



Legible Inc.

(Formerly Twenty20 Investment Inc.)

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 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 March 31, 2022

(Expressed in Canadian dollars, unaudited)

		March 31, 2022 \$	(Audited) December 31, 2021 \$
Assets	Note		
Current assets			
Cash		148,614	832,668
Amounts receivable		15,713	111,239
Prepaid expenses	3	267,235	273,544
Total current assets		431,562	1,217,451
Non-current assets			
Intangible assets	4	2,284,186	2,212,630
Computer equipment	5	102,114	103,194
Total assets		2,817,862	3,533,275
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,555,728	719,396
Loans payable	6	611,881	-
Credit facility	7	308,000	-
Due to related parties	10	16,071	150,000
Total current liabilities		2,491,680	869,396
Total liabilities		2,491,680	869,396
Shareholders' equity			
Share capital	8, 9	14,793,581	14,552,581
Shares to be issued	8, 9	120,000	120,500
Reserves	8, 9	2,446,800	1,775,995
Deficit		(17,034,199)	(13,785,197)
Total shareholders' equity		326,182	2,663,879
Total liabilities and shareholders' equity		2,817,862	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 May 30th, 2022:



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 Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars, unaudited)

		Three months ended March 31, 2022 \$	Three months ended March 31, 2021 \$
Revenue	Notes	1,357	-
Cost of sales		928	-
Gross margin		429	-
Operating expenses			
Amortization	4, 5	153,026	10,329
Contractors		46,941	127,337
Development costs		31,358	10,348
Directors' fees	10	13,071	-
General and administrative		196,103	45,379
Investor relations		135,709	24,666
Marketing		292,187	-
Professional fees		107,966	88,661
Salaries, wages, and benefits		1,639,974	240,794
Share-based compensation	8, 9	670,805	116,489
Software subscriptions		92,086	28,568
Transfer agent and filing fees		12,056	-
Travel and promotion		5,149	-
Total operating expenses		3,396,431	692,571
Other items			
Debt waived by related parties		(147,000)	-
Total other items		(147,000)	-
Net loss and comprehensive loss		3,249,002	692,571
Basic and diluted loss per share		0.05	0.02
Weighted average shares outstanding		63,889,000	43,777,444

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 CHANGES IN SHAREHOLDERS' EQUITY

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars, unaudited)

	Share capital			Reserves		Total \$
	Number of common shares	Share capital \$	Shares to be issued \$	Share options and warrants \$	Deficit \$	
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
Share-based compensation	-	-	-	670,805	-	670,805
Net loss and comprehensive loss for the period	-	-	-	-	(3,249,002)	(3,249,002)
Balance, March 31, 2022	64,178,000	14,793,581	120,000	2,446,800	(17,034,199)	326,182

	Share capital			Reserves		Total \$
	Number of common shares	Share capital \$	Share to be issued \$	Share options and warrants \$	Deficit \$	
Balance, December 31, 2020	43,275,000	2,569,200	-	118,995	(873,736)	1,814,459
Issuance of shares (\$0.80)	2,380,000	1,904,000	-	-	-	1,904,000
Less: share-issuance costs	-	(141,356)	-	-	-	(141,356)
Share-based compensation	-	-	-	158,645	-	158,645
Net loss and comprehensive loss for the period	-	-	-	-	(692,571)	(692,571)
Balance, March 31, 2021	45,655,000	4,331,844	-	277,640	(1,566,307)	3,043,177

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian dollars, unaudited)

		Three months Ended March 31, 2022 \$	Three months Ended March 31, 2021 \$
	Notes		
Cash flows from operating activities			
Net loss and comprehensive loss		(3,249,002)	(692,571)
Adjustments for non-cash items			
Amortization	5, 6	153,026	10,329
Accrued interest	7	79,878	-
Share-based compensation	10	670,805	116,489
Changes in working capital			
Decrease (increase) in prepaid expenses		6,309	(108,749)
Decrease (increase) in goods and services tax receivable		95,526	8,397
Increase (decrease) in due to related parties		(133,929)	-
Increase (decrease) in accounts payable		836,332	134,188
Net cash used in operating activities		(1,541,055)	(531,917)
Investing activities			
Amounts receivable		-	(60,000)
Purchase of investments		-	10,166
Purchase of equipment	6	(19,905)	(15,904)
Purchase of intangible assets	5	(203,597)	(416,287)
Net cash used in investing activities		(223,502)	(482,025)
Financing activities			
Proceeds from share issuances	10	240,500	1,899,000
Proceeds from loans	7	532,003	-
Proceeds from credit facility	8	308,000	-
Share issuance costs		-	(99,200)
Net cash provided from financing activities		1,080,503	1,799,800
Net change in cash during the period		(684,054)	785,858
Cash, beginning of period		832,668	145,849
Cash, end of March 31, 2022		148,614	931,707
Non-cash investing & financing activities:			
Fair value of broker warrants		-	42,156

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2022 and 2021

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1. CORPORATE INFORMATION

Legible is a e-book entertainment and media company that has developed a browser-first, globally distributed reading and publishing platform that offers a sophisticated and immersive reading experience to anyone with an internet-enabled device anywhere in the world, while solving key challenges faced by readers, publishers, and authors. This includes providing 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 March 31, 2021, the Company has limited revenue and generated negative cash flows from operating activities. The continued operations of the Company depends on its ability to generate future cash flows or obtain additional financing. The Company has a working capital deficit of \$2,060,118 (December 31, 2021 - \$348,055) and an accumulated deficit of \$17,034,199 (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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For the Three Months Ended March 31, 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 Q2/Q3 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 profit or loss in the period the new information becomes available.

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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 three months ended March 31, 2022, and the year ended December 31, 2021, follows:

	March 31, 2022	December 31, 2021
Investor relations events	\$ 123,404	\$ 230,287
Software development costs	-	7,980
Marketing	61,465	-
Professional fees (legal)	-	12,217
Software subscriptions	81,116	21,810
Deposits	1,250	1,250
Total prepaid expenses	\$ 267,235	\$ 273,544

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Notes to the Condensed Interim Consolidated Financial Statements

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4. INTANGIBLE ASSETS

A continuity schedule for intangible assets for the three months ended March 31, 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		203,597		-		203,597
Amortization		(130,101)		(1,940)		(132,041)
Net book value - March 31, 2022	\$	2,247,325	\$	36,861	\$	2,284,186
Consisting of:						
Cost	\$	2,679,398	\$	49,747	\$	2,729,145
Accumulated Amortization		(432,073)		(12,886)		(444,959)
Net book value - March 31, 2022	\$	2,247,325	\$	36,861	\$	2,284,186

5. COMPUTER EQUIPMENT

A continuity schedule for computer equipment for the three months ended March 31, 2022, and the year ended December 31, 2021, follows:

Net book value - December 31, 2021	\$	103,194
Additions for the period		19,905
Amortization for the period		(20,985)
Net book value - March 31, 2022	\$	102,114
Consisting of:		
Cost	\$	191,774
Accumulated amortization		(89,660)
Net book value - March 31, 2022	\$	102,114

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars, unaudited)

6. LOANS PAYABLE

A continuity schedule for loans payable for the three months ended March 31, 2022, and the year ended December 31, 2021, follows:

Loans Payable - December 31, 2021	\$	-
Additions		532,003
Commitment fees		79,878
Loans Payable - March 31, 2022	\$	611,881

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

7. 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.

8. SHARE CAPITAL

Authorized:

Common shares (class A voting) unlimited without par value

Issued and outstanding:

As at March 31, 2022, the Company had 64,178,000 issued and outstanding (2021 - 62,948,000) class A common shares. No class B common shares or preferred shares have been issued.

During the three months ended March 31, 2022, the Company issued 1,230,000 common shares from the exercise of warrants price at \$0.10 and \$0.20 for proceeds of \$241,000.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars, unaudited)

9. WARRANTS AND STOCK OPTIONS

Warrants

Continuity schedule of the Company's share purchase warrants issued and outstanding for the three months ended March 31, 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	(1,180,000)	0.20
Exercised	(50,000)	0.10
Outstanding, March 31, 2022	10,645,976	0.80

As at March 31, 2022, the following warrants were outstanding, and the weighted average remaining life of warrants outstanding was 1.32 years (December 31, 2021 - 1.57 years).

Exercise price \$	Expiry date	March 31, 2022	December 31, 2021
0.10	November 26, 2022	160,000 ⁽¹⁾	210,000 ⁽¹⁾
0.20	November 26, 2022	2,712,000 ⁽¹⁾	3,892,000 ⁽¹⁾
0.60	November 26, 2022	1,437,500 ⁽¹⁾	1,437,500 ⁽¹⁾
1.00	November 26, 2022	1,875,000 ⁽¹⁾	1,875,000 ⁽¹⁾
1.25	November 26, 2022	2,576,076 ⁽²⁾	2,576,076 ⁽²⁾
1.00	November 26, 2024	1,000,000 ⁽³⁾	1,000,000 ⁽³⁾
1.25	November 26, 2024	500,000 ⁽³⁾	500,000 ⁽³⁾
0.80	November 26, 2022	183,000	183,000
1.00	From June 30 to November 26, 2022	202,400	202,400
0.80		10,645,976	11,875,976

- (1) The purchase warrants have a term of twelve months from November 26, 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 November 26, 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 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.
- (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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars, unaudited)

Warrants and stock options (continued)

Stock Options

Continuity schedule of the Company's stock options warrants issued and outstanding for the three months ended March 31, 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	(250,000)	1.00
Forfeited	(345,000)	1.25
Outstanding, March 31, 2022	10,364,250	0.79

As at March 31, 2022, the following stock options were outstanding and exercisable with an average remaining life of 9.47 years (December 31, 2021 - 9.52 years):

Exercise price per share of option \$	Expiry date	March 31, 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	8.75	2,155,000	990,000	9.00	2,205,000	990,000
1.00	Jun 29, 2031	9.25	1,075,500	220,000	9.49	1,325,500	386,375
1.25	Jul 31, 2031	9.34	105,000	26,250	9.58	200,000	20,000
1.25	Aug 31, 2031	9.42	275,000	68,750	9.67	275,000	27,500
1.25	Sep 30, 2031	9.50	700,000	175,000	9.75	800,000	80,000
1.25	Oct 29, 2031	9.58	2,450,000	285,000	9.83	2,450,000	285,000
1.25	Nov 30, 2031	9.67	300,000	35,000	9.92	350,000	35,000
0.05	Dec 30, 2031	9.75	100,000	15,000	10.00	150,000	15,000
0.48	Jan 31, 2032	9.84	850,000	85,000	-	-	-
0.40	Feb 28, 2032	9.92	2,153,750	230,375	-	-	-
0.27	Mar 31, 2032	10.00	200,000	20,000	-	-	-
		9.47	10,364,250	2,150,375	9.52	7,755,500	1,838,875

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For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars, unaudited)

Warrants and stock options (continued)

Stock options (continued)

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

	March 31, 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%

The Company recorded share-based compensation of \$670,805 during the three months ended March 31, 2022 (2021 - \$74,333). The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

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 Operation Officer, the former Chief Revenue Officer, the former Chief Financial Officer, the former Chief Technology Officer, and the former Chief Publishing Officer.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2022 and 2021

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Related party transactions (continued)

Included in the condensed interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2022 and 2021, which arose due to transactions with related parties, and were made in the normal course of operations and summarized as follows:

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

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

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

March 31, 2022	On-Demand \$
Accounts payable and accrued liabilities	1,554,914
Loans payable	611,881
Credit facility	308,000
Due to related parties	16,071

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Financial risk management objectives and policies (continued)

- (c) Market risk - Market risk is the risk that changes in market prices, such as foreign exchange rates interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's major activities have been transacted in Canadian dollars for the three months ended March 31, 2022. As such, the Company has minimal market risks.

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.

13. SUBSEQUENT EVENTS

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

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