



Legible Inc.

(Formerly Twenty20 Investment Inc.)

Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)



NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditors.

Legible Inc.

(Formerly Twenty20 Investment Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

(Expressed in Canadian dollars, unaudited)

		June 30, 2022 \$	(Audited) December 31, 2021 \$
Assets			
	Note		
Current assets			
Cash and cash equivalents		196,058	832,668
Amounts receivable		18,546	111,239
Prepaid expenses	3	125,305	273,544
Total current assets		339,909	1,217,451
Non-current assets			
Computer equipment	4	67,618	103,194
Intangible assets	5	2,236,030	2,212,630
Total non-current assets		2,303,648	2,315,824
Total assets		2,643,557	3,533,275
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,841,758	719,396
Credit facility	6	341,151	-
Loans payable	7	652,771	-
Due to related parties	10	27,345	150,000
Total current liabilities		2,863,025	869,396
Non-current liabilities			
Convertible debentures	8	917,919	-
Total non-current liabilities		917,919	-
Total liabilities		3,780,944	869,396
Shareholders' equity			
Share capital	9	15,073,211	14,552,581
Shares to be issued		-	120,500
Reserves	9	3,036,779	1,775,995
Equity component of convertible debentures	8	285,009	-
Deficit		(19,532,386)	(13,785,197)
Total shareholders' equity		(1,137,387)	2,663,879
Total liabilities and shareholders' equity		2,643,557	3,533,275

Basis of preparation and going concern (note 2)

Subsequent events (note 13)

Approved and authorized for issue by the Board of Directors on August 26, 2022:

"Kaleeg Hainsworth"

Director

"David Van Seters"

Director

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

Legible Inc.

(Formerly Twenty20 Investment Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the Six Months Ended June 30, 2022 and 2021

(Expressed in Canadian dollars, unaudited)

		Three months ended June 30, 2022 \$	Three months ended June 30, 2021 \$	Six months ended June 30, 2022 \$	Six months ended, June 30, 2021 \$
	Note				
Revenue		606	255	1,963	284
Cost of sales		492	179	1,420	199
Gross margin		114	76	543	85
Operating expenses					
Amortization	4,5	159,092	22,301	312,118	32,630
Contractors		68,750	147,503	115,691	274,840
Development costs		8,155	15,065	39,513	25,440
Directors' fees	11	18,000	-	31,071	-
General and administrative		30,423	68,024	140,429	113,369
Interest	6,7,8,9	961,320	-	1,047,417	-
Investor relations		87,004	68,271	222,713	92,937
Marketing		111,437	58,529	403,624	58,529
Professional fees		241,525	30,482	349,491	119,142
Salaries, wages, and benefits		621,250	569,829	2,261,224	810,623
Share-based compensation	9	216,445	346,428	887,250	462,917
Software subscriptions		73,011	47,307	165,097	75,858
Transfer agent and filing fees		2,164	-	14,220	-
Travel and promotion		18,571	-	23,720	34
Total operating expenses		2,617,147	1,373,739	6,013,578	2,066,319
Loss from operations		2,617,033	1,373,663	6,013,035	2,066,234
Other items					
Loss on disposition of computer equipment	4	1,154	-	1,154	-
Debt waived by related parties	10	(120,000)	-	(267,000)	-
Total other items (gain)		(118,846)	-	(265,846)	-
Net loss and comprehensive loss		2,498,187	1,373,663	5,747,189	2,066,234
Basic and diluted loss per share		0.04	0.03	0.09	0.05
Weighted average shares outstanding		64,664,563	46,031,622	64,278,924	45,106,067

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Six Months Ended June 30, 2022, and 2021

(Expressed in Canadian dollars, unaudited)

	Share capital			Reserves		Equity component of convertible debentures	Deficit	Total
	Number of common shares	Share capital \$	Shares to be issued \$	Share options and warrants \$				
Balance, December 31, 2020	43,275,000	2,569,200	-	118,995	-	(873,736)	1,814,459	
Issuance of shares (\$0.80)	3,700,000	2,960,000	-	-	-	-	2,960,000	
Issuance of shares (\$1.00)	1,792,000	1,792,000	-	-	-	-	1,792,000	
Less: share-issuance costs	-	(321,944)	-	85,364	-	-	(236,580)	
Share to be issued (\$1.00)	-	-	500	-	-	-	500	
Share-based compensation	-	-	-	462,917	-	-	462,917	
Net loss and comprehensive loss for the period	-	-	-	-	-	(2,193,869)	(2,193,869)	
Balance, June 30, 2021	48,767,000	6,999,256	500	667,276	-	(3,067,605)	4,599,427	
							\$	
Balance, December 31, 2021	62,948,000	14,552,581	120,500	1,775,995	-	(13,785,197)	2,663,879	
Warrants exercised (\$0.10 - \$0.20)	1,230,000	241,000	(500)	-	-	-	240,500	
Issuance of shares (\$0.15)	2,012,600	301,890	-	-	-	-	301,890	
Less: share-issuance costs [note 9]	-	(22,260)	-	10,260	-	-	(12,000)	
Debt settled with related parties	-	-	(120,000)	-	-	-	(120,000)	
Share-based compensation [note 9]	-	-	-	887,250	-	-	887,250	
Warrants issued at fair value [note 9]	-	-	-	363,274	-	-	363,274	
Equity component of convertible debentures [note 8]	-	-	-	-	285,009	-	285,009	
Net loss and comprehensive loss for the period	-	-	-	-	-	(5,747,189)	(5,747,189)	
Balance, June 30, 2022	66,190,600	15,073,211	-	3,036,779	285,009	(19,532,386)	(1,137,387)	

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

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2022, and 2021

(Expressed in Canadian dollars, unaudited)

		Six months ended June 30, 2022 \$	Six months ended June 30, 2021 \$
	Note		
Operating activities			
Net loss and comprehensive loss		(5,747,189)	(2,066,234)
Adjustments for non-cash items:			
Amortization	4,5	312,118	32,630
Accrued interest	6,7,8,9	1,038,078	-
Share-based compensation	9	887,250	462,917
Loss on disposition of computer equipment	4	1,154	-
Changes in working capital			
Decrease (increase) in prepaid expenses		148,239	(269,731)
Decrease (increase) in goods and services tax receivable		92,693	9,231
Increase (decrease) in due to related parties	10	(267,000)	-
Increase (decrease) in accounts payable		1,174,707	32,138
Net cash flows used in operating activities		(2,359,950)	(1,799,049)
Investing activities			
Amounts receivable		-	(70,000)
Purchase of investments		-	10,166
Proceeds from disposition of computer equipment		17,080	-
Purchase of computer equipment	4	(22,544)	(47,216)
Purchase of intangible assets	5	(295,632)	(632,294)
Net cash flows used in investing activities		(301,096)	(739,344)
Financing activities			
Proceeds from share issuances	9	240,500	4,747,500
Proceeds from loans	7	872,436	-
Proceeds from credit facility	6	308,000	-
Deferred financing fees		-	(68,068)
Proceeds from convertible debentures	8	615,500	-
Share issuance costs	9	(12,000)	(236,580)
Net cash flows from financing activities		2,024,436	4,442,852
Net change in cash during the period		(636,610)	1,904,459
Cash, beginning of period		832,668	145,849
Cash, June 30, 2022		196,058	2,050,308
Non-cash investing & financing activities:			
Fair value of broker warrants	10	10,260	85,364
Fair value of warrants issued for debt	10	363,274	-
Fair value of equity portion of convertible debentures	8	285,009	-

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022, and 2021

(Expressed in Canadian Dollars, unaudited)

1. CORPORATE INFORMATION

Legible is an e-book entertainment and media company that has developed a browser-first, globally distributed reading and publishing platform that offers a sophisticated and immersive reading experience to anyone with an internet-enabled device anywhere in the world, while solving key challenges faced by readers, publishers, and authors. This includes providing planned global access to literature without the need for e-readers and apps, improving the capacity to showcase marginalized voices, opening new device-agnostic markets, and innovating new digital publishing formats.

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

2. BASIS of PREPARATION and GOING CONCERN

Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34).

These condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended December 31, 2021, as some disclosures from the annual consolidated financial statements have been condensed or omitted. The Company uses the same accounting policies and computation methods as in the annual consolidated financial statements for the year ended December 31, 2021. There are no IFRS or International Financial Reporting Interpretations Committee Interpretations that are not yet effective that would be expected to have a material impact on the Company's condensed interim consolidated financial statements.

Going concern

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

As of June 30, 2022, the Company had limited revenue and generated negative cash flows from operating activities. The continued operations of the Company depend on its ability to generate future cash flows or obtain additional financing. The Company had a working capital deficit of \$2,523,116 (December 31, 2021 - \$348,055) and an accumulated deficit of \$19,532,386 (December 31, 2021 - \$13,785,197) since inception. Management has determined, in making its assessment, that these events or conditions create a material uncertainty that cast significant doubt upon the Company's ability to continue as a going concern.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022, and 2021

(Expressed in Canadian Dollars, unaudited)

Basis of preparation and going concern: (continued)

Going concern (continued)

The Company's ability to continue as a going concern depends on its ability to generate product sales, raise additional financing in Q3/Q4 2022, and ultimately attain and maintain profitable operations. While the Company is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Company to continue as a going concern.

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

Basis of measurement

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

Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses.

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

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

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022, and 2021

(Expressed in Canadian Dollars, unaudited)

Basis of preparation and going concern: (continued)

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Legible Media Inc. A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances and transactions between the Company and its subsidiary have been eliminated in preparing the condensed interim consolidated financial statements.

Functional and presentation currency

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

Accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

3. PREPAID EXPENSES

A breakdown of prepaid expenses for the six months ended June 30, 2022, and the year ended December 31, 2021, follows:

	June 30, 2022	December 31, 2021
Investor relations events	\$ 112,118	\$ 230,287
Professional fees (legal)	-	12,217
Software development costs	-	7,980
Software subscriptions	11,937	21,810
Deposits	1,250	1,250
Total prepaid expenses	\$ 125,305	\$ 273,544

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022, and 2021

(Expressed in Canadian Dollars, unaudited)

4. COMPUTER EQUIPMENT

A continuity schedule for computer equipment for the six months ended June 30, 2022, and the year ended December 31, 2021, follows:

Net book value - December 31, 2021	\$	103,194
Additions for the period		22,544
Net change from dispositions for the period		(18,234)
Amortization for the period		(39,886)
Net book value - June 30, 2022	\$	67,618
Consisting of:		
Cost	\$	154,775
Accumulated amortization		(87,157)
Net book value - June 30, 2022	\$	67,618

For the six months ended June 30, 2022, the Company received cash proceeds that totaled \$17,080 (2021 - \$nil) from the disposition of computer equipment with a cost of \$39,638, accumulated amortization of \$21,404, and a net book value of \$18,234. The Company recorded \$1,154 as a loss on disposition of computer equipment in the condensed interim consolidated statement of loss and comprehensive loss.

5. INTANGIBLE ASSETS

A continuity schedule for intangible assets for the six months ended June 30, 2022, and the year ended December 31, 2021, follows:

	Platform		Website		Total
Net book value - December 31, 2021	\$	2,173,829	\$	38,801	\$ 2,212,630
Additions for the period:					
Salaries, wages, and benefits		295,632		-	295,632
Amortization		(268,352)		(3,880)	(272,232)
Net book value - June 30, 2022	\$	2,201,109	\$	34,921	\$ 2,236,030
Consisting of:					
Cost	\$	2,771,433	\$	49,747	\$ 2,821,180
Accumulated Amortization		(570,324)		(14,826)	(585,150)
Net book value - June 30, 2022	\$	2,201,109	\$	34,921	\$ 2,236,030

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022, and 2021

(Expressed in Canadian Dollars, unaudited)

6. CREDIT FACILITY

In March 2022, the Company entered into a credit facility arrangement for principal of \$308,000, for a term of 12 months with a monthly interest rate of 1.5% per month compounded monthly. Since the Company was in breach of the loan agreement, additional interest of 2.0% per month compounded monthly along with monitoring fees of \$1,000 per month were charged from April 2022. As at June 30, 2022, the Company accrued an aggregate of \$30,151 in interest and \$3,000 in monitoring fees for a total of \$33,151.

7. LOANS PAYABLE

A continuity schedule for loans payable for the six months ended June 30, 2022, and the year ended December 31, 2021, follows:

Loans Payable - December 31, 2021	\$	-
Additions		872,436
Commitment fees		130,865
Accrued interest		12,270
Conversion of loans to convertible debentures		(362,800)
Loans Payable - June 30, 2022	\$	652,771

For the six months ended June 30, 2022, the Company received loans for an aggregate of \$872,436 with commitment fees of 15% or \$130,865, and interest at 10% per annum. As at June 30, 2022, the Company accrued \$12,270 in interest on the loans.

On June 8, 2022, the Company received debt holders' directions to convert a total of \$362,800 and subscribed for debentures units in the Company's convertible debenture offering.

8. CONVERTIBLE DEBENTURES

On June 8, 2022, the Company completed the closing of the first tranche of a private placement by issuing 100.63 debenture units ("Debenture Units") at a price of \$10,000 per Debenture Unit for gross proceeds of \$1,006,300 (less the finder's fee of \$12,000 for net proceeds of \$994,300; \$390,800 of which was the settlement of outstanding indebtedness). All securities issued in connection with the private placement are subject to a hold period that expires on October 9, 2022.

Each Debenture Unit consisted of: (i) a 15% unsecured convertible debenture of the Company ("Debenture") in the principal amount of \$10,000; and (b) 50,000 common share purchase warrants ("Warrant"). The Debentures mature on June 8, 2025 (the "Maturity Date") and are convertible at the holder's option, at any time, after October 9, 2022, into common shares of the Company ("Common Shares") at a conversion price of \$0.10 per share. The Debentures bear interest at a rate of fifteen percent (15%) per annum calculated annually. The full amount of the interest owed until June 8, 2024 was pre-

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Convertible debentures (continued)

paid at closing by the issuance of 20,000 Common Shares (at a deemed price of \$0.15 per share) per Debenture Unit, and thereafter interest shall be due and payable in cash on the earlier of: (i) the Maturity Date; and (ii) in the event of conversion of the Debentures prior to the Maturity Date of the entire principal amount, 30 days following the conversion date.

Each Warrant entitled the holder to purchase one Common Share at a price of \$0.15 for a period of two (2) years; provided that if, at any time, after October 9, 2022, the volume weighted average trading price of the common shares on the Canadian Securities Exchange (the "CSE") is at least \$0.40 per share for a period of 5 consecutive trading days, the expiry date of the Warrants may be accelerated by the Company to a date that is not less than 21 days after the date that notice of such acceleration is provided to the Warrant holders, which notice may be by way of general press release.

The convertible debentures are compound financial instruments, consisting of a debt instrument and an equity conversion feature. The debt instrument was fair valued using a rate applicable to a non-compound debt instrument and is carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument was allocated as the fair value of the equity component of the convertible debentures.

A finder acting in connection with the private placement received a fee in the amount of \$12,000 and 120,000 finder's warrants.

A continuity schedule for convertible debentures for the six months ended June 30, 2022, and the year ended December 31, 2021, follows:

Convertible debentures - December 31, 2021	\$	-
Proceeds from debt holders		615,500
Conversion of loans		362,800
Conversion of directors' fees		28,000
Convertible debenture proceeds		1,006,300
Allocation to equity component		(285,009)
Interest		498,518
Interest paid (note 9)		(301,890)
Convertible debentures - June 30, 2022	\$	917,919

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022, and 2021

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9. SHARE CAPITAL

Authorized:

Common shares (class A voting) unlimited without par value

Issued and outstanding:

As at June 30, 2022, the Company had 66,190,600 issued and outstanding (2021 - 62,948,000) class A common shares. No class B common shares or preferred shares have been issued.

During the six months ended June 30, 2022, the Company issued 1,230,000 common shares from the exercise of warrants priced at \$0.10 and \$0.20 for gross proceeds of \$241,000. In addition, the Company issued 100.63 debenture units ("Debenture Units") at a price of \$10,000 per Debenture Unit for gross proceeds of \$1,006,300. Each Debenture Unit consisted of: (i) a 15% unsecured convertible debenture of the Company ("Debenture") in the principal amount of \$10,000; and (b) 50,000 common share purchase warrants ("Warrant"). The Company issued a total of 2,012,600 common shares for two years of pre-paid interest to Debenture unit holders with a deemed value of \$301,890. 5,031,500 warrants were issued at a price of \$0.15 with an expiry of two years.

WARRANTS AND STOCK OPTIONS

Warrants

The following assumptions were used for the Black-Scholes valuation of warrants granted during the six months ended June 30, 2022, and the year ended December 31, 2021:

Average risk-free interest rate	3.07%
Expected life of warrants	2 years
Average share price	\$0.14
Average exercise price	\$0.15
Average expected stock price volatility	99.28%
Dividend rate	0.00%
Fair value per warrant issued	\$0.072

The Company recorded an interest expense of \$363,274 during the six months ended June 30, 2022 (2021 - \$nil). The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

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For the Six Months Ended June 30, 2022, and 2021

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Warrants and stock options (continued)

Warrants (continued)

Continuity schedule of the Company's share purchase warrants issued and outstanding for the six months ended June 30, 2022, and the year ended December 31, 2021, was as follows:

	Number of warrants	Weighted average exercise price \$
Outstanding, December 31, 2021	11,875,976	0.74
Exercised	(50,000)	0.10
Exercised	(1,180,000)	0.20
Granted	120,000	0.10
Granted	5,031,500	0.15
Outstanding, June 30, 2022	15,797,476	0.59

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For the Six Months Ended June 30, 2022, and 2021

(Expressed in Canadian Dollars, unaudited)

Warrants and stock options (continued)

Warrants (continued)

As at June 30, 2022, the following warrants were outstanding, and the weighted average remaining life of warrants outstanding was 1.06 years (December 31, 2021 - 1.57 years).

Exercise price \$	Expiry date	June 30, 2022	December 31, 2021
0.10	December 1, 2022	160,000 ⁽¹⁾	210,000 ⁽¹⁾
0.20	December 1, 2022	2,712,000 ⁽¹⁾	3,892,000 ⁽¹⁾
0.60	December 1, 2022	1,437,500 ⁽¹⁾	1,437,500 ⁽¹⁾
1.00	December 1, 2022	1,875,000 ⁽¹⁾	1,875,000 ⁽¹⁾
1.25	December 1, 2022	2,576,076 ⁽²⁾	2,576,076 ⁽²⁾
0.80	December 1, 2022	183,000	183,000
1.00	December 1, 2022	202,400	202,400
0.10	June 9, 2024	120,000 ⁽⁴⁾	-
0.15	June 9, 2024	5,031,500 ⁽⁴⁾	-
1.00	December 1, 2024	1,000,000 ⁽³⁾	1,000,000 ⁽³⁾
1.25	December 1, 2024	500,000 ⁽³⁾	500,000 ⁽³⁾
0.59		15,797,476	11,875,976

- (1) The purchase warrants have a term of twelve months from December 1, 2021. If the closing price of the Issuer's Common Shares on the Exchange is \$1.80 or higher per share for a period of 10 consecutive trading days, the expiry date of the warrants may be accelerated by the Issuer to a date that is not less than 30 days after the date that notice of such acceleration is provided to the Warrant holders, which notice may be by way of general press release.
- (2) The purchase warrants have a term of expiring on the date that is earlier of: (i) one year from December 1, 2021; and (ii) December 31, 2022. If the closing price of the Common Shares on the Exchange is \$2.25 or higher per share for a period of 10 consecutive trading days, the expiry date of the warrants maybe accelerated by the Issuer to a date that is not less than 30 days after the date that notice of such acceleration is provided to the Warrant holders, which notice may be by way of general press release.
- (3) Compensation warrants have a term of three years following the Listing Date. If the closing price of the Issuer's Common Shares on the Exchange is \$1.80 or higher per share for a period of 10 consecutive trading days, the expiry date of the compensation warrants may be accelerated by the Issuer to a date that is not less than 30 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.
- (4) The volume weighted average trading price of the common shares on the Canadian Securities Exchange (the "CSE") is at least \$0.40 per share for a period of 5 consecutive trading days, the expiry date of the Warrants may be accelerated by the Company to a date that is not less than 21 days after the date that notice of such acceleration is provided to the Warrant holders.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022, and 2021

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Warrants and stock options (continued)

Broker Warrants

The following assumptions were used for the Black-Scholes valuation of warrants granted during the six months ended June 30, 2022, and the year ended December 31, 2021:

	June 30, 2022	December 31, 2021
Average risk-free interest rate	3.07%	0.33%
Average expected life of warrants	2 years	1.25 years
Average share price	\$0.14	\$0.65
Average exercise price	\$0.10	\$0.92
Average expected stock price volatility	99.28%	109%
Dividend rate	0.00%	0.00%
Fair value per broker warrant issued	\$0.09	\$0.23

The Company recorded share issuance costs of \$10,260 during the six months ended June 30, 2022 (2021 - \$85,364). The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

Stock Options

Continuity schedule of the Company's stock options issued and outstanding for the six months ended June 30, 2022, and the year ended December 31, 2021, was as follows:

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2021	7,755,500	0.98
Granted	850,000	0.475
Granted	2,153,750	0.40
Granted	200,000	0.27
Forfeited	(800,500)	1.00
Forfeited	(2,525,000)	1.25
Forfeited	(1,750,000)	0.50
Forfeited	(800,000)	0.475
Forfeited	(1,350,000)	0.40
Forfeited	(200,000)	0.27
Outstanding, June 30, 2022	3,533,750	0.88

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Warrants and stock options (continued)

Stock options (continued)

As at June 30, 2022, the following stock options were outstanding and exercisable with an average remaining life of 9.22 years (December 31, 2021 - 9.52 years):

Exercise price per share of option \$	Expiry date	June 30, 2022			December 31, 2021		
		Weighted average remaining life (years)	Number of options outstanding	Number of options exercisable	Weighted average remaining life (years)	Number of options outstanding	Number of options exercisable
0.50	Dec 30, 2030	8.50	605,000	990,000	9.00	2,205,000	990,000
1.00	Jun 29, 2031	9.00	525,000	220,000	9.49	1,325,500	386,375
1.25	Jul 31, 2031	9.09	50,000	12,500	9.58	200,000	20,000
1.25	Aug 31, 2031	9.17	-	-	9.67	275,000	27,500
1.25	Sep 30, 2031	9.25	50,000	12,500	9.75	800,000	80,000
1.25	Oct 29, 2031	9.33	1,450,000	285,000	9.83	2,450,000	285,000
1.25	Nov 30, 2031	9.42	-	-	9.92	350,000	35,000
0.05	Dec 30, 2031	9.50	-	-	10.00	150,000	15,000
0.48	Jan 31, 2032	9.59	50,000	5,000	-	-	-
0.40	Feb 28, 2032	9.67	803,750	93,375	-	-	-
		9.22	3,533,750	1,618,375	9.52	7,755,500	1,838,875

The following assumptions were used for the Black-Scholes valuation of stock options granted during the six months ended June 30, 2022, and the year ended December 31, 2021:

	June 30, 2022	December 31, 2021
Average risk-free interest rate	1.92%	1.12%
Average expected life of options	5 years	5 years
Average share price	\$0.38	\$0.692
Average exercise price	\$0.38	\$1.12
Average expected stock price volatility	122%	123%
Dividend rate	0.00%	0.00%
Fair value per option granted	\$0.319	\$0.548

The Company recorded share-based compensation of \$887,250 during the six months ended June 30, 2022 (2021 - \$462,917). The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

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10. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions not otherwise disclosed in these condensed interim consolidated financial statements.

Key management compensation

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

Included in the condensed interim consolidated statement of loss and comprehensive loss for the six months ended June 30, 2022 and 2021, which arose due to transactions with related parties, and were made in the normal course of operations and summarized as follows:

	June 30, 2022	June 30, 2021
	\$	\$
Contractors	10,500	112,000
Development costs	15,450	25,175
Directors' fees	31,071	-
General and administrative	36,200	73,106
Interest expense	14,205	-
Professional fees	8,000	46,500
Salaries, wages, and benefits	541,279	247,577
Share-based compensation	463,075	56,883
	1,119,780	561,241

As of June 30, 2022, the Company had \$27,345 (2021 - \$150,000) due to key management personnel regarding employment and consulting agreement commitments which were recorded in due to related parties. For the period ended June 30, 2022, the Directors agreed to waive directors' fees totaling \$147,000 and a former officer agreed to waive consulting fees of \$120,000.

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11. FINANCIAL RISK MANAGEMENT OBJECTIVES and POLICIES

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

(a) Credit risk - The Company's financial assets are cash and amounts receivable. The maximum exposure to credit risk, as at the period end, is the carrying value of their financial assets. The Company holds its cash in a bank account with a highly rated Canadian financial institution, therefore, minimizing the Company's credit risk in respect to its cash.

(b) Liquidity risk - The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors its forecasted and actual cash flows as well as any anticipated investing and financing activities. The Company, currently, does not have recurring revenue, and is working diligently on securing additional funding to meet short-term financial obligations after considering its operating obligations and cash on hand (see note 2).

June 30, 2022	On-Demand \$
Accounts payable and accrued liabilities	1,841,758
Credit facility	341,151
Loans payable	652,771
Due to related parties	27,345

(c) Market risk - The risk that changes in market prices, such as foreign exchange rates interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's major activities have been transacted in Canadian dollars for the six months ended June 30, 2022 and has minimal market risks.

12. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to maintain sufficient resources and raise funding to support current and long-term operating needs, particularly the development of its intangible asset. The ability to continue as a going concern is essential to the Company's goal of providing returns to shareholders and other stakeholders. The capital structure of the Company consists of shareholders' equity. The Company manages its capital structure based on the level of funds available to the Company to manage its operations and in light of economic conditions. The Company balances its overall capital through new share issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements. There have been no significant changes in the Company's approach to capital management during the year. These objectives and strategies are reviewed on a continuous basis.

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13. SUBSEQUENT EVENTS

On July 13, 2022, the Company announced the Company's contractual arrangement with #1 New York Times bestselling author and personal guru, Mr. T. Harv Eker to produce and feature his first eBook based on his popular web training series.

On July 27, 2022, the Company announced the appointment of Ms. Robyn Marshall to Legible's Advisory Board, who has extensive experience in capital markets and investment banking, with expertise in debt reduction, capital raising, and market acceleration.