

# **Liquid Avatar Technologies Inc.**

**(Formerly KABN Systems NA Holdings Corp.)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS for the three month period ended March 31, 2021**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim condensed consolidated financial statements and the notes thereto for the three month period ended March 31, 2021 of Liquid Avatar Technologies Inc. (the "Company" or "LA"). Such financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

### **DATE**

This MD&A is prepared as of May 31, 2021.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this report are forward-looking statements, which reflect management's expectations regarding future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future and include the expected costs of, and timing for, the development of the Liquid Avatar Verifiable Credential Ecosystem project. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) delays in technology development, (3) industry competition, (4) the uncertainty of market acceptance, (5) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, (6) inability to finance, and (7) other factors beyond our control, including the risks set out under the heading "Risk Factors" below.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

### **THE COMPANY**

The Company was incorporated under the laws of the province of British Columbia on September 10, 2014 as Torino Ventures Inc. The Company changed its name to Torino Power Solutions on November 13, 2016. The Company changed its name to KABN Systems NA Holdings Corp. on June 4, 2020 and on March 1, 2021 the Company changed its name to Liquid Avatar Technologies Inc. The Company wholly owns Liquid Avatar Operations Inc. (formerly KABN Systems North America Inc. and referred to herein as "KABN NA"). The Company changed its name from KABN Systems NA Holdings Corp. to Liquid Avatar Technologies Inc. and its ticker symbol from KABN to LQID.

On January 13, 2020, the Company and its newly formed wholly owned subsidiary 2733668 Ontario Inc. entered into a Business Combination Agreement with KABN NA, an arm's length private company, providing for a transaction (the "RTO Transaction") whereby the Company would acquire all of the issued and outstanding shares of KABN NA

in exchange for issuance of common shares of the Company following the Consolidation (as defined below) ("Common Shares"). Immediately prior to the completion of the RTO Transaction, the Company completed a 1-for-10 share consolidation (the "Consolidation"). The RTO Transaction closed on June 4, 2020 and resulted in the business of KABN NA becoming the business of the Company.

Immediately subsequent to giving effect to the RTO Transaction, the issued and outstanding share capital of the Company was 65,750,228 common shares, undiluted. The former shareholders of KABN NA held 59,777,942 Common Shares (inclusive of the 14,490,912 Common Shares issued in connection with a concurrent financing by KABN NA), representing 91% of the post-RTO Transaction issued and outstanding Common Shares. On a fully diluted basis, there were 85,329,595 Common Shares issued and outstanding, with the former shareholders of KABN NA holding 59,777,942 common shares of the Company representing 70% of the post-RTO Transaction fully diluted Common Shares.

References to the Company herein mean of Liquid Avatar Technologies Inc. and its wholly owned subsidiaries, unless otherwise noted, from June 4, 2020 to present, and mean KABN NA prior thereto.

## DESCRIPTION OF BUSINESS

The Company is a digital ID fintech company focused on empowering Customers to verify, manage, control, and create value from their online identity and public, permission-based data through Self-Sovereign Identity solutions delivered through the Company's world-class solutions. The Company offers Clients and Customers, a suite of financial and related services through the Liquid Avatar Mobile App, the Liquid Avatar Verifiable Credentials Ecosystem and proprietary services and revenue generating programs, creating the "Liquid Avatar Platform". The Company provides its products and services at no cost to Customers and generates revenues through permission-based partner and merchant fee-based programs. The Liquid Avatar Platform allows for a more seamless compliance of online identity verification in combination with participation in online services and opportunities together with a suite of financial and other consumer services.

The Company is the exclusive licensee, in the United States and Canada, of KABN (Gibraltar) Ltd.'s ("**KABN Gibraltar**") Digital Identity and financial services platform, which provides organizations with a digitally enabled identity validation and verification based on industry standard KYC and AML processes, and the use in North America of the "know how" for the KABN Gibraltar Loyalty program, known as KABN KASH and KABN Card and companion mobile card application.

The proprietary technology suite that is the Liquid Avatar Platform includes three key products:

- **Liquid Avatar:** Liquid Avatar is a verified Self Sovereign Identity platform that empowers users to create high-quality digital icons representing their online personas. These icons allow users to manage and control their digital identity and Verifiable Access and Identity Credentials, and to use Liquid Avatars to share public and permission based private data when they want and with whom they want. Digital identity validation and verification for Liquid Avatars is provided through the Liquid Avatar Verifiable Credential Ecosystem ("**LAVCE**") (formerly KABN ID). LAVCE is an "Always Active", biometrically based and blockchain powered digital identity validation and verification ecosystem allowing Customers to continuously and confidently prove themselves throughout the online community using their Self Sovereign Identity consisting of verifiable credentials and a digital wallet.
- **KABN Card:** KABN Card is an approved Visa prepaid card program branded as the "KABN Card" or "KABN Prepaid Visa Card" that will potentially generate revenue from merchant transaction fees as well as new, existing and evolving financial services, and provides increased loyalty and engagement opportunities. Through a partner managed platform, the KABN Card allows Customers to hold a digital payment method without needing a credit card account and the ability to earn cashback and other loyalty incentives. The Company will share in transaction fees and commissions with the applicable card network. KABN Card will integrate seamlessly with the Liquid Avatar Mobile App, providing Customers with an easy way to apply for and access their KABN Card directly from their Liquid Avatar Mobile App.

- KABN KASH:** KABN KASH is an exclusive and customized consumer experience where Customers can earn cash back on transactions with over 400 major online merchants. It is a cashback, loyalty and engagement program offered to account holders that is a primary potential revenue program. Customers are able shop at some of North America’s top online merchants and receive cashback directly on their KABN Card. Customers will also receive updates on special offers and unique deals exclusive to KABN KASH. Customers are offered an incentive to shop via KABN KASH’s significant discounts and cash back based on spending volumes.

The Company’s license with KABN Gibraltar enables the Company to operate exclusively the KABN Card, KABN KASH and verification business for the North American region (Canada and the United States of America) utilizing intellectual property and services provided by KABN Gibraltar. KABN Gibraltar licensed components of the intellectual property from Crypto KABN Holdings Inc to enable one direct license between KABN Gibraltar and the Company. As at March 31, 2021, Crypto KABN Holdings Inc. and KABN Gibcan Inc. held a combined 24.42% of the Company’s total common shares outstanding. KABN Gibraltar controls KABN Gibcan Inc.

The LAVCE is the core of the Company’s operations which is a significant project for the Company that has not yet generated any appreciable revenues. The LAVCE supports the W3 (World Wide Web Consortium) standards and a “trust triangle” model which services the three distinct parties in a verifiable credential transaction, being the individual user or “Holder”, the author or “Issuer” of a verifiable credential, and the validator or “Verifier” of the transaction.

With respect to development activities and operations that support **Holders**, the Company has executed on the launch of the Liquid Avatar Mobile App, Phases 1 & 2 and subsequent to the quarter ended March 31, has rolled out Phase 3 with an expectation to launch Phase 4 as reported. Through the end of the quarter ended March 31, 2021, the Company has spent approximately \$125,000 on this part of the project and expects that to complete the phased launch and fully develop the program to implement all the verifiable credentials technology, gamification, engagement, and avatar management, through June of 2022, it will require a minimum estimated \$1,142,000.

With respect to development activities and operations that support **Issuers**, the Company has begun to develop its strategy to create products and services that will support the development of services to those organizations that will author, issue and manage verifiable credentials and proprietary technologies, including digital wallets and related technologies. This project has begun during this quarter and is expected to continue to develop over the next several quarters, creating additional ecosystem members and innovative technologies to support Issuers. To date (January 1 - March 31, 2021), the Company has spent \$67,029 on this part of the project and estimates further costs at a minimum of \$988,000 through June of 2022.

With respect to development activities and operations that support **Verifiers**, the Company has begun to develop its strategy to create product elements and services that will support those organizations that will be actively engaged in the validation of verifiable credentials that have been presented by the Holder. This part of the project, which is expected to become operational over the next two quarters (Q3/Q4), is estimated today to cost at minimum \$1,048,000 through June of 2022 and is expected to produce, at minimum a demonstrable pilot project by Q4.

## SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company’s financial results for the eight most recently completed quarters (This table starts with the incorporation of KABN NA’s (now Liquid Avatar Operations Inc.)

	Quarter Ended March 31, 2021 \$	Quarter Ended December 31, 2020 \$	Quarter Ended September 30, 2020 \$	Quarter Ended June 30, 2020 \$	Quarter Ended March 31, 2020 \$	Quarter Ended December 31, 2019 \$	Quarter Ended September 30, 2019 \$	Period Ended June 30, 2019 \$
	3/31/2021	12/31/2020	09/30/2020	06/30/2020	03/31/2020	12/31/2019	09/30/2019	06/30/2019
Revenue	109	Nil	Nil	Nil	80	Nil	15,277	Nil
Net income (loss)	(2,734,851)	(1,963,099)	(1,139,708)	(2,111,282)	(425,107)	(202,515)	(372,921)	(37,992)
Loss per share, basic and diluted	(0.027)	(0.028)	(0.017)	(0.04)	(0.009)	(0.004)	(0.01)	(0.001)

The business of the Company's wholly owned subsidiary KABN NA (now Liquid Avatar Operations Inc.) commenced on May 1, 2019. The comparative figures presented throughout this MD&A are the historical results of KABN NA (now Liquid Avatar Operations Inc.)

### **OVERALL PERFORMANCE (for the quarter ended March 31, 2021)**

The Company had a net loss of \$2,734,851 for the quarter ended March 31, 2021 compared to a net loss of \$425,107 for the quarter ended March 31, 2020. The Company had much lower operational expenses for the prior year's comparative period. The main drivers of the net loss for the quarter ended March 31, 2021 were a ramp up of product development and launch activities of \$491,974 and management and staff expenses of \$404,201. A variety of service providers agreed to take payment in the form of equity and others required a prepayment in cash for services. As a result, \$93,470 of consulting, marketing and communications services was paid in the form of equity and a portion of the marketing and communication expense of \$300,566 is amortization of prepaids. In addition, stock-based compensation of \$1,024,024 and amortization of intangible assets of \$67,255 are non-cash. The main expenses in the prior period were legal fees of \$167,486, amortization of intangible assets of \$67,255, consulting expenses of \$60,000 and marketing and communications of \$42,769.

### **RESULTS OF OPERATIONS (for the quarter ended March 31, 2021)**

\$109 in revenue was recorded by the Company for the quarter ended March 31, 2021. Management has focused its recent activities on enhancing further elements of its technical platform, and its product features to build revenue generating partnerships. Revenues were \$80 in the previous quarter ended March 31, 2020.

The Company incurred legal fees and audit fees of \$85,212 during the quarter ended March 31, 2021. These expenses relate to ongoing operations and reporting matters for the Company. \$167,486 in legal and audit fees were incurred during the quarter ended March 31, 2020. The Company incurred costs towards its efforts to trade its securities on a public exchange and work through various components of the reverse takeover transaction. This required significant legal and audit related professional services in the comparative period.

The Company incurred marketing and communications expenses of \$498,264 for the quarter ended March 31, 2021. A number of investor/public relations campaigns and business development activities were initiated at times when significant financing were closed to leverage the ability to compensate these firms in equity as opposed to cash in many cases. The majority of these expenses are derived from service arrangements over a period of time, resulting in a recording of a prepaid expense that is amortized over the service period. Therefore, a significant portion of the expense relates to this amortization. Marketing and communications expenses incurred during the quarter ended March 31, 2020 were \$60,000 and relate to the efforts in conjunction with initial awareness activities prior to having the Company's securities traded on a public exchange.

The Company incurred \$491,974 for product development for the quarter ended March 31, 2021. Product development includes technical development as well as developing commercial features, benefits, their applications, and any program fees. \$112,975 of the costs were incurred through KABN Gibraltar, with \$378,999 through direct vendors to the Company. During the quarter ended March 31, 2020 no costs were incurred in product development.

The Company incurred \$404,201 during the quarter ended March 31, 2021 related to management and staff. Included in this category are fees to KABN Gibraltar of \$30,000 per month. The Company had entered into employment agreements with its executives and staff as of January 1, 2021 which is designed to retain and incentive the executive team. \$60,000 in management and staff costs were incurred for the quarter ended March 31, 2020 of which was to KABN Gibraltar.

The Company incurred consulting fees of \$74,808 from a number of consultants during the quarter ended March 31, 2021. The Company has engaged consultants to perform various functions for the Company. None of the current consultants have a long-term commitment from the Company. During the quarter ended March 31, 2020 \$60,000 was incurred for consulting work.

The Company incurred \$25,179 for general and administrative expenses and \$37,837 for web and infrastructure costs during the quarter ended March 31, 2021. During the quarter ended March 31, 2020, \$724 was incurred for general and administrative expenses and \$5,757 for web and infrastructure costs. The Company has increased in size over the past several months carrying more costs as a result of being a publicly traded company and to support the build out of technology infrastructure and product development.

The Company incurred agent fees of \$15,689 during the quarter ended March 31, 2021 which related to the Company's ongoing contract with Research Capital Corporation (formerly named Mackie Research Capital Corporation). There were no agent fees incurred during the quarter ended March 31, 2020.

The Company incurred \$67,255 in amortization during the quarter ended March 31, 2021 and 2020 related to intangible assets derived from the license with KABN Gibraltar. The Company records amortization on a straight-line basis.

During the quarter ended March 31, 2021, the Company recognized \$1,024,024 in total stock-based compensation expense. \$32,419 of stock-based compensation was recognized as part of the vesting terms associated with a grant of stock options that occurred on June 1, 2020 prior to the finalization of the RTO Transaction. On February 15, 2021, the Company granted 1,400,000 stock options at an exercise price of \$0.345 with immediate vesting terms and recorded an expense of \$310,800 for the quarter ended March 31, 2021. On February 15, 2021, the Company granted 5,400,000 stock options at an exercise price of \$0.345 that has 40% immediate vesting terms with 30% vesting in six months from the grant date and 30% vesting in twelve months from the grant date. \$680,805 of stock based compensation was recognized during the quarter ended March 31, 2021 related to this stock option grant based on a graded vesting schedule. Stock-based compensation is recognized as an operating expense with a corresponding amount recognized in contributed surplus and is valued using the Black-Scholes option pricing model. There is no comparable expense for the quarter ended March 31, 2020, as no stock options were issued.

Foreign exchange loss of \$7,600 incurred during the quarter ended March 31, 2021 and foreign exchange loss of \$4,856 during the quarter ended March 31, 2020 is related to the exchange fluctuation between the Canadian dollar and the United States dollar on US denominated payables.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company held cash of \$2,114,021 and had positive working capital of \$2,031,767 as at March 31, 2021. The Company is an early stage entity with little revenue while incurring costs to complete financing efforts, and complete its critical marketing, business development and product development programs. As the Company completes additional financing efforts and commercially launches its programs, working capital is expected to improve, but the Company will continue to have an operational burn until that time.

The Company received \$1,172,333 in gross proceeds from warrant and option exercises during the quarter ended March 31, 2021. The exercise activity was driven mainly from the fact that a portion of the outstanding warrants would have expired in January and February 2021. All warrants that would have expired were exercised by the warrant holders. The Company as of the date of this MD&A has approximately 51 million warrants and options that are exercisable at prices between \$0.15 and \$0.20 per share for potential proceeds of up to approximately \$10.9 million.

While additional financing will assist substantially in the Company achieving its commercialization plans, the Company's future capital requirements will depend upon many factors. The Company, depending on its resource requirements may have to rely upon the sale of equity securities for cash required to expand its operations, and to fund the administration of the Company. There is no assurance that future financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

During the quarter ended March 31, 2021, the Company incurred a net loss of \$2,734,851 and had a deficit of \$8,987,475. These factors raise uncertainty about the Company's ability to continue as a going concern.

The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures.

### **Operating Activities**

The Company used net cash of \$1,600,520 in operating activities during the quarter ended March 31, 2021 and \$184,500 during the quarter ended March 31, 2020. For the quarter ended March 31, 2021, the Company's net loss was \$2,734,851 and had reductions for non-cash expenses including, Stock Based Compensation of \$1,024,024, expenses paid in shares of \$93,470 and amortization of \$67,255. Change in non-cash working capital and immaterial items totaled \$50,418. For the quarter ended March 31, 2020, the Company's net loss was \$425,107 and had reductions for non-cash expenses including amortization of 67,255, expenses paid in shares of \$195,000 and changes in non-cash working capital and immaterial items totaled \$21,678.

### **Financing Activities**

The Company received net cash of \$1,142,333 in financing activities during the quarter ended March 31, 2021 which related to exercises of warrants and options. The Company received net cash of \$184,500 in financing activities during the quarter ended March 31, 2020 from a loan and advances that were subscribed to a common stock private placement in the second quarter of 2020.

### **Investing Activities**

The Company used net cash of \$16,382 in investing activities during the three month period ended March 31, 2021 related to the acquisition of computer related equipment. There were no investing activities during the three month period ended March 31, 2020.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

### **TRANSACTIONS WITH RELATED PARTIES**

The Company's related parties include its key management personnel, and companies related by way of directors or shareholders in common.

During the year ended December 31, 2020, the initial license fee of \$1,345,100 (US\$ 1,000,000) that was recorded as an intangible asset has been paid in full to KABN Gibraltar.

On May 15, 2020, the first anniversary of the license agreement, US\$100,000 was due and paid to KABN Gibraltar, and on each anniversary thereafter, an annual license fee of \$250,000 USD will be due to KABN Gibraltar. Royalties of 14% of gross margins of the Company are payable to KABN Gibraltar calculated on annual calendar results.

Management has been provided to the Company by KABN Gibraltar for a maximum period of nine months from May 15, 2019. On February 15, 2020, the maximum period of no cash compensation paid to management of nine months expired. KABN Gibraltar agreed to provide management services at the rate of \$40,000 per month from February 15, 2020 to the date of finalization of the RTO Transaction. \$60,000 was billed by KABN Gibraltar for the three month period ended March 31, 2020 under this arrangement.

KABN Gibraltar has continued to provide certain management and support services to the Company subsequent to the finalization of the reverse takeover transaction. During the three month period ended March 31, 2021 \$90,000 has been billed by KABN Gibraltar. and was paid during this period.

During the three month period ended March 31, 2021, product, technical development and operational services were incurred by KABN Gibraltar for the benefit of the Company in the amount of \$112,975, of which \$25,100 was outstanding and payable as at March 31, 2021. There are no fixed terms of repayment. No related amounts were incurred for the three month period ended March 31, 2020.

\$175,100 outstanding to KABN Gibraltar as at December 31, 2020 for product, technical development and operational services was paid during the three month period ended March 31, 2021. \$122,755 outstanding to KABN (Gibraltar) Ltd. as at January 1, 2020 for the initial license fee was paid during the three month period ended March 31, 2020.

## **SUBSEQUENT EVENTS**

On May 14, 2021, the Company closed a non brokered private placement priced at \$0.20 per unit and issued 1,800,000 units for gross proceeds of \$360,000. Each unit consists of one common share and one half share purchase warrant. Each whole warrant entitles a holder to purchase one common share at \$0.30 per share and expires at 24 months following the closing date of the private placement.

## **ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

### **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**

In January 2020, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of payables to KABN Gibraltar, accounts payables and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise stated.

## **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

A breakdown of all material components of expenses of the Company is set forth in the interim condensed consolidated financial statements for the three month period ended March 31, 2021.

## DISCLOSURE OF OUTSTANDING SHARE DATA

### Common Shares

The Company has 106,028,420 Common Shares issued and outstanding as of May 28, 2021.

### Share Purchase Warrants

The Company has 35,283,573 share purchase warrants outstanding exercisable into 35,283,573 Common Shares as of May 28, 2021.

### Broker Compensation Options

The Company has 1,601,845 broker compensation options outstanding, which are exercisable, each, into one Common Share and one share purchase warrant. The broker compensation options are exercisable into an aggregate of 3,203,690 Common Shares as of May 28, 2021.

### Stock Options

The Company has 13,419,900 stock options outstanding convertible into 13,419,900 Common Shares as of May 28, 2021.

## **RISK FACTORS**

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

### **Risks Related to the Company's Business**

***Because of the unique difficulties and uncertainties inherent in early stage development, the Company faces a high risk of business failure. The Company currently does not generate revenue from its operations, and as a result, the Company faces a high risk of business failure***

The Company has a history of operating losses and may never achieve profitability in the future. The Company is an early stage technology company.

The Company's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract and retain the experienced management and know-how to develop and commercialize its programs. Successfully commercializing the current programs and gaining critical mass of client adoption may take several years and significant financial resources and the Company cannot assure that it can achieve these objectives.



***The Company may become involved in legal matters that may materially adversely affect it***

From time to time in the ordinary course of our business, the Company may become involved in various legal proceedings, including commercial, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be highly expensive, the results of any such actions may have a material adverse effect on the Company's business, operations or financial condition.

***Reliance on KABN Gibraltar license***

The intellectual property under the license with KABN Gibraltar (referred to herein as the branded "Liquid Avatar Platform") is built upon the intellectual property developed by KABN Gibraltar (referred to herein as "KABN IP" and in particular verification IP. The Company's business will be entirely dependent on the availability to it of the verification IP and the right to use it to operate the Liquid Avatar Platform. A loss of, or restriction on using, any material part of the KABN IP, would significantly impact the operations of the Company, including its ability to offer services to current and future Clients and customers which could have a material and adverse impact on the Company's revenues, results of operations, cash flows and prospects.

***Reliance on payment card networks and related financial services providers***

The KABN Gibraltar License, includes the ability to offer the KABN Card within Canada and the United States of America subject to approvals by payment card networks and issuing banks. payment card networks and issuing banks could exclude the Company from their approval which would require the Company to seek approval from an alternative payment card network and/or issuing bank, which could delay or eliminate the Company's ability to issue a digital currency-linked card in Canada and/or the United States of America, as payment card networks provide program approvals regionally.

Although KABN Gibraltar has been conditionally approved to run a digital currency-linked network branded prepaid card program in the United Kingdom and Europe, and the Company has been approved to run a similar prepaid card program in Canada, there is no guarantee that a similar program will be approved in the United States of America.

Once approved, payment card networks and issuing banks could create new governance/franchise rules which could negatively impact the Company's card products which could require the Company to seek approval from an alternative payment card network which could suspend the Company's ability to issue a digital currency linked card for an unknown period of time.

***Financial and related services risks***

The Company's financial and related services, which will include card partners, payment card networks and issuing banks in Canada and the United States of America, could change their position and/or rescind approved program status which would require the Company to seek approval from an alternative issuing bank which could delay or eliminate the Company's ability to issue or continue to issue the KABN Card.

The Company's card program, payment card network and issuing banks(s) could implement new rules and/or fees that impact revenues for the KABN Card, which could material and adverse impact on the Company's revenues, results of operations, cash flows and prospects.

The Company will be reliant on payment card networks and issuing banks to conduct its business, particularly to provide functionality for the KABN Card. There is a risk that one or more of these issuing banks may cease to deal with the Company (which may occur on short notice), cease to deal with international payments services generally, substantially reduce the services it offers, substantially alter the terms on which it is willing to offer services to the Company, or exit one or more of the markets for which the Company uses its services.

***The Liquid Avatar Platform may not gain the level of market acceptance needed to make the Company profitable or achieve its growth objectives***

The Company could experience difficulty in securing clients within Canada and the United States of America, which would also reduce the number of users of the Liquid Avatar Platform. This would slow the Company's revenue growth and path to positive cash flow and profitability, and materially and adversely impact the Company's prospects, which could negatively impact market value of the Common Shares.

Even if the Company secures a significant level of clients and users of the Liquid Avatar Platform within Canada and the US, the KABN Card could experience low adoption by end users or relatively low spend volume which could negatively impact related fees from the card and from KABN KASH and thus have a material and adverse impact on the Company's revenues, cash flows, profitability and financial position.

While the Company has a budget for marketing and communications to help support its efforts to gain market acceptance, secure new clients and promote revenue programs, such funds may not be sufficient to achieve the Company's revenue goals. If additional funds are required for marketing and communication, the Company may need to allocate funds from other uses, or raise additional capital, which could result in dilution to holders of the Common Shares, additional interest expense or both.

The Company could experience a limitation or stagnation in the ability to acquire cardholders in Canada and the United States of America which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The Company's card partners, payment card network and/or issuing banks could introduce new fees or assessments which could negatively impact the value proposition of KABN Card.

***The Liquid Avatar Platform will be subject to competing service offerings, including new technologies***

Alternative payment card network, banking or payment solutions could be introduced to the Canadian and American markets which could compete or outsell the Company's offerings and suite of services. Additionally, unknown new programs for the movement of funds, alternative banking and payment solutions may be introduced in the future that may have an impact on the Company's ability to compete in the marketplace.

The Company believes that the Liquid Avatar Platform provides a unique market proposition in providing identity verification that is portable, secure and cost effective. Notwithstanding this, the industry in which the Company will operate is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. Numerous entities around the world may compete with the Company's efforts to commercialize, develop and expand products and services. Competitors may develop products in advance of the Company, products that are more effective than those developed by the Company, or that have or gain greater market acceptance. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The identity verification and financial and related solutions markets are highly competitive, and the Company's offering competes with other financial related services businesses, including other businesses focused on identity verification and management. Many existing providers either compete directly with the Company or provide services that are potential substitutes. The Company's major existing competitors will include identity verification companies, banks, money transfer organizations and other international payments specialists. New competitors, services and business models that will compete with the Company are likely to arise in the future. Many of these existing and potential competitors have or may have substantially more resources than the Company and have or may have product and service solutions that are more attractive to clients and customers.

There is a risk that an existing or future competitor:

- allocates significantly more resources to competing in the Company's markets, including resources devoted to marketing, developing technology and/or client service;
- develops a lower cost or more effective business model, for example by developing or acquiring a more sophisticated technology platform or service delivery method;
- responds to changes to regulations, new technologies or changes in client requirements faster and more effectively than the Company; or
- develops new services that compete more directly with the Company than their current services.

A substantial increase in competition for any of these reasons could result in the Company's services becoming less attractive to existing and potential Clients and Customers, requiring the Company to increase its marketing or capital expenditure, lower prices or fees, or alter other aspects of its business model in order to remain competitive, any of which could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

***There are significant regulatory and legislative risks***

The Liquid Avatar platform assists Clients with their AML and KYC compliance obligations in relation to their customers. Future legislative changes to AML, KYC or other similar requirements, may result in the Company's verification program not being as effective or losing its competitive advantage, and it may therefore become less attractive to current and prospective Clients, which may have a significant effect on the business, operations and prospects of the Company. If clients change providers, the growth in the number of new users of the Liquid Avatar Platform will slow, impacting revenues across all aspect of the Company's business.

The international financial and related services market is a highly regulated area of economic activity around the world. Regulations applicable to those providing services and earning revenues in the market for international financial and related services include regulation relating to money laundering and financing of terrorism, sanctions laws and other regulations. There is a risk that the Company may fail to comply with these laws or government regulations. Any breach of law by the Company could have significant consequences for the Company. The further development, acceptance and use of digital currencies is subject to a variety of factors that are difficult to evaluate.

The growth of the Neo Bank and identify verification industries in general, and the use of digital currencies in particular, is subject to a high degree of uncertainty, and the slowing, or stopping of the development or acceptance of developing protocols may adversely affect the Company's services related to future digital currencies-to-fiat link via the KABN Card which is operated by a partner party. The factors affecting the further development of these industries and digital currencies, include, but are not limited to:

- Continued worldwide growth in the adoption and use of digital currencies;
- Governmental and quasi-governmental regulation of digital currencies and their use;
- Restrictions on or regulation of access to and operation of the network or similar digital currency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception digital currencies generally.

***Data and privacy breaches can significantly harm the Company***

The majority of the Company's transactions will be conducted over the Internet and will therefore be subject to an element of risk. The Company's information technology infrastructure is designed to be secure, but is not immune to outside rogue elements, including computer viruses, computer hackers, and organized activities among groups of persons designed to breach the Company's security systems.

Privacy breaches may expose the Company to additional liability and result in the loss of clients and customers, or an inability to conduct business. Any inability on the Company's part to protect the privacy in the Company's electronic

transactions or systems could have a material effect on future revenue, financial conditions and profitability. A privacy breach could: expose the Company to additional liability under the privacy legislation of different jurisdictions, which could result in fines, additional compliance costs, or significant costs to remedy the breach and strengthen security; result in a customer or user's personal and/or financial information falling into the hands of criminal elements, exposing the Company to lawsuits, loss of revenue and reputations risks; and deter potential clients and customers from using the KABN IP or Liquid Avatar Platform.

### ***Failure to manage growth***

The Company's failure to manage its growth successfully may adversely impact its operating results. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to deal with growth may have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***The Company's business is based on software and information systems and is exposed to the risks associated with such technologies***

While verification software was developed internally by KABN Gibraltar, such software may be subject to external factors, such as deprecation of operating systems, libraries, components, third party interfaces, drivers, patches, or other related issues. In addition, software requires regular updating and maintenance to keep it operating efficiently, continually and robustly. If updates and maintenance are not carried out regularly or are carried out negligently, the software may be subject to operational outages, slowdowns or errors. In addition, these external factors may affect the ability of KABN Gibraltar to effectively upgrade and maintain this software. The market in which the Company will operate is continually evolving, which can often lead to product and software obsolescence. If the Company does not successfully adapt to changes in the market and technology, its business and results may adversely be affected.

In addition, services based on sophisticated software and computing systems often encounter development and upgrade delays, and the underlying software may contain undetected errors or failures when introduced or when the volume of services provided increases. The Company may experience delays in the ongoing development of the software and computing systems underlying their services. In addition, despite testing, it is possible that the software may contain errors, and this could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

The Company depends on the performance, reliability and availability of KABN Gibraltar's proprietary technology platform. There is a risk that these systems may be adversely affected by a number of factors including damage, equipment faults, power failure or natural disasters. Events of that nature may cause part or all of the KABN Gibraltar's technology platform or website to become unavailable. This in turn could reduce the Company's ability to generate income, impact client service levels and cause damage to the Company's reputation and, potentially, have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

There is also a risk that potential faults in the KABN Gibraltar's technology platform could cause transaction errors that could result in legal exposure from Clients, potentially leading to a loss of Customers and other business partners, damage to the Company's reputation or even cause a breach of certain regulatory requirements (including those affecting any required license) and could, in turn, have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Dependency on the Internet and/or Cloud based services***

The Company will rely on the availability of its website(s) and related cloud services provided by or through KABN Gibraltar to provide Clients and Customers (both current and prospective) access to the Liquid Avatar Platform. The Company will depend on the continued acceptance of the Internet and/or cloud as a communications and commerce platform for individuals and enterprises. The Internet and/or cloud could become less viable as a business tool due to delays in development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of service. Hackers or Internet service provider outages could render one or more of the Company's website(s) and/or technology related services unavailable. If for any reason the Internet and/or cloud does not remain a widespread communications medium and commercial platform, or the Company's websites and/or technology related services are unavailable for an extended period, the demand for

Liquid Avatar Platform and the Company's services would be significantly reduced, which would have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Customer service and reputational risk***

The reputation of the Company, along with the Liquid Avatar Platform, is important in attracting new and retaining existing clients and users of the Liquid Avatar Platform. Reputational damage could arise due to a number of circumstances, including errors or defects, data or privacy breaches, inadequate services or unsatisfactory client outcomes. Negative publicity could adversely impact the reputation of the Company, along with the Liquid Avatar Platform, which may potentially result in a fall in the number of persons seeking the products and services of the Company.

### ***Fraud***

Combatting fraud is a significant challenge in the online identity, financial and related services industry because transactions are conducted between parties who are not physically present, which in turn creates opportunities for misrepresentation and abuse.

Companies in this sector are especially vulnerable because of the convenience and immediacy of verifying and validating identity and movement of funds, both digital currencies and fiat, from one account to another and subsequently withdrawing them. The Company's partners that facilitate identity, financial and other services over the Internet makes dealing with the risk of fraud a cost of doing business.

The Company will face significant risks of lost revenues due to fraud and disputes between parties. If the Company is unable to deal effectively with losses from fraudulent transactions the Company's business would be harmed.

Examples of such risks include:

- unauthorized use of personal information and undetected identity theft;
- client fraud;
- breaches of system security;
- employee fraud; and
- unauthorized use of the Liquid Avatar Platform or the KABN Card or associated mobile wallets.

### ***The Company's operations in the future may be adversely affected by risks outside the control of the Company***

The Company's operations in the future may be adversely affected by labour unrest, civil disorder, war, terrorist attacks, computer viruses, telecommunications failure, power loss, subversive activities or sabotage, fires, earthquakes, floods, explosions or other catastrophes, epidemics or quarantine restrictions. For example, a system outage or data loss resulting from such an event could have a material and adverse impact on revenues, cash flows, profitability and financial position and market value.

### ***Conflicts of Interest***

Certain executive officers and directors will dedicate a portion of their time to other ventures. Management may have conflicts of interest in allocating management time, services and functions among the Company and any present and future ventures which are or may be organized by our officers or directors and/or their affiliates. While Management dedicates a full-time equivalent effort to the Company they are not required to direct the Company as their sole and exclusive function, and they may have other business interests and engage in other activities in addition to those relating to the Company. This includes rendering advice or services of any kind to other investors and creating or managing other businesses.

It is possible, however, that certain directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company.

### ***Dependence on Key Personnel***

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers, and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

### ***Financial Liquidity***

The Company has not yet generated revenues and will likely operate at a loss as it looks to launch commercialized programs driving future revenue. The Company may require additional financing in order to execute its business plan. Our ability to secure required financing will depend in part upon investor perception of our ability to create a successful business. Capital market conditions and other factors beyond our control may also play important roles in our ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to our management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that we feel the business requires, or unavailable on acceptable terms, we may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

### ***Financial Statements Prepared on Going Concern Basis***

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the successful completion of financing and the creation of profitable operations deemed successful according to the standards of the industry in which it operates. The Company cannot guarantee that it will be successful in obtaining financing in the future or in achieving profitable business operations. Our consolidated financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Company be unable to continue as a going concern.

### ***Costs of Maintaining a Public Listing***

As a result of having a public listing, the Company incurs greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity under its prior operation. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

### ***Risks Relating to the Company's Common Shares***

#### ***Active Trading Market***

Currently the volume of trading in the public market for the Common Shares has at certain times been limited, and there can be no assurance that an active market for the Securities will be sustained at any time. If an active public market for the Company's securities is not sustained or enhanced, the liquidity of an investor's investment may be limited, and the share price may decline.

#### ***Share Price Volatility and Speculative Nature of Share Ownership***

Factors both internal and external to the Company may significantly influence the price at which our shares trade, and the volatility of our share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of shares.

Sentiment toward technology and early stage business stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Company's shares. The Company is not generating revenue and does not possess significant cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Company's shares on any potential exchange.

***The Company does not intend to pay dividends***

The Company has never paid any cash dividends and currently does not intend to pay any dividends for the foreseeable future. To the extent that the Company requires additional funding currently not provided for in our financing plan, our funding sources may prohibit the payment of a dividend. Because the Company does not intend to declare dividends, any gain on an investment in the Company will need to come through an increase in the price of the Common Shares. This may never happen, and investors may lose all of their investment in the Company.

***A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact its ability to continue operations***

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue its normal operations.

**ADDITIONAL INFORMATION**

Additional information about the Company is available on SEDAR at <http://www.sedar.com>.

**BOARD APPROVAL**

The Board of Directors of the Company has approved this MD&A.