Legible Inc.

(Formerly Twenty20 Investment Inc.)

Management's Discussion and Analysis

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

This Management's Discussion & Analysis ("MD&A") of Legible Inc. and its subsidiary (referred to as the "Company" or "Legible") was prepared by management as of May 30, 2022 and was reviewed and approved by the Board of Directors of Legible. The following discussion of performance, financial condition and future prospects should be read in conjunction with the condensed interim consolidated financial statements for the three months ended March 31, 2022 and the annual audited consolidated financial statements for the year ended December 31, 2021, and the notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). This discussion covers the three-month period ended March 31, 2022, and the subsequent period up to the date of issue of this MD&A.

The Company has prepared this MD&A following the requirements of National Instrument 51-102 ("NI-51-102"). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars, unless otherwise noted.

DESCRIPTION OF BUSINESS and CORPORATE INFORMATION

Legible is a e-book entertainment and media company that has developed a browser-first, globally distributed reading and publishing platform that offers a sophisticated and immersive reading experience to anyone with an internet-enabled device anywhere in the world, while solving key challenges faced by readers, publishers, and authors. This includes providing global access to literature without the need for e-readers and apps, improving the capacity to showcase marginalized voices, opening new device-agnostic markets, and innovating new digital publishing formats. Legible is positioned to offer delightful, accessible, and immersive reading experiences; a full subscription service; and a diverse catalogue of compelling media-rich (video, audio, animation, augmented reality) "Living Books" - exclusive and original to Legible - which will create new partnerships and unique publishing opportunities in the industry.

The Company and its wholly owned subsidiary, Legible Media Inc., were incorporated under the Alberta Business Corporations Act and the British Columbia Business Corporations Act, respectively. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "READ" and trading commenced on December 1, 2021. On January 10, 2022, the Company's common shares commenced trading on the Frankfurt Stock Exchange ("FSE") under the trading symbol D0T (D/zero/T).

BUSINESS HIGHLIGHTS

Past Challenges, Aggressive Cost Reduction Initiatives

Legible listed to trade its shares at the same time that headwinds began to be arrayed against all startups and struggled to secure adequate funding in a timely fashion in the current investment market because of the continuous retractions that occurred over the past several months. These challenging conditions together with some internal performance issues drove plans to reorganize and optimize existing resources. In early April 2022, the Company underwent a company-wide restructuring program that included the departure of over 80% of the staff (from 74 employees to 15) in an effort to aggressively reduce costs and better position itself in a rapidly changing economic and financial climate, while continuing to advance its crucial strategic priorities. The Company also cut CEO and COO salaries by about 50% and accrued director fees that will not be paid until the Company is in a solid financial position or be converted into equity. The process streamlined operations as the Company builds to revenue in Q3 2022, reducing its cash burn by nearly $600K per month. These cost reduction measures have significantly reduced overall costs and increased cash preservation. The end result is a core team that is more agile, determined, and effective and is poised to support the Company's path to reach profitability by the end of 2022.

Business Approach

Legible seeks to lead the digital publishing industry and gain market share through innovative, twenty-first century publishing and global reading experiences using any browser enabled device. It is on a mission to provide delightful e-Book experiences to readers worldwide that value immersive entertainment experiences through well-constructed, content-dynamic books while promoting sustainability, accessibility, and global literacy.

Latest Developments and Strategy

The Company is ready to launch several revenue streams in 2022 in addition to its current offering of a la carte book purchases in the US, Canada, the UK, and Ireland. This will bring in significant additional revenue in 2022 as Legible launches its marketing campaigns. In Q1 2022, Legible has been investing in product development, market research and planning to bring these revenues to fruition and drive growth in Q3 to Q4.

In Q1, Legible solidified the foundations for revenue growth for the rest of the year as follows:

In January 2022, Legible initiated an awareness campaign to build visibility for the platform and begin to drive sales while completing a strategic marketing plan complete with personas, designed assets, timelines, and tie-in data. From Q3 onwards, the Company will apply this plan to launch a major campaign to drive sales conversions and increase brand awareness while leveraging relationships with high-impact authors, influencers, and organizations to develop new publications and partnerships.

In February 2022, Legible signed two new publishers and continued onboarding thousands of titles to the platform weekly, boosting the online bookstore's offering in preparation for its marketing campaign launch. Key bug fixes were applied to the platform as pagination performance improvements were applied to the desktop and mobile sites to provide a delightful reading experience and ensure customers want to keep coming back.

In March 2022, Legible launched **Legible Publishing**, a digital development, and conversion service that will create 'born-accessible' eBooks and remediate existing eBooks to improve access by the disabled community, as well as develop Living Books. Over 1M eBooks are published each year, representing a significant revenue opportunity for Legible, including the additional remediation of eBooks to be accessible. Over 30M books need remediation and legal pressure on publishers to produce accessible versions is imminent. On January 1st, 2025, the EU will impose barriers to sales in Europe (and other countries that follow suit) unless eBooks are accessible to the print-disabled community. Furthermore, 1.3 billion people globally (13% of the world's population), and 62 million Americans (26% of the population), have disabilities that render 90% of the internet inaccessible. Legible Publishing is positioned to address this demand from publishers, publishing organizations (corporations and nonprofits) and authors to: a) convert their books and catalogues to accessible eBooks; b) remediate existing eBooks to be accessible, and c) develop dynamic, immersive multimedia Living Books - a unique differentiated offering that can only be hosted on Legible's browser-based system. Legible Publishing adds an immediate source of revenue and creates demand for Web 3.0 eBook conversion solutions. Legible will deploy and expand this publishing offering in Q2 to Q4 to help drive the company to profitability by the end of Q4.

In April 2022, Legible released **Legible Bookshelves**, a feature that allows every reader with an account to create a customized, shareable library of their own. Legible also advanced its partnership with global literacy organization Room to Read through development of their first Bookshelf of children's eBooks, now available to kids around the world. This offering includes a new revenue stream, **Sponsored Bookshelves**, a B2B bespoke commercial service offering paid branding, curation and book selections for organizations and educational institutions, which will use a new promo code functionality to be released in June 2022. Legible is working to win major sponsorships from businesses interested in promoting key reading selections, customer engagement initiatives, and literary events such as book awards, and will begin deploying these in Q3 and Q4, 2022.

Legible is also developing its capacity to offer **Audiobooks**, which will be integrated into the eBook experience rather than forcing users to a different website or device for access. It will be offered for a la carte purchase in Q3 in time for Christmas sales. Audiobooks will also become part of Legible's subscription offering in 2023.

The Company is continuing to develop its **Legible Unbound Subscription**, with unlimited access to the titles in the Legible subscription catalogue, including Living Books developed by Legible Publishing, targeted for launch in Q4. In 2023, Legible will expand Unbound to include **Legible Kids**, and **Legible Education**. Each of these revenue sources will be supported by robust and strategic marketing and awareness campaigns, driving significant contributions to profitability.

Legible is also investing in product development for its app, **Legible Wander**, which will allow for offline reading with continuous synchronization to Legible.com, with targeted launch in Q4. The app's availability will boost bookstore sales as customers will appreciate the ability to read offline, anywhere, anytime.

Legible has an opportunity to be a leading commercial enterprise grounded in the core values of Accessibility, Sustainability, and Beauty. Our research indicates that this approach will open international market opportunities through literacy and education partnerships while providing a home for marginalized languages, cultures, and voices. Many of our customers would prefer to spend money with a company that makes a positive impact, and Legible's mission is to improved access to literacy while removing the need for e-readers that contribute to e-waste and offering tools (such as dyslexic font) to support learning readers and the print-disabled community. Legible will expand these tools and opportunities to further increase revenues in the latter part of 2022.

Outlook

The Company's primary focus for the coming months is to implement the various revenue streams identified above to help drive the Company first to break-even and then to profitability. In the meantime, the Company will need additional funding in the form of a debt and/or equity issuance to clean up its balance sheet and to complete the remaining product development initiatives for market roll-out.

Intellectual Property

The vertical integration strategy is designed to protect Legible's expanding intellectual property ("IP") portfolio. In July 2021 and January 2022, the Company filed 6 trademark applications in Canada and the U.S., respectively, which are pending approval. As Legible expands the number of products under development, the Company will commercialize these additional products with best-of-breed partners that have the expertise, and sales channels. Legible will establish ongoing licensing and revenue streams to monetize its IP.

Strengthening Executive Leadership Team

The Company has strengthened its leadership team with the appointment of Mr. Ed Duda as Chief Financial Officer, a Chartered Professional Accountant with more than 30 years of public and private company experience in a wide range of finance and business functions within various industries. He specializes in public company financial reporting, risk management, regulatory compliance, and junior company development. Mr. Duda will play a key role as Legible transitions to its next stage of corporate development, and his diverse background in finance, capital markets, and technology utilization will play a key factor in the Company's future growth and add invaluable strength to the Company's corporate governance initiatives.

RESULTS OF OPERATIONS

FINANCIAL RESULTS for the THREE MONTHS ENDED MARCH 31, 2022

For the three months ended March 31, 2022, the Company recorded a net loss of $3,249,002, or $0.05 per share, compared with a net loss of $692,571, or $0.02 per share, for the three months ended March 31, 2021. Operating expenses for the three months ended March 31, 2022 increased to $3,395,360, compared with $692,571 for the comparative period in 2021. Key changes from Q1 2021 to Q1 2022, include the following:

- Revenues increased marginally to $1,357 (2021 - $nil) due to promotion on social media.

- Cost of sales were $928 (2021 - $nil), which covered the royalties paid to publishers.

- Amortization increased to $153,026 (2021 - $10,329) primarily due to amortization of the technology platform along with additional computer equipment that was bought to support new staff hires.

- Contractor expenses decreased to $46,941 (2021 - $127,337) due to the reduced use of research and development contractors.

- Development costs increased to $31,358 (2021 - $10,348) primarily due to the Company's increased emphasis on developing different revenue streams with more immediate revenue potential.

- Directors' fees increased to $13,071 (2021 - $nil) although the Company accrued director fees for certain standing directors, and these will not be paid until the Company is in a solid financial position or the obligation may be converted into equity. In March 2022, the directors agreed to waive directors' fees totaling $147,000.

- General and administrative expenses increased to $196,103 (2021 - $45,379) mostly due to expanded activities from a growing workforce.

- Investor relations expenses increased to $135,709 (2021 - $24,666) as the Company engaged organizations to build support for the business within the investment community through increased activities with institutions, brokerage firms, and the retail public.

- Marketing expenses increased to $292,187 (2021 - $nil) primarily due to the Company commencing a digital advertising and marketing campaign on various social media platforms to build significant brand and corporate awareness.

- Professional fees increased to $107,966 (2021 - $88,661) primarily due to costs associated with the Company going public and on-going corporate matters.

- Salaries, wages, and benefits increased to $1,639,974 (2021 - $240,794) as the Company expanded rapidly to 74 staff, by hiring development, finance, marketing, product support, publishing, executive, and IT personnel to support the growing business.

- A non-cash share-based compensation expense of $670,805 (2021 - $116,489) was recorded for stock options granted to directors, officers, employees, consultants, and advisors.

(Expressed in Canadian Dollars)

- Software subscription expenses increased to $92,086 (2021 - $28,568) primarily due to website hosting fees, various software applications supporting the operations platform, data integrity protection, and cybersecurity monitoring.

- Transfer agent and filing fees increased to $12,056 (2021 - $nil) due to regulatory costs of the Company going public.

- Travel and promotion costs increased to $5,149 (2021 - $nil), primarily attributable to meetings with current investors, potential investors and travel involving capital market activities.

SUMMARY OF QUARTERLY RESULTS

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

	Three Months Ended Mar. 31, 2022 $	Three Months Ended Dec. 31, 2021 $ (1)	Three Months Ended Sep. 30, 2021 $ (2)	Three Months Ended Jun. 30, 2021 $	Three Months Ended Mar. 31, 2021 $	Three Months Ended Dec. 31, 2020 $	Three Months Ended Sep. 30 2020 $	Three Months Ended Jun. 30, 2020 $
Revenue	1,357	524	108	286	-	-	-	-
Net loss	3,249,002	8,755,403	2,089,854	1,373,633	692,571	322,329	310,911	135,100
Basic & diluted loss per share	0.05	0.17	0.04	0.03	0.02	0.01	0.01	-

(1) Included was a listing expense of $4,647,728; salaries and wages of $1,567,750; share-based compensation of $762,827; and marketing and investor relations expenses of $485,246 and $171,867, respectively.

(2) Included was salaries and wages of $952,400, and share-based compensation of $230,833, and marketing expenses of $240,764.

SUBSEQUENT EVENTS

Due to the reduction of employees, consultants, and officers of the Company in April and May 2022, a total of 5,748,000 stock options were forfeited.

On May 11, 2022, the Company announced the appointment of Mr. Ed Duda to the position of Chief Financial Officer, who brings over 30 years of experience of public and private company experience in a wide range of finance and business functions within various industries. Mr. Duda will play a key role as Legible transitions to its next stage of corporate development and his diverse background in finance, capital markets, and technology utilization, will play a key factor in the Company's future growth.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2022, the Company had a working capital deficit of $2,060,118 (December 31, 2021 - working capital of $325,780), with cash of $148,614 (December 31, 2021 - $832,668).

All cash is held with Schedule A banks either in deposit accounts, and the Company has no joint ventures with any parties that may potentially create derivative or hedge risk.

The Company has insufficient working capital to meet its ongoing operating and general administrative expenditures over the next twelve months and will need to rely on a debt and/or equity issuance.

OPERATING ACTIVITIES

For the three months ended March 31, 2022, the Company's operating activities used cash of $1,541,055, compared with cash used of $531,917 for operating activities for the three months ended March 31, 2021.

These cash outflows are attributable to the general operations of the Company relating to the Company's net loss as well as the Company's changes in working capital items.

FINANCING ACTIVITIES

For the three months ended March 31, 2022, the Company's financing activities provided the Company with $1,080,503, compared to cash provided of $1,799,800 for the three months ended March 31, 2021.

The Company issued common shares and received $240,500 for warrants exercised between $0.10 - $0.20.

In February and March 2022, the Company received loans for an aggregate of $532,003 with commitment fees of 15%. Interest is not applicable if paid on or before March 31, 2022, otherwise interest at 10% per annum is applicable, thereafter.

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

INVESTING ACTIVITIES

For the three months ended March 31, 2022, the Company's investing activities used cash of $223,502, compared to cash used of $482,025 for the three months ended of March 31, 2021.

These cash outflows were primarily attributable to the costs incurred to develop the Company's platform and purchase of computer equipment.

OFF BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management compensation

Key management personnel included those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has determined that key management personnel consisted of members of the Company's Board of Directors and corporate officers. The latter included the following: the Chief Executive Officer, the Chief Operation Officer, the former Chief Revenue Officer, the former Chief Financial Officer, the former Chief Technology Officer, and the former Chief Publishing Officer.

As of March 31, 2022, the Company had $16,071 (2021 - $150,000) due to key management personnel regarding employment and consulting agreement commitments which were due to related parties. In March 2022, the Directors agreed to waive director fees totaling $147,000.

Transactions with related parties that are included in the condensed interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2022 and 2021 are were made in the normal course of operations are detailed as follows:

(Expressed in Canadian Dollars)

	March 31, 2022	March 31, 2021
	$	$
Contractors	**10,500**	28,000
Development costs	**7,550**	5,125
Directors' fees	**13,071**	-
General and administrative	**36,200**	17,500
Professional fees	**8,000**	28,500
Salaries, wages, and benefits	**384,387**	103,547
Share-based compensation	**341,128**	28,284
	800,836	210,956

The Company had the following related party transactions for the three months ended March 31, 2022 and 2021:

(a) During the three months ended March 31, 2022, the Company incurred directors' fees of $13,071 (2021 - $nil). The current non-management directors are David Van Seters and Shannon Kaustinen. As at March 31, 2022, $ $16,071(2021 - $nil) was owed to these directors of the Company which is recorded in due to related parties. It is anticipated that the outstanding obligation will not be paid until the Company is in a solid financial position or the obligation may be converted into equity.

(b) During the three months ended March 31, 2022, the Company incurred salary and benefits costs of $69,834 (2021 - $103,547); development costs of $3,775 (2021 - $2,563); share-based compensation of $71,756 (2021 - $nil); to **Mr. Kaleeg Hainsworth**, the Chief Executive Officer ("CEO") of the Company and to Bright Wing Media Inc. ("Bright Wing"), a company controlled by the CEO of the Company. Total incurred was $145,365 (2021 - $106,110).

(c) During the three months ended March 31, 2022, the Company incurred salary and benefit costs of $60,651 (2021 - $nil); general and administrative expenses of $36,200 (2021 - $17,500); professional fees of $8,000 (2021 - $28,500); share-based compensation of $77,083 (2021 - $28,284); to **Ms. Helina Patience**, the former Chief Financial Officer ("CFO") of the Company and to Entreflow Consulting Group ("Entreflow") a company controlled by the former CFO of the Company. Total incurred was $181,934 (2021 - $74,284). As at March 31, 2022, $4,200 (2021 - $4,200) was owed to the former CFO of the Company or to Entreflow, which is included in due to related parties.

(d) During the three months ended March 31, 2022, the Company incurred salary and benefit costs of $60,651 (2021 - $nil); development costs of $3,775 (2021 - $2,563); and share-based compensation of $55,729 (2021 - $nil) to **Ms. Angela Doll**, the Chief Operation Officer ("COO") of the Company and to Bright Wing Media Inc. ("Bright Wing"), a company controlled by the COO of the Company. Total incurred was $120,155 (2021 - $2,563). As at March 31, 2022, $4,515 (2021 - $4,200) was owed to the COO of the Company or to Bright Wing, which is included in due to related parties.

(e) During the three months ended March 31, 2022, the Company incurred salary and benefit costs of $60,651 (2021 - $nil); and share-based compensation of $58,213 (2021 - $nil) to **Mr. Adam Zouak**, the former Chief Technical Officer ("CTO") of the Company. Total incurred was $118,864 (2021 - $nil).

(f) During the three months ended March 31, 2022, the Company incurred salary and benefit costs of $60,651 (2021 - $nil); and share-based compensation of $12,404 (2021 - $nil) to **Mr. Cameron Drew**, the former Chief Publishing Officer ("CPO") of the Company. Total incurred was $73,055 (2021 - $nil).

(g) During the three months ended March 31, 2022, the Company incurred salary and benefit costs of $71,949 (2021 - $nil); and share-based compensation of $25,177 (2021 - $nil) to **Ms. Wai-Ming Yu**, the former Chief Revenue Officer ("CRO") of the Company. Total incurred was $97,126 (2021 - $nil).

(h) During the three months ended March 31, 2022, the Company incurred contractor costs of $10,500 (2021 - $28,000); share-based compensation of $11,427 (2021 - $nil) to **Mr. Mark Holden**, a former director of the Company. Total incurred was $21,927 (2021 - $28,000). As at March 31, 2022, $2,650 (2021 - $nil) was owed to the former director which is included in due to related parties.

(i) During the three months ended March 31, 2022, the Company incurred director fees of $4,071 (2021 - $nil); and share-based compensation of $8,956 (2021 - $nil) to **Ms. Shannon Kaustinen**, a current director of the Company. Total incurred was $13,027 (2021 - $nil). As at March 31, 2022, $4,071 (2021 - $nil) was owed to this current director which is included in due to related parties.

(j) During the three months ended March 31, 2022, the Company incurred director fees of $9,000 (2021 - $nil); and share-based compensation of $20,838 (2021 - $nil) to **Mr. David Van Seters**, a current director of the Company. Total incurred was $29,838 (2021 - $nil). As at March 31, 2022, $12,000 (2021 - $nil) was owed to this current director which is included in due to related parties.

FINANCIAL RISK MANAGEMENT OBJECTIVES and POLICIES

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

(a) **Credit risk** - The Company's financial assets are cash, and amounts 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.

(b) **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 Company, currently, does not have recurring revenue, and is working diligently on securing additional funding to meet short-term financial obligations after considering its operating obligations and cash on hand.

(c) **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 for the three months ended March 31, 2022. As such, the Company has minimal market risks.

FUTURE ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations are not yet effective and have not been early adopted in preparing these Financial Statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's Financial Statements.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Company. If any such risks actually occur, the financial condition, liquidity, and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The Company will face a number of challenges in the development of its business.

Prospects for companies in the technology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in technology companies should be regarded as highly speculative. An investor should carefully consider the risks and uncertainties described below. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company's shares could decline.

If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity, and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. Potential investors should consult with their professional advisors to assess an investment in the Company.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

Risks Related to Capitalization and Commercial Viability

As at March 31, 2022, the Company has a cash balance of $148,614 (December 31, 2021 - $832,668) and will require additional capital to continue to develop its platform, obtain content licensing and bring its platform to the market. Should further financing not be completed, there is a risk that the Company will not have the capital required to expand the business and further develop the platform and obtain content. If the Company does not obtain additional capital for investment, then there is a presumed risk to the commercial viability of its platform. Further, if further financing is not completed, the Company may be required to raise additional capital from existing sources through private placements.

Risks Related to Additional Financing

The Company will require additional equity and/or debt financing to execute the Company's growth strategy. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially acceptable to the Company. The Company's growth may be limited if it is unable to raise financing in order to support ongoing operations and therefore will have an adverse impact on the financial results of the Company.

Should the capital obtained upon completion of future financing be sufficient to fund the Company's current operations, there is no guarantee that the Company will be able to achieve its business objectives. There is no assurance that the capital used to invest in the Company's personnel, systems, procedures, and controls will ensure the Company's objectives. The Company may require additional financing beyond that acquired previously and if so, there is no assurance that the financing obtained will be on terms that are favourable to the Company.

Risks Related to Growth Strategy Execution

The execution of the Company's growth strategy has significant dependence on managerial, financial, and human resources. The Company's ability to grow depends on a number of factors, including the availability of capital, existing, and emerging competition, and the ability to recruit and train additional qualified personnel. Moreover, as the Company's business grows, the Company will need to devote additional resources to improving its operational infrastructure and enhance its scalability to maintain its business performance.

Risks Related to Uncertainty and Adverse Changes in Consumer Reading Habits

The success of the Company is contingent on its consumer base perceiving more value in the Company's platform compared with existing eBook platforms and physical books. While the eBook market and its sales compared with physical books continue to increase, should consumer reading habits shift away from eBooks, demand for the Company's platform may decrease.

Risks Related to the Ability to Attract New Customers, Retain Existing Customers and Grow Revenues

To achieve profitability and increase revenues, the Company must regularly obtain new customers or increase the scope of services provided to existing customers. A variety of factors may impede these efforts including ineffective marketing campaigns, lack of content to market to new and existing customers, lack of perceived value of the Company's platform by potential customers or the Company being unable to attract and retain quality sales and marketing personnel.

Risks Related to Increased Competition

As market demand for eBooks grows, publishers and existing eBook platforms will seek ways to increase market share and provide their customers with sought-after digital media content. As such, existing companies and new entrants will continue to create and refine technology to provide this content. The increase in market entrants may decrease the market share for the Company, which may have an adverse impact on the Company's operations. The creation or refinement of digital technology that consumers view as more cost efficient or superior to the Company's platform will also impact the Company adversely.

Risks Related to Cyber Security and Data Protection

As an online platform, there is risk of cyber-attacks, technology issues, and changes to global legislation for data management. To mitigate cyber risks, the Company has engaged, and will continue to regularly engage with, third-party security partners to conduct penetration and other testing/auditing of the Company's platform, and to act on the recommendations provided. In preparation to expand outside of North America, the Company has also engaged third-party services to audit General Data Protection Regulation (GDPR) and other data protection mechanisms to ensure compliance and provide recommendations for improvements.

Risks Related to Limited History of Operations

The Company is in an early stage of development, has a limited history of operations, and operates in a new and rapidly-evolving market. As such, the Company is subject to many risks common to start-up enterprises and its viability must be viewed against the background of such risks. Such risks include under-capitalization, cash shortages, limitations with respect to personnel, and lack of revenues and financial and other resources. There is no assurance that the Company will develop its business profitably, and the likelihood of success of the Company must be considered in light of the Company's early stage of operations.

Risks Related to Changing Technology

The Company's ability to attract new users of its software and increase revenue from existing users depends in large part on its ability to enhance and improve its products, introduce new features and services in a timely manner, sell into new markets, and further penetrate existing markets. If the Company is unable to do so, its revenue will not grow as expected. Moreover, the Company is required to enhance and update its products and services as a result of changing standards and technological developments, which makes it difficult to recover the cost of development and forces the Company to continually qualify new features with its users.

Risks Related to Defects, Bugs, or Errors

The Company has quality controls in place to detect defects, bugs, or other errors in its products and services before they are released, however, these quality controls are subject to human error, overriding, and resource or technical constraints. Furthermore, the effectiveness of its quality controls and preventative measures may be negatively affected by the distribution of the Company's workforce resulting from the COVID-19 pandemic. As such, these quality controls and preventative measures may not be effective in detecting all defects, bugs, or errors in its products and services before they are released into the marketplace. The release of products or services with significant defects, bugs, or errors could damage the Company's reputation, brand, and sales.

Risks Related to COVID-19

The Company's business, operations, and financial condition could be materially adversely affected by public health crises, including epidemics, pandemics, and/or other health crises, such as the COVID-19 pandemic. Public health crises, such as the COVID-19 pandemic, may result in operating, supply chain, and project development delays that could materially adversely affect the operations of the Company.

The risks to the Company's business associated with COVID-19 include, without limitation, risks related to employee health, workforce productivity, increased insurance premiums, the availability of industry experts and personnel, and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on the Company's business, financial condition, and results of operations. In addition, the Company may experience business interruptions as a result of suspended or reduced operations, relating to the COVID-19 pandemic or such other events that are beyond the control of the Company, which could, in turn, have a material adverse impact on the Company's business, operating results, and financial condition.

Risks Related to Reliance on Key Personnel

Given the complex nature of the technology on which the Company's business is based and the speed with which such technology advances, the Company's future success is dependent, in large part, on its ability to attract and retain highly qualified managerial, technical, and sales personnel. Competition for talented personnel is intense, and no assurance can be given that the Company will retain its managerial, technical, and sales personnel or that it can attract, assimilate, or retain such personnel in the future. As the Company's business grows, it will require additional key financial, administrative, marketing, and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Risks Related to Inability to Protect Technology

There can be no assurance that the steps taken by the Company to protect its technology will be adequate to prevent misappropriation or independent third-party development of the Company's technology. It is possible that other companies could duplicate an eBook platform similar to that of the Company.

Risks Related to Potential Intellectual Property Claims

The Company may be subject to intellectual property rights claims in the future and its technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle, and could divert management resources and attention. An adverse determination, also, could prevent the Company from offering its products and services to others and may require that it procure substitute products or services for these members or obtain additional licenses. The Company may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If the Company cannot license or develop technology for the infringing aspects of its business, it may be forced to limit its product and service offerings and may be unable to compete effectively.

Risks Related to Market Trends and Global Political Issues

Changing broader financial conditions including the market's expectations for continued rising interest rates fueled by the continued rise in inflation, along with the Russian invasion of Ukraine has continued to drive a rotation by investors into value versus growth-oriented equities. The best performing sectors in Canada in Q1 2022 were energy and materials, and the worst performing sectors were information technology, commodities, and metals. Under the current uncertain and fast-changing macroeconomic, financial, and geopolitical environment, investor sentiment and appetite for technology companies, especially those not yet reporting free cash flows, have been negatively impacted as reflected in their lower market valuation, resulting in a more difficult capital raising environment and a higher cost of capital.

Risks Related to Evolving Business Model and its Services and Products Could Change

To stay current with the industry, the Company's business model may need to evolve as well. From time to time, it may modify aspects of the Company's business model relating to Company's product mix and service offerings. The Company cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. The Company may not be able to manage growth effectively, which could damage the Company's reputation, limit the Company's growth, and negatively affect its operating results.

Risks Related to Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting a transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC and Alberta) ("Corporations Act") dealing with any conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter, unless otherwise permitted by the Corporations Act. In accordance with the laws of the Provinces of British Columbia and Alberta, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Risks Associated with Acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services, or products that the Company believes are strategic. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service, or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services, or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

In the future, the Company may invest in new business strategies, acquisitions and/or joint ventures. New ventures are inherently risky and may not be successful. In evaluating such endeavours, the Company must make difficult judgments regarding the value of business strategies, opportunities, technologies and other assets, and the risks and cost of potential liabilities. Furthermore, acquisitions and investments involve certain other risks and uncertainties, including the risks involved with entering new competitive categories or regions, the difficulty in integrating newly-acquired businesses, the challenges in achieving strategic objectives and other benefits expected from acquisitions, investments or joint ventures, the diversion of the Company's attention and resources from its operations and other initiatives, the potential impairment of acquired assets and liabilities, the performance of underlying products, capabilities or technologies and the potential loss of key employees and customers of the acquired businesses.

Risks Related to Volatility of Share Price, Absence of Dividends and Fluctuation of Operating Results

Market prices for the securities of technology companies have historically been highly volatile. Factors such as fluctuation of the Company's operating results, announcements of technological innovations, patents or new commercial products by the Company or competitors, and other factors could have a significant effect on the share price or trading volumes for the Company shares. The Company has not paid dividends to date and the Company does not expect to pay dividends in the near future.

Risks Related to No Assurance of an Active Trading Market

There can be no assurances that an active trading market in the Company shares on the CSE will be sustained.

Risks Related to Equity Dilution to Shareholders

The issuance of any equity securities could, and the issuance of any additional shares will, cause the Company's existing shareholders to experience dilution of their ownership interests. Any additional issuance of shares or a decision to acquire other businesses through the sale of equity securities may dilute investors' interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of the Company's shares.

Risks Related to Value of Securities

The value of the Company's shares may be reduced for a number of reasons, some of which are outside the control of the Company, including:

- general economic conditions in Canada, the United States and globally;
- failure to achieve desired outcomes by the Company;
- failure to obtain industry partners and other third-party consents and approvals, when required;
- stock market volatility and market conditions;
- competition for, among other things, capital and skilled personnel;
- the need to obtain required approvals from regulatory authorities;
- revenue and operating results failing to meet expectations in any particular period;
- investor perception;
- limited trading volume of the Company's shares;
- announcements relating to the Company's business or the businesses of the Company's competitors; and

- the Company's ability or inability to raise additional funds.

Risks Related to Reporting Issuer Status

As a reporting issuer, the Company will be subject to reporting requirements under applicable securities law and stock exchange policies. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly, and increase demand on existing systems and resources. Among other things, the Company will be required to file annual, quarterly, and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Company's business and operational results. The Company may need to hire additional employees to comply with these requirements, which would increase its costs and expenses.

Management of the Company expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Company to retain qualified directors and executive officers.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information about the Company which reflect management's expectations regarding the Company's future growth, results of operations, operational and financial performance and business prospects and opportunities. In addition, the Company may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information.

All statements and information, other than statements or information of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements and information, including, but not limited to statements and information preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intends", "plan", "forecast", "budget", "schedule", "project", "estimate", "outlook", or the negative of those words or other similar or comparable words.

Forward looking statements and information involve significant risks, assumptions, uncertainties, and other factors that may cause actual future performance, achievement, or other realities to differ materiality from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement, or realities. Although the forward-looking statements and information contained in the MD&A reflect management's current beliefs based on information currently available to management and based on what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements and information. A number of risks and factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward-looking statements and information.

Although the Company has attempted to identify important risks and factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements or information, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. Further, any forward-looking statements and information contained herein are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statement or information. Accordingly, readers should not place undue reliance on forward looking statements and information contained in this MD&A. All forward-looking statements and information disclosed in this MD&A, are qualified by this cautionary statement.

CORPORATE GOVERNANCE

The Company's board of directors and its committees adhere to recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current board of directors is comprised of three individuals, two of whom are independent of management as they are neither executive officers nor employees of the Company. The audit committee is currently comprised of three directors, two of which are independent of management and have strong financial backgrounds.

The audit committee's role is to ensure the integrity of the Company's reported financial results through its review of the interim and audited annual financial statements prior to their submission to the board of directors for approval. The audit committee meets with management, at least, quarterly to review the consolidated financial statements, as well as the management's discussion and analysis (MD&A), and to discuss financial, operational, and other important matters.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares (Class A)

As at May 30, 2022, the Company had 64,178,000 common shares issued and outstanding (December 31, 2021-62,948,000).

Warrants

As at May 30, 2022, the Company had 10,645,976 warrants outstanding (December 31, 2021 - 11,875,976).

Options

As at May 30, 2022, the Company had 4,616,250 stock options outstanding (December 31, 2021 - 7,755,500).

Fully Diluted

As at May 30, 2022, on a fully diluted basis, the share capital outstanding was 79,440,226 (December 31, 2021 - 82,579,476).

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com and the Company's website at www.legible.com.