



Legible Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended March 31, 2024

(Expressed in Canadian dollars)

LEGIBLE INC.

Management Discussion and Analysis
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This Management Discussion & Analysis (“MD&A”) of Legible Inc. and its subsidiary (referred to as the “Company” or “Legible”) was prepared by management as of May 30, 2024 and was reviewed and approved by the Board of Directors of Legible. The following discussion of performance, financial condition, and future prospects should be read in conjunction with the condensed interim consolidated financial statements for the three months ended March 31, 2024 and the annual audited consolidated financial statements for the year ended December 31, 2023, and the notes thereto (the “Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. This discussion covers the three-month period ended March 31, 2024, and the subsequent period up to the date of issue of this MD&A.

The Company has prepared this MD&A following the requirements of National Instrument 51-102 (“NI-51-102”). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars, unless otherwise noted.

DESCRIPTION OF BUSINESS and CORPORATE INFORMATION

Legible is an eBook entertainment and media company that has developed a browser-first, globally distributed reading, and publishing platform and browser-based Bookstore 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 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 technological tools and digital publishing formats. Legible is positioned to offer delightful, accessible, and immersive reading and listening experiences, a full Membership Plan service, an AI-powered book discovery tool, and a diverse catalogue of compelling media-rich (video, audio, animation, augmented reality) “Living Books” - exclusive and original to Legible - which will create new partnerships and unique publishing opportunities in the industry.

Legible Inc. 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 head office is located at 250 - 997 Seymour St., Vancouver, BC V6B 3M1. Legible’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, Legible’s common shares commenced trading on the Frankfurt Stock Exchange (FSE) under the trading symbol D0T (D/zero/T). On January 25, 2023, Legible began trading on the U.S. based OTCQB Venture Market under the symbol LEBGF.

BUSINESS HIGHLIGHTS

Business Approach

Legible seeks to be a key player in the digital publishing industry and gain market share through innovative, twenty-first century publishing and global reading experiences using any browser-enabled device. Legible is on a mission to provide delightful eBook and audiobook experiences to readers worldwide that value immersive entertainment experiences through well-constructed, content-dynamic books while promoting sustainability, accessibility, and global literacy, plus early adoption of technology advancements including AI.

Challenges

Due to an on-going challenging investment and economic environment for tech, small cap stocks, and general spending as high interest rates and increasing costs of living dampen both investor and consumer spending power, Legible continues to fight hard to raise additional capital to complete development of its core products.

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This resulted in a later release of the Unbound membership program and limited ability to carry out marketing, with the result that most of Legible's revenue growth expectations are now focused on executing in Q3/Q4, 2024. Legible remains focused on keeping overheads as low as possible, operating with a small team and working to strategically invest in marketing initiatives for the year ahead based on low cost and high return.

Corporate Update

On April 26, 2024, Legible closed its first tranche of a convertible debenture private placement for gross proceeds of \$1,103,262, which included \$2,880 in finder's fees, and \$527,262 in settlement of outstanding indebtedness.

Operations Update

In January 2024, Legible released its second AI-powered classic, *Animal Farm AI*, also with original art, which introduced two AI-driven characters, Sonia and Daisy, that readers can chat with to delve deeper into George Orwell's narrative, gaining new insights into its themes and characters through real-time conversations.

Legible developed its new Legible Connect service, a fully secure book content delivery tool for B2B clients, with the ability to stream audiobook content directly into cars.

The marketing team continued to implement key data analytics tools designed to provide insights into customer behaviour and conversions on the website, enabling strategic and targeted efforts to drive revenue through comprehensive marketing campaigns. The team also began developing social media and email marketing campaigns as well as paid advertising. In February, Legible launched a social media campaign on Instagram and TikTok designed to raise awareness of its products and partnerships, including initiation of an influencer marketing campaign. Legible also launched a series of AI-powered Google ads for the Cristina Ferrare Living Cookbook provided by AI-powered publishing advertising agency, Shimmr.

On February 14, Legible launched My Model Kitchen - Volume 1: Pasta, the first in a series of 15 Living Cookbooks authored by Cristina Ferrare, an iconic supermodel, acclaimed TV host, and New York Times bestselling author. These interactive "Living Cookbooks" blend Ferrare's culinary expertise with Legible's digital technology, featuring original video of Cristina presenting her recipes as well as the world's first Sous Chef AI, which responds to queries about the recipes and offers everything from substitution suggestions to wine pairing advice. In March, Legible's development team advanced the capacity for its Sous Chef AI, to be voice-based, which will enable readers to ask it questions out loud and have it respond orally.

In February 2024, using Legible Connect, Legible began testing streaming audiobook previews into Teslas in North America as part of the Company's partnership with LiveOne Slacker Radio.

New Partnerships

In January 2024, Legible announced that it has engaged Investor Cubed Inc. to provide investor relations and shareholder communications services in Canada.

Legible also announced the appointment of Ms. Kathryn Marino, President of Orange County Fashion Week® and founder of the OC Fashion Council, as a Strategic Advisor to the Company.

In February 2024, the Company announced partnerships with two more Android Automotive app stores, Visteon and Harman IGNITE. Visteon's AllGo Android Automotive app store provides automakers with leading-edge connected car experiences that can be customized for their customers by brand, model, trim level, or even geolocation. Legible is positioned to be one of the first to offer a vast library of audiobooks

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through AllGo to drivers and passengers in India and across Asia. The Harman IGNITE Android Automotive App Store boasts a growing ecosystem of app developers across key industries to enable more content, features and connectivity and brings OEMs and Android developers together to make in-vehicle experiences easily accessible, reliable and safe. The software company CARIAD launched the Harman IGNITE application store for the Volkswagen Group last year with Audi as the first brand to implement the experience. Legible went live in new models of VW Group's Audi cars in March.

Also in March, Legible announced that it has joined forces with Mr. Remo Camerota, award-winning director, artist, and photographer, to create FrAnkenstein, the third publication in its celebrated AI-powered classics series, following the releases of *A Christmas Carol AI* in December and *Animal Farm AI* in February. FrAnkenstein is set to launch in Q3.

Publishers

In January 2024, Legible began onboarding audiobook content from distributor DeMarque as the next step in its agreement to distribute DeMarque's millions of multi-lingual eBooks and audiobooks in French, Spanish, German, and other languages.

In February, the Company announced an agreement with award-winning audiobook publisher Dreamscape Media to distribute its outstanding audiobook catalogue.

Outlook

The Company's primary focus for the coming months is to implement the revenue streams identified above to help increase the Company's user base and generate monthly recurring revenue, as well as consolidate and grow the significant partnerships it has forged. The Company is continuing to raise funds via equity and/or debt financings to clean up its balance sheet and advance the remaining product development initiatives.

RESULTS OF OPERATIONS

FINANCIAL RESULTS for the THREE MONTHS ENDED MARCH 31, 2024

For the three months ended March 31, 2024, the Company recorded a net loss of \$1,100,375, or \$0.01 per share, compared with a net loss of \$1,216,554, or \$0.01 per share, for the three months ended March 31, 2023. Operating expenses for the three months ended March 31, 2024 decreased to \$1,106,750, compared with \$1,291,902 for the comparative period in 2023. Activities continue to be reduced across the organization due to the lack of adequate funding and with minimal revenues being generated. Key changes from Q1 2023 to Q1 2024, include the following:

- **Revenues** - increased to \$19,949 (2023 - \$10,583), comprised of Legible Publishing Services' ("LPS") revenues of \$15,884 (2023 - \$10,178), eBook sales of \$65 (2023 - \$405), and subscriptions of Legible Unbound memberships of \$4,000 (2023 - \$nil).
- **Cost of sales** - were \$13,574 (2023 - \$7,384), which included LPS production costs of \$11,169 (2023 - \$7,127); and royalties of \$2,405 (2023 - \$257) to publishers, which included eBooks of \$46 (2023 - \$257), and subscriptions of Legible Unbound memberships of \$2,359 (2023 - \$nil).
- **Consultants** - fees increased to \$148,659 (2023 - \$95,958) primarily due to business development focused on North America, UK and Europe; work on prospective business opportunities for the Company, and how to best penetrate international markets and the comic book industry; development of the Company's data analytics infrastructure; capital markets advisory; and AI development work.

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- **Directors' fees** - decreased to \$nil (2023 - \$13,071) as the independent directors agreed to terminate their fees as of October 31, 2023.
- **General and administrative** - decreased to \$68,364 (2023 - \$87,258) predominantly due to reduced attendance at investor conferences and associated travel; but included commercial general liability, directors' and officers' liability, and cyber security insurance premiums; license fees with a technology company that enhances the visual appeal and layout of digital books; and general office expenses.
- **Interest** - increased to \$137,226 (2023 - \$116,270), which primarily included \$48,234 (2023 - \$41,979) for the credit facility; bridge loans for \$59,960 (2023 - \$5,250); promissory notes for \$13,534 (2023 - \$5,335); and convertible debentures of \$6,010 (2023 - \$55,647).
- **Investor relations** - decreased to \$33,535 (2023 - \$95,026). The reduction was due to limited investor relations activities due to insufficient funding. On-going support on a confined basis for the business within the investment communities through communications with brokerage firms, institutions, portfolio managers, capital markets professionals, and the retail public was conducted. Costs also included news release communications, OTCQB maintenance fees, and market liquidity services.
- **Marketing** - decreased to \$13,203 (2023 - \$83,800). The comparative period included a targeted marketing campaign with its GO READ partnership with Metrolinx. Limited funds, due to a shortage of working capital, were invested in social media platforms. A marketing initiative was designed to gather information for product optimization for the next concerted marketing effort, that will be implemented when additional working capital is available. Work continued to strategize on ways to develop revenue streams that will be implemented through targeted and comprehensive marketing campaigns.
- **Professional fees** - increased to \$73,449 (2023 - \$53,118). Fees included an accrual for audit, and tax work; legal fees associated with the Company being public; fees associated with the filing of trademark applications in Canada and the U.S.; and legal fees regarding on-going corporate matters.
- **Salaries, wages, and benefits** - decreased to \$347,175 (2023 - \$395,109) due to a senior developer shifting to part-time hours, and another senior developer departed in early February. The staff complement as of March 31, 2024, was 10 employees, 8 of which are full-time.
- **Share-based compensation** - the Company uses stock options as a means for employee, director, consultant and advisor compensation, retention, and incentives. During the three months ended March 31, 2024, the Company recorded an expense of \$118,276 (2023 - \$212,348) for stock options granted to directors, officers, employees, consultants, and advisors.
- **Software development** - increased to \$96,345 (2023 - \$60,351) as the Company invested in development of its mobile and web apps for Android and IOS, by a third-party technology partner, which allows for offline reading and listening of its eBooks and audiobooks library.
- **Software subscription and hosting fees** - increased to \$63,295 (2023 - \$61,508) due to website hosting fees; multiple software applications supporting the operations platform; data integrity protection; cybersecurity monitoring; storage fees for audiobooks; new software for improved data analytics; employment of a cloud-based tool that optimizes book metadata management processes and manages the Company's book catalogue; and a tool that facilitates ingestion of ePub files to onboard all existing and incoming books from publishers and distributors.

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- **Transfer agent and filing fees** - decreased to \$7,223 (2022 - \$7,707) due to reduced regulatory activities.

Net operating cash outflows

For the three months ended March 31, 2024, the Company's net operating cash outflows were \$461,496, compared to \$510,179 for the comparable period in the previous year.

The decrease was mainly attributed to lower costs regarding general and administrative; investor relations; marketing; salaries, wages, and benefits; and transfer agent and filing fees; which were partially offset by increased consulting fees; professional fees; software development; and software subscriptions and hosting fees.

SUMMARY OF QUARTERLY RESULTS

The following is summary of the Company's financial results for the eight most recently completed quarters:

	Three Months Ended Mar 31, 2024 \$	Three Months Ended Dec. 31, 2023 \$	Three Months Ended Sep. 30, 2023 \$	Three Months Ended Jun. 30, 2023 \$	Three Months Ended Mar. 31, 2023 \$	Three Months Ended Dec. 31, 2022 \$	Three Months Ended Sep. 30, 2022 \$ ⁽³⁾	Three Months Ended Jun. 30, 2022 \$ ⁽¹⁾
Revenue	19,949	14,154	10,356	18,352	10,583	7,031	11,612	606
Net loss	1,100,375	1,322,180	1,588,740	670,263	1,216,554	679,005	2,356,016	2,498,187
Basic & diluted loss per share	0.01	0.01	0.01	0.01	0.01	0.00	0.04	0.04

(1) Included was interest of \$961,320, salaries, wages, and benefits of \$621,250; share-based compensation of \$216,445; and marketing expenses of \$111,437.

(2) Included was interest of \$1,039,959; investor relations expenses of \$349,153; salaries, wages, and benefits of \$369,999; and share-based compensation of \$235,190.

CONTINGENCIES

The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the financial statements, and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Company.

SUBSEQUENT EVENTS

In April 2024, 25,000 options were forfeited.

On April 26, 2024, the Company closed its non-brokered convertible debenture private placement for gross proceeds of \$1,103,262, which included \$527,262 in settlement of outstanding indebtedness. Legible issued 122.58 convertible debenture units and each debenture unit consists of: (i) a 14% unsecured convertible debenture of the Company in the principal amount of \$9,000; and (b) 100,000 common share purchase warrants. Legible paid \$2,880 in finder's fees and issued 32,000 warrants to qualified finders.

In April 2024, the Company received bridge loans for an aggregate of \$191,208, along with a short-term loan for \$21,000 from a director. The bridge loans have commitment fees of 10% and interest of 15% per annum, and the short-term loan has a nil commitment fee and does not bear interest. \$387,000 of outstanding bridge

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loans were converted on April 26 into the first closing of the convertible debenture private placement, and as of May 30, 2024, \$245,000 of bridge loans that were past due were partially repaid. \$11,000 of the outstanding short-term loan was repaid to a director.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2024, the Company had a working capital deficit of \$3,843,392 (December 31, 2023 - \$2,867,303), with cash of \$4,335 (December 31, 2023 - \$74,831).

All cash is held with Schedule A banks either in deposit accounts, and the Company has no joint ventures with any parties that may potentially create derivative, or hedge risk.

The Company has insufficient working capital to meet its ongoing operating and general administrative expenditures over the next twelve months and will need to rely on debt and/or equity financings and revenue generation.

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, 2024, 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 \$3,843,392 (December 31, 2023 - \$2,867,303) and an accumulated deficit of \$28,465,519 (December 31, 2023 - \$27,365,144) 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.

The Company's ability to continue as a going concern depends on its ability to generate product sales, complete additional financings, 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.

OPERATING ACTIVITIES

For the three months ended March 31, 2024, the Company's operating activities used cash of \$461,496 compared with cash used of \$510,179 for operating activities for the three months ended March 31, 2023.

These cash outflows are attributable to the general operations of the Company relating to the Company's net loss as well as the Company's changes in working capital items.

FINANCING ACTIVITIES

For the three months ended March 31, 2024, the Company's financing activities provided the Company with \$391,000, compared to cash provided of \$407,381 for the three months ended March 31, 2023.

For the three months ended March 31, 2024, the Company received bridge loans for \$391,000, with 10% commitment fees and 15% annual interest.

OFF BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. Key management personnel consists of the Company's Board of Directors, corporate officers, and certain members of the senior executive team.

Key management personnel appointed were as follows:

- Chief Executive Officer ("CEO") - Kaleeg Hainsworth.
- Chief Operations Officer ("COO") - Angela Doll. Added Chief Publishing Officer responsibilities ("Current CPO") on April 8, 2022.
- Chief Financial Officer - Helina Patience ("Former CFO"), departed April 8, 2022; Ed Duda ("CFO"), appointed effective May 11, 2022.
- Chief Revenue Officer ("Former CRO") - Wai-Ming Yu, departed April 8, 2022.
- Chief Technology Officer ("Former CTO") - Adam Zouak, departed April 8, 2022.
- Chief Publishing Officer ("Former CPO") - Cameron Drew, departed April 8, 2022.
- Board of Directors - Kaleeg Hainsworth; David Van Seters (current independent director); and Shannon Kaustinen (current independent director), appointed effective February 11, 2022.

Transactions with related parties that are included in the consolidated statement of loss and comprehensive loss for the three months ended March 31, 2024, and 2023, were made in the normal course of operations and are summarized as follows:

	March 31, 2024	March 31, 2023
	\$	\$
Directors' fees	-	18,000
Salaries, wages, and benefits	121,652	118,933
Share-based compensation	38,103	87,612
	159,755	224,545

As of March 31, 2024, \$38,928 (2023 - \$11,130) was outstanding to key management personnel regarding employment and consulting agreement commitments which were recorded in due to related parties. For the three months ended March 31, 2024, and 2023, the Board of Directors were issued nil (2023 - 163,636) shares for services at \$0.11 for \$18,000 that covered the period October to December 2022.

The Company had the following related party transactions for the three months ended March 31, 2024, and 2023:

- (1) During the three months ended March 31, 2024, and 2023, the Company incurred \$40,551 (2023 - \$40,570) to the CEO; \$40,550 (2023 - \$37,829) to the COO/Current CPO; \$40,551 (2023 - \$40,534) to the CFO.

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- (2) During the three months ended March 31, 2024, and 2023, the Company incurred \$nil (2023 - \$13,071) in directors' fees for standing independent directors. The directors were issued nil (2023 - nil) shares for services at \$0.11 for \$18,000 that covered the period October to December 2022 (2022- \$nil).
- (3) The fair value of share-based compensation is measured at the grant date using the Black Scholes option valuation model and is recorded as an expense in the consolidated statement of loss and comprehensive loss over the vesting period of the options. During the three months ended March 31, 2024, the Company incurred \$19,052 (2023 - \$36,731) to the CEO; \$19,051 (2023 - \$30,621) to the COO/Current CPO; \$nil (2023 - \$nil) to the CFO; \$nil (2023 - \$20,260) to the Board of Directors.

During the three months ended March 31, 2024, a total of nil options (2023 - 300,000, at an exercise price of \$0.20) were granted to key management personnel with an aggregate fair value of \$ nil (2023 - \$24,120).

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.

March 31, 2024	On-Demand \$
Accounts payable and accrued liabilities	2,429,827
Credit facility	494,844
Loans payable	914,773
Due to related parties	38,928

- (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, 2024. As such, the Company has minimal market risks.

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- (d) Concentration risk – The risk occurs when the revenue has a significant exposure to a particular customer that contributes more than 10% of total revenues. During the three months ended March 31, 2024, the Company had one major customer contributing more than 10% as listed below:

	March 31,	
	2024	2023
Customer A	39%	45%
Customer B	-	16%
Customer C	-	10%

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. 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 or debt 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.

FUTURE ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations are not yet effective and have not been adopted early in preparing these Financial Statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's Financial Statements.

OTHER MD&A REQUIREMENTS

Disclosure Controls and Procedures

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures, and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Financial Statements for the period

ended March 31, 2024, and this accompanying MD&A (together, the “Filings”).

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its Filings on SEDAR+ at Sedarplus.ca.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Company. If any such risks actually occur, the financial condition, liquidity, and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The Company will face a number of challenges in the development of its business.

Prospects for companies in the technology industry generally may be regarded as uncertain given the nature of the industry and, accordingly, investments in technology companies should be regarded as highly speculative. An investor should carefully consider the risks and uncertainties described below. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company’s business. If any one or more of the following risks occur, the Company’s business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Company’s shares could decline.

If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity, and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. Potential investors should consult with their professional advisors to assess an investment in the Company.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

Risks Related to Capitalization and Commercial Viability

The Company will require additional capital to continue to develop its platform, obtain further content licensing, and secure revenue. Should further financing not be completed, there is a risk that the Company will not have the capital required to expand the business and further develop the platform and obtain content. If the Company does not obtain additional capital for investment, then there is a presumed risk to the commercial viability of its platform. Further, if further financing is not completed, the Company may be required to raise additional capital from existing sources through private placements.

Risks Related to Additional Financing

The Company will require additional equity and/or debt financings and revenue generation to execute the Company’s growth strategy. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially acceptable to the Company. The Company’s growth may be limited if it is unable to raise financing in order to support ongoing operations and therefore will have an adverse impact on the financial results of the Company.

Should the capital obtained upon completion of future financings be sufficient to fund the Company’s current operations, there is no guarantee that the Company will be able to achieve its business objectives. There is no assurance that the capital used to invest in the Company’s personnel, systems, procedures, and controls will

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ensure the Company's objectives. The Company may require additional financings beyond that acquired previously and if so, there is no assurance that the financing obtained will be on terms that are favourable to the Company.

Risks Related to Growth Strategy Execution

The execution of the Company's growth strategy has significant dependence on managerial, financial, and human resources. The Company's ability to grow depends on a number of factors, including the availability of capital, existing, and emerging competition, and the ability to recruit and train additional qualified personnel. Moreover, as the Company's business grows, the Company will need to devote additional resources to improving its operational infrastructure and enhance its scalability to maintain its business performance.

Risks Related to Uncertainty and Adverse Changes in Consumer Reading Habits

The success of the Company is contingent on its consumer base perceiving more value in the Company's platform compared with existing eBook and audiobook platforms and physical books. While the eBook and audiobook market and its sales compared with physical books continue to increase, should consumer reading habits shift away from eBooks and audiobooks, demand for the Company's platform may decrease.

Risks Related to the Ability to Attract New Customers, Retain Existing Customers and Grow Revenues

To achieve profitability and increase revenues, the Company must regularly obtain new customers or increase the scope of services provided to existing customers. A variety of factors may impede these efforts including ineffective marketing campaigns, lack of content to market to new and existing customers, lack of perceived value of the Company's platform by potential customers or the Company being unable to attract and retain quality sales and marketing personnel.

Risks Related to Increased Competition

As market demand for eBooks and audiobooks grows, publishers and existing eBook and audiobook platforms will seek ways to increase market share and provide their customers with sought-after digital media content. As such, existing companies and new entrants will continue to create and refine technology to provide this content. The increase in market entrants may decrease the market share for the Company, which may have an adverse impact on the Company's operations. The creation or refinement of digital technology that consumers view as more cost efficient or superior to the Company's platform will also impact the Company adversely.

Risks Related to Cyber Security and Data Protection

As an online platform, there is risk of cyber-attacks, technology issues, and changes to global legislation for data management. To mitigate cyber risks, the Company has engaged, and will continue to regularly engage with, third-party security partners to conduct penetration and other testing/auditing of the Company's platform, and to act on the recommendations provided. In preparation to expand outside of North America, the Company has also engaged third-party services to audit General Data Protection Regulation (GDPR) and other data protection mechanisms to ensure compliance and provide recommendations for improvements.

Risks Related to Limited History of Operations

The Company is in an early stage of development, has a limited history of operations, and operates in a new and rapidly-evolving market. As such, the Company is subject to many risks common to start-up enterprises and its viability must be viewed against the background of such risks. Such risks include under-capitalization, cash shortages, limitations with respect to personnel, and lack of revenues and financial and other resources. There is no assurance that the Company will develop its business profitably, and the likelihood of success of the Company must be considered in light of the Company's early stage of operations.

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Risks Related to Changing Technology

The Company's ability to attract new users of its software and increase revenue from existing users depends in large part on its ability to enhance and improve its products, introduce new features and services in a timely manner, sell into new markets, and further penetrate existing markets. If the Company is unable to do so, its revenue will not grow as expected. Moreover, the Company is required to enhance and update its products and services as a result of changing standards and technological developments, which makes it difficult to recover the cost of development and forces the Company to continually qualify new features with its users.

Risks Related to Defects, Bugs, or Errors

The Company has quality controls in place to detect defects, bugs, or other errors in its products and services before they are released, however, these quality controls are subject to human error, overriding, and resource or technical constraints. As such, these quality controls and preventative measures may not be effective in detecting all defects, bugs, or errors in its products and services before they are released into the marketplace. The release of products or services with significant defects, bugs, or errors could damage the Company's reputation, brand, and sales.

Risks Related to Reliance on Key Personnel

Given the complex nature of the technology on which the Company's business is based and the speed with which such technology advances, the Company's future success is dependent, in large part, on its ability to attract and retain highly qualified managerial, technical, and sales personnel. Competition for talented personnel is intense, and no assurance can be given that the Company will retain its managerial, technical, and marketing personnel or that it can attract, assimilate, or retain such personnel in the future. As the Company's business grows, it will require additional key financial, administrative, marketing, and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Risks Related to Inability to Protect Technology

There can be no assurance that the steps taken by the Company to protect its technology will be adequate to prevent misappropriation or independent third-party development of the Company's technology. It is possible that other companies could duplicate an eBook and/or audiobook platform similar to that of the Company.

Risks Related to Potential Intellectual Property Claims

The Company may be subject to intellectual property rights claims in the future and its technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle, and could divert management resources and attention. An adverse determination, also, could prevent the Company from offering its products and services to others and may require that it procure substitute products or services for these members or obtain additional licenses. The Company may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If the Company cannot license or develop technology for the infringing aspects of its business, it may be forced to limit its product and service offerings and may be unable to compete effectively.

Risks Related to Market Trends and Global Political Issues

Changing broader financial conditions including the market's expectations for continued rising interest rates fueled by the continued rise in inflation, along with the Russian invasion of Ukraine and the Israeli/Hamas conflict has continued to drive a rotation by investors into value versus growth-oriented equities. The best performing sectors in Canada were energy and materials, and the worst performing sectors were information

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technology, commodities, and metals. Under the current uncertain and fast-changing macroeconomic, financial, and geopolitical environment, investor sentiment and appetite for technology companies, especially those not yet reporting free cash flows, have been negatively impacted as reflected in their lower market valuation, resulting in a more difficult capital raising environment and a higher cost of capital.

Risks Related to Evolving Business Model and its Services and Products Could Change

To stay current with the industry, the Company's business model may need to evolve as well. From time to time, it may modify aspects of the Company's business model relating to Company's product mix and service offerings. The Company cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. The Company may not be able to manage growth effectively, which could damage the Company's reputation, limit the Company's growth, and negatively affect its operating results.

Risks Related to Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting a transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC and Alberta) ("Corporations Act") dealing with any conflict of interest. These provisions state that where a director is in such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter, unless otherwise permitted by the Corporations Act. In accordance with the laws of the Provinces of British Columbia and Alberta, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Risks Associated with Acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services, or products that the Company believes are strategic. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service, or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services, or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

In the future, the Company may invest in new business strategies, acquisitions and/or joint ventures. New ventures are inherently risky and may not be successful. In evaluating such endeavours, the Company must make difficult judgments regarding the value of business strategies, opportunities, technologies and other assets, and the risks and cost of potential liabilities. Furthermore, acquisitions and investments involve certain other risks and uncertainties, including the risks involved with entering new competitive categories or regions, the difficulty in integrating newly-acquired businesses, the challenges in achieving strategic objectives and other benefits expected from acquisitions, investments or joint ventures, the diversion of the Company's attention and resources from its operations and other initiatives, the potential impairment of acquired assets

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and liabilities, the performance of underlying products, capabilities or technologies and the potential loss of key employees and customers of the acquired businesses.

Risks Related to Volatility of Share Price, Absence of Dividends and Fluctuation of Operating Results

Market prices for the securities of technology companies have historically been highly volatile. Factors such as fluctuation of the Company's operating results, announcements of technological innovations, patents or new commercial products by the Company or competitors, and other factors could have a significant effect on the share price or trading volumes for the Company shares. The Company has not paid dividends to date and the Company does not expect to pay dividends in the near future.

Risks Related to No Assurance of an Active Trading Market

There can be no assurances that an active trading market in the Company shares on the CSE will be sustained.

Risks Related to Equity Dilution to Shareholders

The issuance of any equity securities could, and the issuance of any additional shares will, cause the Company's existing shareholders to experience dilution of their ownership interests. Any additional issuance of shares or a decision to acquire other businesses through the sale of equity securities may dilute investors' interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of the Company's shares.

Risks Related to Value of Securities

The value of the Company's shares may be reduced for a number of reasons, some of which are outside the control of the Company, including:

- General economic conditions in Canada, the United States and globally;
- Failure to achieve desired outcomes by the Company;
- Failure to obtain industry partners and other third-party consents and approvals, when required;
- Stock market volatility and market conditions;
- Competition for, among other things, capital, and skilled personnel;
- The need to obtain required approvals from regulatory authorities;
- Revenue and operating results failing to meet expectations in any particular period;
- Investor perception;
- Limited trading volume of the Company's shares;
- Announcements relating to the Company's business or the businesses of the Company's competitors; and
- The Company's ability or inability to raise additional funds.

Risks Related to Reporting Issuer Status

As a reporting issuer, the Company will be subject to reporting requirements under applicable securities law and stock exchange policies. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming, or costly, and increase demand on existing systems and resources. Among other things, the Company will be required to file annual, quarterly, and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Company's business and operational results. The Company may need

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to hire additional employees to comply with these requirements, which would increase its costs and expenses.

Management of the Company expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Company to retain qualified directors and executive officers.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and information about the Company which reflect management's expectations regarding the Company's future growth, results of operations, operational and financial performance and business prospects and opportunities. In addition, the Company may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information.

All statements and information, other than statements or information of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements and information, including, but not limited to statements and information preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intends", "plan", "forecast", "budget", "schedule", "project", "estimate", "outlook", or the negative of those words or other similar or comparable words.

Forward looking statements and information involve significant risks, assumptions, uncertainties, and other factors that may cause actual future performance, achievement, or other realities to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement, or realities. Although the forward-looking statements and information contained in the MD&A reflect management's current beliefs based on information currently available to management and based on what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements and information. A number of risks and factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward-looking statements and information.

Although the Company has attempted to identify important risks and factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements or information, there may be other factors and risks that cause actions, events, or results not to be as anticipated, estimated or intended. Further, any forward-looking statements and information contained herein are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statement or information. Accordingly, readers should not place undue reliance on forward-looking statements and information contained in this MD&A. All forward-looking statements and information disclosed in this MD&A, are qualified by this cautionary statement.

CORPORATE GOVERNANCE

The Company's board of directors and its committees adhere to recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current board

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of directors is comprised of three individuals, two of whom are independent of management as they are neither executive officers nor employees of the Company. The audit committee is currently comprised of three directors, two of which are independent of management and have strong financial backgrounds.

The audit committee's role is to ensure the integrity of the Company's reported financial results through its review of the interim and audited annual financial statements prior to their submission to the board of directors for approval. The audit committee meets with management, at least quarterly, to review the consolidated financial statements, as well as the management's discussion and analysis, and to discuss financial, operational, and other important matters.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common shares (Class A)

As at May 30, 2024, the Company had 133,407,722 common shares issued and outstanding (December 31, 2023 - 133,407,722).

Warrants

As at May 30, 2024, the Company had 58,903,540 warrants outstanding (December 31, 2023 - 50,617,796).

Options

As at May 30, 2024, the Company had 10,638,750 stock options outstanding (December 31, 2023 - 9,308,750).

Convertible debenture shares

As at May 30, 2024, the Company has reserved 13,485,121 shares to be issued should the holders elect to convert the convertible debentures into common shares (December 31, 2023 - 1,226,650).

Fully Diluted

As at May 30, 2024, on a fully diluted basis, the share capital outstanding was 216,435,133 (December 31, 2023 - 194,560,918).

APPROVAL

The Board of Directors of the Company have approved the condensed interim consolidated Financial Statements and the disclosure contained in this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com and the Company's website at www.legible.com.