

**Libby K Industries Inc.**  
**Management Discussion & Analysis**  
**For the Period Ended June 30, 2020**

The following management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of Libby K Industries Inc. (the “**Company**” or “**Corporation**” or “**Libby K**”) prepared for the period ended June 30, 2020 should be read in conjunction with the Corporation’s audited financial statements for the year ended September 30, 2019 and unaudited condensed interim consolidated financial statements for the nine-month period ended June 30, 2020. All figures contained in this MD&A are presented in Canadian dollars. The MD&A has been prepared effective July 13, 2020.

### **Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

### **The Corporation**

The Corporation was incorporated under the *Business Corporations Act* (British Columbia) on July 5, 2018 and is classified as a Capital Pool Corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “**Exchange**”).

The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“**QT**”) as defined in the policies of the Exchange. The Corporation has not commenced operations and has no assets other than cash held in trust. The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of: (a) 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities; or (b) \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before 24 months from the date the Corporation's common shares ("**Shares**") were listed on the Exchange.

In a prospectus dated January 18, 2019, the Corporation offered to sell and issue up to 5,000,000 Shares at \$0.10 per Share (\$500,000) pursuant to the Corporation's IPO (the "**Offering**"). The Corporation entered into an agency agreement with PI Financial Corp. (the "**Agent**") to raise up to \$500,000, in connection with the Offering. The Corporation paid a commission of 10% of gross proceeds to the Agent and granted the Agent an option to acquire 10% of the Shares issued in the Offering exercisable for a period ending 24 month from the date the Shares were listed on the Exchange (the "**Agent Options**"). The Corporation also paid a corporate finance fee of \$50,000 upon the closing of the Offering and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. The Agent Options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.79%, expected volatility of 110% and an expected life of two years. The value attributed to the 500,000 Agent Options was \$28,550.

On January 6, 2020, the Company entered into a non-binding letter of intent (the "LOI") with Plurilock Security Solutions Inc. ("Plurilock"), to complete a public listing transaction for Plurilock by way of a reverse takeover of the Company. This transaction is intended to be the Company's QT.

On February 21, 2020, Plurilock had completed its bridge financing that was disclosed in the LOI, for total funds raised of approximately \$1,000,000.

On June 18, 2020, Plurilock disclosed had completed a second tranche of its bridge financing that was disclosed in the LOI, for additional funds of approximately \$548,000.

On June 23, 2020, the Company entered into a binding amalgamation agreement with Plurilock and 1243540 B.C. Ltd., a wholly owned subsidiary of the Company, in respect of the Qualifying Transaction.

The head office of the Corporation is located at 1208 Rosewood Crescent, North Vancouver, BC, V7P 1H4 and its registered office is located at Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5. On July 13, 2020 the board of directors of the Corporation approved the unaudited condensed interim consolidated financial statements for the nine-month period ended June 30, 2020.

## Selected Annual Information

	Year ended September 30, 2019	Period from Incorporation on July 5, 2018 to September 30, 2018
Revenues	\$nil	\$nil
Comprehensive loss for the period	\$(153,876)	\$(16,277)
Total assets	\$636,772	\$292,223
Working capital	\$630,772	\$283,722
Net loss per share	\$(0.02)	\$(0.01)

The Corporation recorded a net loss of \$153,876 (2018: \$16,277). The net loss for the year is comprised mainly of filing, legal and professional fees of \$54,282 (2018 - \$11,062) which were incurred to file the Company's prospectus and list its shares on the Exchange. In addition, the Corporation issued 1,110,000 stock options to directors and officers of the Company, which resulted in share-based payments of \$87,785 (2018 - \$nil). The Corporation anticipates incurring professional fees such as legal fees and audit fees, and transfer agent fees, on an ongoing basis.

## Results of Operations

Since the Corporation has no revenue from operations, the following is a breakdown of the costs incurred for the nine-month period ended June 30, 2020 and 2019:

	Nine-month period ended	
	June 30, 2020	June 30, 2019
EXPENSES		
Bank charges	\$ 25	\$ 64
Filing Fees	8,611	22,761
Legal and professional fees	27,280	64,239
Office expenses	9,838	795
Other general and administrative expenses	-	2,100
Share-based payments	-	87,785
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ (45,754)</b>	<b>\$ (177,744)</b>

## Summary of Quarterly Results

The following table summarizes selected quarterly financial information for the Company:

Period Ended	Net Loss for the period	Basic and Diluted Loss per Share
June 30, 2020	\$(23,256)	\$(0.00)
March 31, 2020	\$(20,325)	\$(0.00)
December 31, 2019	\$(2,173)	\$(0.00)
September 30, 2019	\$(16,166)	\$(0.01)
June 30, 2019	\$(1,400)	\$(0.00)
March 31, 2019	\$(133,287)	\$(0.02)
December 31, 2018	\$(3,023)	\$(0.01)
Period from Incorporation on July 5, 2018 to September 30, 2018	\$(16,277)	\$(0.01)

During the quarter ended June 30, 2020, the Company incurred a net loss of \$23,256 (2019 - \$1,400), which related largely due to higher legal and professional fees incurred during the period as the Corporation looks to completing their QT.

## Liquidity and Capital Resources

As at June 30, 2020, the Corporation had cash of \$587,444 (September 30, 2019: \$636,772). The Corporation had current liabilities of \$2,426 (September 30, 2019: \$6,000) and working capital of \$585,018 (September 30, 2019: \$630,772).

During the nine-month period ended June 30, 2020, cash outflows of \$49,328 were recorded from operating activities. This is primarily due to outflows relating to office expenses and filing fees. During the nine-month period ended June 30, 2019, cash outflows of \$86,331 were recorded from operating activities and cash inflows of \$455,000 from the issuance of 5,000,000 common shares of the Company. The cash outflows during the nine-month period ended June 30, 2019 related primarily to legal and professional fees and filing fees.

## **Outstanding Share Data**

As of June 30, 2020, and the date of this MDA the Company has the following:

- (a) 11,100,000 issued and outstanding common shares;
- (b) 1,110,000 incentive stock options outstanding and exercisable; and
- (c) 500,000 share purchase warrants outstanding and exercisable.

On June 30, 2020, the Company had 4,590,000 shares (September 30, 2019 – 4,590,000) held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

## **Off-Balance Sheet Arrangements**

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

## **Proposed Transactions**

The Corporation has not had any proposed transactions From October 1, 2019 to the date of this MD&A.

## **Related Party Transactions**

A director and senior officer of the Corporation, together with an associated entity of such director and senior officer, purchased a total of 180,000 Shares in the Offering. Accordingly, the Offering constituted to that extent a "related party transaction" under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The transaction was exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 as neither the fair market value of any Shares issued to or the consideration paid by such persons exceeds 25% of the Corporation's market capitalization. The Corporation did not file a material change report more than 21 days before the expected closing of the Offering as the details of the Offering and the participation therein by related parties of the Corporation were not settled until shortly prior to closing and the Corporation wished to close on an expedited basis for sound business reasons.

The Company did not have any related party transactions during the nine-month period ended June 30, 2020. During the nine-month period ended June 30, 2019, the Company granted stock options with a fair value of \$87,785 estimated using the Black-Scholes options pricing model to directors and officers of the Company.

## **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation as defined under the Exchange policy 2.4.

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

## **Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust and due to shareholder approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## **Critical Accounting Estimates**

The Corporation's significant accounting policies are summarized in Note 3 to the audited financial statements for the year ended September 30, 2019 and for the period from incorporation on July 5, 2018 to September 30, 2018.

## **COVID-19**

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

### **Additional Information**

For further detail, see the Corporation’s audited annual financial statements for the year ended September 30, 2019 and for the period from incorporation on July 5, 2018 to September 30, 2018 and the unaudited condensed interim consolidated financial statements for the nine-month period ended September 30, 2020. Additional information about the Corporation can also be found on its SEDAR profile at [www.sedar.com](http://www.sedar.com).