \$0.25 with no expiry date
Special warrants	534,721	Automatically convert to warrants at to be determined pricing at closing of Financing (see Subsequent Events note). If Financing does not close, they are deemed null and void
Brokers warrants	69,400	Exercisable at \$0.4 with a 2 year term
Total diluted number of shares	31,796,026	

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, these 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, 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 entail 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 TSXV 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, not Plurilock, 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

Plurilock Security Solutions Inc.

Management's Discussion and Analysis

For the three months ended March 31, 2020

Introduction

This management's discussion and analysis ("**MD&A**") for Plurilock Security Solutions 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 months ended March 31, 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, 2018 and 2017 ("consolidated financial statements"). Except as otherwise indicated or where the context so requires, references to "Plurilock" or the "Company" include Plurilock and its subsidiary. All dollar figures stated herein are expressed in Canadian dollars (\$ or Cdn\$), unless otherwise specified.

The date of this MD&A is August 17th, 2020, the date on which it was approved by the Board of Directors.

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 Q1 2020 financial information

The following selected financial information for the three months ended March 31, 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 March 31,	
	2020	2019
	\$	\$
Revenue	103,339	69,376
<i>Government</i>	<i>19,371</i>	<i>41,800</i>
<i>License</i>	<i>83,968</i>	<i>27,576</i>
Cost of sales	(11,482)	(10,197)
Gross profit	91,857	59,179
Gross margin	88.9%	85.3%
Net loss and comprehensive loss for the period	(561,802)	(440,682)
EBITDA ⁽¹⁾	(536,552)	(431,835)
Adjusted EBITDA ⁽¹⁾	(524,944)	(421,291)
Basic loss per share - for the period	(0.02)	(0.02)
Diluted loss per share - for the period	(0.02)	(0.02)
Common & preferred shares outstanding	25,530,978	22,245,776
Reconciliation of EBITDA and adjusted EBITDA:		
Net loss and comprehensive loss for the period	(561,802)	(440,682)
Amortization	5,212	1,810
Interest expense	20,038	7,037
EBITDA ⁽¹⁾	(536,552)	(431,835)
Share-based compensation	11,608	10,544
Adjusted EBITDA ⁽¹⁾	(524,944)	(421,291)
	March 31,	December 31,
	2020	2019
	\$	\$
Cash & cash equivalents	781,500	147,433
Trade and other receivables	85,160	532,016
Total assets	1,274,455	1,002,917
Trade and other payables	369,647	340,629
Unearned revenue	98,497	138,659
Loans - short term	245,839	401,033
Loans - related parties	54,005	52,164
Convertible debt	812,930	-
Lease liability - current	16,293	15,893
Total current liabilities	1,597,211	948,378
Total non-current liabilities	12,630	16,856
Total liabilities	1,609,841	965,234

Note:

(1) *Non-GAAP measure. 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 stock-based compensation expense. 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.*

Q1 2020 Financial Highlights

- Total revenue for the three months ended March 31, 2020 was \$103,339, an increase of 49% over the same period in the prior fiscal year.
- Government revenue accounted for 19% (60% for the same period in 2019) of total revenues while license revenues accounted for 81% (40% for the same period in 2019) of total revenues.
- Government revenue was \$19,371 for the three months ended March 31, 2020, compared to \$41,800 over the same period in the prior fiscal year.
- License revenue was \$83,968 for the three months ended March 31, 2020, compared to \$27,576 over the same period in the prior fiscal year.
- Gross margin was 88.9% in Q1 2020, compared to 85.3% over the same period in the prior fiscal year.
- Adjusted EBITDA was \$(524,944) for the three months ended March 31, 2020 compared to \$(421,291) over the same period in the prior fiscal year.
- Cash used in operating activities for the three months ended March 31, 2020 was \$197,108, compared to \$363,907 during the same period in the prior fiscal year.

Q1 2020 Operational Highlights

- On January 3, 2020, the Company entered into a non-binding letter of intent (the "**Letter of Intent**") with Libby K Industries Inc. ("**Libby K**") (TSX-V: LBB.P), a capital pool company to complete a public listing transaction for Plurilock (the "**Proposed Transaction**") by way of a reverse takeover of Libby K. It is anticipated that the Proposed Transaction will be by way of a business combination involving either a three-cornered amalgamation whereby Plurilock will amalgamate with a newly incorporated wholly owned subsidiary of Libby K or an amalgamation between Plurilock and Libby K. Upon completion of the Proposed Transaction, the name of Libby K will be changed to "Plurilock Security Solutions Inc." The resulting entity (the "**Resulting Issuer**") will carry on the business of Plurilock as currently constituted and planned. It is expected that the Resulting Issuer will be a Tier 2 Technology issuer on the TSX-V. The final structure of the Proposed Transaction is subject to receipt of tax, corporate, and securities law advice by both Libby K and Plurilock. The Letter of Intent was negotiated at arm's length and the parties are currently negotiating the terms of a definitive amalgamation agreement ("**Definitive Agreement**"). The parties intend to complete a private placement financing ("Financing") comprised of units ("**Resulting Issuer Units**") of up to \$2.7 million in connection with the closing of the Proposed Transaction (the "**Closing**"). It is expected that each Resulting Issuer Unit will be comprised of one common share of the Resulting Issuer (each, a "Resulting Issuer Share") and a half warrant exercisable for two years from closing of the Financing (the "**Concurrent Warrants**"). The exact terms of the Financing will be mutually agreed upon before execution of the Definitive Agreement. In addition to the Financing, the Company 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 the Company comprised of common shares at \$0.225 per share, together with a warrant that will automatically be exchanged for warrants, if any, that comprise the Resulting Issuer Units (the "**Plurilock Units**"); and (b) \$817,375 secured convertible debentures of the Company (the "**Debentures**" and together with the Plurilock Units, the "**Bridge #1 Securities**") that will automatically convert into or be exchanged for, Resulting Issuer Units at the Closing. The Company paid an aggregate of \$30,430 in cash as finder's fees in connection with the Bridge #1 Financing. The CEO, CFO and CTO collectively subscribed to \$55,000 of the Bridge #1 Financing. If the Proposed Transaction completes: (a) the Debentures will have a conversion price representing a 25% discount to the price of the Resulting Issuer Units in the Financing; and (b) the Plurilock Units will entitle the holders to such number of Resulting Issuer Units as reflects such 25% discount. The Debentures will bear interest at a rate of 10% per annum, in the event that the Proposed Transaction is not completed and will have a maturity date of January 1, 2022, and, at the option of the respective lenders: (a) the principal will be repaid in full, plus interest, on such date; or (b) the principal and interest outstanding on such date will convert into common shares of Plurilock at a price of \$0.225 per share, only if either: (i) the respective lender provides notice in writing that it wishes for the principal and interest to convert as noted; or (ii) there is a "Qualified Financing" (proceeds raised of at least \$2,000,000, excluding the Debentures, in connection with a public listing transaction of Plurilock,) in which case the principal and interest will automatically convert into the kind and class of shares of Plurilock sold under the Qualified Financing.

- On January 30, 2020, the Company engaged ("Engagement Letter") PI Financial Corp. ("PI" or "PI Financial") to engage PI as its financial advisor and agent with a commission payable to PI on closing of the Financing both in cash and warrants for the Financing and a finance fee plus common shares for the Pre-Transaction Financing. On March 25, 2020 the Company and PI amended (the "Amendment") the Engagement Letter to provide a payment of cash finder's fees of the gross proceeds raised under any additional Pre-Transaction Financing.
- On February 6, 2020, Ian Paterson, Plurilock's CEO appeared on a panel titled *The State of Biometrics and Facial Recognition* at the 21st Annual Privacy & Security Conference in Victoria, Canada. Panelists in the discussion, discussed the rapid expansion of biometrics applications and deployments across a variety of industries, including financial services, healthcare, law enforcement, human resources, and national defense, amongst others. In particular, panelists will work to consider and clarify the science, regulation, and privacy issues that have both affected and been affected by real-world biometrics growth in recent years—and the ways in which this growth has shaped concerns about and approaches to security and cybersecurity, in industry and in the public sphere. Paterson's co-panelists will include Joni Brennan, President of the Digital ID and Authentication Council of Canada; Dr. Andrew Adams, Deputy Director, Center for Business Information Ethics, Meiji University; and Brenda McPhail, Director of the Privacy, Technology, and Surveillance Project, Canadian Civil Liberties association. Moderation will be provided by Jill Clayton, Information and Privacy Commissioner of Alberta, Canada.
- In March 2020, the World Health Organization declared coronavirus (specifically identified as "**COVID-19**") a global pandemic. This 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.
- On March 2, 2020, the Company hired a New York, USA based Senior Account Executive with deep direct and channel enterprise cybersecurity sales experience to focus on the Financial Services market.
- On March 30, 2020, the Company approved a non-brokered private placement for proceeds of up to \$500,000 (the "**Bridge #2 Financing**"). The Bridge #2 Financing is structured on the same terms as the Bridge #1. As of the date of the MD&A, the Company is in the process of raising the Bridge #2 Financing.

Company

Overview

Plurilock provides continuous multi-factor authentication (“**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.

Plurilock is headquartered in Victoria, B.C., Canada and its website is www.plurilock.com

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 even if somehow lost to the wild.

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.
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 HIPAA. 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. To this end, Plurilock plans to adopt a capital allocation program to fund acquisitions and has identified several strategic acquisition targets located in key markets in North America.

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 months ended March 31, 2020 and 2019:

	For the three months ended March 31,				Increase/-Decrease %
	2020		2019		
	\$	%	\$	%	%
Government	19,371	19%	41,800	60%	-54%
License	83,968	81%	27,576	40%	204%
Total revenue	103,339	100%	69,376	100%	49%

Plurilock generated \$103,339 of total revenue in the three months ended March 31, 2020, an increase of 49% over the same period in the prior year. During Q1 2020, government sales revenue accounted for 19% (60% in Q1 2019) of total revenues while license revenues accounted for 81% (40% in Q1 2019) of total revenues. 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 months ended March 31, 2020 and 2019:

	For the three months ended March 31,	
	2020	2019
	\$	\$
Revenue	103,339	69,376
Cost of sales	(11,482)	(10,197)
Gross profit	91,857	59,179
Gross profit (%)	88.9%	85.3%

Gross profit as a percent of revenue for the three months ended March 31, 2020 increased to 88.9% versus 85.3% compared to 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 months ended March 31, 2020 and 2019:

	For the three months ended March 31,	
	2020	2019
	\$	\$
Communication & IT services	32,331	22,292
Contractors	—	17,531
Government assistance	(43,136)	(20,544)
Office & general	1,465	24
Salaries & benefits	200,953	156,682
SRED tax credits	(76,723)	(43,500)
Travel & entertainment	2,059	2,156
COGS allocation	(15,927)	(5,236)
	101,022	129,405

For the three months ended March 31, 2020, Plurilock’s R&D expenses primarily include salaries and benefits, consulting and contractor fees, communication and IT services, travel and entertainment less \$76,723 (\$43,500 in Q1 2019) of refundable Canadian Scientific Research & Experimental Development (“**SRED**”) claimed tax credits and \$39,962 (\$20,544 in Q1 2019) of Canadian National Research Council (“**NRC**”) Industrial Research Assistance Program (“**IRAP**”) funding. In March 2020, the Company also received government assistance of \$3,174 from the Government of Canada under the Temporary Wage Subsidy (“**TWS**”) program for the relief of the COVID-19 pandemic.

Research & development 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 months ended March 31, 2020 and 2019:

	For the three months ended March 31,	
	2020	2019
	\$	\$
Advertising and promotion	1,081	2,173
Communication and IT services	8,067	20,885
Contractors	11,814	—
Government assistance	(910)	—
Marketing	4,827	—
Office and general	2,643	—
Salaries & benefits	175,988	130,368
Commissions	6,283	—
Travel & entertainment	614	3,951
	210,407	157,377

For the three months ended March 31, 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 March 2020. In March 2020, the Company also received government assistance of \$910 from the Government of Canada under the Temporary Wage Subsidy program for the relief of the COVID-19 pandemic.

Sales & marketing expenses may continue to increase in the future as the Company seeks to execute on its sales growth strategy with the addition of additional sales & marketing 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 months ended March 31, 2020 and 2019:

	For the three months ended March 31,	
	2020	2019
	\$	\$
Amortization expense	5,212	1,810
Communication and IT services	10,970	6,844
Contractors	80,077	37,868
Government assistance	(546)	—
Insurance	6,512	3,047
Office and general	9,365	16,377
Professional fees	135,986	30,707
Salaries & benefits	53,800	69,836
Travel & entertainment	12,876	25,027
	314,252	191,516

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 general & administrative expenses for the three months ended March 31, 2020 compared to the prior year related to increased consulting & contractors fees as well as higher professional fees relating from audit expenses as the Company obtained audited financial statements with the adoption of IFRS effective January 1, 2018. In March 2020, the Company also received government assistance of \$546 from the Government of Canada under the Temporary Wage Subsidy program for the relief of the COVID-19 pandemic.

General & administrative 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 months ended March 31, 2020 and 2019, the Company recognized \$11,608 and \$10,544, respectively of share-based compensation expense. The increase in share-based compensation expenses for

the three months ended March 31, 2020 compared to the prior year was a result of additional options granted during 2019.

The Company issued stock options to directors and employees in 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 14 of the March 31, 2020 interim financial statements for further information.

Liquidity and capital resources

Cash and cash equivalents

As at March 31, 2020 and December 31, 2019, the Company had \$781,500 and \$147,433, respectively, of cash and cash equivalents.

Operating activities

During the three months ended March 31, 2020 and 2019, the Company used \$197,108 and \$363,907 of cash on operating activities related to operations.

Investing activities

During the three months ended March 31, 2020 and 2019, the Company used \$3,211 and \$nil of cash on investing activities.

Financing activities

During the three months ended March 31, 2020, the Company raised a total of \$182,625 (\$220,000 in Q1 2019) through common shares as part of Bridge #1 financing. The common shares were issued at a price of \$0.225 per share (\$0.25 in Q1 2019) and resulted in 811,665 (880,000 in Q1 2019) common shares. As part of Bridge #1 financing, \$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 period totaling \$5,500 (nil in Q1 2019) were netted against share capital. As part of Bridge #1 financing, the Company received \$786,945 through the issuance of convertible debts. The Company also repaid \$150,552 of their short-term loans in cash.

As at March 31, 2020, the Company has a current year to date loss and comprehensive loss of \$561,802 (\$440,682 during the same period in the prior year) and an accumulated deficit of \$5,380,248 (December 31, 2019: \$4,806,893). The Company has financed its operating cash requirements primarily through the issuance of share capital, and lending from shareholders. 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 are material uncertainties that exist that may cast significant doubt on the Company's ability to continue as a going concern.

On January 3, 2020, the Company entered into a non-binding letter of intent a capital pool company to complete a public listing transaction for Plurilock by way of a reverse takeover of Libby K. The parties intend to complete a private placement financing of at least \$2.7 million in connection with the closing of the Proposed Transaction. On February 21, 2020, the Company completed a non-brokered private placement financing totaling approximately \$1.0 million. On March 30, 2020, the Company approved an additional non-brokered private placement for proceeds of up to \$500,000.

Trade and other receivables

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

	March 31, 2020	December 31, 2019
	\$	\$
Trade receivables	77,385	515,934
Other receivables	7,775	16,082
	85,160	532,016

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. At March 31, 2020, 55% 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, 2018) of the trades receivable balances are owing from 1 (4 as at December 31, 2019) customers.

Tax credits receivable

As at March 31, 2020, the Company has a SRED receivable of \$254,759 (\$178,036 as at December 31, 2019).

Trade and other payables

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

	March 31, 2020	December 31, 2019
	\$	\$
Trade payables	103,826	103,398
Accrued liabilities	225,478	119,841
Payroll liabilities	40,343	117,390
	369,647	340,629

Trade payables include deferred fees to the CFO totaling \$31,500 as at March 31, 2020 (December 31, 2019: \$34,020). Payroll liabilities include deferred compensation to the CEO and CTO totaling \$8,358 as at March 31, 2020 (December 31, 2019: \$83,025).

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.

	March 31, 2020	December 31, 2019
	\$	\$
Balance, opening	138,659	33,547
Amounts received	6,769	516,463
Revenue recognized	(46,931)	(411,351)
Balance, closing	98,497	138,659

Short-term loans

The following table summarizes loans payable as at March 31, 2020 and 2019.

	March 31, 2020	December 31, 2019
	\$	\$
Promissory Notes (a)	107,865	223,088
Bridge loan (b)	137,974	177,945
	245,839	401,033
Due for settlement in under 12 months	(245,839)	(401,033)
Due for settlement after 12 months	—	—

- a)** As at March 31, 2020, promissory notes totaling \$107,865 (December 31, 2019 \$223,088) are secured by certain accounts receivable, bear interest rate of 14% per annum, and are due on the earliest of (a) five (5) full business days after receipt by the Company of the funds from completion of a mutually agreeable financing event or a mutually agreeable substantial equity financing, and (b) the date that is not later than September 30, 2020 or other mutually agreed date.
- b)** As at March 31, 2020, the Company has a bridge loan outstanding of \$137,974 (December 31, 2019 \$177,945) 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, bears interest of 1.6% per month compounded monthly, and is due two business days after receipt by the Company of the 2019 SRED claim or a mutually agreed date and is reduced

by repayment of monthly 2018 and 2019 IRAP claims. The bridge loan was repaid in full on May 19, 2020 and the GSA was discharged shortly thereafter – see Subsequent Events.

Loans payable to related parties

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

	March 31, 2020	December 31, 2019
	\$	\$
Loans payable to related parties	54,005	52,164

Loans payable to related parties as at March 31, 2020 totaling \$54,005 (December 31, 2019 \$52,164) include a short-term promissory note of \$50,000 owed to the Chairman of the Company (“Lender”). The amount is secured by certain accounts receivable, bears simple interest at 14% per annum, and is due on the earliest of (a) five (5) full business days after receipt by the Company of the funds from completion of a mutually agreeable financing event or a mutually agreeable substantial equity financing, and (b) the date that is not later than May 31, 2020 or other mutually agreed date.

Convertible debt

The Company 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 the Company comprised of common shares at \$0.225 per share, together with a warrant that will automatically be exchanged for warrants, if any, that comprise the Resulting Issuer Units (the “**Plurilock Units**”); and (b) \$817,375 secured convertible debentures of the Company (the “**Debentures**” and together with the Plurilock Units, the “**Bridge #1 Securities**”) that will automatically convert into or be exchanged for, Resulting Issuer Units at the Closing. The CEO, CFO and CTO collectively subscribed to \$55,000 of the Bridge #1 Financing. If the Proposed Transaction completes: (a) the Debentures will have a conversion price representing a 25% discount to the price of the Resulting Issuer Units in the Financing; and (b) the Plurilock Units will entitle the holders to such number of Resulting Issuer Units as reflects such 25% discount. The Debentures will bear interest at a rate of 10% per annum, in the event that the Proposed Transaction is not completed and will have a maturity date of January 1, 2022, and, at the option of the respective lenders: (a) the principal will be repaid in full, plus interest, on such date; or (b) the principal and interest outstanding on such date will convert into common shares of Plurilock at a price of \$0.225 per share, only if either: (i) the respective lender provides notice in writing that it wishes for the principal and interest to convert as noted; or (ii) there is a “Qualified Financing” (proceeds raised of at least \$2,000,000, excluding the Debentures, in connection with a public listing transaction of Plurilock,) in which case the principal and interest will automatically convert into the kind and class of shares of Plurilock sold under the Qualified Financing.

The Company has designated the convertible 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 Proposed Transaction. The Company determined the fair value of the Debentures using a probability weighted value of the forward value of the convertible units if the Proposed Transaction occurs and the value using a convertible bond model, which includes the value of the debt on a stand-alone basis and the value of the conversion option if the Proposed Transaction does not occur. The significant assumptions used in the valuation of the Debentures at the inception date included a probability of the Proposed Transaction occurring of 90%, a volatility of 14%, a risk-free rate of 2%, and a credit spread of approximately 17%. At March 31, 2020, the Company would be contractually required to pay \$817,375 at maturity, plus interest of 10% if the Proposed Transaction is not completed. The significant assumptions in determining the fair value at March 31, 2020 include a probability of the Proposed Transaction occurring of 90%, a volatility of 21%, a risk-free rate of 1.2%, and a credit spread of approximately 32%. The Company recognized a change in the fair value of the Debentures of \$4,445 in the quarter ended March 31, 2020. Transaction costs incurred related to the Debentures of \$30,430 were expensed in the quarter ended March 31, 2020.

Lease liability

Lease liability relates to the lease of an office space, which has a remaining lease term of twenty-one months, and was discounted using an interest rate of 10%. During the three months ended March 31, 2020, the Company recognized \$749 in interest expense on lease liability (Q1 2019: \$1,081), which is included in interest expense.

	March 31, 2020	December 31, 2019
	\$	\$
Opening balance	32,749	45,678
Add: interest during the year	749	3,846
Less: payments during the year	(4,575)	(16,775)
Balance at end of the year	28,923	32,749
Less: current portion of lease liability	(16,293)	(15,893)
Non-current portion of lease liability	12,630	16,856

Off balance sheet arrangements

As at March 31, 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 months ended March 2020 and 2019:

	For the three months ended March 31,	
	2020	2019
	\$	\$
Wages and benefits	163,508	72,727
Consulting fees	75,864	25,175
Stock-based compensation expense*	8,132	7,719
	247,504	105,621

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.

Other Related Party transactions

As at March 31, 2020 the Company had a short-term promissory note of \$54,005 payable to the Chairman of the Company (December 31, 2019: \$52,164), see "*Loans payable to related parties*" above.

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 risk). The following analysis enables users to evaluate the nature and extent of the risks at the end of each reporting period. There has 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:

	March 31, 2020	December 31, 2019
	\$	\$
Cash and cash equivalents	781,500	147,433
Accounts receivable	85,160	532,016
Tax credits receivable	254,759	178,036
	<u>1,121,419</u>	<u>857,485</u>

(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 is 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. During the first quarter of 2020, the Company entered into a non-binding letter of intent to complete a public listing transaction for Plurilock which included private placement financings totalling \$1.5 million in addition to a \$2.7 million financing in connection with the closing of the transaction.

(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 March 31, 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) Effective April 11, 2020, Canada Emergency Wage Subsidy ("**CEWS**") came into force providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll during the period of March 15 to August 29, 2020. Under this program, qualifying businesses can receive up to 75% of their employees' wages. The Company meets the conditions to qualify for the CEWS and subsequently received \$23,540 in May 2020 under the program for the period related to the three months ended March 31, 2020. The Company will adopt IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) to account for the CEWS. The amount the Company is approved for under the CEWS program will be recognized as Government Assistance and netted against operating expenses of each department indicated in Note 18.
- (b) 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 six 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.
- (c) On April 15, 2020, the Company was approved for a \$40,000 line of credit ("**LOC**") with Royal Bank of Canada under the Canada Emergency Business Account ("**CEBA**") program funded by the Government of Canada to aid with economic effects resulting from the Coronavirus pandemic. The CEBA LOC is non-interest bearing, can be repaid at any time without penalty and is valid until December 31, 2020. The Company has drawn \$40,000 from the CEBA LOC on May 11, 2020. On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a non-revolving term loan ("**CEBA Term Loan**"). The CEBA Term Loan will bear interest at 5% per annum and mature on December 31, 2025. The CEBA Term Loan may be repaid at any time without notice to us or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan

Commencement Date on or before December 31, 2022 is repaid, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven ("**Early Payment Credit**").

- (d) 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 as at March 31, 2020. The related GSA was discharged shortly thereafter.
- (e) On June 1, 2020, the Company paid down \$25,000 principal and accrued interest to date of the Loans Payable to Related Parties. The remaining \$25,000 principal amount of the loan was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- (f) On June 3, 2020, \$25,000 principal of one of the Company's Short-term Loans was converted to equity as part of the 2nd Pre-Transaction Financing offering. The remaining \$25,000 principal amount of the loan and accrued interest to date was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- (g) On June 5, 2020, the Company paid down \$25,000 principal and accrued interest to date of another of the Short-term Loans. The remaining \$25,000 principal amount of the loan was extended to after the completion of the Proposed Transaction or September 30, 2020, whichever is earlier.
- (h) On June 18, 2020, the Company completed a 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 the Company comprised of common shares at \$0.225 per share, together with a warrant that will automatically be exchanged for warrants, if any, that comprise the Plurilock Units and
 - (b) \$490,000 Debentures and together with the Plurilock Units, the "**Bridge #2 Securities**") that will automatically convert into or be exchanged for, Resulting Issuer Units at the Closing. The terms of the Bridge #2 Securities are similar to the Bridge #1 Securities. The Company incurred an aggregate of \$27,760 in cash and 40,400 in broker's warrants as finder's fees in relation to the Bridge #2 Financing.
- (i) On June 23, 2020 and as amended on August 19, 2020,, the Company entered into a "three-cornered amalgamation" agreement, the Definitive Agreement (see Note 1) with Libby K and 01243540 B.C. Ltd. ("**Subco**"), a wholly-owned subsidiary of Libby K. Pursuant to the terms of the Definitive Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, at the Closing, Plurilock will amalgamate with Subco pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "**Amalgamation**") and continue operating under the name Plurilock after the Amalgamation. On the Transaction date, Libby K will change its name to "Plurilock Security Inc." Immediately before completion of the Share Exchange ("**Share Exchange**") (as defined below):
 - (a) all of the in-the-money stock options and warrants of Plurilock will be deemed to be exercised into Plurilock Shares on a cashless basis; and
 - (b) each Plurilock preferred share (each, a "**Preferred Share**") which is outstanding will be cancelled and converted into Plurilock Shares in accordance with their terms. After completion of such transactions, and before the Share Exchange and the completion of the Plurilock Brokered Component (as defined below), it is expected that there will be an aggregate of 28,283,972 Plurilock Shares issued and outstanding. All stock options of Plurilock that are not in-the-money will be cancelled and no other securities of Plurilock will be issued or outstanding. Subco (after the Closing, the "**Resulting Issuer**") and the outstanding securities of Plurilock will be exchanged securities of the Resulting Issuer pursuant to exchange ratios ("**Exchange Ratios**" or "**Share Exchange**") immediately before the completion of the Closing as follows:
 - 1) each outstanding common share in the capital of Plurilock (a "Plurilock Share") held by certain shareholders that formed the founder trust distribution in 2020 (the "1.655 Exchange Ratio Plurilock Holders") will be exchanged for 1.655 shares of the Resulting Issuer on a post-Consolidation basis (each, a "Resulting Issuer Share");
 - 2) each outstanding Bridge Unit (as defined below) shall be exchanged for one Resulting Issuer Unit (as defined below), as described under the heading "Bridge Financing" below; and

- 3) each outstanding Plurilock Share that: (i) is not held by 1.655 Exchange Ratio Plurilock Holders; and (ii) does not comprise a portion of the Bridge Units, will be exchanged for 0.8475 Resulting Issuer Shares.

The Exchange Ratios were determined on the basis of a \$1.9 million valuation of Libby K and a \$7.1 million valuation of Plurilock, excluding funds raised pursuant to the Bridge #1 and Bridge #2 Financings and the Concurrent Financings (as such terms are defined below). The Amalgamation was approved by the shareholders of Plurilock on July 13, 2020. As a condition to closing of the Transaction, and pursuant to an engagement letter dated January 30, 2020, as amended on March 25, 2020, April 2, 2020 and June 10, 2020 (the "**Engagement Letter**") between Libby K, Plurilock and PI Financial Corp. ("**PI**"), Libby K and the Company intend to complete concurrent brokered private placements (together, the "**Concurrent Financings**") for aggregate proceeds of up to \$2.7 million, subject to minimum gross proceeds of \$2 million. The Concurrent Financings will be conducted in two components: (a) by Libby K, for retail investors who are subscribing under the prospectus exemption pursuant to BC Instrument 45-536 (the "**Libby K Brokered Component**"); and (b) by Plurilock, for investors who are subscribing under all other prospectus exemptions (the "**Plurilock Brokered Component**"). Unless such terms are amended with the approval of the Libby K board of directors and Plurilock board of directors, investors in the Libby K Brokered Component will be subscribing for units of the Resulting Issuer (each, a "**Resulting Issuer Unit**") with a subscription price of \$0.30 per unit (the "**Offering Price**"). Each Resulting Issuer Unit will be comprised of one Resulting Issuer Share and one-half of a warrant (each whole such warrant, a "**Warrant**"). Each Warrant will be exercisable for one Resulting Issuer Share for two (2) years from Closing, at an exercise price of \$0.40 per share. Pursuant to the terms of the Engagement Letter, the Resulting Issuer intends to pay PI a finder's fee equal to 8% in cash of gross proceeds and issuing to PI the number of compensation options equal to 8% of the number of securities sold in the Concurrent Financings, where each Compensation Option is exercisable to purchase one Common Share of the Resulting Issuer at the Offering Price. For funds raised pursuant to a joint president's list of Libby K and Plurilock, the cash payment payable to PI will be reduced to 3.5% and the warrants issuable to PI will be reduced to 3.5%. No other finders' fees are payable in connection with the Transaction. The Definitive Agreement has a termination date of September 30, 2020 or such later date as may be agreed to in writing by the Libby K and the Company. Libby K received conditional approval of the proposed qualifying transaction from the TSX-V on August 19, 2020.

- (j) On June 24, 2020, the Company was awarded funding of up to \$120,000 to further develop passwordless authentication technology from the National Research Council of Canada Industrial Research Assistance Program ("**NRC IRAP**").

Disclosure of outstanding share data

As of August 17th, 2020, the Company has the following securities outstanding:

Description	Number	Exercise Price Per Share and Expiry
Common shares	23,900,421	NA
Preferred shares	1,888,333	NA
Total issued and outstanding	25,788,754	
Options	5,328,151	Exercisable at \$0.25 and which expire between September 2025 and April 2030
Warrants	75,000	Exercisable at \$0.25 with no expiry date

Special warrants	534,721	Automatically convert to warrants at to be determined pricing at closing of Financing (see Subsequent Events note). If Financing does not close, they are deemed null and void
Brokers warrants	69,400	Exercisable at \$0.4 with a 2 year term
Total diluted number of shares	31,796,026	

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:

1. **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.
2. **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, these 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, 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 entail 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 TSXV 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, not Plurilock, 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

APPENDIX "E"
PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER

(see attached)

Plurilock Security Inc. (formerly Libby K Industries Inc.)

Pro Forma Consolidated Statement of Financial Position

As at June 30, 2020

(Unaudited)

Plurilock Security Inc.
Unaudited Pro Forma Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

	Libby K	Plurilock		Pro Forma	Pro forma
	As at June 30, 2020	As at March 31, 2020		Adjustments	Balance
	\$	\$	Notes	\$	\$
Assets					
Current					
Cash and cash equivalents	587,444	781,500	5 b)	58,000	3,626,713
			5 b)	465,000	
			5 b)	(27,760)	
			5 d)	(160,000)	
			5 g)	2,000,000	
			5 h)	(100,000)	
			5 i)	(200,000)	
			5 n)	54,516	
			5 n)	40,000	
			5 o)	128,013	
Trade and other receivables	—	85,160		—	85,160
Tax credits receivable	—	254,759		—	254,759
Prepaid expenses and deposits	—	47,473		—	47,473
	<u>587,444</u>	<u>1,168,892</u>		<u>2,257,769</u>	<u>4,014,105</u>
Non-current					
Equipment	—	7,090		—	7,090
Right of use asset - non-current	—	24,723		—	24,723
Intangible assets	—	73,750		—	73,750
	<u>587,444</u>	<u>1,274,455</u>		<u>2,257,769</u>	<u>4,119,668</u>
Liabilities					
Current					
Trade and other payables	2,426	369,647		—	372,073
Unearned revenue	—	98,497		—	98,497
Short-term loans	—	245,839	5 b)	(25,000)	315,355
			5 n)	54,516	
			5 n)	40,000	
Loans payable to related parties	—	54,005		—	54,005
Convertible Debt	—	812,930	5 b)	490,000	—
			5 a) b)	(1,302,930)	
Lease liability-current	—	16,293		—	16,293
	<u>2,426</u>	<u>1,597,211</u>		<u>(743,414)</u>	<u>856,223</u>
Non-current					
Lease liability-non-current	—	12,630		—	12,630
	<u>2,426</u>	<u>1,609,841</u>		<u>(743,414)</u>	<u>868,853</u>
Shareholders' equity					
Share capital	684,590	4,814,788	5 k)	(684,590)	10,031,352
			4, 5 e)	1,609,500	
			5 b)	58,000	
			5 a) b)	1,302,930	
			5 c)	58,000	
			5 f)	221,467	
			5 g)	1,966,667	
Contributed Surplus/Equity reserve	116,335	221,467	5 f)	(221,467)	118,667
			5 d)	5,333	
			5 g)	33,333	
			5 k)	(116,335)	
			5 e)	80,000	
Foreign Currency translation reserve	—	8,607		—	8,607
Accumulated deficit	(215,907)	(5,380,248)	5 k)	215,907	(6,907,810)
			5 b)	(27,760)	
			5 c)	(58,000)	
			5 h)	(100,000)	
			5 i)	(200,000)	
			4, 5 j)	(1,104,482)	
			5 d)	(165,333)	
			5 o)	128,013	
	<u>585,018</u>	<u>(335,386)</u>		<u>3,001,183</u>	<u>3,250,815</u>
	<u>587,444</u>	<u>1,274,455</u>		<u>2,257,769</u>	<u>4,119,668</u>

1. Proposed Transaction

On January 3, 2020, the Company entered into a non-binding letter of intent with Libby K Industries Inc. ("Libby K") (TSX-V: LBB.P), a capital pool company to complete a public listing transaction for Plurilock Security Solutions Inc. ("Plurilock") by way of a reverse takeover of Libby K. On June 23, 2020, Plurilock, Libby K and 01243540 B.C. Ltd., a wholly-owned subsidiary of Libby K, entered into an amalgamation agreement dated June 23, 2020 (the "Amalgamation Agreement"). Pursuant to the Amalgamation Agreement, Libby K will, by way of a "three-cornered amalgamation", acquire all of the issued and outstanding shares (the "Plurilock Shares") of Plurilock (the "Transaction"). Upon completion of the Transaction, the name of Libby K will be changed to "Plurilock Security Inc." The resulting entity (the "Resulting Issuer") will carry on the business of Plurilock as currently constituted and planned. It is expected that the Resulting Issuer will be a Tier 2 Technology issuer on the TSX Venture Exchange (the "TSX-V").

Pursuant to the terms of the Amalgamation Agreement, and subject to certain conditions, including receipt of applicable regulatory and shareholder approvals, at the closing of the Transaction (the "Closing"), Plurilock will amalgamate with Libby K Subco pursuant to the provisions of the *Business Corporations Act* (British Columbia) (the "Amalgamation").

In connection with the Transaction, Libby K intends to consolidate its common shares ("Libby K Shares") on a 2:1 basis (the "Consolidation") prior to the Closing. As a result, the outstanding Libby K Shares will be reduced from 11,100,000 to 5,550,000 post-Consolidation Libby K Shares. The existing Libby K stock options and the broker warrants will be reduced from 1,110,000 and 500,000 to 555,000 post-Consolidation stock options and 250,000 post-Consolidation broker warrants, respectively, which each have an exercise price of \$0.20 per share.

Immediately before completion of the Share Exchange (as defined below): (a) all of the in-the-money stock options and warrants of Plurilock will be deemed to be exercised into Plurilock Shares on a cashless basis; and (b) each Plurilock preferred share (each, a "Preferred Share") which is outstanding will be cancelled and converted into Plurilock Shares in accordance with their terms. All stock options of Plurilock that are not in-the-money will be cancelled and no other securities of Plurilock will be issued or outstanding. The warrants expected to be outstanding after the Transaction are summarized in Note 7. After completion of such transactions, and before the Share Exchange and the completion of the Plurilock Brokered Component (as defined below), there will be an aggregate of 27,057,862 Plurilock Shares issued and outstanding.

The amalgamated entity to be formed pursuant to the Amalgamation will be a wholly-owned subsidiary of Libby K and the outstanding securities of Plurilock will be exchanged for securities of the Resulting Issuer immediately before the completion of the Transaction (the "Share Exchange") as follows:

- (a) each outstanding Plurilock Share held by certain shareholders that formed the founder trust distribution in 2020 (the "1.655 Exchange Ratio Plurilock Holders") will be exchanged for 1.655 shares of the Resulting Issuer on a post-Consolidation basis (each, a "Resulting Issuer Share");
- (b) each outstanding Bridge Unit (as defined below) shall be exchanged for one Resulting Issuer Unit (as defined below), as described below; and
- (c) each outstanding Plurilock Share that: (i) is not held by 1.655 Exchange Ratio Plurilock Holders; and (ii) does not comprise a portion of the Bridge Units, will be exchanged for 0.8475 Resulting Issuer Shares.

On July 13, 2020, Plurilock shareholders approved the Transaction at a special general meeting.

As a condition to Closing, and pursuant to an engagement letter dated January 30, 2020, as amended (the "Engagement Letter") between Libby K, Plurilock and PI Financial Corp. ("PI"), Libby K and Plurilock intend to complete brokered private placements (the "Concurrent Financings") for aggregate gross proceeds of up to \$2.7 million, subject to minimum gross proceeds of \$2 million. The Concurrent Financings will be conducted in two components: (a) by Libby K, for retail investors who are subscribing under the prospectus exemption pursuant to BC Instrument 45-536 (the "Libby K Brokered Component"); and (b) by Plurilock, for investors who are subscribing under all other prospectus exemptions (the "Plurilock Brokered Component").

Unless such terms are amended with the approval of the Libby K board of directors and Plurilock board of directors, investors in the Libby K Brokered Component will be subscribing for units of the Resulting Issuer (each, a "Resulting Issuer Unit") with a subscription price of \$0.30 per unit (the "Offering Price"). Each Resulting Issuer Unit will be comprised of one Resulting Issuer Share and one-half of a warrant (each whole such warrant, a "Warrant"). Each Warrant will be exercisable for one Resulting Issuer Share for two (2) years from Closing, at an exercise price of \$0.40 per share.

Investors subscribing in the Plurilock Brokered Component will be subscribing for subscription receipts of Plurilock at a price of \$0.30 per subscription receipt. Each subscription receipt will entitle the holder to receive, for no additional consideration, one (1) Resulting Issuer Unit at the Closing.

Pursuant to the terms of the Engagement Letter, the Resulting Issuer intends to pay PI a finder's fee equal to 8% in cash of gross proceeds and issue to PI the number of compensation options (the "Compensation Options") equal to 8% of the number of securities sold in the Concurrent Financings, where each Compensation Option is exercisable to purchase one Common Share of the Resulting Issuer at the Offering Price. For funds raised pursuant to a joint president's list of Libby K and Plurilock, the cash payment payable to PI will be reduced to 3.5% and the warrants issuable to PI will be reduced to 3.5%.

Prior to entering into the Amalgamation Agreement, Plurilock completed a non-brokered private placement (the "Plurilock Bridge Placement") in multiple tranches on January 16, January 30, February 21, 2020, respectively, consisting of secured convertible debentures of Plurilock (the "Bridge Debentures") in an aggregate principal amount of \$817,375 and approximately \$182,625 was raised through the sale of 811,665 shares and 405,833 warrants of Plurilock, at a price of \$0.225 per unit (each, a "Bridge Unit"), for aggregate gross proceeds of approximately \$1,000,000. Plurilock paid an aggregate of \$30,430 in cash as finder's fees in connection with the Plurilock Bridge Financing. On closing of the Plurilock Bridge Placement, PI was paid \$25,000 cash finance fee and earned 200,000 common shares to be issued upon the Closing at the Transaction price.

On June 18, 2020, Plurilock completed a second non-brokered private placement (the "Plurilock Subsequent Bridge Placement") consisting of Bridge Debentures in an aggregate principal amount of \$490,000 and proceeds of \$58,000 for 257,776 Plurilock Units on the same terms as the Plurilock Bridge Placement. On March 25, 2020, Plurilock and PI amended the Engagement Letter to provide a payment of an 8% cash finder's fee of the gross proceeds raised under the Plurilock Subsequent Bridge Placement. Plurilock paid an aggregate of \$27,760 in cash as finder's fees and issued 40,400 finder's warrants to eligible finders on closing of the Plurilock Subsequent Bridge Financing.

At the Closing, each of the Bridge Debentures and Bridge Units will automatically convert into or be exchanged for, as applicable, Resulting Issuer Units, at a 25% discount to the price of the Resulting Issuer Units, being \$0.225 per Resulting Issuer Unit. It is expected that the Bridge Debentures and Bridge Units will convert into or be exchanged for an aggregate of 6,879,992 Resulting Issuer Units at the Closing.

The Bridge Debentures bear interest at a rate of 10% per annum, in the event that the Transaction is not completed and will have a maturity date of January 1, 2022, and, at the option of the respective lenders: (a) the principal will be repaid in full, plus interest, on such date; or (b) the principal and interest outstanding on such date will convert into common shares of Plurilock at a price of \$0.225 per share, only if either: (i) the respective lender provides notice in writing that it wishes for the principal and interest to convert as noted; or (ii) there is a "Qualified Financing" (proceeds raised of at least \$2,000,000, excluding the Bridge Debentures, in connection with a public listing transaction of Plurilock) in which case the principal and interest will automatically convert into the kind and class of shares of Plurilock sold under the Qualified Financing. Each Bridge Unit consists of one Plurilock share and one half of a Plurilock common share purchase warrant.

The Transaction is subject to certain customary closing conditions including various regulatory approvals. The Amalgamation Agreement contains customary deal protection mechanisms and non-solicitation provisions. In the event that the Amalgamation Agreement is terminated, Plurilock will pay Libby K a break fee (the "Break Fee") which will be the greater of \$150,000 and the sum of (1) \$50,000 and (2) the sum of the legal, auditor, financial advisory fees, disbursements, expenses, TSX-V fees (plus taxes) reasonably incurred by Libby K in connection with the Transaction.

Libby K intends to adopt a financial year-end of December 31 effective on the closing of the Amalgamation and the related Transaction.

2. Basis of Presentation

The unaudited pro forma consolidated statement of financial position (the "Pro Forma Financial Statement") has been prepared by management for inclusion in Libby K filing statement (the "Filing Statement") August 20, 2020, in conjunction with the Transaction. Plurilock entered into the Amalgamation Agreement with Libby K and intends that the Transaction will constitute its Qualifying Transaction, as such term is defined in the policies of the TSX-V.

The Pro Forma Financial Statement has been prepared for illustrative purposes only and give effect to the Transaction and pursuant to the assumptions and adjustments as further described in Note 5. The unaudited Pro Forma consolidated Financial Statement as at June 30, 2020 gives effect to the Transaction as if it had occurred as at June 30, 2020.

The Pro Forma Financial Statement is not necessarily indicative of the financial position that would have been achieved if the Transaction had been completed on the date presented, nor does it claim to project the financial position of the consolidated entities as of any future date. Any potential synergies that may be realized and integration costs that may be incurred upon completion of the Transaction, if successful, have been excluded from the Pro Forma Financial Statement.

The Pro Forma Financial Statement has been prepared based on financial statements that are prepared in accordance with International Financial Reporting Standards ("IFRS"), from information derived from the unaudited condensed interim statement of financial position of Libby K as at June 30, 2020 and condensed interim consolidated statement of financial position of Plurilock as at March 31, 2020.

The Pro Forma Financial Statements should be read in conjunction with: (i) the description of the transaction in the Filing Statement, and (ii) the historical financial statements, together with the notes thereto, of Libby K and Plurilock referred to above, which are included in the Filing Statement.

Management believes the Pro Forma Financial Statement include all material adjustments necessary for a fair presentation of the transactions as described below.

3. Significant Accounting Policies

The accounting policies used in preparing the Pro Forma Financial Statement are set out in Plurilock's annual consolidated financial statements for the year ended December 31, 2019. In preparing the Pro Forma Financial Statement, a review of publicly available information was undertaken to identify accounting policy differences between Libby K and Plurilock. While management believes that the significant accounting policies of Libby K and Plurilock are consistent in all material respects, accounting policy differences may be identified upon completion of the Transaction.

4. Acquisition

Pursuant to the terms of the Amalgamation Agreement, Libby K and Plurilock will effect a three-cornered amalgamation such Libby K will acquire all of the issued and outstanding shares of Plurilock. See Note 1.

The Transaction constitutes a reverse takeover with Plurilock being the acquirer for accounting purposes as the Plurilock shareholders will hold approximately 78.9% of the outstanding shares of the combined entity prior to the completion of the two pre-transaction financings and Financing. As such Plurilock will be the continuing entity for accounting purposes.

The Transaction does not meet the definition of a business combination under IFRS 3 Business Combinations, accordingly Plurilock will account for the Transaction in accordance with IFRS 2 Share-Based Payment. The Company estimates the associated costs with the transaction including agent fee and legal costs of \$460,000 (note 5 d), 5 h), and 5 i)).

Securities issued in connection with the Transaction may be subject to regulatory hold and lock-up periods. Completion of the Transaction is subject to a number of conditions, including but not limited to, TSX-V acceptance and if applicable pursuant to TSX-V requirements, shareholder approval. Plurilock shareholders approved the Transaction at a special general meeting held on July 13, 2020. There can be no assurance that the transaction will be completed as proposed or at all.

For the purposes of the pro forma consolidated financial statements, the fair value of the consideration issued for the net assets of Libby K and options and warrants exchanged is as follows:

	Notes	\$
Consideration (5.55 million shares at \$0.29 per share)	5 e)	1,609,500
Fair value of options and warrants	5 e)	80,000
Total consideration		1,689,500
Cash		587,444
Accounts payable and accrued liabilities		(2,426)
Net Assets		585,018
Costs of public listing charged to deficit	5 j)	1,104,482

The above amounts are estimates, which have been made by management of Plurilock for the acquisition, based on information available. Amendments to these amounts as values subject to estimate are finalized and to account for final balances at the time of closing. The total consideration paid for the Libby K outstanding shares has been estimated based on a June 30, 2020 estimated fair value of the common shares from the Financing (see below), which is \$0.29 per common share ("Fair Value") as discussed in note 5 g). Any transaction costs have been expensed as incurred and are included in the deficit.

5. Pro forma adjustments and assumptions

The unaudited pro forma consolidated statement of financial position gives effect to the completion of the Amalgamation, incorporating the assumptions within Note 1, as if it had occurred on June 30, 2020.

The Pro Forma Financial Statement includes the following pro forma assumptions reflecting adjustments disclosed in the Filing Statement:

- a) As part of the Plurilock Bridge Financing, \$817,375 Bridge Debentures outstanding at March 31, 2020 will convert into units of Plurilock and immediately be exchanged for Resulting Issuer Units at the Closing. As a result of the conversion, an additional 3,632,778 Resulting Issuer Shares and 1,816,389 warrants of the Resulting Issuer will be issued. The warrants will be exercisable at \$0.40 per warrant for a period two years. The previously issued 811,667 Bridge Units that were outstanding at March 31, 2020 will also be exchanged into Resulting Issuer Units, resulting in an additional 811,667 Resulting Issuer Shares and 405,833 warrants of the Resulting Issuer being issued at the Closing.
- b) As part of the Plurilock Subsequent Bridge Financing, the proceeds of \$490,000 received for the Bridge Debenture will then automatically convert into units of Plurilock and immediately be exchanged for Resulting Issuer Units at the Closing. As a result of the conversion, an additional 2,177,778 Resulting Issuer Shares and 1,088,889 warrants of the Resulting Issuer will be issued. Also as part of the Plurilock Subsequent Bridge Financing, Plurilock issued 257,778 Bridge Units for proceeds of \$58,000, which will be exchanged for Resulting Issuer Units at the Closing, resulting in an additional 257,778 Resulting Issuer Shares and 128,889 warrants of the Resulting Issuer. Plurilock paid an aggregate of \$27,760 in cash and 69,400 warrants as finder's fees in connection with the Plurilock Subsequent Bridge Financing. As part of the Plurilock Subsequent Bridge Financing, \$25,000 of short-term loans was converted into Bridge Debentures of Plurilock.

- c) Pursuant to the PI Engagement Letter, Plurilock will also issue 200,000 Plurilock Shares at Closing. On June 30, 2020, these shares have a Fair Value of \$58,000 at Closing.
- d) Pursuant to the PI Engagement Letter, PI may be entitled to a Finder's Fee of up to \$216,000 in cash, which is equivalent to 8% of the maximum gross proceeds or \$160,000 based on the minimum gross proceeds to be raised under the Concurrent Financings, as well as PI Broker Warrants equal to 8% of the aggregate number of securities sold under the Concurrent Financings. For the purposes of the Pro Forma Financial Statement, the PI Finder's Fee is calculated as \$160,000 and the value of the 533,333 PI Broker Warrants is estimated to be \$5,333.
- e) The total pro forma purchase price of \$1,689,500 as described in Note 4 above results in a share capital increase of \$1,609,500 which represents the estimated Fair Value of the Resulting Issuer Shares issued to Libby K to effect the Transaction and an increase in the equity reserve of \$80,000 which represents the estimated fair value of the Libby K options and warrants which remain outstanding after the Closing. After the Closing, the 1,110,000 options of Libby K outstanding at June 30, 2020 will be converted to 555,000 options with an exercise price of \$0.20 per share, and the 500,000 broker warrants of Libby K outstanding at June 30, 2020 will be converted to 250,000 broker warrants with an exercise price of \$0.20 per share. The expiry dates for both the options and warrants remain unchanged. The fair value of the options and warrants has been estimated using the Black-Scholes model with an expected life of the full term of the options and brokers warrants, volatility of 24.94%, and a risk-free rate of 0.26%.
- f) It is expected that prior to completion of the Transaction, Plurilock's 1,888,333 outstanding preferred shares will first be converted to 2,514,692 Plurilock common shares, then be exchanged into 2,131,303 Resulting Issuer Shares at the 0.8475 conversion ratio. In addition, 5,328,151 outstanding options and 75,000 outstanding warrants will be deemed to be exercised on a cashless basis into 888,025 and 12,500 Plurilock Share respectively, which are then converted into 1,232,977 Resulting issuer shares.
- g) The raising of minimum gross proceeds of \$2,000,000 from the completion of the Concurrent Financings in the Plurilock Brokered Component through the issuance of 6,666,667 Resulting Issuer Shares and 3,333,334 Warrants at an exercise price of \$0.40 per share with a term of two years from Closing for a total of at \$0.30 per Resulting Issuer Unit. The value allocated to the warrants is \$33,333 based on an estimated fair value of \$0.01 per warrant, using the Black-Scholes model with an expected life of two years, volatility of 24.94%, and a risk-free rate of 0.26%. The remaining proceeds of \$1,966,667 has been allocated to the Resulting Issuer Shares, at fair value of \$0.29 per common share.
- h) Upon closing of the Transaction, Plurilock's corporate advisor Valeo will be paid success fee of \$100,000 in cash.
- i) The estimated legal expenses related to completing the Transaction are estimated to be \$200,000 which will be recognized as a listing expense.
- j) The fair value of consideration paid for Libby K by Plurilock exceeds the fair value of net assets of Libby K by \$1,104,482 which will be treated as public company listing costs and expensed.
- k) Equity balances of Libby K are eliminated.
- l) The proforma effective income tax rate applicable to the consolidated operations will be approximately 27%.
- m) Following closing of the Transaction, the Resulting Issuer's corporate advisor Thesis Capital will be issued 175,000 options.
- n) As part of governments' aid with economic effects resulting from the Coronavirus pandemic, on April 14, 2020, Plurilock received a loan of \$54,516 from Silicon Valley Bank under the U.S. Small Business Administration Paycheck Protection Program. On April 15, 2020, Plurilock

received a loan of \$40,000 from Royal Bank of Canada under the Canada Emergency Business Account program funded by the Government of Canada.

- o) Effective April 11, 2020, Canada Emergency Wage Subsidy came into force providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll. Plurilock has received \$128,013 under this program up to the date of this pro forma consolidated statement of financial position.

6. Pro-forma Share Capital

As a result of the Transaction and the pro-forma assumptions and adjustments, the pro forma share capital of the combined entity as at June 30, 2020 is comprised of the following:

Plurilock	Notes	
Common shares outstanding at March 31, 2020 excluding Pre-transaction financing common shares ⁽¹⁾		22,830,980
Issuance of common shares on conversion of 1,888,333 preferred shares	5 f)	2,514,692
Shares issuable upon deemed exercise of in-the-money options	5 f)	888,025
Shares issuable upon deemed exercise of 75,000 warrants	5 f)	12,500
Plurilock common shares outstanding prior to Transaction		<u>26,246,197</u>
Impact of conversion of 1,861,309 Plurilock shares at an exchange ratio of 1.655 per common share	4	1,219,157
Impact of conversion of 24,384,888 Plurilock shares at an exchange ratio of 0.8475 per common share	4	(3,717,718)
Adjusted Plurilock shares to be issued by Resulting Issuer		<u>23,747,636</u>
 Additional shares issued related to the Transaction after March 31, 2020		
Pre-transaction financing - common shares issued as at March 31, 2020 ⁽¹⁾		811,665
Pre-transaction financing - shares issued on conversion of Debentures	5 a)	3,632,776
2 nd Pre-transaction Financing - common shares issued	5 b)	257,776
2 nd Pre- transaction Financing - shares issued on conversion of Debentures	5 b)	2,177,776
PI Financial corporate finance - common shares issued	5 c)	200,000
		<u>7,079,993</u>
Concurrent financing prior to closing of Transaction	5 g)	6,666,666
Outstanding Libby K shares (after share consolidation)		5,550,000
 Total shares outstanding of Resulting Issuer after completion of the Transaction		 <u>43,044,295</u>

(1) Common shares outstanding as at March 31, 2020 was 23,642,645 including 811,665 shares issued as part of the Plurilock Pre-transaction financing.

7. Pro-forma Options and Warrants

As a result of the Transaction and the pro-forma assumptions and adjustments, there will be 555,000 pro forma options outstanding of the combined entity upon Closing (730,000 pro forma options following Closing, see note 5 m) above). The pro forma options of the combined entity as at June 30, 2020 is comprised of the following:

Plurilock	Notes	
Stock options outstanding	5 f)	888,025
Resulting Issuer Shares issuable in exchange for the 318,767 Plurilock options at the Exchange Ratio 0.8475	4	(48,600)
Resulting Issuer Shares issuable in exchange for 569,258 Plurilock options at the Exchange Ratio 1.655	4	372,864
Options after exchange ratio		1,212,289
Pro forma adjustment - conversion to common shares		<u>(1,212,289)</u>
		—
Outstanding post-Consolidation Libby K options	1	<u>555,000</u>
Total		<u>555,000</u>

The pro forma warrants of the combined entity as at June 30, 2020 is comprised of the following:

Plurilock Warrants ⁽¹⁾	Notes	
Warrants issued on conversion of Plurilock Units and Debentures from Pre-Transaction Financing ⁽²⁾	5 a)	2,222,210
Warrants issued on conversion of Plurilock Units and Debentures from 2nd Pre-Transaction Financing	5 b)	1,217,766
Warrants issued as a finders' fee for 2nd Pre-Transaction Financing	5 b)	69,400
Warrants issued on completion of Concurrent Financing	5 g)	3,333,334
Warrants issued as brokers fee on Concurrent Financing	5 d)	<u>533,333</u>
		7,376,043
Outstanding post-Consolidation Libby K warrants ⁽³⁾	1	<u>250,000</u>
Total warrants outstanding of Resulting Issuer after completion of the Transaction		<u>7,626,043</u>

(1) All warrants of Plurilock outstanding prior to the Transaction were converted to common shares of Plurilock prior to the completion of the Transaction. The pro forma warrants outstanding after the Closing of the Transaction have a term of two years and an exercise price of \$0.40 per share.

(2) 405,833 of these warrants were outstanding at March 31, 2020.

(3) All Libby K warrants expire in February 2021 and had an exercise price of \$0.20.

APPENDIX "F"
THE LONG TERM INCENTIVE PLAN

(see attached)

Plurilock Security Inc.

Long Term Incentive Plan

ARTICLE 1

LONG TERM INCENTIVE PLAN

1.1 Purpose, Plan Definitions and Interpretation

1.1.1 The purpose of this Plan is to advance the interests of Plurilock Security Inc. (formerly, Libby K Industries Inc.) (“**Plurilock**”) by: (a) increasing the proprietary interests of Participants (as defined herein) in Plurilock; (b) aligning the interests of Participants with the interests of the shareholders of Plurilock generally; (c) encouraging Participants to remain associated with Plurilock; and (d) furnishing Participants with an additional incentive to achieve the goals of Plurilock.

1.1.2 In this Plan, the following terms have the following meanings:

- (a) “**Account**” means a Restricted Share Unit Account, a Deferred Share Unit Account, or a Performance Unit Account, as applicable;
- (b) “**Applicable Law**” includes, without limitation, all applicable securities, corporate, tax and other laws, rules, regulations, instruments, notices, blanket orders, decision documents, statements, circulars, procedures and policies including, without limitation, the policies, rules and by-laws of the Exchange;
- (c) “**Applicable Withholding Taxes**” means any and all taxes and other source deductions or other amounts which Plurilock is required by Applicable Law to withhold, or determines in good faith to withhold in order to meet any related remittance requirement, from any amounts paid or credited to a Participant under the Plan;
- (d) “**Award**” means an award of Restricted Share Units, Deferred Share Units and/or Performance Share Units under this Plan;
- (e) “**Award Agreement**” means the agreement in writing between Plurilock and a Participant evidencing the terms and conditions under which an Award has been granted under this Plan;
- (f) “**Beneficiary**” means, subject to Applicable Law, any person designated by a Participant to receive any amount payable under the Plan in the event of a Participant’s death or, failing designation, the Participant’s estate;
- (g) “**Blackout Period**” means the period during which the relevant Participant is prohibited from trading in any securities of Plurilock due to trading restrictions imposed by Plurilock in accordance with its trading policies;
- (h) “**Board**” means the board of directors of Plurilock;

- (i) **“Change of Control”** means:
- (i) any merger or amalgamation transaction in which voting securities of Plurilock possessing more than fifty percent (50%) of the total combined voting power of Plurilock’s outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction and the composition of the Board following such transaction is such that the directors of Plurilock prior to the transaction constitute less than fifty percent (50%) of the number of directors comprising the Board following the transaction;
 - (ii) any acquisition, directly or indirectly, by a person or group of persons of beneficial ownership of voting securities of Plurilock which, when added to the voting securities of Plurilock owned by such person or persons before the acquisition, collectively possess more than fifty percent (50%) of the total combined voting power of Plurilock’s outstanding securities;
 - (iii) any acquisition, directly or indirectly, by a person or group of persons of the right to appoint a majority of the directors of Plurilock or otherwise directly or indirectly control the management, affairs and business of Plurilock;
 - (iv) the removal, by extraordinary resolution of the shareholders of Plurilock, of more than 50% of the then incumbent Board of Directors of Plurilock, or the election or appointment of a majority of directors to Plurilock’s Board who were not members or nominees of Plurilock’s incumbent Board at the time immediately preceding such election or appointment;
 - (v) any sale, transfer or other disposition of all or substantially all of the assets of Plurilock;
 - (vi) a liquidation or dissolution of Plurilock; or
 - (vii) any transaction or series of transactions involving Plurilock or any of its affiliates that the Board in its discretion deems to be a Change of Control;
- provided however, that a Change of Control shall not be deemed to have occurred if such Change of Control results solely from the issuance, in connection with a bona fide financing or series of financings by Plurilock, of voting securities of Plurilock or any rights to acquire voting securities of Plurilock which are convertible into voting securities;
- (j) **“Compensation Committee”** means the Compensation Committee or similar committee of the Board;
- (k) **“Consultant”** has the meaning ascribed thereto in National Instrument 45-106 or its successor or replacement instrument but also includes “Consultant” and “Consultant Company” as defined in the policies of the Exchange;

- (l) **“Date of Grant”** of a Unit means the date such Unit is granted to a Participant under the Plan, as evidenced by an Award Agreement between Plurilock and the Participant;
- (m) **“Deferred Share Unit”** or **“DSU”** means a unit designated as a Deferred Share Unit representing the right to receive one Share in accordance with the terms set forth in the Plan;
- (n) **“Deferred Share Unit Account”** has the meaning set forth in Section 4.1.1;
- (o) **“Disability”** means where the Participant:
 - (i) is to a substantial degree unable, due to illness, disease, affliction, mental or physical disability or similar cause, to fulfill his obligations as a director, officer or employee of, or Consultant to, Plurilock either for any consecutive 12 month period or for any period of 18 months (whether or not consecutive) in any consecutive 24 month period; or
 - (ii) is declared by a court of competent jurisdiction to be mentally incompetent or incapable of managing the Participant’s affairs;
- (p) **“Dividend”** means a dividend declared and payable on a Share in accordance with Plurilock’s dividend policy as the same may be amended from time to time (an **“Ordinary Dividend”**), and may, in the discretion of the Board, include a special or stock dividend or other distribution made generally to all holders of Shares (a **“Special Dividend”**), and may, in the discretion of the Board, include a Special Dividend declared and payable on a Share;
- (q) **“DSU Final Payment Date”** means, with respect to a Deferred Share Unit granted to a DSU Participant, not later than December 31 of the calendar year following the calendar year in which the DSU Termination Date occurred;
- (r) **“DSU Gross Payment”** has the meaning set forth in Section 4.3.2(b)(i);
- (s) **“DSU Participant”** means an Eligible Person (other than a Consultant) of Plurilock who has been designated by Plurilock for participation in the Plan and who has agreed to participate in the Plan and to whom Deferred Share Units have or will be granted hereunder;
- (t) **“DSU Termination Date”** of a DSU Participant means, the day that the DSU Participant ceases to be a DSU Participant for any reason, other than involuntary termination with cause or involuntary removal as a director of Plurilock, including, without limiting the generality of the foregoing, as a result of Retirement, death, voluntary or involuntary termination without cause, or permanent disability or due to a Change of Control (unless the DSU Participant otherwise agrees);
- (u) **“DSU Whole Shares”** has the meaning set forth in Section 4.3.2(c)(i);
- (v) **“Eligible Person”** means an officer, director, employee or Consultant of Plurilock;

- (w) **“Exchange”** means the TSX Venture Exchange or, if the Shares are not then listed and posted for trading on the TSX Venture Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;
- (x) **“Extension Period”** has the meaning set forth in Section 3.2.2;
- (y) **“Fair Market Value”** means, with respect to a Share on any date, the weighted average trading price of the Shares on the Exchange for the five days on which Shares were traded immediately preceding that date; provided that if the Shares are not listed for trading on a stock exchange on such date, the Fair Market Value shall be the price per Share as the Board, acting in good faith, may determine;
- (z) **“Insider”** means (a) an insider as defined in the *Securities Act* (British Columbia), as amended from time to time, other than a person who falls within that definition solely by virtue of being a director or senior officer of a subsidiary of Plurilock, and (b) an associate of any person who is an insider by virtue of (a);
- (aa) **“ITA”** means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), including the regulations promulgated thereunder, as amended from time to time;
- (bb) **“Leave of Absence”** means any period during which, pursuant to the prior written approval of Plurilock or by reason of Disability, a Participant is considered to be on an approved leave of absence or on Disability and does not provide any services to Plurilock;
- (cc) **“Merger and Acquisition Transaction”** means:
 - (i) any merger;
 - (ii) any acquisition;
 - (iii) any amalgamation;
 - (iv) any offer for the Shares which, if successful, would entitle the offeror to acquire all of the voting securities of Plurilock; or
 - (v) any arrangement or other scheme of reorganization;that results in a Change of Control;
- (dd) **“Outstanding Issue”** is determined on the basis of the number of Shares that are outstanding immediately prior to the Share issuance in question;
- (ee) **“Participant”** means a RSU Participant, a DSU Participant or a PSU Participant, as applicable;
- (ff) **“Participant Information”** has the meaning set forth in Section 7.6.5(b);

- (gg) **“Performance Period”** means the period of time during which the assigned performance criteria must be met in order to determine the degree of payout and/or vesting with respect to a Performance Share Unit;
- (hh) **“Performance Share Unit”** or **“PSU”** means a unit designated as a Performance Share Unit representing the right to receive one Share in accordance with the terms set forth in the Plan;
- (ii) **“Performance Share Unit Account”** has the meaning set forth in Section 5.1.1;
- (jj) **“Plan”** means this Long Term Incentive Plan as set forth herein, as the same may be amended and varied from time to time;
- (kk) **“Plurilock”** or **“Company”** means Plurilock Security Inc. (formerly, Libby K Industries Inc.) and, where the context requires, includes its subsidiaries, affiliates, successors and assigns;
- (ll) **“PSU Participant”** means an Eligible Person who has been designated by Plurilock for participation in the Plan and who has agreed to participate in the Plan and to whom Performance Share Units have or will be granted hereunder;
- (mm) **“PSU Termination Date”** of a PSU Participant means, where the Participant’s employment with or services to Plurilock has been terminated, the Participant’s last day of active employment with or services to Plurilock, regardless of the reason for the termination of employment or termination of services;
- (nn) **“PSU Vesting Date”** means, with respect to a Performance Share Unit granted to a PSU Participant, the date determined in accordance with Section 5.2 or upon a Change of Control (unless the PSU Participant otherwise agrees) ;
- (oo) **“Qualifying Transaction”** means the acquisition of all the issued and outstanding shares of Plurilock Security Solutions Inc. by the Company pursuant to an amalgamation agreement dated June 23, 2020 among Plurilock Security Solutions Inc. and 01243540 B.C. Ltd. and the Company, which would constitute the Company’s “Qualifying Transaction” (as defined in the policies of the Exchange);
- (pp) **“Restricted Share Unit”** or **“RSU”** means a unit designated as a Restricted Share Unit representing the right to receive one Share in accordance with the terms set forth in the Plan;
- (qq) **“Restricted Share Unit Account”** has the meaning set forth in Section 3.1.1;
- (rr) **“Retirement”** means the normal retirement of a Participant from employment with Plurilock or the early retirement of a Participant pursuant to any applicable retirement plan of Plurilock, all as determined by the Board, acting reasonably;
- (ss) **“RSU Final Vesting Date”** means, with respect to a Restricted Share Unit granted to a RSU Participant, December 31 of the calendar year which is three (3) years after

the calendar year in which the service was performed in respect of which the particular Award was made;

- (tt) **“RSU Gross Payment”** has the meaning set forth in Section 3.3.2(b)(i);
- (uu) **“RSU Participant”** means an Eligible Person who has been designated by Plurilock for participation in the Plan and who has agreed to participate in the Plan and to whom Restricted Share Units have or will be granted hereunder;
- (vv) **“RSU Termination Date”** of a RSU Participant means, where the Participant’s employment with or services to Plurilock has been terminated, the Participant’s last day of active employment with or services to Plurilock, regardless of the reason for the termination of employment or termination of services;
- (ww) **“RSU Vesting Date”** means, with respect to a Restricted Share Unit granted to a RSU Participant, the date determined in accordance with Section 3.2 or upon a Change of Control (unless the RSU Participant otherwise agrees) ;
- (xx) **“RSU Whole Shares”** has the meaning set forth in Section 3.3.3(c)(i);
- (yy) **“Share”** means a common share in the capital of Plurilock;
- (zz) **“United States”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
- (aaa) **“Units”** means Restricted Share Units, Deferred Share Units and/or Performance Share Units, as applicable;
- (bbb) **“U.S. Participant”** means a Participant who, at the time such Participant receives or is offered an Award, is (i) in the United States, or (ii) a U.S. Person;
- (ccc) **“U.S. Person”** has the meaning set forth in Rule 902(k) of Regulation S under the U.S. Securities Act and generally includes, but is not limited to, any natural person resident in the United States, any partnership or corporation organized under the laws of the United States and any estate or trust of which any executor, administrator or trustee is a U.S. Person;
- (ddd) **“U.S. Securities Act”** means the United States Securities Act of 1933, as amended from time to time;
- (eee) **“Vested Deferred Share Units”** has the meaning set forth in Section 4.2.1;
- (fff) **“Vested Performance Share Units”** has the meaning set forth in Section 5.2.2;
- (ggg) **“Vested Restricted Share Units”** has the meaning set forth in Section 3.2.4; and
- (hhh) **“Vested Units”** mean Vested Restricted Share Units, Vested Deferred Share Units, and/or Vested Performance Share Units, as applicable.

In this Plan, unless the context requires otherwise, words importing the singular number may be construed to extend to and include the plural number, and words importing the plural number may be construed to extend to and include the singular number.

ARTICLE 2
GRANT OF UNITS

2.1 Grant of Units

2.1.1 Subject to the terms of the Plan, the Board may make grants of Restricted Share Units to RSU Participants, Deferred Share Units to DSU Participants and Performance Share Units to PSU Participants in such number, at such times and on such terms and conditions, as the Board may, in its sole discretion, determine and thereafter Plurilock shall provide an Award Agreement to each Participant; provided that:

- (a) Subject to the policies of the Exchange, the maximum number of Shares that Plurilock is entitled to issue from treasury under the Plan for payments in respect of Awards of Restricted Share Units to RSU Participants, for payments in respect of Awards of Deferred Share Units to DSU Participants, and for payments in respect of Awards of Performance Share Units to PSU Participants shall not exceed 10% of the total number of Shares issued and outstanding at the time the Qualifying Transaction is completed (being [●] Shares); and
- (b) unless otherwise permitted by the policies of the Exchange, under no circumstances shall this Plan, together with all of Plurilock's other previously established or proposed stock options, restricted share units, deferred share units, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of Shares, result, at any time, in:
 - (i) the number of Shares reserved for issuance exceeding 10% of the Outstanding Issue;
 - (ii) the number of Shares reserved for issuance to Insiders exceeding 10% of the Outstanding Issue;
 - (iii) the issuance to Insiders, within a one year period, of a number of Shares exceeding 10% of the Outstanding Issue;
 - (iv) the issuance to any one Participant (and Companies wholly owned by that Participant) and such Participant's associates, within a one year period, exceeding 5% of the Outstanding Issue, calculated on the date an Award is granted to such Participant (unless the Company has obtained the requisite disinterested shareholder approval); or
 - (v) the issuance to any one Consultant, within a one year period, exceeding 2% of the Outstanding Issue, calculated at the date an Award is granted to the Consultant.

2.1.2 Awards that are Restricted Share Units may only be granted to RSU Participants, Awards

that are Deferred Share Units may only be granted to DSU Participants and Awards that are Performance Share Units may only be granted to PSU Participants; provided that the participation in the Plan is voluntary. In determining the Participants to whom Awards may be granted and the number of Restricted Share Units, Deferred Share Units and Performance Share Units to be awarded pursuant to each Award, the Board may take into account the following factors:

- (a) compensation data for comparable benchmark positions among Plurilock's competitors;
- (b) the duties and seniority of the Participant;
- (c) the performance of the Participant in the prior year relative to the performance measures of Plurilock for the relevant performance period;
- (d) individual and/or departmental contributions and potential contributions to the success of Plurilock; and
- (e) such other factors as the Board shall deem relevant in connection with accomplishing the purposes of the Plan.

2.1.3 The Board may at any time appoint the Compensation Committee to, among other things, interpret, administer and implement this Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. The Board will take such steps that in its opinion are required to ensure that the Compensation Committee has the necessary authority to fulfill its functions under this Plan.

2.1.4 All grants of Restricted Share Units, Deferred Share Units and Performance Share Units under this Plan will be evidenced by Award Agreements. Any one executive officer of Plurilock is authorized and empowered to execute and deliver, for and on behalf of Plurilock, any such Award Agreement to any such Participant.

2.1.5 Shares once granted do not become available again under the Plan unless an amendment filing is made to the Exchange.

2.1.6 The Company and the Participant are responsible for ensuring and confirming that the Participant is a bona fide Eligible Person.

2.2 Forfeited Units

2.2.1 For greater certainty, no Participant shall have any entitlement to receive any payment in respect of any Units which have been forfeited under this Plan, or which expire prior to vesting, by way of damages, payment in lieu, or otherwise.

ARTICLE 3 *RESTRICTED SHARE UNITS*

3.1 Restricted Share Unit Grants and Accounts

3.1.1 An Account, to be known as a "**Restricted Share Unit Account**", shall be maintained by

Plurilock for each RSU Participant that has been granted Restricted Share Units at the discretion of the Board. On each Date of Grant, the Account will be credited with the Restricted Share Units granted to a RSU Participant on that date. Unless otherwise determined by the Board, an Award of Restricted Share Units shall represent a bonus for services rendered in the calendar year in which the Award is made.

- 3.1.2 The establishment of the Plan in respect of Restricted Share Units shall be an unfunded obligation of Plurilock. Neither the establishment of the Plan in respect of Restricted Share Units nor the grant of any Restricted Share Units or the setting aside of any funds by Plurilock (if, in its sole discretion, it chooses to do so) shall be deemed to create a trust. Legal and equitable title to any funds set aside for the purposes of the Plan in respect of Restricted Share Units shall remain in Plurilock and no RSU Participant shall have any security or other interest in such funds. Any funds so set aside shall remain subject to the claims of creditors of Plurilock present or future. Amounts payable to any RSU Participant under the Plan in respect of Restricted Share Units shall be a general, unsecured obligation of Plurilock. The right of a RSU Participant or any Beneficiary to receive payment pursuant to the Plan in respect of Restricted Share Units shall be no greater than the right of other unsecured creditors of Plurilock.

3.2 Vesting

- 3.2.1 An Restricted Share Unit may not be redeemed until it vests. Subject to Sections 3.2.2 and 3.2.3 and unless otherwise approved by the Board and provided in the applicable Award Agreement, the Board or any committee authorized by the Board may, in its sole discretion, determine: (i) the time during which Restricted Share Units shall vest and whether there shall be any other conditions or performance criteria to vesting; (ii) the method of vesting; or (iii) that no vesting restriction shall exist. In the absence of any determination by the Board or authorized committee to the contrary, Restricted Share Units will vest and be redeemable as to one-third (1/3) of the total number of Restricted Share Units granted on each of the first, second and third anniversaries of the Grant Date (computed in each case to the nearest whole Share). In any event, however, and notwithstanding anything else contained in this Plan or an Award Agreement, all unvested Restricted Share Units granted under a particular Award shall expire on or before the RSU Final Vesting Date for such Restricted Share Units, and any Restricted Share Units that have not vested before such RSU Final Vesting Date shall expire and be terminated and forfeited as of the RSU Final Vesting Date.
- 3.2.2 Subject to Section 3.2.3, in the event that a RSU Vesting Date for a Restricted Share Unit granted under this Plan occurs within a Blackout Period or within five business days after a Blackout Period, the RSU Vesting Date for such Restricted Share Unit shall be ten (10) business days after the date the Blackout Period ends (the "**Extension Period**"); provided that if an additional Blackout Period is subsequently imposed by Plurilock during the Extension Period, then such Extension Period shall be deemed to commence following the end of such additional Blackout Period to enable the RSU Vesting Date for such Restricted Share Unit to be ten business days after the end of the last imposed Blackout Period.
- 3.2.3 If any Applicable Law, including any law in respect of a Blackout Period, would apply at any

particular time to prevent payment in respect of a Restricted Share Unit pursuant to Section 3.3.1 to be made on or before the RSU Final Vesting Date for such Restricted Share Unit, then the RSU Vesting Date for such Restricted Share Unit may be accelerated by the Board to permit such payment to be made on or before the RSU Final Vesting Date for such Restricted Share Unit. In no event shall an Extension Period extend the RSU Final Vesting Date.

- 3.2.4 All Restricted Share Units recorded in a RSU Participant's Restricted Share Unit Account which have vested in accordance with this Plan (and are not forfeited hereunder by the Participant on the RSU Termination Date) are referred to herein as "**Vested Restricted Share Units**".
- 3.2.5 For greater certainty, no RSU Participant nor any Beneficiary or other person claiming through a RSU Participant shall be entitled to any benefit hereunder in respect of any Restricted Share Units that are not Vested Restricted Share Units.
- 3.2.6 Notwithstanding anything else herein contained, Plurilock may, in its discretion, at any time permit the acceleration of vesting of any or all Restricted Share Units, all in the manner and on the terms as may be authorized by the Board.

3.3 Payment in Respect of Restricted Share Units

- 3.3.1 Payment in respect of an Award of a Restricted Share Unit granted to a RSU Participant shall become payable on each RSU Vesting Date for such Restricted Share Unit in accordance with Section 3.3.2; provided, however that all payments under a particular Award shall be made on or before the RSU Final Vesting Date for such Restricted Share Unit.
- 3.3.2 On each RSU Vesting Date in respect of an Award of Restricted Share Units granted to a RSU Participant:
 - (a) Plurilock shall decide, in its sole discretion, to make all payments in respect of an Award of a Restricted Share Unit to a RSU Participant in cash, in Shares issued from treasury, or in a combination of cash and Shares issued from treasury, in the manner described in this Section 3.3.2;
 - (b) where Plurilock decides to make all payments in respect of an Award of a Restricted Share Unit to a RSU Participant in cash, Plurilock shall pay to the RSU Participant a cash amount equal to the amount by which:
 - (i) the product that results by multiplying: (A) the number of Restricted Share Units credited to the RSU Participant's Restricted Share Unit Account as at the RSU Vesting Date that are Vested Restricted Share Units; by (B) the Fair Market Value of a Share on the RSU Vesting Date or (such amount referred to as the "**RSU Gross Payment**"); exceeds
 - (ii) all Applicable Withholding Taxes in respect of such payment;
 - (c) where Plurilock decides to make all payments in respect of an Award of a Restricted Share Unit to a Participant in Shares issued from treasury, subject to Section

3.3.2(e), Plurilock shall issue from treasury the number of Shares equal to the number of Restricted Share Units credited to the Participant's Restricted Share Unit Account as at the RSU Vesting Date that are Vested Restricted Share Units with any fractional shares paid in cash based on the Fair Market Value;

- (d) where Plurilock decides to make payments in respect of an Award of a Restricted Share Unit to a RSU Participant in a combination of cash and Shares issued from treasury, Plurilock shall:
 - (i) issue from treasury a number of Shares not to exceed the number that would be issued if Section 3.3.2(c) applied; and
 - (ii) pay to the RSU Participant a cash amount equal to the amount by which the RSU Gross Payment exceeds the Fair Market Value on the date of issuance of the Shares issued from treasury, net of any Applicable Withholding Taxes; and
- (e) where Plurilock decides to make any payments in respect of an Award of a Restricted Share Unit to a RSU Participant in Shares issued from treasury, Plurilock shall have the right to withhold, or to require the RSU Participant to remit to Plurilock, an amount sufficient to satisfy any Applicable Withholding Taxes. For greater certainty, Plurilock may decide in its sole discretion to satisfy any Applicable Withholding Taxes by withholding from the Shares otherwise deliverable to the RSU Participant such number of Shares having a value, determined by the Board in such manner as the Board determines in its discretion, as of the date that the withholding tax obligation arises, equal to the amount of the total withholding tax obligation.

3.3.3 On the RSU Termination Date in respect of an Award of Restricted Share Units granted to a RSU Participant:

- (a) Plurilock shall decide, in its sole discretion, to make all payments in respect of an Award of a Restricted Share Unit to a RSU Participant in cash, in Shares issued from treasury, or in a combination of cash and Shares issued from treasury, in the manner described in this Section 3.3.3;
- (b) where Plurilock decides to make all payments in respect of an Award of a Restricted Share Unit to a RSU Participant in cash, Plurilock shall pay to the RSU Participant a cash amount equal to the amount by which:
 - (i) the product that results by multiplying: (A) the number of Restricted Share Units credited to the RSU Participant's Restricted Share Unit Account as at the RSU Termination Date that are Vested Restricted Share Units; by (B) the Fair Market Value of a Share on the RSU Termination Date (such amount referred to as the "**RSU Gross Payment**"); exceeds
 - (ii) all Applicable Withholding Taxes in respect of such payment;
- (c) where Plurilock decides to make all payments in respect of an Award of a Restricted Share Unit to a RSU Participant in Shares issued from treasury, Plurilock shall:

- (i) determine the number of whole Shares that the RSU Participant has the right to receive under such Award (the “**RSU Whole Shares**”) as the quotient (rounded down to the nearest whole number) obtained by dividing: (A) the RSU Gross Payment; by (B) the Fair Market Value of a Share determined on the date of issuance;
 - (ii) subject to Section 3.3.3(e), issue that number of Shares from treasury that is equal to the number of RSU Whole Shares determined under Section 3.3.3(c)(i); and
 - (iii) pay to the RSU Participant a cash amount equal to the amount by which the RSU Gross Payment exceeds the Fair Market Value of the RSU Whole Shares on the date of issuance, net of any Applicable Withholding Taxes;
- (d) where Plurilock decides to make payments in respect of an Award of a Restricted Share Unit to a RSU Participant in a combination of cash and Shares issued from treasury, Plurilock shall:
 - (i) issue from treasury a number of Shares not to exceed the number that would be issued if Section 3.3.3(c) applied; and
 - (ii) pay to the RSU Participant a cash amount equal to the amount by which the RSU Gross Payment exceeds the Fair Market Value on the date of issuance of the Shares issued from treasury, net of any Applicable Withholding Taxes; and
- (e) where Plurilock decides to make any payments in respect of an Award of a Restricted Share Unit to a RSU Participant in Shares issued from treasury, Plurilock shall have the right to withhold, or to require the RSU Participant to remit to Plurilock, an amount sufficient to satisfy any Applicable Withholding Taxes. For greater certainty, Plurilock may decide in its sole discretion to satisfy any Applicable Withholding Taxes by withholding from the Shares otherwise deliverable to the RSU Participant such number of Shares having a value, determined by the Board in such manner as the Board determines in its discretion, as of the date that the withholding tax obligation arises, equal to the amount of the total withholding tax obligation.

3.3.4 For greater certainty, no amount will be paid to, or in respect of, a RSU Participant under the Plan or pursuant to any other arrangement, and no other Restricted Share Units will be granted to such RSU Participant, to compensate for a reduction in the fair market value of a Share, nor will any other form of benefit be conferred upon, or in respect of, a RSU Participant for such purpose.

3.4 Dividends Paid on Shares

3.4.1 Subject to Section 3.4.2, in the event Plurilock pays a Dividend on the Shares subsequent to the granting of an Award, the number of Restricted Share Units relating to such Award (the “**Original RSU**”) shall be increased by an amount equal to:

- (a) the product of: (i) the aggregate number of Original RSUs held by the RSU

Participant on the record date for such Dividend; and (ii) the per Share amount of such Dividend (or, in the case of any Dividend payable in property other than cash, the per Share fair market value of such property as determined by the Board), divided by

- (b) the Fair Market Value of a Share calculated as of the date that is three days prior to the record date for the Dividend.

3.4.2 In the event that Plurilock pays a Dividend on the Shares in additional Shares, the number of Original RSUs shall be increased by a number equal to the product of: (a) the aggregate number of Original RSUs held by the RSU Participant on the record date of such Dividend; and (b) the number of Shares (including any fraction thereof) payable as a Dividend on one Share.

3.5 Termination of Employment or Leave of Absence

3.5.1 Subject to Section 3.2.1 and the provisions of any applicable Award Agreement, upon the RSU Participant ceasing to be an Eligible Person due to involuntary termination with cause or voluntary termination by the RSU Participant, all Restricted Share Units previously credited to such RSU Participant's Restricted Share Unit Account which did not become Vested Restricted Share Units on or prior to the RSU Termination Date shall be terminated and forfeited as of the RSU Termination Date.

3.5.2 Upon the RSU Participant ceasing to be an Eligible Person by reason of involuntary termination without cause, death, total or permanent long-term disability (as reasonably determined by the Board) or Retirement of the RSU Participant, any Restricted Share Units previously credited to such RSU Participant's Restricted Share Unit Account which did not become Vested Restricted Share Units on or prior to the RSU Termination Date, shall either be terminated and forfeited as of the Participant Termination Date, continue to vest in accordance with their terms and pursuant to Section 3.2.1, or fully-vest at the discretion of the Board.

3.5.3 Upon a RSU Participant commencing a Leave of Absence, unless otherwise determined by the Board in its sole discretion, any Restricted Share Units previously credited to such RSU Participant's Restricted Share Unit Account shall continue to vest in accordance with their terms pursuant to Section 3.2.1.

3.5.4 If the relationship of the RSU Participant with Plurilock is terminated for any reason prior to the vesting of the Restricted Share Units, whether or not such termination is with or without notice, adequate notice or legal notice or is with or without legal or just cause, the RSU Participant's rights shall be strictly limited to those provided for in this Section 3.5, or as otherwise provided in the applicable Award Agreement between the RSU Participant and Plurilock. Unless otherwise specifically provided in writing, the RSU Participant shall have no claim to, or in respect of, any Restricted Share Units which may have or would have vested had due notice of termination of employment been given, nor shall the RSU Participant have any entitlement to damages or other compensation or any claim for wrongful termination or dismissal in respect of any Restricted Share Units or loss of profit or opportunity which may have or would have vested or accrued to the RSU Participant if such

wrongful termination or dismissal had not occurred or if due notice of termination had been given. This provision shall be without prejudice to the RSU Participant's rights to seek compensation for lost employment income or lost employment benefits (other than those accruing under or in respect of the Plan or any Restricted Share Units) in the event of any alleged wrongful termination or dismissal.

ARTICLE 4
DEFERRED SHARE UNITS

4.1 Deferred Share Unit Grants and Accounts

- 4.1.1 An Account, to be known as a **"Deferred Share Unit Account"**, shall be maintained by Plurilock for each DSU Participant that has been granted Deferred Share Units. On each Date of Grant, the Account will be credited with the Deferred Share Units granted to a DSU Participant on that date.
- 4.1.2 The establishment of the Plan in respect of Deferred Share Units shall be an unfunded obligation of Plurilock. Neither the establishment of the Plan in respect of Deferred Share Units nor the grant of any Deferred Share Units or the setting aside of any funds by Plurilock (if, in its sole discretion, it chooses to do so) shall be deemed to create a trust. Legal and equitable title to any funds set aside for the purposes of the Plan in respect of Deferred Share Units shall remain in Plurilock and no DSU Participant shall have any security or other interest in such funds. Any funds so set aside shall remain subject to the claims of creditors of Plurilock present or future. Amounts payable to any DSU Participant under the Plan in respect of Deferred Share Units shall be a general, unsecured obligation of Plurilock. The right of the DSU Participant or Beneficiary to receive payment pursuant to the Plan in respect of Deferred Share Units shall be no greater than the right of other unsecured creditors of Plurilock.

4.2 Vesting

- 4.2.1 All Deferred Share Units recorded in a DSU Participant's Deferred Share Unit Account shall vest on the DSU Participant's DSU Termination Date and shall be referred to herein as **"Vested Deferred Share Units"** as of that date, unless otherwise determined by the Board at its sole discretion.
- 4.2.2 DSU Participants will not have any right to receive any benefit under the Plan in respect of a Deferred Share Unit until the DSU Termination Date.

4.3 Payment in Respect of Deferred Share Units

- 4.3.1 Payment in respect of an Award of a Deferred Share Unit granted to a DSU Participant shall become payable on the DSU Termination Date of the DSU Participant in the amount and in the manner referred to in Section 4.3.2. All payments to be made by Plurilock in respect of a Deferred Share Unit in Shares issued from treasury shall occur on the DSU Termination Date and all payments to be made by Plurilock in respect of a Deferred Share Unit in cash shall occur on or before the DSU Final Payment Date for such Deferred Share Unit.
- 4.3.2 On the DSU Termination Date in respect of an Award of Deferred Share Units granted to a

DSU Participant:

- (a) Plurilock shall decide, in its sole discretion, to make all payments in respect of an Award of a Deferred Share Unit to a DSU Participant in cash, in Shares issued from treasury, or in a combination of cash and Shares issued from treasury, in the manner described in this Section 4.3.2;
- (b) where Plurilock decides to make all payments in respect of an Award of a Deferred Share Unit to a DSU Participant in cash, Plurilock shall pay to the DSU Participant a cash amount equal to the amount by which:
 - (i) the product that results by multiplying: (A) the number of Deferred Share Units credited to the DSU Participant's Deferred Share Unit Account as at the DSU Termination Date that are Vested Deferred Share Units; by (B) the Fair Market Value of a Share on the DSU Termination Date (such amount referred to as the "**DSU Gross Payment**"); exceeds
 - (ii) all Applicable Withholding Taxes in respect of such payment;
- (c) where Plurilock decides to make all payments in respect of an Award of a Deferred Share Unit to a DSU Participant in Shares issued from treasury, Plurilock shall:
 - (i) determine the number of whole Shares that the DSU Participant has the right to receive under such Award (the "**DSU Whole Shares**") as the quotient (rounded down to the nearest whole number) obtained by dividing: (A) the DSU Gross Payment; by (B) the Fair Market Value of a Share determined on the date of issuance;
 - (ii) subject to Section 4.3.2(e), issue that number of Shares from treasury that is equal to the number of DSU Whole Shares determined under Section 4.3.2(c)(i); and
 - (iii) pay to the DSU Participant a cash amount equal to the amount by which the DSU Gross Payment exceeds the Fair Market Value of the DSU Whole Shares on the date of issuance, net of any Applicable Withholding Taxes;
- (d) where Plurilock decides to make payments in respect of an Award of a Deferred Share Unit to a DSU Participant in a combination of cash and Shares issued from treasury, Plurilock shall:
 - (i) issue from treasury a number of Shares not to exceed the number that would be issued if Section 4.3.2(c) applied; and
 - (ii) pay to the DSU Participant a cash amount equal to the amount by which the DSU Gross Payment exceeds the Fair Market Value on the date of issuance of the Shares issued from treasury, net of any Applicable Withholding Taxes; and
- (e) where Plurilock decides to make any payments in respect of an Award of a Deferred

Share Unit to a DSU Participant in Shares issued from treasury, Plurilock shall have the right to withhold, or to require the DSU Participant to remit to Plurilock, an amount sufficient to satisfy any Applicable Withholding Taxes. For greater certainty, Plurilock may decide in its sole discretion to satisfy any Applicable Withholding Taxes by withholding from the Shares otherwise deliverable to the DSU Participant such number of Shares having a value, determined by the Board in such manner as the Board determines in its discretion, as of the date that the withholding tax obligation arises, equal to the amount of the total withholding tax obligation.

- 4.3.3 Notwithstanding anything to the contrary in the Plan, in the event a DSU Participant ceases to be a DSU Participant due to involuntary termination with cause, or if applicable, involuntary removal as a director of Plurilock, all Deferred Share Units previously credited to such DSU Participant's Deferred Share Unit Account which did not become Vested Deferred Share Units on or prior to such date of involuntary termination with cause or involuntary removal shall be terminated and forfeited as of such date of involuntary termination with cause or involuntary removal.
- 4.3.4 For greater certainty, no amount will be paid to, or in respect of, a DSU Participant under the Plan or pursuant to any other arrangement, and no other Deferred Share Units will be granted to such DSU Participant, to compensate for a reduction in the fair market value of a Share, nor will any other form of benefit be conferred upon, or in respect of, a DSU Participant for such purpose.

4.4 Dividends Paid on Shares

- 4.4.1 Subject to Section 4.4.2, in the event Plurilock pays a Dividend on the Shares subsequent to the granting of an Award, the number of Deferred Share Units relating to such Award (the "Original DSU") shall be increased by an amount equal to:
 - (a) the product of: (i) the aggregate number of Original DSUs held by the DSU Participant on the record date for such Dividend; and (ii) the per Share amount of such Dividend (or, in the case of any Dividend payable in property other than cash, the per Share fair market value of such property as determined by the Board); divided by
 - (b) the Fair Market Value of a Share calculated as of the date that is three days prior to the record date for the Dividend.
- 4.4.2 In the event that Plurilock pays a Dividend on the Shares in additional Shares, the number of Original DSUs shall be increased by a number equal to the product of: (a) the aggregate number of Original DSUs held by the DSU Participant on the record date of such Dividend; and (b) the number of Shares (including any fraction thereof) payable as a Dividend on one Share.

ARTICLE 5
PERFORMANCE SHARE UNITS

5.1 Performance Share Unit Grants and Accounts

- 5.1.1 An Account, to be known as a “**Performance Share Unit Account**”, shall be maintained by Plurilock for each PSU Participant that has been granted Performance Share Units at the discretion of the Board. On each Date of Grant, the Account will be credited with the Performance Share Units granted to a PSU Participant on that date. Unless otherwise determined by the Board, an Award of Performance Share Units shall represent a bonus for services rendered in the calendar year in which the Award is made.
- 5.1.2 The establishment of the Plan in respect of Performance Share Units shall be an unfunded obligation of Plurilock. Neither the establishment of the Plan in respect of Performance Share Units nor the grant of any Performance Share Units or the setting aside of any funds by Plurilock (if, in its sole discretion, it chooses to do so) shall be deemed to create a trust. Legal and equitable title to any funds set aside for the purposes of the Plan in respect of Performance Share Units shall remain in Plurilock and no PSU Participant shall have any security or other interest in such funds. Any funds so set aside shall remain subject to the claims of creditors of Plurilock present or future. Amounts payable to any PSU Participant under the Plan in respect of Performance Share Units shall be a general, unsecured obligation of Plurilock. The right of a PSU Participant or any Beneficiary to receive payment pursuant to the Plan in respect of Performance Share Units shall be no greater than the right of other unsecured creditors of Plurilock.

5.2 Vesting of Performance Share Unit

- 5.2.1 A Performance Share Unit may not be redeemed until it vests. Unless otherwise approved by the Board and provided in the applicable Award Agreement, the Board or any committee authorized by the Board shall set performance criteria for a Performance Period in its discretion, which, depending on the extent to which they are met, will determine, in the manner determined by the Board and set forth in the Award Agreement, the value and/or number of each Performance Share Unit that will be paid to the Participant. In any event, however, and notwithstanding anything else contained in this Plan or an Award Agreement, all unvested Performance Share Units granted under a particular Award shall expire on December 31 of the third calendar year following the calendar year in which the service was performed in respect of which the particular Award was made, and any Performance Share Units for which the performance criteria and any other vesting requirements have not been met before such date shall expire and be terminated and forfeited as of such date.
- 5.2.2 All Performance Share Units recorded in a PSU Participant’s Performance Share Unit Account which have vested in accordance with this Plan (and are not forfeited hereunder by the Participant on the PSU Termination Date) are referred to herein as “**Vested Performance Share Units**”.

5.3 Payment in Respect of Performance Share Units

- 5.3.1 Subject to the terms of the Plan and the applicable Award Agreement, after the applicable Performance Period has ended, the holder of Performance Share Units shall be entitled to

receive payout on the value and number of Performance Share Units, determined as a function of the extent to which the corresponding performance criteria have been achieved. Notwithstanding the foregoing, Plurilock shall have the ability to require the Participant to hold any Shares received pursuant to such Award for a specified period of time.

- 5.3.2 Payment of earned Performance Share Units shall be as determined by the Board or any committee authorized by the Board and as set forth in the Award Agreement. Subject to the terms of the Plan, the Board or any committee authorized by the Board, in its sole discretion, may pay earned Performance Share Units in the form of: (i) cash equal to the value of the earned Performance Share Units at the end of the applicable Performance Period, (ii) a number of Shares issued from treasury equal to the number of earned Performance Share Units at the end of the applicable Performance Period, or (iii) in a combination thereof, and subject to Applicable Withholding Taxes (to be settled as determined by the Board in its discretion) in all cases. Any Shares may be granted subject to any restrictions deemed appropriate by the Board or any committee authorized by the Board. The determination of the Board or any committee authorized by the Board with respect to the form of payout of such Performance Share Units shall be set forth in the Award Agreement for the grant of the Performance Share Units or reserved for later determination. In no event will delivery of such Shares or payment of any cash amounts be made later than the earlier of (i) 2½ months after the close of the year in which such conditions or restrictions were satisfied or lapsed and (ii) December 31 of the third year following the calendar year in which the service was performed in respect of which the particular Award was made.

5.4 Dividends Paid on Shares

- 5.4.1 Subject to Section 5.4.2, in the event Plurilock pays a Dividend on the Shares subsequent to the granting of an Award, the number of Performance Share Units relating to such Award (the “**Original PSU**”) shall be increased by an amount equal to:
- (a) the product of: (i) the aggregate number of Original PSUs held by the PSU Participant on the record date for such Dividend; and (ii) the per Share amount of such Dividend (or, in the case of any Dividend payable in property other than cash, the per Share fair market value of such property as determined by the Board), divided by
 - (b) the Fair Market Value of a Share calculated as of the date that is three days prior to the record date for the Dividend.
- 5.4.2 In the event that Plurilock pays a Dividend on the Shares in additional Shares, the number of Original PSUs shall be increased by a number equal to the product of: (a) the aggregate number of Original PSUs held by the PSU Participant on the record date of such Dividend; and (b) the number of Shares (including any fraction thereof) payable as a Dividend on one Share.

5.5 Termination of Employment or Leave of Absence

- 5.5.1 Subject to Section 5.2.1 and the provisions of any applicable Award Agreement, upon the PSU Participant ceasing to be an Eligible Person due to involuntary termination with cause

or voluntary termination by the PSU Participant, all Performance Share Units previously credited to such PSU Participant's Performance Share Unit Account which did not become Vested Performance Share Units on or prior to the PSU Participant Termination Date shall be terminated and forfeited as of the PSU Participant Termination Date.

- 5.5.2 Upon the PSU Participant ceasing to be an Eligible Person by reason of involuntary termination without cause, death, total or permanent long-term disability (as reasonably determined by the Board) or Retirement of the PSU Participant, any Performance Share Units previously credited to such PSU Participant's Performance Share Unit Account which did not become Vested Performance Share Units on or prior to the PSU Termination Date, shall either be terminated and forfeited as of the PSU Termination Date, continue to vest in accordance with their terms and pursuant to Section 5.2.1, or fully-vest at the discretion of the Board.
- 5.5.3 Upon a PSU Participant commencing a Leave of Absence, unless otherwise determined by the Board in its sole discretion, any Performance Share Units previously credited to such PSU Participant's Performance Share Unit Account shall continue to vest in accordance with their terms pursuant to Section 5.2.1.
- 5.5.4 If the relationship of the PSU Participant with Plurilock is terminated for any reason prior to the vesting of the Performance Share Units, whether or not such termination is with or without notice, adequate notice or legal notice or is with or without legal or just cause, the PSU Participant's rights shall be strictly limited to those provided for in this Section 5.5, or as otherwise provided in the applicable Award Agreement between the PSU Participant and Plurilock. Unless otherwise specifically provided in writing, the PSU Participant shall have no claim to, or in respect of, any Performance Share Units which may have or would have vested had due notice of termination of employment been given, nor shall the PSU Participant have any entitlement to damages or other compensation or any claim for wrongful termination or dismissal in respect of any Performance Share Units or loss of profit or opportunity which may have or would have vested or accrued to the PSU Participant if such wrongful termination or dismissal had not occurred or if due notice of termination had been given. This provision shall be without prejudice to the PSU Participant's rights to seek compensation for lost employment income or lost employment benefits (other than those accruing under or in respect of the Plan or any Performance Share Units) in the event of any alleged wrongful termination or dismissal.

ARTICLE 6

ADJUSTMENTS AND MERGER AND ACQUISITION TRANSACTIONS

6.1 Adjustments

- 6.1.1 Appropriate adjustments to this Plan and to Awards shall be made, and shall be conclusively determined, by the Board to give effect to adjustments in the number of Shares resulting from subdivisions, consolidations, substitutions, reorganizations or reclassifications of the Shares, the payment of Special Dividends by Plurilock (other than Ordinary Dividends in the ordinary course) or other changes in the capital of Plurilock or from a Merger and Acquisition Transaction. Any dispute that arises at any time with respect to any such adjustment will be conclusively determined by the Board, and any such determination will

be binding on Plurilock, the Participant and all other affected parties.

6.2 Merger and Acquisition Transactions

6.2.1 In the event of a Merger and Acquisition Transaction or proposed Merger and Acquisition Transaction:

- (a) the Board shall, in an appropriate and equitable manner, determine any adjustment to the number and type of Shares (or other securities or other property) that thereafter shall be made the subject of Awards;
- (b) the Board shall, in an appropriate and equitable manner, determine the number and type of Shares (or other securities or other property) subject to outstanding Awards;
- (c) the Board shall, in an appropriate and equitable manner, determine the acquisition price with respect to settlement or payment of any Award; provided, however, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number;
- (d) the Board shall, in an appropriate and equitable manner, determine the manner in which all unvested Awards granted under this Plan will be treated including, without limitation, requiring the acceleration of the time for the vesting of such Awards by the Participants, the time for the fulfilment of any conditions or restrictions on such exercise, and the time for the expiry of such rights;
- (e) the Board or any company which is or would be the successor to Plurilock or which may issue securities in exchange for Shares upon the Merger and Acquisition Transaction becoming effective may offer any Participant the opportunity to obtain a new or replacement award for securities into which the Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Shares issuable under the Award (and otherwise substantially upon the terms of the Award being replaced, or upon terms no less favourable to the Participant) including, without limitation, the periods during which the Award may be exercised and expiry dates; and in such event, the Participant shall, if he accepts such offer, be deemed to have released his Award and such Award shall be deemed to have lapsed and be cancelled; and
- (f) the Board may commute for or into any other security or any other property or cash, any Award that is still capable of being exercised, upon giving to the Participant to whom such Award has been granted at least 30 days' written notice of its intention to commute such Award, and during such period of notice, the Award, to the extent it has not been exercised, may be exercised by the Participant without regard to any vesting conditions attached thereto, and on the expiry of such period of notice, the unexercised portion of the Award shall lapse and be cancelled.

Subsections (a) through (f) of this Section 6.2.1 may be utilized independently of, successively with, or in combination with each other and Section 6.1.1 and nothing therein contained shall be construed as limiting or affecting the ability of the Board to deal with

Awards in any other manner. All determinations by the Board under this ARTICLE 6 will be final, binding and conclusive for all purposes.

- 6.2.2 The Board may, in its sole discretion, cancel any or all outstanding Awards and pay to the holders of any such Awards that are otherwise vested, in cash, the value of such Awards based upon the price per share of capital stock received or to be received by other shareholders of the Corporation in such event.
- 6.2.3 The grant of any Awards under this Plan will in no way affect Plurilock's right to adjust, reclassify, reorganize or otherwise change its capital or business structure, to complete a Merger and Acquisition Transaction or to merge, amalgamate, reorganize, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets or engage in any like transaction.
- 6.2.4 No adjustment or substitution provided for in this ARTICLE 6 will require Plurilock to issue a fractional share in respect of any or other Awards and the total substitution or adjustment with respect to each Award will be limited accordingly.

ARTICLE 7 **ADMINISTRATION**

7.1 Administration

- 7.1.1 The Plan shall be administered by Plurilock in accordance with the provisions hereof. All costs and expenses of administering the Plan will be paid by Plurilock. Plurilock may, from time to time, establish administrative rules and regulations and prescribe forms or documents relating to the operation of the Plan as it may deem necessary to implement or further the purpose of the Plan and amend or repeal such rules and regulations or forms or documents. In administering the Plan, the Board or the Compensation Committee may seek recommendations from the Chairman, Chief Executive Officer or Chief Financial Officer of Plurilock or such other advisors as they deem appropriate. The Board may also delegate to the Compensation Committee or any director, officer or employee of Plurilock such duties and powers relating to the Plan as it may see fit. Plurilock may also appoint or engage a trustee, custodian or administrator to administer or implement the Plan.
- 7.1.2 Plurilock shall keep or cause to be kept such records and accounts as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties. At such times as Plurilock shall determine, Plurilock shall furnish the Participant with a statement setting forth the details of his or her Units including Date of Grant and the Vested Units held by each Participant.
- 7.1.3 (a) Any notice, statement, certificate or other instrument required or permitted to be given to a Participant or any person claiming or deriving any rights through him or her shall be given by:
 - (i) delivering it personally to the Participant or to the person claiming or deriving rights through him or her, as the case may be;
 - (ii) other than in the case of a delivery of Shares, sending it to the Participant via

facsimile or similar means of electronic transmission to the facsimile or e-mail address which is maintained for the Participant in Plurilock's personnel records; or

- (iii) mailing it postage paid (provided that the postal service is then in operation) or delivering it to the address which is maintained for the Participant in Plurilock's personnel records.
- (b) Any notice, statement, certificate or other instrument required or permitted to be given to Plurilock shall be given by mailing it postage paid (provided that the postal service is then in operation), delivering it to Plurilock at its principal address, or (other than in the case of a payment) sending it by means of facsimile or similar means of electronic transmission, to the attention of Plurilock.
- (c) Any notice, statement, certificate or other instrument referred to in Section 7.1.3(a) or 7.1.3(b), if delivered, shall be deemed to have been given or delivered on the date on which it was delivered, if mailed (provided that the postal service is then in operation), shall be deemed to have been given or delivered on the second business day following the date on which it was mailed and if by facsimile or similar means of electronic transmission, on the next business day following transmission.

7.2 Amendments

- 7.2.1 Plurilock retains the right without shareholder approval (i) to amend the Plan or any Restricted Share Units, Deferred Share Units or Performance Share Units from time to time to (A) make amendments of a grammatical, typographical, clerical and administrative nature and any amendments required by a regulatory authority, (B) change vesting provisions of the Plan or any Restricted Share Units, Deferred Share Units or Performance Share Units or (C) make any other amendments of a non-material nature; or (ii) to suspend, terminate or discontinue the terms and conditions of the Plan and the Restricted Share Units, Deferred Share Units and Performance Share Units granted hereunder by resolution of the Board, provided that:
 - (a) no such amendment to the Plan shall cause the Plan in respect of Restricted Share Units or Performance Share Units to cease to be a plan described in paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the ITA or any successor to such provision;
 - (b) no such amendment to the Plan shall cause the Plan in respect of Deferred Share Units to cease to be a plan described in regulation 6801(d) of the ITA or any successor to such provision; and
 - (c) any amendment shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange, as may be required.
- 7.2.2 Any amendment to the Plan made in accordance with Section 7.2.1(i)(B) or 7.2.1(ii) shall take effect only with respect to Awards granted after the effective date of such amendment, provided that it may apply to any outstanding Award with the mutual consent of Plurilock and the Participants to whom such Awards have been granted.

7.2.3 Any amendment to the Plan other than as described in Section 7.2.1 shall require the approval of the shareholders of Plurilock given by the affirmative vote of a majority of the common shares (or, where required, "disinterested" shareholder approval) represented at a meeting of the shareholders of Plurilock at which a motion to approve the Plan or an amendment to the Plan is presented. Specific amendments requiring shareholder approval include:

- (a) to increase the number of Shares reserved in respect of RSUs, DSUs or PSUs;
- (b) to change the definition of RSU Participants, DSU Participants or PSU Participants;
- (c) to extend the term of an RSU or PSU held by an insider or to amend or remove the limits on the number of RSUs or PSUs which may be granted to insiders under the Plan;
- (d) to permit RSUs, DSUs or PSUs to be transferred otherwise than by testamentary disposition or in accordance with the laws governing the devolution of property in the event of death;
- (e) to permit awards other than RSUs, DSUs and PSUs under the Plan; and
- (f) to amend this Section 7.2.3 so as to increase the ability of the Board to amend the Plan without shareholder approval.

7.3 Currency

7.3.1 All payments and benefits under the Plan shall be determined and paid in the lawful currency of Canada.

7.4 Beneficiaries and Claims for Benefits

7.4.1 Subject to the requirements of Applicable Law, a Participant shall designate in writing a Beneficiary to receive any benefits that are payable under the Plan upon the death of such Participant. The Participant may, subject to Applicable Law, change such designation from time to time. Such designation or change shall be in such form and executed and filed in such manner as the Board may from time to time determine.

7.5 Representations and Covenants of Participants

7.5.1 Each Award Agreement will contain representations and covenants of the Participant that:

- (a) in respect of a RSU Participant, the RSU Participant is an Eligible Person;
- (b) in respect of a DSU Participant, the DSU Participant is a an officer, director or employee of Plurilock;
- (c) in respect of a PSU Participant, the PSU Participant is a an officer, director or employee of Plurilock;
- (d) the Participant has not been induced to enter into such Award Agreement by the expectation of employment or continued employment with Plurilock;

- (e) the Participant is aware that the grant of the Award is exempt from the obligation under applicable securities laws to file a prospectus or other registration document qualifying the distribution of the Shares to be distributed thereunder under any applicable securities laws and that any Shares issued under the Plan or an Award may contain required restrictive legends; and
- (f) upon vesting of an Award which is settled in Shares, the Participant or their legal representative, as the case may be, will prior to and upon any sale or disposition of any Shares received pursuant to an Award, comply with all Applicable Law.

7.6 General

- 7.6.1 This Plan is subject to the Exchange Policy 4.4 - *Incentive Stock Options*.
- 7.6.2 The transfer of an employee within Plurilock shall not be considered a termination of employment for the purposes of the Plan, so long as such Participant continues to be a director or employee of Plurilock.
- 7.6.3 The determination by the Board of any question which may arise as to the interpretation or implementation of the Plan or any of the Units granted hereunder shall be final and binding on all Participants and other persons claiming or deriving rights through any of them.
- 7.6.4 The Plan shall enure to the benefit of and be binding upon Plurilock and its successors and assigns. The interest of any Participant under the Plan in any Unit shall not be transferable or alienable by the Participant either by pledge, assignment or in any other manner whatever, otherwise than by testamentary disposition or in accordance with the laws governing the devolution of property in the event of death; and after the Participant's lifetime shall enure to the benefit of and be binding upon the Participant's Beneficiary.
- 7.6.5 The following provisions apply to the grant of Units hereunder:
 - (a) Plurilock's grant of any Units hereunder is subject to compliance with Applicable Law.
 - (b) As a condition of participating in the Plan, each Participant agrees to comply with all such Applicable Law and agrees to furnish to Plurilock all information and undertakings as may be required to permit compliance with such Applicable Law. Each Participant shall provide the Board with all information (including personal information) the Board requires in order to administer the Plan (the "**Participant Information**").
 - (c) Plurilock may, without amending the Plan, modify the terms of Restricted Share Units, Deferred Share Units and Performance Share Units granted to Participants who provide services to Plurilock from outside of Canada in order to comply with the Applicable Laws of such foreign jurisdictions. Any such modification to the terms of Restricted Share Units, Deferred Share Units or Performance Share Units with respect to a particular Participant shall be reflected in the Award Agreement for such Participant.

- (d) The terms of the Plan and Restricted Share Units, Deferred Share Units and Performance Share Units granted hereunder to Participants subject to taxation on employment income under the United States *Internal Revenue Code* of 1986, as amended, shall be determined by taking into consideration the provisions applicable to such persons as set forth in Schedule "A" hereto.
 - (e) The Board may from time to time transfer or provide access to Participant Information to a third party service provider for purposes of the administration of the Plan provided that such service providers will be provided with such information for the sole purpose of providing services to the Board in connection with the operation and administration of the Plan. The Board may also transfer and provide access to Participant Information to Plurilock for purposes of preparing financial statements or other necessary reports and facilitating payment or reimbursement of Plan expenses. By participating in the Plan, each Participant acknowledges that Participant Information may be so provided and agrees and consents to its provision on the terms set forth herein. Plurilock shall not disclose Participant Information except (i) as contemplated above in this Section 7.6.5(e) and in Section 7.6.9, (ii) in response to regulatory filings or other requirements for the information by a governmental authority or regulatory body, or (iii) for the purpose of complying with a subpoena, warrant or other order by a court, person or body having jurisdiction over Plurilock to compel production of the information.
 - (f) In granting any Units hereunder, the Board may impose requirements or conditions for a minimum period that any Participant is required to remain with Plurilock after the effective date of grant and the consequences of the failure to remain with Plurilock for such minimum period, including the cancellation of some or all of any Units granted to such Participant who does not remain with Plurilock for the specified minimum period.
- 7.6.6 Nothing herein or otherwise shall be construed so as to confer on any Participant any rights as a shareholder of Plurilock with respect to any Shares reserved for the purpose of any Award, including for greater certainty, no Award shall confer any entitlement as to Dividends or voting rights on a Participant.
- 7.6.7 Neither designation as a Participant nor the grant of any Units to any Participant entitles any Participant to any additional grant of any Units under the Plan. Neither the Plan nor any action taken hereunder shall interfere with the right of Plurilock to terminate a Participant's employment, if applicable, at any time. Neither any period of notice, if any, nor any payment in lieu thereof, upon termination of employment shall be considered as extending the period of employment for the purposes of the Plan.
- 7.6.8 Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect any person's relationship with Plurilock.
- 7.6.9 By participating in the Plan, the Participant agrees, acknowledges and consents to:
- (a) the disclosure to Plurilock and applicable directors, officers, employees, Consultants, representatives and agents of Plurilock, the Exchange and all tax, securities and

other regulatory authorities of all Participant Information;

- (b) the collection, use and disclosure of such personal information by the persons described in (a) above of all Participant Information in accordance with their requirements, including the provision to third party service providers, from time to time.

7.6.10 Nothing contained in this Plan will restrict or limit or be deemed to restrict or limit the right or power of the Board in connection with any allotment and issuance of Shares which are not allotted and issued under this Plan including, without limitation, with respect to other compensation arrangements.

7.6.11 This Plan is established under the laws of the Province of British Columbia and the rights of all parties and the construction of each and every provision of the Plan and any Units granted hereunder shall be construed according to the laws of the Province of British Columbia.

ARTICLE 8

United States Securities Laws

(U.S. Participants)

8.1.1 Neither the Units which may be granted pursuant to the provisions of the Plan, nor the Shares which may be received pursuant to the vesting of Units, have been registered under the U.S. Securities Act or under any securities law of any state of the United States. Accordingly, no Award shall be granted to any U.S. Participant absent an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws.

8.1.2 Each U.S. Participant, by accepting an Award, shall be deemed to represent, warrant, acknowledge and agree that:

- (a) the Participant is receiving the Units and any Shares upon the vesting of such Units as principal and for the sole account of the Participant;
- (b) in granting the Units and issuing the Shares to the Participant upon the vesting of such Units, Plurilock is and will be relying on the representations and warranties of the Participant contained in this Plan;
- (c) any Units issued to the Participant by Plurilock in reliance on an exemption from the registration requirements of the U.S. Securities Act, and any Shares issued upon the vesting of such Units, shall be “restricted securities” as defined in Rule 144(a)(3) under the U.S. Securities Act, and any certificate or other instrument representing such Shares shall bear the following legend:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY,

(B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, (D) IN COMPLIANCE WITH ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, OR (E) UNDER AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT; PROVIDED THAT IN THE CASE OF TRANSFERS PURSUANT TO (C) OR (D) ABOVE, A LEGAL OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED TO THE COMPANY TO THE EFFECT THAT SUCH TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA."

provided that, if any of the Shares are being sold in accordance with Rule 904 of Regulation S under the U.S. Securities Act, and the related Units were acquired when Plurilock qualified as a "foreign issuer" (as defined in Rule 902 of Regulation S), the legend may be removed by (i) providing to Plurilock's registrar and transfer agent a declaration in the form attached hereto as Schedule B or as Plurilock may prescribe from time to time, and (ii) if required by Plurilock's registrar and transfer agent an opinion of counsel, of recognized standing in form and substance reasonably satisfactory to Plurilock, or other evidence reasonably satisfactory to Plurilock, that the proposed transfer may be effected without registration under the U.S. Securities Act; and provided, further, that, if any such securities are being sold under Rule 144 under the U.S. Securities Act, if available, the legend may be removed by delivering to Plurilock and Plurilock's registrar and transfer agent, an opinion of counsel of recognized standing in form and substance reasonably satisfactory to Plurilock, that the legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws;

- (d) other than as contemplated by subsection (c) of this Section 8.1.1, prior to making any disposition of any Shares acquired pursuant to the vesting of such Units which might be subject to the requirements of the U.S. Securities Act, the U.S. Participant shall give written notice to Plurilock describing the manner of the proposed disposition and containing such other information as is necessary to enable counsel for Plurilock determine whether registration under the U.S. Securities Act or qualification under any securities laws of any state of the United States is required in connection with the proposed disposition and whether the proposed disposition is otherwise in compliance with such legislation and the regulations thereto;
- (e) Plurilock may place a notation on the records of the Company to the effect that none of the Units and the Shares received by the U.S. Participant shall be transferred unless the provisions of the Plan have been complied with; and

(f) the effect of these restrictions on the disposition of the Shares received by the U.S. Participant pursuant to the vesting of such Units is such that the U.S. Participant may not be able to sell or otherwise dispose of such Shares for a considerable length of time in a transaction which is subject to the provisions of the U.S. Securities Act other than as contemplated by subsection (c) of this Section 8.1.1.

8.1.3 Notwithstanding Section 8.1.1, Plurilock may elect, in its sole discretion, to register any Units and/or any underlying Shares under the U.S. Securities Act and any applicable state securities laws.

Approved by Board of Directors: August 20, 2020

Approved by Shareholders: ●, 2020

Approved by TSX Venture Exchange: ●, 2020

Schedule A
Special Provisions Applicable to Participants Subject to Section 409A of the United States
Internal Revenue Code

This schedule sets forth special provisions of the Plan that apply to Participants subject to section 409A of the United States *Internal Revenue Code* of 1986, as amended. Terms defined in the Plan and used herein shall have the meanings set forth in the Plan, as amended from time to time.

1.1 Definitions

1.1.1 In this Schedule, the following terms have the following meanings:

- (a) **“Code”** means the United States *Internal Revenue Code* of 1986, as amended, and any applicable United States Treasury Regulations and other binding regulatory guidance thereunder;
- (b) **“Section 409A”** means section 409A of the Code;
- (c) **“Separation From Service”** shall mean shall mean the separation from service with Plurilock within the meaning of U.S. Treas. Regs. § 1.409A-1(h). Whether a Separation from Service has occurred is determined based on whether the facts and circumstances indicate that Plurilock and the Participant reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Participant would perform after such date (whether as an employee or independent contractor) would permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding thirty six (36) month period (or the full period of services to Plurilock if the Participant has been providing services to Plurilock less than thirty six (36) months). Separation from service shall not be deemed to occur while the Participant is on military leave, sick leave or other bona fide leave of absence if the period does not exceed six (6) months or, if longer, so long as the Participant retains a right to reemployment with Plurilock under an applicable statute or by contract. For this purpose, a leave is bona fide only if, and so long as, there is a reasonable expectation that the Participant will return to perform services for Plurilock. Notwithstanding the foregoing, a twenty-nine (29) month period of absence will be substituted for such six (6) month period if the leave is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of no less than six (6) months and that causes the Participant to be unable to perform the duties of his or her position of employment. For this purpose, “Plurilock” includes all entities would be considered a single employer for purposes of U.S. Treasury Regulations; provided that, in applying those regulations, the language “at least 50 percent” shall be used instead of “at least 80 percent” each place it appears therein. Notwithstanding the foregoing, with respect to a DSU Participant who is a director, a “Separation from Service” shall mean a complete severance of a director’s relationship as a director of

Plurilock and as an independent contractor of Plurilock. A director may have a Separation from Service upon resignation as a director even if the director then becomes an officer or employee of Plurilock;

- (d) **“Specified Employee”** means a US Taxpayer who meets the definition of “specified employee,” as defined in Section 409A(a)(2)(B)(i) of the Code; and
- (e) **“US Taxpayer”** means a Participant whose compensation from Plurilock is subject to Section 409A.

2.1 Compliance with Section 409A

2.1.1 Notwithstanding any provision of the Plan to the contrary, it is intended that any payments under the Plan either be exempt from or comply with Section 409A, and all provisions of the Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Each payment made in respect of Restricted Share Units and Deferred Share Units shall be deemed to be a separate payment for purposes of Section 409A. Each US Taxpayer is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such US Taxpayer in connection with the Plan (including any taxes and penalties under Section 409A), and neither Plurilock nor any of its subsidiaries shall have any obligation to indemnify or otherwise hold such US Taxpayer (or any beneficiary) harmless from any or all of such taxes or penalties.

2.1.3 Solely to the extent required by Section 409A, any payment which is subject to Section 409A shall comply with the following:

- (a) a payment which becomes payable on account of a DSU Termination Date, an RSU Termination Date or PSU Termination Date (for any reason, whether or not such termination is voluntary or involuntary, with or without notice, adequate notice or legal notice or is with or without legal or just cause or on account of Retirement, death or permanent disability) shall be payable by reason of such circumstance only if the circumstance is a Separation from Service; and if such payment has become payable on account of a Separation from Service to any employee who is determined to be a Specified Employee, such payment shall not be paid before the date which is six months after such Specified Employee’s Separation From Service (or, if earlier, the date of death of such Specified Employee). Following any applicable six month delay of payment, all such delayed payments shall be made to the Specified Employee in a lump sum on the earliest possible payment date;
- (b) a payment which becomes payable on account of a Merger and Acquisition Transaction or other Change of Control shall not be payable by reason of such circumstance unless the circumstance is a “change in ownership,” change in effective control,” or “change in ownership of a substantial portion of assets” as defined under Section 409A (hereinafter, a **“409A Change of Control”**); and

(c) a payment which is scheduled to become payable on account of an RSU Vesting Date or other specified date certain shall not be accelerated on account of accelerated vesting or other intervening payment event unless such event itself qualifies as a Separation from Service, a 409A Change of Control or other payment event expressly permitted under Section 409A.

2.1.4 A US Taxpayer shall be required to pay to Plurilock, and Plurilock shall have the right and is hereby authorized to withhold, from any cash or other compensation payable under the Plan, or from any other compensation or amounts owing to the US Taxpayer, the amount of any required Applicable Withholding Taxes in respect of amounts paid under the Plan and to take such other action as may be necessary in the opinion of Plurilock to satisfy all obligations for the payment of such withholding and taxes.

2.1.5 If and to the extent use of the assets contributed to or held by the Trust Fund to pay distributions to a US Taxpayer could result in accelerated or additional tax to the US Taxpayer under Section 409A (including without limitation Section 409A(b)), payment to a US Taxpayer shall only be made with assets that have not been held in the Trust Fund, and the US Taxpayer shall have no right to or any interest in any of the assets of the Trust Fund.

3.1 Amendment of Schedule

3.1.1 Notwithstanding Section 7.2 of the Plan, the Board shall retain the power and authority to amend or modify this schedule to the extent the Board in its sole discretion deems necessary or advisable to comply with any guidance issued under Section 409A. Such amendments may be made without the approval of any US Taxpayer.

Schedule B
Form of Declaration For Removal of U.S. Legend

TO: _____, as Registrar and Transfer Agent

AND TO: Plurilock Resources Inc. (the "Corporation")

The undersigned (A) acknowledges that the sale of _____ common shares in the capital of the Corporation represented by certificate number _____ or held in Direct Registration System (DRS) Account No. _____, to which this declaration relates is being made in reliance on Rule 904 of Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and (B) certifies that (1) the undersigned is not (a) an "affiliate" of the Corporation (as that term is defined in Rule 405 under the U.S. Securities Act), except solely by virtue of being an officer or director of the Corporation, (b) a "distributor" as defined in Regulation S or (c) an affiliate of a distributor; (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another designated offshore securities market within the meaning of Rule 902(b) of Regulation S, and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States or a U.S. person; (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as that term is defined in Rule 144(a)(3) under the U.S. Securities Act); (5) the seller does not intend to replace securities sold in reliance on Rule 904 of Regulation S with fungible unrestricted securities; and (6) the sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S.

Dated: _____

Authorized signatory

Name of Seller (**please print**)

Name of authorized signatory (**please print**)

Title of authorized signatory (**please print**)

Affirmation By Seller's Broker-Dealer
(required for sales in accordance with Section (B)(2)(b) above)

We have read the foregoing representations of our customer, _____ (the "Seller") dated _____, with regard to our sale, for such Seller's account, of the securities of the Corporation described therein (the "Securities"). We have executed sales of the Securities pursuant to Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), on behalf of the Seller. In that connection, we hereby represent to you as follows:

- (1) no offer to sell Securities was made to a person in the United States;
- (2) the sale of the Securities was executed in, on or through the facilities of the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange or another designated offshore securities market (as defined in Rule 902(b) of Regulation S under the U.S. Securities Act), and, to the best of our knowledge, the sale was not pre-arranged with a buyer in the United States;
- (3) no "directed selling efforts" were made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and
- (4) we have done no more than execute the order or orders to sell the Securities as agent for the Seller and will receive no more than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

For purposes of these representations: "**affiliate**" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned; "**directed selling efforts**" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Securities (including, but not be limited to, the solicitation of offers to purchase the Securities from persons in the United States); and "**United States**" means the United States of America, its territories or possessions, any State of the United States, and the District of Columbia.

Legal counsel to the Corporation shall be entitled to rely upon the representations, warranties and covenants contained herein to the same extent as if this affirmation had been addressed to them.

Dated: _____, 20_____

Name of Firm

By: _____
Authorized officer