



# Legible Inc. (Formerly Twenty20 Investment Inc.)

Consolidated Financial Statements

For the year ended December 31, 2021, and

For the period from the date of incorporation on January 22, 2020 to December 31, 2020

(Expressed in Canadian dollars)



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Legible Inc.

### ***Opinion***

We have audited the consolidated financial statements of Legible Inc. (formerly Twenty20 Investments Inc.) (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

### ***Basis for Opinion***

We conducted our audit 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 auditors' report.

We are independent of the Entity 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 2 in the consolidated financial statements, which indicates that the Entity has incurred a net loss and negative cash flows from operations for the year ended December 31, 2021.

As stated in Note 2 in the consolidated financial statements, these events or conditions, along with other matters as set forth in Note 2 in the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### ***Other Matter – Comparative Information***

The financial statements for the period from the date of incorporation on January 22, 2020 to December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 26, 2021.

### ***Other Information***

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and 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 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at 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 the 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 IFRS as issued by the International Accounting Standards Board ("IASB"), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*KPMG LLP*

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The engagement partner on the audit resulting in this auditors' report is Jeffrey Welwood.

Chartered Professional Accountants,

Vancouver, Canada  
May 2, 2022

## Legible Inc.

(Formerly Twenty20 Investment Inc.)

For the Year Ended December 31, 2021, and

For the period from the date of incorporation on January 22, 2020 to December 31, 2020

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian dollars)

		December 31, 2021 \$	December 31, 2020 \$
<b>Assets</b>	Notes		
<b>Current assets</b>			
Cash		832,668	145,849
Prepaid expenses	[5]	273,544	108,870
Investment		-	10,166
Commodity tax receivable		111,239	47,837
<b>Total current assets</b>		<b>1,217,451</b>	<b>312,722</b>
<b>Non-current assets</b>			
Amounts receivable		-	60,000
Loan receivable		-	100,000
Intangible assets	[6]	2,212,630	1,576,710
Equipment	[7]	103,194	29,151
<b>Total assets</b>		<b>3,533,275</b>	<b>2,078,583</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		719,396	236,753
Current portion of long-term debt	[8]	-	12,223
Due to related parties	[10]	150,000	-
<b>Total current liabilities</b>		<b>869,396</b>	<b>248,976</b>
<b>Non-current liabilities</b>			
Long-term debt	[8]	-	15,148
<b>Total liabilities</b>		<b>869,396</b>	<b>264,124</b>
<b>Shareholders' equity</b>			
Share capital	[9]	14,552,581	2,569,200
Shares to be issued	[9]	120,500	-
Reserves	[9]	1,775,995	118,995
Deficit		(13,785,197)	(873,736)
<b>Total shareholders' equity</b>		<b>2,663,879</b>	<b>1,814,459</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,533,275</b>	<b>2,078,583</b>

Basis of preparation and going concern (note 2)

Commitment (note 13)

Subsequent events (note 14)

On behalf of the Board of Directors:

Approved and authorized for issue by the Board of Directors on May 2<sup>nd</sup>, 2022:

/s/ Kaleeg Hainsworth

/s/ David Van Seters

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

## Legible Inc.

(Formerly Twenty20 Investment Inc.)

### CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the Year Ended December 31, 2021, and

For the period from the date of incorporation on January 22, 2020 to December 31, 2020

(Expressed in Canadian dollars, except number of common shares)

		Year-ended December 31, 2021	Date of incorporation on January 22, 2020, to December 31, 2020
		\$	\$
Revenue	Notes	918	-
Cost of sales		78,771	-
		(77,853)	-
<b>Expenses</b>			
Amortization	[6,7]	364,048	17,545
Contractors		697,233	134,520
Development costs		149,348	58,494
Directors' fees		150,000	-
Investor relations		388,209	-
Marketing		784,539	75,025
General and administrative		367,105	17,358
Professional fees		400,080	81,811
Rent		2,808	22,750
Salaries and wages		3,330,773	321,649
Share-based compensation	[9]	1,328,912	118,995
Subscription		126,909	18,500
Travel		95,916	7,089
		<b>8,185,880</b>	<b>873,736</b>
<b>Loss from operations</b>		<b>8,263,733</b>	<b>873,736</b>
<b>Loss on completion of reverse takeover</b>	[4]	<b>4,647,728</b>	-
<b>Net loss and comprehensive loss</b>		<b>12,911,461</b>	<b>873,736</b>
Loss per share			
Basic		(0.26)	(0.03)
Diluted		(0.26)	(0.03)
Weighted average number of shares outstanding			
- basic and diluted		49,095,325	33,052,590

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

## Legible Inc.

(Formerly Twenty20 Investment Inc.)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended December 31, 2021, and

For the period from the date of incorporation on January 22, 2020 to December 31, 2020

(Expressed in Canadian dollars, except number of common shares)

		Share capital		Share to be issued/ (Share receivables)	Reserves Share options and warrants	Deficit	Total
	Note	Number of common shares	Share capital \$		\$	\$	\$
<b>Balance, January 22, 2020</b>		1	1	-	-	-	1
Repurchase of shares		(1)	(1)	-	-	-	(1)
Issuance of shares for intellectual property	[6]	30,000,000	780,000	-	-	-	780,000
Issuance of shares (\$0.05)		6,358,000	317,900	-	-	-	317,900
Issuance of shares (\$0.10 - \$0.80)		6,917,000	1,589,200	-	-	-	1,589,200
Less: Share-issuance costs		-	(117,900)	-	-	-	(117,900)
Share-based compensation	[9]	-	-	-	118,995	-	118,995
Net loss and comprehensive loss for the period		-	-	-	-	(873,736)	(873,736)
<b>Balance, December 31, 2020</b>		<b>43,275,000</b>	<b>2,569,200</b>	-	<b>118,995</b>	<b>(873,736)</b>	<b>1,814,459</b>
Issuance of shares and warrants (\$0.80)		3,700,000	2,960,000	-	-	-	2,960,000
Issuance of shares and warrants (\$1.00)		5,152,150	5,152,150	-	-	-	5,152,150
Warrants exercised (\$0.10 - \$0.20)		6,248,000	634,800	500	-	-	635,300
Share capital issued	[4]	4,572,850	3,726,873	-	-	-	3,726,873
Less: Share-issuance costs		-	(490,442)	-	-	-	(490,442)
Obligation to issue shares	[9]	-	-	120,000	-	-	120,000
Share-based compensation	[9]	-	-	-	1,328,912	-	1,328,912
Reserve for broker warrants	[9]	-	-	-	89,088	-	89,088
Reserve for compensation warrants	[9]	-	-	-	239,000	-	239,000
Net loss and comprehensive loss for the year		-	-	-	-	(12,911,461)	(12,911,461)
<b>Balance, December 31, 2021</b>		<b>62,948,000</b>	<b>14,552,581</b>	<b>120,500</b>	<b>1,775,995</b>	<b>(13,785,197)</b>	<b>2,663,879</b>

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



## Legible Inc.

(Formerly Twenty20 Investment Inc.)

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021, and

For the period from the date of incorporation on January 22, 2020 to December 31, 2020

(Expressed in Canadian dollars)

		Year ended December 31, 2021	Date of incorporation on January 22, 2020, to December 31, 2020
		\$	\$
	Notes		
<b>Operating activities</b>			
Net loss and comprehensive loss		(12,911,461)	(873,736)
Adjustments for non-cash items			
Amortization	[6,7]	364,048	17,545
Share-based compensation	[9]	1,328,912	118,995
Accrued interest		-	(166)
Shares issued for services	[9]	120,000	-
Shares issuance for employees' bonus		9,300	-
Non-cash loss on completion of the reverse takeover	[4]	4,327,436	-
Changes in working capital			
Prepaid expenses		(153,482)	(66,370)
Commodity tax receivable		(63,402)	(42,595)
Due to related parties	[10]	150,000	-
Accounts payable and accrued liabilities		475,037	126,661
<b>Net cash flows used in operating activities</b>		<b>(6,353,612)</b>	<b>(719,666)</b>
<b>Investing activities</b>			
Advance of loan receivable to T20 prior to the reverse takeover	[4]	(160,149)	(100,000)
Advance of amounts receivable to T20 prior to the reverse takeover	[4]	(40,000)	(60,000)
Sales (Purchase) of investments		10,166	(10,000)
Purchase of equipment	[7]	(126,417)	(45,452)
Purchase of intangible assets	[6]	(947,594)	(708,233)
<b>Net cash flows used in investing activities</b>		<b>(1,263,994)</b>	<b>(923,685)</b>
<b>Financing activities</b>			
Proceeds from share issuances	[9]	8,733,150	1,907,100
Share issuance costs	[9]	(401,354)	(117,900)
Debt repayment	[8]	(27,371)	-
<b>Net cash flows from financing activities</b>		<b>8,304,425</b>	<b>1,789,200</b>
<b>Change in cash during the year</b>		<b>686,819</b>	<b>145,849</b>
<b>Cash, beginning of the year</b>		<b>145,849</b>	<b>-</b>
<b>Cash, end of December 31, 2021</b>		<b>832,668</b>	<b>145,849</b>
Supplemental Cash Flow information			
Interest received		(186)	-
Non-cash investing & financing activities			
Purchase of intangible assets for shares	[6]	-	780,000
Warrants recorded in share issuance costs	[9]	89,088	23,402
Payables settled through issuance of common shares		5,000	-

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

# Legible Inc.

(Formerly Twenty20 Investment Inc.)

Notes to Consolidated Financial Statements

Year Ended December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020

(Expressed in Canadian Dollars)

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## 1. Corporate Information

### Reverse Takeover

On November 26<sup>th</sup>, 2021, Legible Media Inc. completed its reverse takeover transaction (“Transaction” or “RTO”) of Twenty20 Investment Inc. (“T20”) pursuant to which T20 acquired all the issued and outstanding shares of Legible Media Inc. in exchange for the issuance of 4,572,850 T20 shares for each Legible Media Inc. share. T20 did not have any significant operations at the time of the Transaction. Following the closing of the amalgamation, T20 changed its name to Legible Inc. (“Legible” or the “Company”). The Company reconstituted its board of directors and senior management team at that time. The Company’s common shares are listed on the Canadian Securities Exchange. (“CSE”) under the symbol “READ”.

Upon completion of the Transaction, the Company and its wholly owned subsidiary Legible Media Inc. were incorporated under the Alberta Business Corporations Act and British Columbia Business Corporations Act respectively. The head office is located at 2230 Ontario Street, Vancouver, B.C. V5T 2X2. The primary business of the Company is providing a subscription-based browser and mobile-first reading platform to connect readers and authors.

## 2. Basis of preparation and going concern

### Statement of compliance

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issue by the directors of the Company on May 2<sup>nd</sup>, 2022.

### Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not achieved scalable commercialization of its products.

As of December 31, 2021, the Company has no source of recurring revenue and has generated negative cash flows from operating activities. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. The Company has working capital of \$348,055 (December 31, 2020: \$63,746) and an accumulated deficit of \$13,785,197 (December 31, 2020: \$873,736) since inception. Management has determined, in making its assessment, that these events or conditions create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

## **Legible Inc.**

(Formerly Twenty20 Investment Inc.)

Notes to Consolidated Financial Statements

Year Ended December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020

**(Expressed in Canadian Dollars)**

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### **2. Basis of preparation and going concern: (continued)**

#### **Going concern (continued)**

The Company's ability to continue as a going concern is dependent upon its ability to generate product sales, raise additional financing in Q2 2022, and ultimately attain and maintain profitable operations.

While the Company is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Company to continue as a going concern.

These consolidated financial statements do not reflect adjustments to the carrying values of the Company's assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

#### **Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### **Use of estimates and judgments**

The preparation of these 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, revenue, and expenses.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Significant judgments made by management in the process of applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the application of the going concern assumption, and valuation of shares in the RTO.

# **Legible Inc.**

(Formerly Twenty20 Investment Inc.)

Notes to Consolidated Financial Statements

Year Ended December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020

**(Expressed in Canadian Dollars)**

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## **2. Basis of preparation and going concern: (continued)**

### **Use of estimates and judgments (continued)**

The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

### **Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Legible Media Inc. as of December 31, 2021.

The subsidiary is controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All significant inter-company balances and transactions between the Company and its wholly owned subsidiary have been eliminated in preparing the consolidated financial statements.

### **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

## **3. Summary of Significant accounting policies**

### **Financial instruments**

Financial assets and financial liabilities, except for cash, commodity tax receivable, are recognized on the statement of financial position when the Company becomes a party to the financial instrument.

# Legible Inc.

(Formerly Twenty20 Investment Inc.)

Notes to Consolidated Financial Statements

Year Ended December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020

(Expressed in Canadian Dollars)

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## 3. Summary of Significant accounting policies (continued)

### Financial instruments (continued)

#### a. Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories

- i) those to be measured subsequently at fair value through profit or loss (FVTPL);
- ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and
- iii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

#### b. Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

The Company's financial assets consist of cash and commodity tax receivable. Cash and commodity tax receivable are classified and subsequently measured at amortized cost. The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are classified and measured at amortized cost using the effective interest method.

# Legible Inc.

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Notes to Consolidated Financial Statements

Year Ended December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020

(Expressed in Canadian Dollars)

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## 3. Summary of Significant accounting policies (continued)

### Financial instruments (continued)

#### b. Measurement (continued)

The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. Interest expense is reported in a net loss.

#### *Impairment*

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable information.

#### **Fair value measurement**

The Company's financial instruments carried at fair value are measured consistent with the hierarchy below:

- Level 1– Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value of the measurement is directly or indirectly observable; and
- Level 3 – Fair values based on inputs for the asset or liability that are not based on observable market data.

## **Legible Inc.**

(Formerly Twenty20 Investment Inc.)

Notes to Consolidated Financial Statements

Year Ended December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020

**(Expressed in Canadian Dollars)**

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### **3. Summary of Significant accounting policies (continued)**

#### **Fair value measurement (continued)**

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the period for the year ended of December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020.

#### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

#### **Earnings (loss) per Share**

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. For the period presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. For the year ended December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020, the Company's diluted loss per share was the same as the basic loss per share as the outstanding options and warrants would be anti-dilutive.

## **Legible Inc.**

(Formerly Twenty20 Investment Inc.)

Notes to Consolidated Financial Statements

Year Ended December 31, 2021, and for the period from the date of incorporation on January 22, 2020 to December 31, 2020

(Expressed in Canadian Dollars)

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### **3. Summary of Significant accounting policies (continued)**

#### **Impairment of long-lived assets**

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount of an asset is greater of its value in use and its fair value less costs of disposal. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the statement of net loss and comprehensive loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reduced if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization if no impairment loss had been recognized.

During the year ended December 31, 2021, the Company recorded nil impairment (December 2020, \$nil) amount as no indicators of impairment were identified by the Company.

#### **Intangible assets**

Identifiable intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The amortization of intangible assets is recognized in profit or loss as part of amortization expense. Identifiable intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the identifiable intangible asset may be impaired. The amortization period and the amortization method for an identifiable intangible asset are reviewed at least annually.



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### 3. Summary of Significant accounting policies (continued)

#### Intangible assets (continued)

Development costs that are directly attributable to the Company's browser-based, mobile reading and publishing platform, development activities are recognized as intangible assets provided they meet the following recognition requirements:

- i. technical feasibility of the prospective product for internal use or sale has been demonstrated;
- ii. there is intention to complete the intangible asset and use or sell it;
- iii. the Company's ability to use or sell the intangible asset has been demonstrated;
- iv. the intangible asset will generate probable economic benefits through internal use or sale;
- v. sufficient technical, financial and other resources are available for completion; and
- vi. the expenditure attributable to the intangible asset can be reliably measured.

Development costs include employee costs, consulting and professional fees incurred on development activities. Development costs that meet the above recognition criteria are recognized as intangible assets. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life.

A summary of the policies applied to the Company's intangible assets is, as follows:

	Platform	Domain name
<b>Useful lives</b>	5 years	5 years
<b>Amortization method used</b>	Amortized on a straight-line basis over the useful life	Amortized on a straight-line basis over the useful life
<b>Internally generated or acquired</b>	Internally generated and acquired	Acquired

#### Equipment

Equipment is recorded at cost less accumulated amortization and accumulated impairment losses if any. The cost includes its purchase price, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Amortization is recorded using the straight-line method over the expected useful lives as follows:

Computer equipment	2 years
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Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized. The assets' residual values, useful lives and methods of amortization are reviewed at each financial year-end and are adjusted prospectively where appropriate.

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### **3. Summary of Significant accounting policies (continued)**

#### **Cash**

Cash and cash equivalents consist of cash and highly liquid instruments that are readily convertible to cash with a maturity of three months or less when initially purchased.

As at December 31, 2021 and December 31, 2020, the Company did not have any cash equivalents.

#### **Revenue Recognition**

Sales are recognized when online access to the eBooks has been provided to the Company's readers, being when the eBooks are available for the readers. There is no unfulfilled obligation that could affect the readers' acceptance of the products. Once eBooks online access is provided to the Company's readers, the risks of obsolescence and loss have been transferred to the readers, and either the readers have accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the eBooks online access is provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### **Share capitals**

Common shares, options and warrants are classified as equity. Transaction costs directly attributable to the issue of common shares, options and warrants are recognized as a deduction from equity, net of any tax effects.

The Company recognizes units which consist of common shares and equity accounted for share purchase warrants fully to share capital.

Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

Commissions paid to agents and other related share issue costs are charged directly to share capital.

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## 3. Summary of Significant accounting policies (continued)

### Share-based compensation

The fair value of share options granted to employees or consultants is measured at the date of grant and recognized as an expense over the vesting period. The fair value of share-based compensation awards is determined at the grant date using the Black-Scholes option pricing model. The fair value of the award is charged to profit or loss (unless they are considered to be share issuance costs in which case they are booked as a reduction to share capital) and credited to reserves rateably over the vesting period, after adjusting for the number of awards that are expected to vest. The expense for forfeited awards previously recognized is reversed. For awards that are cancelled, any expense not yet recognized is recognized immediately in profit or loss. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement as measured at the date of modification, over the remainder of the vesting period.

The fair value of warrants granted to consultants at the date of grant is recognized as an expense. The fair value of the warrants granted is measured using the Black-Scholes options pricing model. The fair value is charged to profit or loss and credited to reserves.

### Standards, Amendments, and Interpretations

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

## 4. Reverse Takeover Transaction (“RTO”)

As a consequence of the Transaction (Note 1), the shareholders of Legible as a group acquired control over the combined entity. Because T20 was an inactive shell company and had no significant operations at the time of the Transaction, it did not meet the definition of a business.

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### 4. Reverse Takeover Transaction (“RTO”) (continued)

The consolidated financial statements are presented as a continuation of the legal acquiree, Legible Media Inc., except for the capital structure which is that of T20. In addition, the net identifiable assets of T20 are deemed to have been acquired by Legible Media Inc.

The consideration paid by Legible to acquire T20 was measured based on the fair value of the notional equity instruments deemed to have been issued considering the price per share of the subscription receipt offering closing concurrently with the Transaction. In accordance with IFRS 2, any excess of the fair value of the shares issued by Legible over the value of the net assets of T20 is recognized in the consolidated statements of comprehensive loss, as a listing expense.

The fair value of the consideration of \$3,726,873 has been allocated as follows:

<b>Purchase Price</b>	<b>\$</b>
4,572,850 common shares at \$0.815 per share	3,726,873
<b>Total purchase price</b>	<b>3,726,873</b>
<b>Allocation of Purchase Price</b>	
T20 loan due to Legible	110,149
Debenture note due to Legible	150,000
Advance due to Legible	100,000
Legal fees	12,606
Lawyer trust account balance	(11,192)
Common shares issued on reverse takeover	3,726,873
<b>Excess of consideration over net liabilities acquired</b>	<b>4,088,436</b>
Warrants issued	239,000
Cash payment for transactions (legal fees and finder’s fees)	320,292
<b>Total listing expenses</b>	<b>4,647,728</b>

The Company paid finder’s fees of \$50,000 in cash and 500,000 purchase warrants, valued using the Black-Scholes pricing model at \$239,000, which were issued and have been recorded in reserves and in non-cash loss on completion of reverse takeover [note 9].

### 5. Prepaid expenses

	December 31, 2021	December 31, 2020
	\$	\$
Software development costs prepaid	7,980	45,500
Investor relations events	230,287	42,620
Professional legal fees	12,217	19,500
Security deposit	1,250	1,250
Software subscriptions	21,810	-
	<b>273,544</b>	<b>108,870</b>

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	Platform	Website	Total
	\$	\$	\$
<b>6. Intangible assets</b>			
Balance, Date of incorporation on January 22, 2020	-	-	-
Additions:			
Costs	1,528,207	49,747	1,577,954
Balance, December 31, 2020	1,528,207	49,747	1,577,954
Additions:			
Salaries and wages	724,306	-	724,306
Consultants	223,288	-	223,288
Balance, December 31, 2021	<b>2,475,801</b>	<b>49,747</b>	<b>2,525,548</b>
Accumulated amortization	\$	\$	\$
Balance, Date of incorporation on January 22, 2020	-	-	-
Additions:	-	1,244	1,244
Balance, December 31, 2020	-	1,244	1,244
Additions:			
Amortization during the year	301,972	9,702	311,674
Balance, December 31, 2021	301,972	10,946	312,918
<b>Net Book Balance, December 31, 2021</b>	<b>2,173,829</b>	<b>38,801</b>	<b>2,212,630</b>
<b>Net Book Balance, December 31, 2020</b>	<b>1,528,207</b>	<b>48,503</b>	<b>1,576,710</b>

Included within the Platform intangible asset class is intellectual property that was obtained from a related party in return for common shares in the Company in 2020. The intellectual property pertained to the development of the Company's platform technology prior to the formation of the Company.

The separately acquired platform intangible asset was recorded at cost, of which cost was determined by reference to the fair value of the shares issued by the Company to acquire the intangible asset. In January 2020, the Company issued a total of 30,000,000 shares to acquire the platform at the fair value of \$780,000.

The Company commenced amortization of the platform as it went live in beta on May 1, 2021.

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### 7. Equipment

	Computer equipment \$
Balance, Date of incorporation on January 22, 2020	-
Additions during the year	45,452
Balance, December 31, 2020	45,452
Additions during the year	126,417
Balance, December 31, 2021	<b>171,869</b>
Accumulated amortization	\$
Balance, Date of incorporation on January 22, 2020	-
Amortization during the period	16,301
Balance, December 31, 2020	16,301
Amortization during the year	52,374
Balance, December 31, 2021	<b>68,675</b>
<b>Net book balance, December 31, 2021</b>	<b>103,194</b>
<b>Net book balance, December 31, 2020</b>	<b>29,151</b>

### 8. Long-term debt

On February 7, 2020, the Company entered into an agreement with an Escrow agent for the purchase of a domain name. The total cost of the domain name was \$49,747 (\$37,426 USD) and has been capitalized as an intangible asset as Website [note 6]. The cost included the domain name for a one-time payment of \$11,683 (\$8,626 USD) and 36 monthly payments of \$800 USD.

In June 2021, the loan was fully repaid (December 31, 2020: \$27,371, with \$12,223 classified as the current portion).

### 9. Share Capital

#### Authorized

The Company is authorized to issue an unlimited number of Class A voting common shares and B non-voting common shares and an unlimited number of Preferred non-voting shares, all of which are without par value, with holders of Class A common shares each entitled to one vote per share and to dividends, when declared.

No Class B common shares or Preferred shares are issued and outstanding.

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### 9. Share Capital (continued)

#### Issuances

#### Year 2020

In January 2020, the Company issued 30,000,000 Class A common shares to acquire the Company's platform with a fair value of \$780,000.

In February and March 2020, the Company completed a non-brokered private placement for gross proceeds of \$317,900 at \$0.05 per unit by issuing an aggregate of 6,358,000 units; each unit consisting of one Class A common share and one share purchase warrant, exercisable at \$0.10 per share expiring 12 months from November 26<sup>th</sup>, 2021; provided that if the closing price of Company's shares is \$1.80 per share or higher for a period of 10 consecutive trading days, the expiry date of the Warrants may be accelerated by the Company to a date that is not less than 30 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.

In June 2020 and August 2020, the Company completed a non-brokered private placement for gross proceeds of \$399,200 at \$0.10 per unit by issuing an aggregate of 3,992,000 units at \$0.10; each unit consisting of one Class A common share and one share purchase warrant, exercisable at \$0.20 per share expiring 12 months from November 26<sup>th</sup>, 2021; provided that if the closing price of the Company's shares is \$1.80 per share or higher for a period of 10 consecutive trading days, the expiry date of the Warrants may be accelerated by the Company to a date that is not less than 30 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.

In December 2020, the Company completed a non-brokered private placement for gross proceeds of \$1,150,000 at \$0.40 per unit by issuing an aggregate of 2,875,000 units at \$0.40; each unit consisting of one Class A common share and one-half of one share purchase warrant, exercisable at \$0.60 per share expiring 12 months from November 26<sup>th</sup>, 2021; provided that if the closing price of the Company's shares is \$1.80 per share or higher for a period of 10 consecutive trading days, the expiry date of the Warrants may be accelerated by the Company to a date that is not less than 30 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.

In December 2020, the Company completed a non-brokered private placement for gross proceeds of \$40,000 at \$0.80 per unit by issuing an aggregate of 50,000 units at \$0.80; each unit consisting of one Class A common share and one-half of one share purchase warrant, exercisable at \$1.00 per share expiring 12 months from November 26<sup>th</sup>, 2021.

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### 9. Share Capital (continued)

#### Issuances (continued)

##### Year 2021

In February 2021, the Company entered into a consultant agreement to issue 300,000 shares at \$0.40. A total of \$120,000 was recorded as shares to be issued and recorded as a contractors expense.

In March and May 2021, the Company completed a non-brokered private placement for gross proceeds of \$2,960,000 at \$0.80 per unit by issuing an aggregate of 3,700,000 units at \$0.80; each unit consisting of one Class A common share and one-half of one share purchase warrant, with each whole warrant exercisable at \$1.00 per share expiring 12 months from November 26, 2021; provided that if the closing price of the Common Shares on the Canadian Securities Exchange is greater than \$1.80 per share for a period of 10 consecutive trading days, the expiry date of the Warrants may be accelerated by the Company to a date that is not less than 30 days after the date that notice of such acceleration is provided to the Warrant holders, which notice may be by way of general press release. In connection with the private placement, the Company paid the finder's fees of \$146,400 in cash and issued 183,000 non-transferable Finder's Warrants ("Finder's Warrants"). Each Finder's Warrant entitles the holder to purchase one common share at a price of \$0.80 for a period of one year from closing.

In June and August 2021, the Company completed a non-brokered private placement for gross proceeds of \$3,952,150 at \$1.00 per unit by issuing an aggregate of 3,952,150 units; each unit consisting of one Class A common share and one-half of one share purchase warrant, with each whole warrant exercisable at \$1.25 per share expiring on the date that is the earlier of : (i) one year from November 26<sup>th</sup>, 2021; and (ii) December 31, 2022; provided that if the closing price of the Common Shares (or the shares of successor entity) on the Canadian Securities Exchange is at least \$2.25 per share for a period of 10 consecutive trading days (whether or not trading occurs on all such days), the expiry date of the Warrants may be accelerated by the Company to a date that is not less than 30 days after the date that notice of such acceleration is provided to the Warrant holders, which notice may be by way of general press release. In connection with the private placement, the Company paid finder fees of \$174,000 in cash and issued 174,000 non-transferable Finder's Warrants ("Finder's Warrants"). Each Finder's Warrant entitling the holder to purchase one common share at a price of \$1.00 for a period of one year from closing.

In November 2021 certain holders of warrants to purchase Class A common shares of the Company, exercised such warrants, resulting in the issuance of 6,100,000 Class A common shares and aggregate proceeds to Legible of \$610,000.



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### 9. Share Capital (continued)

Issuances (continued)

Year 2021

In November 2021, the Company completed a non-brokered private placement for gross proceeds of \$1,200,000 at \$1.00 per unit by issuing an aggregate of 1,200,000 units, with each unit consisting of one Class A common share and one-half of one share purchase warrant, and each whole warrant exercisable at \$1.25 per share expiring on the date that is the earlier of (i) one year from November 26<sup>th</sup>, 2021; and (ii) December 31, 2022; provided that if the closing price of the Common Shares on the Canadian Securities Exchange is at least \$2.25 per share for a period of 10 consecutive trading days (whether or not trading occurs on all such days), the expiry date of the Warrants may be accelerated by the Company to a date that is not less than 30 days after the date that notice of such acceleration is provided to the Warrant holders, which notice may be by way of general press release. In connection with the private placement, the Company paid finder fees of \$20,400 in cash and issued 28,400 non-transferable Finder's Warrants ("Finder's Warrants"). Each Finder's Warrant entitling the holder to purchase one common share at a price of \$1.00 for a period of one year from closing.

In December 2021 certain holders of warrants to purchase Class A common shares of the Company, exercised such warrants, resulting in the issuance of 148,000 Class A common shares and aggregate proceeds to Legible of \$24,800.

In December 2021, the Company received \$500 in advance of exercising warrants to purchase Class A common shares of the Company. The Company's common shares were issued subsequent to year-end.

Stock options

On December 30, 2020, the Company adopted a stock option plan whereby the Company may grant directors, officers, employees, and consultants ("Participants") options with a maximum term of ten years for up to 20% of the Company's issued and outstanding common shares at exercise prices to be determined by the market value on the date of grant. The number of common shares subject to an option may not exceed the maximum number permitted by the CSE and no single Participant may be granted options to purchase a number of shares equal to or more than 5% of the issued common shares of the Company in any 12-month period without shareholder approval and requirements being met with regards to the Canadian Securities Exchange ("CSE").

Options shall not be granted to consultants if the exercise of the options would result in the issuance of more than 2% of the issued common shares of the Company in any twelve-month period. Options shall not be granted to persons employed to provide investor relations activities if the exercise of the options would result in the issuance of more than 2% of the issued common shares of the Company in any twelve-month period. Further, any options granted to consultants performing investor relations activities will contain vesting provisions that include vesting periods that occur over at least 12 months where no more than 25% of the options vest in any 3-month period.

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### 9. Share Capital (continued)

Stock options (continued)

#### Year 2020

As at December 31, 2020, the Company has reserved 2,305,000 common shares for issuance upon the exercise of the options. The options have an exercise price of \$0.50 and a 10-year term. Of the options granted 332,500 vested immediately, 240,000 vest in 20% increments over 2 years, and 1,732,500 vest in 15% increments every six months for 3 years.

#### Year 2021

On June 29, 2021, the Company granted 1,725,500 options to employees and consultants. The options have an exercise price of \$1.00 and a 10-year term. Of the options granted 182,550 vested immediately, 100,000 vest in 20% increments every six months for 2 years from December 2021, 1,192,950 vest in 15% increments every six months for 3 years, and 250,000 options were forfeited prior to vesting.

On July 30, 2021, the Company granted 250,000 options to employees. The options have an exercise price of \$1.25 and a 10-year term. Of the options granted 25,000 vested immediately, and 225,000 vest in 15% increments every six months for 3 years.

On August 31, 2021, the Company granted 325,000 options to employees. The options have an exercise price of \$1.25 and a 10-year term. Of the options granted, 32,500 vested immediately, and 292,500 vest in 15% increments every six months for 3 years.

On September 30, 2021, the Company granted 800,000 options to employees. The options have an exercise price of \$1.25 and 10-year term. Of the options granted 80,000 vested immediately, and 720,000 vest in 15% increments every six months for 3 years.

On October 29, 2021, the Company granted 2,450,000 options to employees and officers. The options have an exercise price of \$1.25 and a 10-year term. Of the options granted 285,000 vested immediately, 320,000 vest in 20% increments every six months for 2 years and 1,845,000 vest in 15% increments every six months for 3 years.

On November 30, 2021, the Company granted 350,000 options to employees. The options have an exercise price of \$1.25, and 10-year term. Of the options granted 35,000 vested immediately, and 315,000 vest in 15% increments every six months for 3 years.

On December 31, 2021, the Company granted 150,000 options to employees. The options have an exercise price of \$0.50, and 10-year term. Of the options granted 15,000 vested immediately, and 135,000 vest in 15% increments every six months for 3 years.

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### 9. Share Capital (continued)

Stock options (continued)

The continuity of the number of stock options outstanding is as follows:

	Number	Weighted-average exercise price \$
Balance, January 22, 2020	-	-
Granted	2,305,000	0.50
<b>Balance, December 31, 2020</b>	<b>2,305,000</b>	<b>0.50</b>
Granted	1,725,500	1.00
Granted	4,175,000	1.25
Granted	150,000	0.50
Forfeited	(100,000)	1.25
Forfeited	(100,000)	0.50
Forfeited	(400,000)	1.00
<b>Balance, December 31, 2021</b>	<b>7,755,500</b>	<b>0.98</b>

The following table summarizes information about the share options as of December 31, 2021:

Exercise price per share of option	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable	Expiry date
\$0.50	2,205,000	9.00	990,000	30-Dec-30
\$1.00	1,325,500	9.49	386,375	29-Jun-31
\$1.25	200,000	9.58	20,000	31-Jul-31
\$1.25	275,000	9.67	27,500	31-Aug-31
\$1.25	800,000	9.75	80,000	30-Sep-31
\$1.25	2,450,000	9.83	285,000	29-Oct-31
\$1.25	350,000	9.92	35,000	30-Nov-31
\$0.05	150,000	10.00	15,000	31-Dec-31
	<b>7,755,500</b>	<b>9.52</b>	<b>1,838,875</b>	

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### 9. Share Capital (continued)

Stock options (continued)

The Company recorded share-based compensation expenses of \$1,328,912 during the year ended December 31, 2021 (December 31, 2020: \$95,593). The fair value of options recognized in the period has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the options:

	December 31, 2021	December 31, 2020
Average expected stock price	\$0.692	\$0.40
Average exercise price	\$1.11	\$0.50
Average expected dividend yield	0.00%	0.00%
Average expected stock price volatility	123%	100%
Average risk-free interest rate	1.12%	0.41%
Average expected life of the options	5 years	5 years
Weighted-average grant date fair value per option	\$0.548	\$0.28

The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

#### Warrants

As of December 31, 2021, the Company has a total of 9,990,576 warrants (December 31, 2020: 11,812,500) outstanding from the private placements, 1,500,000 of compensation warrants (December 31, 2020: 1,000,000), and 385,400 of broker warrants (December 31, 2020: nil).

The share purchase warrants expire 12 months from November 26<sup>th</sup>, 2021.

The continuity of the number of share purchase warrants outstanding is as follows:

	Number	Weighted average exercise price \$
Balance, January 22, 2020	-	-
Granted	6,358,000	0.10
Granted	3,992,000	0.20
Granted	1,437,500	0.60
Granted	1,000,000	1.00
Granted	25,000	1.00
<b>Balance, December 31, 2020</b>	<b>12,812,500</b>	<b>0.26</b>
Granted	183,000	0.80
Granted	2,052,400	1.00
Granted	3,076,076	1.25
Exercised	(6,148,000)	0.10
Exercised	(100,000)	0.20
<b>Balance, December 31, 2021</b>	<b>11,875,976</b>	<b>0.74</b>

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### 9. Share Capital (continued)

Warrants (continued)

The following table summarizes information about the share purchase warrants as of December 31, 2021:

Outstanding	Exercise price
210,000 <sup>(1)</sup>	0.10
3,892,000 <sup>(1)</sup>	0.20
1,437,500 <sup>(1)</sup>	0.60
1,875,000 <sup>(1)</sup>	1.00
2,576,076 <sup>(2)</sup>	1.25
1,000,000 <sup>(3)</sup>	1.00
500,000 <sup>(3)</sup>	1.25
183,000 <sup>(4)</sup>	0.80
202,400 <sup>(5)</sup>	1.00
<b>11,875,976</b>	

- (1) The purchase warrants have a term of twelve months from November 26<sup>th</sup>, 2021. If the closing price of the Issuer's Common Shares on the Exchange is \$1.80 or higher per share for a period of 10 consecutive trading days, the expiry date of the warrants may be accelerated by the Issuer to a date that is not less than 30 days after the date that notice of such acceleration is provided to the Warrant holders, which notice may be by way of general press release.
- (2) The purchase warrants have a term of expiring on the date that is earlier of: (i) one year from November 26<sup>th</sup>, 2021; and (ii) December 31, 2022. If the closing price of the Common Shares on the Exchange is \$2.25 or higher per share for a period of 10 consecutive trading days, the expiry date of the warrants may be accelerated by the Issuer to a date that is not less than 30 days after the date that notice of such acceleration is provided to the Warrant holders, which notice may be by way of general press release.
- (3) Compensation warrants have a term of three years following the Listing Date. If the closing price of the Issuer's Common Shares on the Exchange is \$1.80 or higher per share for a period of 10 consecutive trading days, the expiry date of the compensation warrants may be accelerated by the Issuer to a date that is not less than 30 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.
- (4) The Finder's warrants have a term of twelve months from November 26<sup>th</sup>, 2022.
- (5) The Finder's warrants have a term of expiring between June 2022 to November 2022.

#### Compensation warrants

In October 2021, the Company issued 500,000 share purchase warrants (December 31, 2020: 1,000,000), exercisable at \$1.25 (December 31, 2020: \$1.00) to a broker that expire three years from November 26<sup>th</sup>, 2021. The weighted average remaining life (in years) of these warrants is 3 years.

The Company recorded share issue costs of \$236,000 (December 31, 2020: \$23,402 recorded as share-based compensation expenses) in reference to these warrants. The fair value of warrants recognized in the period has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the options:

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### 9. Share Capital (continued)

Warrants (continued)

*Compensation warrants (continued)*

	December 31, 2021	December 31, 2020
Stock price	0.711	0.10
Exercise price	1.25	1.00
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	131%	100%
Risk-free interest rate	1.14%	0.31%
Expected life of the warrants	3 years	3.5 years
Grant date fair value per warrant	\$0.478	\$0.02

#### *Broker Warrants*

During the year ended December 31, 2021, the Company issued 385,400 share purchase warrants (December 31, 2020: nil), exercisable between \$0.80 - \$1.00 to brokers that expire of a year from November 26<sup>th</sup>, 2021.

As of December 31, 2021, the Company recorded share issue costs of \$89,088 (December 31, 2020: \$nil) in reference to these warrants. The fair value of warrants recognized in the period has been estimated using the Black-Scholes Pricing Model with the following assumptions on the grant date of the options:

	December 31, 2021
Average expected stock price	0.646
Average exercise price	0.92
Average expected dividend yield	0.00%
Average expected stock price volatility	109%
Average risk-free interest rate	0.3301%
Average expected life of the warrants	1.25 years
Weighted-average grant date fair value per warrant	\$0.23

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### 10. Related parties

Key management personnel include the Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Operation Officer, the Chief Technology Officer, and Chief Publishing Officer who have the authority and responsibility for planning, directing, and controlling the activities of the Company. Included in the Statement of Loss and Comprehensive Loss for the year ended December 31, 2021, and the period from the date of incorporation on January 22, 2020 to December 31, 2020, are the following amounts, which arose due to transactions with related parties:

The following related party transactions were made in the normal course of operations and summarized as follows:

	December 31,	
	2021	2020
	\$	\$
Contractors	160,000	150,025
Development costs	47,490	-
General and administrative	182,400	-
Directors' fees	150,000	-
Professional fees	49,500	69,750
Share-based compensation	468,145	15,913
Salaries and wages	720,645	157,286
	<u>1,778,180</u>	<u>392,974</u>

a). For the year ended December 31, 2021, the Company incurred CEO salaries and wages expense of 248,449 (December 31, 2020: \$157,286), \$36,000 (December 31, 2020: \$nil) in Directors' fees, \$90,412 (December 31, 2020: \$1,447) in share-based compensation. In addition, the Company paid \$23,745 (December 31, 2020: \$nil) Development costs to a company owned by the CEO.

b). For the year ended December 31, 2021, the Company incurred CFO salaries and wages expense of \$197,184 (December 31, 2020: \$nil), \$36,000 (December 31, 2020: \$nil) in Directors' fees, \$164,949 (December 31, 2020: \$14,466) share-based compensation. In addition, the Company paid \$49,500 (December 31, 2020: \$69,750) in professional fees and \$182,400 (December 31, 2020: \$nil) in general and administrative expenses to a company owned by the CFO. As December 31, 2021, there was a balance of \$nil (December 31, 2020: \$5,250) in professional fees accrued as payable to a company controlled by the Company's CFO.

c). For the year ended December 31, 2021, the Company incurred COO salaries and wages expense of 130,514 (December 31, 2020: \$nil), \$63,029 (December 31, 2020: \$nil) in share-based compensation and \$68,000 (December 31, 2020: \$75,000) in contractors. In addition, the Company paid \$23,745 (December 31, 2020: \$nil) Development costs to a company owned by the COO. As December 31, 2021, there was a balance of \$nil (December 31, 2020: \$4,000) in professional fees accrued as payable to a company controlled by the Company's COO.

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### 10 Related parties (continued)

d). For the year ended December 31, 2021, the Company incurred CTO salaries and wages expense of 68,894 (December 31, 2020: nil), \$84,026 (December 31, 2020: \$nil) in share-based compensation.

e). For the year ended December 31, 2021, the Company incurred CPO salaries and wages expense of 75,604 (December 31, 2020: nil), \$27,519 (December 31, 2020: \$nil) in share-based compensation.

f). For the year ended December 31, 2021, the Company paid to a director of \$92,000 (December 31, 2020: \$75,025) in contractor, \$36,000 (December 31, 2020: \$nil) in Directors' fees, \$19,105 (December 31, 2020: \$nil) share-based compensation. As at December 31, 2021, there was a balance of \$nil (December 31, 2020: \$4,200) in marketing fees accrued as payable and \$nil (December 31, 2020: \$5,000) loan from a Company director.

g). For the year ended December 31, 2021, the Company incurred \$36,000 (December 31, 2020: nil) in director fees to a company director.

h). For the year ended December 31, 2021, the Company incurred \$3,000 (December 31, 2020: nil) in director fees to another company director.

i). For the year ended December 31, 2021, the Company incurred \$3,000 (December 31, 2020: nil) in director fees to another company director.

### 11. Tax

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit at a rate of 27.00%. The tax expense at statutory rates for the Company can be reconciled to the reported loss for the year ended December 31, 2021 and 2020, per the consolidated statement of Loss and Comprehensive Loss as follows:

	December 31,	
	2021	2020
	\$	\$
Net loss before income taxes	(12,911,461)	(873,736)
Statutory income tax rate	27%	27%
Income tax recovery	(3,486,094)	(235,909)
Non-deductible expenditures	1,506,644	413
True-up	45,389	-
Change in unrecognized deferred tax assets	1,934,061	235,496
Total income tax recovery	-	-



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### 11. Tax (continued)

	December 31,	
	2021	2020
	\$	\$
Deferred income tax assets		
Non-capital loss carry-forwards	2,418,339	406,959
Share issue costs	106,054	25,816
Equipment	18,542	4,401
Intangible assets	(373,378)	(201,680)
Less: Amounts not recognized	(2,169,557)	(235,496)
Net deferred income tax assets	-	-

The Company has non-capital losses of approximately \$8,956,811 that starts to expire in fiscal 2040, which have not been recognized as their recovery is not currently estimable. Tax attributes are subject to review and potential adjustment by tax authorities.

### 12. Financial risk management objectives and policies

The risk exposure arising from financial instruments is summarized as follows:

- Credit risk - The Company's financial assets are cash, amounts receivable and loan receivable. The maximum exposure to credit risk, as at the period end, is the carrying value of their financial assets. The Company holds its cash in a bank account with a highly rated Canadian financial institution, therefore, minimizing the Company's credit risk in respect to its cash.
- Liquidity risk - The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors its forecasted and actual cash flows as well as any anticipated investing and financing activities. The Corporation has sufficient funds as of December 31, 2021, to cover its liabilities. The Company does not have recurring revenue, the Company continually seeks sufficient capital to meet short-term financial obligations after considering its operating obligations and cash on hand (see note 2).

December 31, 2021	On-Demand
Accounts payable and accrued liabilities	719,396
Due to related parties	150,000

- Market risk - Market risk is the risk that changes in market prices, such as foreign exchange rates interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's major activities have been transacted in Canadian dollars since incorporation and until December 31, 2021 in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks.

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### 12. Financial risk management objectives and policies (continued)

#### Capital management

The Company'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 Company includes equity, comprised of share capital, reserves and deficit, in the definition of capital. Equity totalled \$2,663,879 (December 31, 2020: \$1,814,459) at December 31, 2021.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to continue the development of its intangible asset.

### 13. Commitment

In December, the Company entered into an agreement to join the London Book Fair 2022 for a total cost of \$61,466 (36,320 GBP).

### 14. Subsequent events

In January 2022 certain holders of warrants to purchase Class A common shares of the Company, exercised such warrants, resulting in the issuance of 1,080,000 Class A common shares and aggregate proceeds to Legible of \$216,000.

On January 31, 2022, the Company granted 850,000 options to employees. The options have an exercise price of \$0.475, and a 10-year term. Of the options granted 85,000 vested immediately, while a further 765,000 vest in 15% increments every six months for 3 years.

In February 2022 certain holders of warrants to purchase Class A common shares of the Company, exercised such warrants, resulting in the issuance of 150,000 Class A common shares and aggregate proceeds to Legible of \$25,000.

On February 28, 2022, the Company granted 2,153,750 options to employees, consultants, Directors and Officers. The options have an exercise price of \$0.40, and a 10-year term. Of the options granted, 245,375 vested immediately; a further 1,668,375 vest in 15% increments every six months for 3 years, and 240,000 vest in 20% increments every six months for a total of 2 years.

In February 2022, the Company received loans in a total of \$150,000 with a commitment fee (the "Fee") of 1% of principal, no interest until March 31, 2022, and 10% per annum after.

On March 31, 2022, the Company granted 200,000 options to employees. The options have an exercise price of \$0.27, and a 10-year term. Of the options granted, 20,000 vested immediately, while a further 180,000 vest in 15% increments every six months for a total of 3 years.

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### **14. Subsequent events (continued)**

In March 2022, the Company received loans in a total of \$100,000 with a Fee of 15% of principal, no interest until March 31, 2022, and 10% per annum after.

In March 2022, the Company received a loan for a total of \$200,000, with a Fee of 15% of principal, no interest until March 31, 2022, and 10% per annum after.

In March 2022, the Company received a loan for a total of \$62,003 (\$50,000 USD), with a Fee of 15% of principal, no interest until May 31, 2022, and 10% per annum after.

In March 2022, the Company entered into a credit facility agreement for the maximum principal of \$308,000, for a term of 12 months with a monthly interest rate of 1.5% per month compounded monthly.

In April 2022, as the result of reducing the number of employees in the Company, a total of 5,046,625 of stock options were forfeited.