

Plurilock Security Inc.
(formerly Libby K industries Inc.)
Management's Discussion and Analysis
December 31, 2020

Introduction

This management's discussion and analysis ("**MD&A**") for Plurilock Security Inc. ("**Plurilock**" or the "**Company**") should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2020. Except as otherwise indicated or where the context so requires, references to "Plurilock" or the "Company" include Plurilock and its subsidiaries. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**") – see note 2 of the December 31, 2020 annual consolidated financial statements for further information. All dollar figures stated herein are expressed in Canadian dollars (\$ or Cdn\$), unless otherwise specified.

The date of this MD&A is April 28, 2021, the date on which it was approved by the Board of Directors.

The Company Background

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

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

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

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

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

Qualifying Transaction

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

In connection with the QT, PL and Libby K completed the concurrent financings ("**Concurrent Financings**") for aggregate proceeds of \$2.6 million.

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

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

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

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

- Each outstanding common share of PL held by certain shareholders that formed the founder trust distribution in 2020 were exchanged for 1.655 shares of Plurilock on a post consolidation basis.
- All securities issued pursuant to the PL's financings were exchanged for one Libby K Unit, at a discounted price of 22.5 cents per unit, for an aggregate of 6,879,992 Libby K Units.
- Each outstanding PL share that (i) is not held by 1.655 exchange ratio PL holders and (ii) does not comprise a portion of the financings units was exchanged for 0.8152 Plurilock share.

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

As a result of the QT, on September 17, 2020, there were an aggregate of 45,055,790 Plurilock shares issued and outstanding, of which the previous shareholders of the Company held approximately 12.2 per

cent, the purchasers under the Concurrent Financings held approximately 19.7 per cent, the purchasers under the bridge financings of PL held approximately 15.3 per cent, and the former shareholders of PL held approximately 52.8 per cent, respectively. In substance, the QT involves former PL shareholders obtaining control of the Company; accordingly, the QT is a reverse acquisition.

Forward-looking statements

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

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

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

Selected 2020 financial information

The following selected financial information for the fiscal years ended December 31, 2020 and 2019 has been derived from the annual consolidated financial statements and should be read in conjunction with those financial statements and related notes. Non-IFRS measures are defined below.

	Years ended December 31,	
	2020	2019
	\$	\$
Revenue	479,329	646,900
<i>License</i>	<i>326,322</i>	<i>158,669</i>
<i>Government</i>	<i>153,007</i>	<i>488,231</i>
Cost of sales	(78,541)	(79,959)
Gross profit	400,788	566,941
Gross margin	83.6%	87.6%
Comprehensive loss for the period	(4,608,920)	(1,345,970)
EBITDA	(4,552,559)	(1,271,423)
Adjusted EBITDA	(2,208,539)	(1,241,275)
Basic and diluted loss per share	(0.16)	(0.07)
Weighted average common shares outstanding, basic and diluted	28,056,074	20,197,386
Reconciliation of EBITDA and adjusted EBITDA:		
Comprehensive loss for the period	(4,608,920)	(1,345,970)
Amortization	23,872	22,227
Interest expense	32,489	52,320
EBITDA	(4,552,559)	(1,271,423)
Share-based compensation	787,004	30,148
Listing costs	1,557,016	-
Adjusted EBITDA	(2,208,539)	(1,241,275)
	December 31,	December 31,
	2020	2019
	\$	\$
Cash and cash equivalents	1,721,179	147,433
Trade and other receivables	118,796	532,016
Prepaid expenses and deposits	207,559	37,869
Total assets	2,228,524	1,002,917
Trade and other payables	409,616	340,629
Unearned revenue	94,700	138,659
Short-term loans	-	401,033
Loans payable to related parties	-	52,164
Lease liability - current	16,857	15,893
Total current liabilities	521,173	948,378
Total non-current liabilities	30,000	16,856
Total liabilities	551,173	965,234

Non-IFRS Measures

Non-GAAP measure. Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and Adjusted EBITDA should not be construed as alternatives to net income/loss determined in accordance with IFRS. EBITDA and Adjusted EBITDA do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company defines EBITDA as earnings before interest, taxes, and amortization. Adjusted EBITDA is defined as EBITDA before stock-based compensation expense and listing costs. The Company believes that EBITDA and Adjusted EBITDA is a meaningful financial metric for investors as it adjusts income to reflect amounts which the Company can use to fund working capital requirements, service future interest and principal debt repayments and fund future growth initiatives.

Fiscal 2020 Financial Highlights

- Total revenue for the year ended December 31, 2020 was \$479,329 (\$646,900 in 2019), a decrease of 26% over the prior fiscal year.
- License revenue accounted for 68% of total revenues for the year ended December 31, 2020 (25% in 2019) while government revenue accounted for 32% of total revenues for the year ended December 31, 2020 (75% in 2019).
- License revenue was \$326,322 for the year ended December 31, 2020, compared to \$158,669 in the prior fiscal year.
- Government revenue was \$153,007 for the year ended December 31, 2020, compared to \$488,231 in the prior fiscal year.
- Gross margin was 83.6% for the year ended December 31, 2020, compared to 87.6% in the prior fiscal year.
- Adjusted EBITDA was \$(2,208,539) for the year ended December 31, 2020 compared to \$(1,241,275) in the prior fiscal year.
- Cash used in operating activities for the year ended December 31, 2020 was \$1,823,439, compared to \$1,365,955 in the prior fiscal year.
- Cash generated from financing activities for the year ended December 31, 2020 was \$3,436,922, compared to \$1,100,179 in the prior fiscal year.

Annual 2020 operational highlights

- On January 3, 2020, the Company entered into a non-binding letter of intent (the "**Letter of Intent**") with Libby K Industries Inc. ("**Libby K**") (TSX-V: LBB.P), a capital pool company to complete a public listing transaction for Plurilock (the "**QT Transaction**") by way of a reverse takeover of Libby K. See Company Background and Qualifying Transaction.
- On January 30, 2020, the Company engaged ("**Engagement Letter**") PI Financial Corp. ("**PI**" or "**PI Financial**") as its financial advisor and agent with a commission payable to PI on closing of the QT

transaction financings both in cash and warrants and a finance fee plus common shares for the Pre-QT Transaction Financing. On March 25, 2020 the Company and PI amended (the "**Amendment**") the Engagement Letter to provide a payment of cash finder's fees of the gross proceeds raised under any additional Pre-QT Financing.

- On February 6, 2020, Ian Paterson, Plurilock's CEO ("CEO") appeared on a panel titled *The State of Biometrics and Facial Recognition* at the 21st Annual Privacy & Security Conference in Victoria, BC, Canada. The CEO's co-panelists included Joni Brennan, President of the Digital ID and Authentication Council of Canada; Dr. Andrew Adams, Deputy Director, Center for Business Information Ethics, Meiji University; and Brenda McPhail, Director of the Privacy, Technology, and Surveillance Project, Canadian Civil Liberties Association. Moderation was provided by Jill Clayton, Information and Privacy Commissioner of Alberta, Canada.
- On February 25, 2020, the Company announced that it has raised approximately \$1 million in bridge financing (the "**Bridge #1 Financing**") in a non-brokered private placement ahead of the QT.
- In March 2020, the World Health Organization declared coronavirus (specifically identified as "**COVID-19**") a global pandemic. This contagious disease outbreak resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, had caused material disruption to businesses globally resulting in significant economic uncertainty. These measures adopted by various governments worldwide could impact the Company's business whether through supply chain or demand. However, it was not possible for the Company to reliably estimate the duration or magnitude of the adverse results of the outbreak and its impact on the Company's financial results in future periods.
- On March 2, 2020, the Company hired a New York, USA based Senior Account Executive with deep direct and channel enterprise cybersecurity sales experience to focus on the Financial Services market.
- On April 1, 2020 Ed Hammersla was appointed to the Company's board of directors.
- On April 15, 2020, the Company was approved for a \$40,000 line of credit ("**LOC**") with Royal Bank of Canada under the Canada Emergency Business Account ("**CEBA**") program funded by the Government of Canada to aid with economic effects resulting from the Coronavirus pandemic.
- On April 23, 2020, the CEO was a panelist, on a webinar entitled "*How cyber criminals are taking advantage of COVID-19*" which was hosted by Cycura, a subsidiary of WELL Health Technologies Corp ("Cycura").
- On May 19, 2020, the Company received cash for Scientific Research & Experimental Development ("**SRED**") tax credits from the Canada Revenue Agency totaling \$220,671 and repaid in full the bridge loan outstanding. The related first priority General Security Agreement ("**GSA**") was discharged shortly thereafter.
- On June 18, 2020, the Company completed the non-brokered private placement for proceeds of approximately \$548,000 (the "**Bridge #2 Financing**") ahead of the QT.
- On June 23, 2020, the Company entered into a "three-cornered amalgamation" Definitive Agreement with Libby K and 01243540 B.C. Ltd. ("**Subco**"), a wholly-owned subsidiary of Libby K. See Qualifying Transaction.
- On July 13, 2020, Plurilock shareholders unanimously approved the QT with Libby K Industries Inc at the Company's Annual General Meeting.
- On July 30, 2020, the Company was awarded a new contract by the US Department of Homeland Security ("**DHS**") to continue its development of advanced machine-to-machine ("**M2M**") authentication and anomaly detection tools. The contract, which totaled some US\$198,000, was the third in a series of related contracts funded through the DHS Science and Technology ("**S&T**") Directorate's Silicon Valley Innovation Program ("**SVIP**") and renewed the ongoing collaboration between Plurilock and DHS.

- On August 6, 2020, the Company announced that it was awarded advisory services and funding from the National Research Council of Canada Industrial Research Assistance Program ("**IRAP**") for a research and development project. The funding would provide Plurilock with up to \$120,000 to support the development of advanced passwordless authentication technologies that could be used in commercial, enterprise, and highly regulated cybersecurity environments.
- On September 17, 2020, the Company completed the QT and closed the Concurrent Financings for aggregate proceeds of \$2.6 million. See Qualifying Transaction.
- On September 17, 2020, the Company changed its name to Plurilock.
- On September 24, 2020, Plurilock shares commenced trading on the TSX-V as a Tier 2 technology issuer under the ticker symbol "TSX-V: PLUR".
- On September 24, 2020, the Company announced it had retained PI to provide market making services and Thesis Capital Inc. for investor relations services.
- On September 29, 2020, the Company announced that PL was awarded a USD \$42,000 annual recurring contract by a major US based financial services client.
- On October 7, 2020, the Company announced that it appointed Dr. Issa Traoré, Ph.D, Merv Chia and Mark Orsmond to its newly formed Advisory Board. The Advisory Board consisted of experts in the technology sector with a particular focus on scaling organizations through strategic M&A, operational strategy, and private and public financings.
- On October 14, 2020, the Company announced the appointment of Gaétan Houle with 35 years of security leadership experience, as a Senior Advisor.
- On October 14, 2020, Plurilock hosted a webinar entitled "Patient Data in the Crosshairs: The Healthcare Breaches of 2020".
- On October 17, 2020, the CEO was interviewed by Michael Campbell on MoneyTalks by Global News Radio about the cybersecurity market.
- On October 26, 2020, the Company conditionally granted stock options for the purchase of an aggregate of 6,105,657 common shares to employees, officers, directors and consultants of the Company, pursuant to the terms of the Plurilock Plan. The stock options are exercisable at \$0.34 per share, expire in 10 years from the date of grant, and vest over 36 months such that one-third of the stock options will vest on the date of grant and two-thirds of the stock options will vest quarterly starting from one (1) year following the date of grant.
- On November 5, 2020, Plurilock participated in a webinar entitled "Why Traditional MFA is Not Enough" hosted by Vandis.
- On November 7, 2020, the Company's PPP Loan totaling US\$39,072 was forgiven by the U.S. Small Business Administration Paycheck Protection Program ("**PPP**") and the PPP Loan agreement with the Silicon Valley Bank was automatically cancelled.

- On November 10, 2020, the Company announced that it outsourced a federal sales agency, Government Sales Specialists, LLC ("**GSS**") to leverage and optimize Plurilock's existing federal government processes, assets, and relationships in order to grow Plurilock's government sales funnel.
- On November 12, 2020, Plurilock and Cycura co-hosted a virtual panel discussion, titled "Patient Data in the Crosshairs: Healthcare Breaches of 2020".
- On November 18, 2020, the Company announced the launch of a new product collaboration with prominent open source identity and access management (IAM) software vendor, Gluu, Inc. ("**Gluu**"). Under the collaboration, Plurilock gained the ability to offer solutions which would support Gluu's cutting-edge IAM platform and Gluu gained the ability to offer Plurilock's AI-driven invisible MFA and continuous authentication technologies.
- On December 8, 2020, the Company announced the availability of a new Plurilock mobile app for iPhone and Android Devices which was incorporated as a standard part of ADAPT, Plurilock's invisible MFA product.
- On December 8, 2020, the Company conditionally granted stock options for the purchase of an aggregate of 1,480,000 common shares to officers, employees, a new advisor and a new consultant of the Company, pursuant to the Plurilock Plan. The stock options are exercisable at \$0.35 per share and expire in 10 years from the date of grant.
- On December 14, 2020, the Company announced the successful completion of the first of four milestones of a recent US\$198,000 contract with the DHS S&T SVIP. Under the milestone, Plurilock received US\$70,000 in funds.
- On December 15, 2020, the Company announced new product features and enterprise-oriented infrastructure to Plurilock's family of identity-centric cybersecurity products, including Plurilock's ADAPT and DEFEND. The product release introduced a new cloud server architecture; new optimizations in Plurilock's behavioral biometrics infrastructure that reduced the amount of data that must be gathered and maintained to continuously identify users, further enhancing Plurilock's privacy profile; the availability of Plurilock's mobile applications for iOS and Android on Google's Play Store and Apple's iOS App Store; the addition of Windows and Mac OS proxy environments as supported configurations; the addition of recent versions of Apple Mac hardware and Apple Mac OS operating systems as supported configurations; and a new real-time customer support portal designed to make service and support even more accessible to clients.
- On December 15, 2020, Plurilock and Gluu co-hosted a webinar, titled "Machine Learning, Biometrics".
- On December 16, 2020, the Company announced the appointment of Chris Pierce, with more than 30 years of success across the military, civil, intelligence, commercial and international markets focused on management and technology consulting, as a Senior Advisor.
- On December 18, 2020, the Company provided a corporate update which summarized recently announced developments but also included highlights that a major US financial services firm had awarded a US\$42,000 annual recurring contract to Plurilock to deploy the Company's core authentication solutions and that the Company had launched its new certification and compliance program in November 2020, engaging highly regarded automated security and compliance firm Vanta Inc. to provide advisory services in pursuit of System and Organization Controls 2 ("**SOC2**") standard compliance.

Company

Overview

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

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

Technology and Patent Portfolio

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

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

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

On January 13, 2021, the Company announced that it has received a patent pending with the United States Patent and Trademark Office to document a new form of continuous authentication. The application covers a continuous authentication method to validate and confirm the identity of a user during remote work. The process involves comparing the digital user's distinct and unique patterns (i.e. keystrokes) with patterns previously collected, while enabling the user to work on a remote device and/or in a remote setting without any interruption. Plurilock's latest continuous authentication method, as documented in the patent pending application, will enable companies to constantly authenticate the identity of their employees and staff even though the user is completely 'invisible' to them. See Subsequent Events.

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

Market opportunity

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

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

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

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

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

Business Model & Growth Strategy

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

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

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

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

Plurilock's growth strategy also includes completing strategic acquisitions. In assessing the suitability of potential acquisition targets ("**PAT**"), Plurilock considers numerous operational and strategic factors as they relate to Plurilock which may include, amongst others, the following: enhanced, additional and diversification of product offerings and customer lists; strong brands and Intellectual Property; and accretive revenue and costs synergies. Please refer to subsequent events section for more details on acquisitions completed subsequent to the year end.

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

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

Overall performance and discussion of operations

COVID-19 Impact on Operations and Financial Position

In March 2020, the World Health Organization declared the coronavirus (specifically identified as "**COVID-19**") a global pandemic. The Covid-19 spread has had a limited impact on the Company's operations. All employees have switched to working remotely during this time. The Company has resources available to fulfill its customers' deliverables. The Company does not expect that the impact of COVID-19 will materially affect its business and financial results. The Company believes its response plan represents a positive contribution to society and the business community.

Revenue

The Company derives revenues from two main sources: (1) licenses, and (2) government. It obtains the majority of its customer arrangements through direct sales and reseller partners, most of which are in North America. All reseller partner sales are recorded at the net amount received from the reseller, if applicable, provided that all significant contractual obligations have been satisfied. For direct sales, revenues are

recorded at the amount received from the end customer. The Company's subscription service arrangements are non-cancelable and do not contain refund-type provisions.

(1) License revenues

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

(2) Government revenues

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

The following table shows the details of revenues from operations for the fiscal years ended December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019		Increase/(Decrease) %
	\$	%	\$	%	%
License	326,322	68%	158,669	25%	106%
Government	153,007	32%	488,231	75%	-69%
Total revenue	479,329	100%	646,900	100%	-26%

Plurilock generated \$479,329 (\$646,900 in 2019) of total revenue in the fiscal year ended December 31, 2020, a decrease of 26% over the prior year. In 2020 government sales revenue accounted for 32% (75% in 2019) of total revenues while license revenues accounted for 68% (25% in 2019) of total revenues. The Company continues to focus its growth strategy on increasing its license revenue, organically and through acquisitions.

Gross Profit and Gross Margin

The following table summarizes gross profit and gross margin from continuing operations for the fiscal years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
	\$	\$
Revenue	479,329	646,900
Cost of sales	(78,541)	(79,959)
Gross profit	400,788	566,941
Gross profit (%)	83.6%	87.6%

Gross profit as a percent of revenue for the year ended December 31, 2020 decreased to 83.6% versus 87.6% compared to the same period in 2019.

Gross profit depends on the product mix and costs of sales for the reporting period. Revenues are comprised of a combination of recurring license sales and repeatable government sales. Cost of sales include expenses related external cloud-based server providers, project management & customer support staff and third-party subcontractors.

Research and Development Expenses ("R&D")

The following is a breakdown of the Company's R&D related to operations for the fiscal years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
	\$	\$
Communication & IT services	148,353	135,322
Contractors	45,144	79,863
Government assistance	(339,763)	(125,045)
Office & general	2,559	477
Salaries & benefits	766,271	668,265
SRED tax credits	(93,728)	(121,594)
Travel & entertainment	2,129	11,883
Cost reallocation	(100,961)	(86,371)
	430,004	562,800

Plurilock's R&D expenses primarily include salaries and benefits, consulting and contractor fees, communication and IT services, travel and entertainment less \$93,728 (\$121,594 in 2019) of refundable SRED claimed tax credits and \$103,733 (\$125,045 in 2019) of IRAP funding. During the year ended December 31, 2020, the Company also received government assistance of \$236,030 (nil in 2019) from Government of Canada's Canada Emergency Wage Subsidy ("**CEWS**") program and Temporary Wage Subsidy ("**TWS**") program for the COVID-19 pandemic.

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

Sales and Marketing expenses ("S&M")

The following is a breakdown of the Company's S&M related to operations for the fiscal years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
	\$	\$
Advertising and promotion	34,997	3,497
Communication and IT services	59,892	38,705
Contractors	112,130	17,057
Government assistance	(124,709)	—
Marketing	52,331	9,732
Office and general	2,643	—
Salaries & benefits	698,790	402,749
Sales commissions	25,293	18,375
Travel & entertainment	615	7,678
	861,982	497,793

The Company's S&M expenses primarily include salaries & benefits, consulting & contractor fees, communication & IT expenses, travel & entertainment expenses, marketing and advertising. The increase of S&M expenses is a result of the increased activities for growing the business including marketing and advertising initiatives, new additions of contractors as well as members to our sales team. During the year ended December 31, 2020, the Company also received government assistance of \$124,709 (nil in 2019) from Government of Canada's CEWS and TWS programs and Government of the United States' Paycheck Protection Program ("**PPP**") for the COVID-19 pandemic.

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

General and Administrative expenses ("G&A")

The following is a breakdown of the Company's G&A related to operations for the fiscal years ended December 31, 2020 and 2019:

	December 31, 2020 \$	December 31, 2019 \$
Amortization expense	23,871	22,227
Bad Debts expense	138,322	229
Communication and IT services	43,173	34,992
Contractors	257,041	193,016
Government assistance	(46,833)	—
Insurance	15,135	17,405
Office and general	40,230	40,900
Professional fees	396,823	173,116
Investor relations and regulatory filing	184,818	—
Salaries & benefits	286,371	210,792
Travel & entertainment	16,303	68,723
	1,355,254	761,400

The Company's G&A expenses primarily include salaries & benefits, contractor fees, professional fees (audit & accounting, legal and corporate finance), communication & IT expenses, insurance, travel & entertainment expenses, bad debt expense and other. The increase in G&A expenses for year ended December 31, 2020 compared to the prior year related to the write off of overdue receivables from one customer, increased public market expenses including consulting & contractors fees, investor relation expenses and regulatory filing costs, as well as higher professional fees including legal and audit expenses. During the year ended December 31, 2020, the Company also received government assistance of \$46,833 (nil in 2019) from Government of Canada's CEWS and TWS programs and Government of the United States' PPP program for the COVID-19 pandemic.

G&A expenses may continue to increase in the future with increased public reporting issuer expenses, corporate finance fees, investor relations, legal and other expenses, as the Company completed its QT and became a publicly listed company.

Share-based compensation

During the fiscal years ended December 31, 2020 and 2019, the Company recognized \$787,004 and \$30,148 respectively of share-based compensation expense. The increase of stock-based compensation during 2020 is related to the new stock option plan granted during Q4 2020, accelerated vesting during Q4 2020 and increased volatility. The increase in volatility as at December 31, 2020 as compared to December 31, 2019 is due to the Company using a peer group of comparable public companies as a result of the QT.

The Company issued stock options to directors and employees in 2020 post the QT. The fair value of these options, as determined on the date of grant, is being recognized as an expense of the vesting periods of the options. See note 16(c) of the December 31, 2020 annual consolidated financial statements for further information.

Income tax expense

The Company did not recognize income taxes during the fiscal years ended December 31, 2020 and 2019. On a consolidated basis, the Company reported a net loss from operations for the fiscal years ended December 31, 2020 and 2019.

Liquidity and capital resources

Cash and cash equivalents

As at December 31, 2020 and December 31, 2019, the Company had \$1,721,179 and \$147,433, respectively, of cash and cash equivalents.

Operating activities

During the year ended December 31, 2020 and December 31, 2019, the Company used \$1,823,439 and \$1,365,955, respectively, on operating activities.

Investing activities

During the year ended December 31, 2020 and December 31, 2019, the Company used \$28,055 and \$5,171, respectively, of cash on investing activities.

Financing activities

During the year ended December 31, 2020, the Company raised a total of \$3,436,922 (\$1,100,179 in 2019) mainly through common shares as part of the two bridge financings and the Concurrent Financing with the QT. Under the two bridge financings and the Concurrent Financing, common shares of PL were issued at a price of \$0.225 and \$0.30 per share (\$0.25 in 2019) and resulted in the issuance of 959,920 and 14,688,712 (3,446,457 in 2019) common shares of PL. Share issuance costs during 2020 totaling \$521,046 (\$42,500 in 2019) were netted against share capital. During the year ended December 31, 2020, as part of the two bridge financings, the Company received \$1,307,375 through the issuance of convertible debts (nil in 2019).

Trade and other receivables

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

	December 31, 2020	December 31, 2019
	\$	\$
Trade receivables	40,450	508,154
Other receivables	78,346	23,862
	118,796	532,016

At December 31, 2020, nil of the Company's trade receivables balance is over 90 days past due (44% as at December 31, 2019) and 100% (98% as at December 31, 2019) of the trade receivable balances are owing from 1 customer (4 customers as at December 31, 2019). The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. At December 31, 2020, the Company recorded \$145,800 as allowance for doubtful accounts (nil as at December 31, 2019 for the same customer).

Prepaid expenses and deposits

	December 31, 2020	December 31, 2019
	\$	\$
Prepaid service contracts	202,961	33,271
Deposits	4,598	4,598
	207,559	37,869

Prepaid service contracts consist of various prepaid agreements including online subscriptions, insurance, membership fees, and consulting services for corporate finance and investor relations purposes. The increase year over year results from increased corporate finance and investor relations activities following the QT.

Deposits consists of fees paid to one consultant and an office space lease damage deposit.

Trade and other payables

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

	December 31, 2020	December 31, 2019
	\$	\$
Trade payables	208,789	103,398
Accrued liabilities	174,721	119,841
Payroll liabilities	26,106	117,390
	409,616	340,629

Trade payables include deferred consulting fees to the Chief Financial Officer of nil as at December 31, 2020 (December 31, 2019: \$34,020). Accrued liabilities and payroll liabilities include deferred compensation to the Chief Executive Officer, Chief Financial Officer and Chief Technology Officer of \$35,730 as at December 31, 2020 (December 31, 2019: \$83,025).

Unearned revenue

	December 31, 2020	December 31, 2019
	\$	\$
Opening balance	138,659	33,547
Amounts received	159,502	516,463
Revenue recognized	(203,461)	(411,351)
Closing balance	94,700	138,659

Unearned revenue consists of customer contract revenue earned for goods or services which have not yet been delivered and are expected to be provided in the next twelve months.

Short-term loans

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

	December 31, 2020 \$	December 31, 2019 \$
Promissory notes	-	223,088
Bridge loan	-	177,945
	-	401,033
Due for settlement in under 12 months	-	(401,033)
Due for settlement after 12 months	-	-

As at December 31, 2020, promissory notes balance was nil (\$223,088 on December 31, 2019). These promissory notes carried interest rates ranging between 12% - 14% per annum. Promissory notes were repaid in their entirety during Q3 2020.

As at December 31, 2020, the Company's bridge loan balance was nil (\$177,945 on December 31, 2019). The bridge loan was secured by a first priority GSA, current and all future SRED claims from CRA and all future IRAP claims and carried interest at a rate of 1.6% per month compounded monthly. On May 19, 2020, the Company repaid in full the bridge loan outstanding. The related GSA was discharged shortly thereafter.

Loans payable to related parties

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

	December 31, 2020 \$	December 31, 2019 \$
Loans payable to related parties	-	52,164

Loans payable to related parties as at December 31, 2020 was nil (\$52,164 on December 31, 2019). The loan included a short-term promissory note of \$50,000 owed to the former Chairman of the Company ("**Lender**"). The amount was secured by certain accounts receivable and carried an interest rate at 14% per annum. The loan and all accrued interest were paid in full during Q3 of 2020.

Government loan

On April 15, 2020, the Company was approved for a \$40,000 LOC with Royal Bank of Canada under the CEBA program funded by the Government of Canada to aid with economic effects resulting from the Coronavirus pandemic. The CEBA LOC is non-interest bearing, can be repaid at any time without penalty until December 31, 2022. The Company has drawn \$40,000 from the CEBA LOC on May 11, 2020. On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a non-revolving term loan ("**CEBA Term Loan**"). The CEBA Term Loan will bear interest at 5% per annum starting January 1, 2023 and mature on December 31, 2025. The CEBA Term Loan may be repaid at any time without notice.

to the lender or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement Date is repaid on or before December 31, 2022, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven ("**Early Payment Credit**"). As of December 31, 2020, the management is planning to repay 75% of the CEBA Term Loan by December 31, 2022, therefore, 25% of the loan (or \$10,000) has been recognized as Government Assistance and recorded as other income.

Lease liability

Lease liability relates to the lease of an office space, which has a remaining lease term of one year, and was discounted using an interest rate of 10%. During the year ended December 31, 2020, the Company recognized \$2,408 in interest expense on lease liability (2019: \$3,846), which is included in interest expense.

	December 31, 2020	December 31, 2019
	\$	\$
Opening balance	32,749	45,678
Add: interest during the year	2,407	3,846
Less: payments during the year	(18,300)	(16,775)
Balance at end of the year	16,856	32,749
Less: current portion of lease liability	(16,856)	(15,893)
Non-current portion of lease liability	—	16,856

Off balance sheet arrangements

As at December 31, 2020 and the date of the MD&A, the Company does not have any off-balance sheet arrangements.

Related party transactions

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

The following table summarizes the related party transactions:

	December 31, 2020	December 31, 2019
	\$	\$
Wages and benefits	406,096	333,506
Consulting fees	207,200	121,967
Stock-based compensation expense*	616,449	26,721
	1,229,745	482,194

Note:

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

Critical accounting estimates

Main sources of estimation uncertainty and critical judgements by management

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

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

➤ Going concern considerations

The Company has financed its operating cash requirements primarily through the issuance of share capital. The Company's ability to realize the carrying value of its assets and to continue as a going concern is based upon the continued support from the Company's shareholders and the successful execution of the Company's strategic plan to improve the scale and profitability of its business to achieve future profitable operations. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan. These funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. Subsequent to December 31, 2020, the Company completed two rounds of non-brokered private placement financing totaling \$5.16 million. As a result of the increase in cash and working capital as a result of the subsequent financing as well as the anticipated cash flows expected to be achieved from execution of the Company's

strategic plan in 2021, Management has concluded that there is no material uncertainty with respect to the Company's ability to continue as a going concern for at least the next year.

➤ *Revenue recognition, contracts with multiple performance obligations*

The Company enters into contracts with its customers that may include promises to transfer multiple subscription services and services. A performance obligation is a commitment in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

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

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

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

➤ *Valuation of share-based compensation*

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

➤ *Carrying values of allowances for unrecoverable accounts receivable*

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

➤ *Recoverability of tax credits*

The Company regularly accrues refundable incentive tax credits earned through the Scientific Research and Experimental Development ("SRED") program administered through the Canada Revenue Agency ("CRA"). The recoverability of qualified expenditures is based on the results of the assessment by the

CRA. Management estimates the recoverable amount of research and development costs based on experience with prior assessments under the program.

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

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

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

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

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

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

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

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

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

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

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

c) Amendments to IFRS 3: Definition of a Business

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

Financial instruments and other instruments

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

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

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

Financial risk management

Management and monitoring of financial risks is performed by the Company's management, which manages all financial exposures. The Company is exposed to various financial risks through its financial instruments: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risks). The following analysis enables users to evaluate the nature and extent of the risks at the end of each reporting period.

(a) Credit risk

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

	December 31, 2020	December 31, 2019
	\$	\$
Cash and cash equivalents	1,721,179	147,433
Accounts receivable	118,796	532,016
Tax credits receivable	69,243	178,036
	1,909,218	857,485

(b) Interest rate risk

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

(c) *Liquidity risk*

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

(d) *Currency risk*

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

The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk. If the Canadian dollar to US dollar exchange rates were to increase/decrease by 5% relative to the rate as of December 31, 2020, there would not be a significant impact to the net loss for the year.

(e) *Fair values*

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

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

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

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

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

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets, Level 2 assets or liabilities that are estimated based on quoted prices that are observable for similar instruments, or Level 3 financial assets or liabilities that require

management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data.

Subsequent events

- a) On January 13, 2021, the Company announced that it has received a patent pending with the United States Patent and Trademark Office to document a new form of continuous authentication. The application covers a continuous authentication method to validate and confirm the identity of a user during remote work. The process involves comparing the digital user's distinct and unique patterns (i.e. keystrokes) with patterns previously collected, while enabling the user to work on a remote device and/or in a remote setting without any interruption. Plurilock's latest continuous authentication method, as documented in the patent pending application, will enable companies to constantly authenticate the identity of their employees and staff even though the user is completely 'invisible' to them.
- b) On January 18, 2021, 1,262,000 restricted common shares that had a four-month holding period since the completion of the 2020 QT expired and were released.
- c) On January 21, 2021, Plurilock began trading on the Over-the-Counter Market OTCQB Venture Market ("**OTCQB**") under the ticker "PLCKF". On March 1, 2021, Plurilock received approval from the Depository Trust Company ("**DTC**") to make their shares eligible on the OTC, allowing United States investors to clear their trades seamlessly under the ticker "PLCKF".
- d) On February 4, 2021, Plurilock announced the appointment of US Vice Admiral, Jan E. Tighe, to the Company's Advisory Board.
- e) On February 18, 2021, Plurilock announced the closing of its non-brokered private placement consisting of the issuance of 7,914,732 units at a subscription price of \$0.45 per unit, for aggregate gross proceeds to the Company of approximately \$3.56 million.
- f) On February 26, 2021, Plurilock closed a second non-brokered private placement consisting of the issuance of 3,326,004 units at a subscription price of \$0.48 per unit, for aggregate gross proceeds to the Company of approximately \$1.6 million.
- g) Subsequent to the year end, Plurilock granted a total of 500,000 stock options to various employees and directors of the Company.
- h) On March 15, 2021, Plurilock announced the addition of Molly Falconer de Ramel to its board of directors.
- i) On March 31, 2021, Plurilock's United States subsidiary, PLUS, completed the acquisition of Aurora Systems Consulting Inc. ("Aurora"), a provider of advanced cybersecurity technology and services based in California. PLUS acquired all of the outstanding securities of Aurora. The acquisition is complementary to and was made with a view of growing Plurilock's existing lines of business. Pursuant to the terms of the definitive agreement, PLUS paid Aurora and the shareholder of Aurora, an aggregate consideration of US\$1.5 million, which includes a performance-based earnout of US\$300,000 in common shares of Plurilock. In addition, upon closing of the Acquisition, US\$90,000 of the consideration was placed in escrow for 12 months to satisfy any indemnification

obligations to the Company, as well as any purchase price adjustments pursuant to the terms of the definitive agreement.

Disclosure of outstanding share data

As of April 28, 2021, the Company has the following securities outstanding:

Description	Number	Exercise Price Per Share and Expiry
Common shares	58,625,315	NA
Options	8,411,907	Exercise price from \$0.2 to \$0.67 and which expire between February 2024 and February 2031
Warrants	12,609,257	Exercise price from \$0.3 to \$0.65 and which expire between May 2021 and February 2023
Total diluted number of shares	79,646,479	

Risks and uncertainties

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

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

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

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

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

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

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

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

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

penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

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

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

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