

TrustBIX Inc.

(formerly Reco Northern Alberta Inc.)

Interim Condensed Consolidated
Financial Statements

(Unaudited)

June 30, 2019

Under National Instrument 51 – 102, the Company is providing notice that the comparative figures for the three and nine months ended June 30, 2018 have not been reviewed by the Company's auditor.

TrustBIX Inc.

(formerly Reco Northern Alberta Inc.)

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at June 30, 2019

	June 30, 2019 \$	September 30, 2018 \$
Assets		
Current assets		
Cash	2,418,056	1,089,777
Restricted cash (note 6(b))	-	195,900
Accounts receivable	123,873	113,938
Share subscription receivable (note 6(b))	-	22,500
Inventory	67,229	68,497
Deposits and prepaid expenses	38,127	13,675
	<u>2,647,285</u>	<u>1,504,287</u>
Intangible assets (note 4)	136,735	192,213
Property and equipment (note 5)	34,373	26,842
	<u>2,818,393</u>	<u>1,723,342</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	765,718	456,720
Unearned revenue	282,930	261,477
Preferred shares (note 6(c))	-	2,447,729
	<u>1,048,648</u>	<u>3,165,926</u>
Shareholders' Equity (Deficiency)		
Share capital issued (note 6(a))	6,731,372	301,010
Share capital – committed (note 6(b))	-	1,073,420
Preferred shares (note 6(c))	-	429,148
Equity component of convertible preferred shares (note 6(c))	-	199,280
Warrants (note 6(d))	1,048,476	649,050
Contributed surplus (note 6(e))	821,028	-
Capital reserve	149,628	149,628
Deficit	<u>(6,980,759)</u>	<u>(4,244,120)</u>
	<u>1,769,745</u>	<u>(1,442,584)</u>
	<u>2,818,393</u>	<u>1,723,342</u>
Commitments (note 9)		

Approved by the Board of Directors

(signed) "Hubert Lau"

Director

(signed) "Tony Barlott"

Director

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

TrustBIX Inc.

(formerly Reco Northern Alberta Inc.)

Interim Condensed Consolidated Statements of Changes in Equity (Deficiency)

(Unaudited)

For the nine-month periods ended June 30, 2019 and 2018

	Share capital \$	Share capital – committed \$	Preferred shares \$	Equity component of convertible preferred shares \$	Warrants \$	Contributed surplus \$	Capital reserve \$	Deficit \$	Non-controlling interest \$	Total \$
Balance – October 1, 2018	301,010	1,073,420	429,148	199,280	649,050	-	149,628	(4,244,120)	-	(1,442,584)
Net loss for the period	-	-	-	-	-	-	-	(2,736,639)	-	(2,736,639)
Transactions with the owners in their capacity as owners:										
Issuance of common shares in private placement, net of share issue costs (note 6(a) and (d))	5,090,058	(3,290,325)	-	-	399,426	-	-	-	-	2,199,159
Conversion of preferred shares into common shares (note 6(c))	1,226,708	-	(429,148)	(56,674)	-	-	-	-	-	740,886
Preferred shares redeemed (note 6(c))	-	-	-	(142,606)	-	142,606	-	-	-	-
Private placement committed to issuance of common shares, net of share issue costs (note 6(b))	-	272,232	-	-	-	-	-	-	-	272,232
Fair value of consideration upon reverse takeover (note 1)	113,596	-	-	-	-	-	-	-	-	113,596
Private placement committed to issuance of units, net of share issue costs (note 6(b))	-	1,944,673	-	-	-	-	-	-	-	1,944,673
Stock-based compensation (note 6(e))	-	-	-	-	-	678,422	-	-	-	678,422
Balance – June 30, 2019	6,731,372	-	-	-	1,048,476	821,028	149,628	(6,980,759)	-	1,769,745
Balance – October 1, 2017	8,438,947	-	-	-	-	-	122,063	(8,161,413)	(276,452)	123,145
Net loss for the period	-	-	-	-	-	-	-	(350,242)	(64,250)	(414,492)
Conversion of non-controlling interest (note 6(c))	-	-	-	26,018	-	-	-	(366,720)	340,702	-
Contribution to capital reserve by non-controlling interest	-	-	-	-	-	-	27,565	-	-	27,565
Balance – June 30, 2018	8,438,947	-	-	26,018	-	-	149,628	(8,878,375)	-	(263,782)

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

TrustBIX Inc.

(formerly Reco Northern Alberta Inc.)

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the three and nine-month periods ended June 30, 2019 and 2018

	Three months ended		Nine months ended	
	June 30 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$
Revenue				
Licence	44,483	34,304	73,954	135,168
Hardware and installation	128,896	66,718	336,087	295,236
Professional and development services	36,453	10,404	116,029	125,867
Maintenance	201,474	201,514	656,722	635,378
	<u>411,306</u>	<u>312,940</u>	<u>1,182,792</u>	<u>1,191,649</u>
Expenses				
Wages and benefits (note 6(e))	405,328	200,551	1,693,870	471,267
Consulting fees	229,689	140,853	602,509	492,833
Professional fees	209,774	197,687	737,436	240,415
Hardware costs and supplies	85,688	50,946	200,998	155,771
Office and administrative	75,314	34,850	206,018	113,672
Travel, trade shows and conferences	73,218	42,160	205,530	81,521
Advertising and promotion	24,697	5,650	55,384	11,000
Research and development	24,333	3,342	71,243	3,342
Amortization and depreciation	23,722	28,017	66,821	31,027
Repairs and maintenance	3,003	1,320	3,174	1,573
Bad debts expense (recovery)	(13,521)	-	6,639	6,400
	<u>1,141,245</u>	<u>705,376</u>	<u>3,849,622</u>	<u>1,608,821</u>
Loss before other (expenses) income and income taxes	<u>(729,939)</u>	<u>(392,436)</u>	<u>(2,666,830)</u>	<u>(417,172)</u>
Other (expenses) income				
Finance income (expense)	1,525	(1,636)	(83,492)	(5,854)
Foreign exchange gain (loss)	(4,153)	1,479	3,235	8,534
Interest income	5,887	-	11,605	-
Loss on sale of property and equipment	(45)	-	(1,157)	-
	<u>3,214</u>	<u>(157)</u>	<u>(69,809)</u>	<u>2,680</u>
Loss before income taxes	<u>(726,725)</u>	<u>(392,593)</u>	<u>(2,736,639)</u>	<u>(414,492)</u>
Income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss and comprehensive loss for the period	<u>(726,725)</u>	<u>(392,593)</u>	<u>(2,736,639)</u>	<u>(414,492)</u>
Attributable to				
Non-controlling interests	-	(21,194)	-	(64,250)
Controlling shareholders	(726,725)	(371,399)	(2,736,639)	(350,242)
Basic and diluted loss per share (note 8)	(0.03)	(0.80)	(0.17)	(0.76)

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

TrustBIX Inc.

(formerly Reco Northern Alberta Inc.)

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the three and nine month periods ended June 30, 2019 and 2018

	Three months ended		Nine months ended	
	June 30, 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(726,725)	(392,593)	(2,736,639)	(414,492)
Adjustments to reconcile net loss to cash flows from operating activities:				
Amortization and depreciation	23,722	28,017	66,821	31,027
Loss on disposal of property and equipment	45	-	1,157	-
Accretion of preferred shares	21,349	-	102,099	-
Stock-based compensation	102,872	-	678,422	-
Non-cash consideration upon reverse takeover	113,596	-	113,596	-
Cash (used in) provided by operating activities before changes in items of working capital	(465,141)	(364,576)	(1,774,544)	(383,465)
Net change in items of non-cash working capital (note 10)	(94,000)	375,241	297,331	413,300
	(559,141)	10,665	(1,477,213)	29,835
Investing activities				
Cash held in trust	-	-	195,900	-
Purchase of intangible assets	(4,174)	-	(4,174)	-
Purchase of property and equipment	(1,956)	-	(15,856)	(450)
	(6,130)	-	175,870	(450)
Financing activities (note 6)				
Proceeds from issuance of common shares in private placement	1,686,436	-	4,749,302	-
Redemption of preferred shares	(1,808,942)	-	(1,808,942)	-
Share issue costs	(30,339)	-	(310,738)	-
	(152,845)	-	2,629,622	-
Increase (decrease) in cash during the period	(718,116)	10,665	1,328,279	29,385
Cash – Beginning of period	3,136,172	107,544	1,089,777	88,824
Cash – End of period	2,418,056	118,209	2,418,056	118,209

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

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Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2019

1 Nature of operations

TrustBIX Inc.'s (formerly Reco Northern Alberta Inc.) (the Company) business operations consist of information solutions for the livestock industry including:

- the sale, installation and support of software and computer systems for auction markets and livestock dealers;
- the sale, installation and support of software for livestock feedlots;
- the sale, installation and support of data capture and carcass grading systems for pork and lamb slaughter plants;
- internet based applications that provide animal tracking and management for farmers and ranchers; and
- the sale, installation and support for beef information exchange (BIXS), a division.

The Company and its wholly owned subsidiary ViewTrak Technologies Inc. (ViewTrak) are incorporated and domiciled in Canada. The Company and its subsidiary's principal office is located at 10607 – 82 Street, Edmonton, Alberta.

Reverse take over of Reco Northern Alberta Inc.

On April 15, 2019, Reco Northern Alberta Inc. (RNAI) completed an acquisition (the Transaction) with ViewTrak Technologies Inc. in connection with a triangular amalgamation (Amalgamation) involving the Company, ViewTrak, BIXSco Inc. (BIXSco), Feedlot Solutions Ltd. (Feedlot Solutions) (BIXSco and Feedlot Solutions are subsidiaries of ViewTrak) and 2141987 Alberta Ltd. (#co), a wholly owned subsidiary of RNAI created solely for the purpose of effecting the Amalgamation, in accordance with the Business Corporations Act (Alberta).

Pursuant to the Amalgamation, RNAI on a post-consolidation and name change basis, acquired all of the issued and outstanding common shares of ViewTrak and all of the outstanding common share purchase warrants of ViewTrak in consideration of common shares and common share purchase warrants of RNAI.

The Company changed its name to TrustBIX Inc. The common shares of the Company were listed on the TSX Venture Exchange on April 29, 2019 under the trading symbol of "TBIX".

The merger of a private operating entity (ViewTrak) into a non-operating public shell corporation (RNAI) with nominal net assets, on April 15, 2019, resulted in (1) the owners of the private entity gaining control over the combined entity after the transaction, and (2) the shareholders of the former public shell corporation continuing only as passive investors. At the time of the Transaction, RNAI's assets consisted primarily of a business licence, and it did not have any processes capable of generating outputs; therefore, RNAI did not meet the definition of a business, and the transaction was not considered a business combination. Rather, this has been

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considered a capital transaction of the legal acquiree, being the issuance of shares by ViewTrak for the net monetary assets of RNAI accompanied by a recapitalization. The value of the RNAI 256,346 common shares has been determined to be \$211,096 and has been expensed as listing expense as noted below. The fair value of the common shares amounted to \$211,096, based on the shares issued in a concurrent financing of the Company's common shares at the time of the transaction of \$0.50 per share and shares previously issued by ViewTrak.

The following summarizes the reverse takeover of RNAI by ViewTrak and the assets acquired and the liabilities assumed on April 15, 2019, the amalgamation date:

	\$
Consideration already paid during the year ended September 30, 2018	97,500
Net tangible assets acquired	-
Additional consideration recognized at the time of the transaction	<u>113,596</u>
Total consideration	<u>211,096</u>

2 Basis of presentation

These interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as applicable to interim financial reports including International Accounting Standard (IAS) 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements of ViewTrak for the year ended September 30, 2018, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB).

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 22, 2019.

Basis of measurement

These interim condensed consolidated financial statements have been prepared in Canadian dollars, which is the Company's presentation and functional currency, and are prepared on a going concern and historical cost basis.

New accounting standard not yet adopted

The Company has not yet adopted the following new and revised standard.

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IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption if IFRS 15 is also applied. The Company has elected to adopt IFRS 16 effective October 1, 2019. Management is assessing the potential impact the adoption of IFRS 16 will have on the consolidated financial statements.

3 Changes in significant accounting policies

This note explains the impact of the adoption of IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, on the Company's interim condensed consolidated financial statements and discloses the new accounting policies that have been applied from October 1, 2018, where they are different to those applied in prior periods.

- IFRS 9, Financial Instruments

On October 1, 2018, the Company adopted IFRS 9, which replaced IAS 39 using the modified retrospective approach. IFRS 9 introduces new requirements for: (i) the classification and measurement of financial assets and financial liabilities; and (ii) the recognition and measurement of impairment for financial assets. IFRS 9 also introduces a simplified hedge accounting model that aligns more closely with risk management.

Financial instruments

The standard simplifies the classification of a financial asset as amortized cost or at fair value that previously had multiple classifications permitted under IAS 39. The standard also requires the use of a single impairment method.

Classification and measurement of financial instruments

The Company reclassified its loans and receivables balances to amortized cost.

Impairment of financial assets

The Company applied the simplified approach to provide for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. The

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Company's ECLs are probability-weighted estimates of credit loss. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due over the last two years. The results of the analysis determined that the Company's historical default rates represent a reasonable approximation of future expected defaults.

Impact of transition

The Company has classified its financial instruments into the appropriate IFRS 9 categories. There was no impact from this reclassification. The Company's existing financial instruments as at October 1, 2018 were reviewed and assessed as follows:

Financial instrument	Classification		Carrying amount	
	Previous – IAS 39	New – IFRS 9	IAS 39 \$	IFRS 9 \$
Cash			1,089,777	1,089,777
Restricted cash	Loans and receivables	Amortized cost	195,900	195,900
Accounts receivable			113,938	113,938
Share subscription receivable	Loans and receivables	Amortized cost	22,500	22,500
Accounts payable and accrued liabilities	Other financial liabilities at amortized cost	Amortized cost	456,720	456,720
Preferred shares			2,447,729	2,447,729

There was no material impact of the transition to IFRS 9 on the Company's financial position as at October 1, 2018.

- IFRS 15, Revenue from Contracts with Customers

On October 1, 2018, the Company adopted IFRS 15, which replaced IAS 18, Revenue; IAS 11, Construction Contracts; and related interpretations using the modified retrospective approach and cumulative effect method. The cumulative effect of adopting IFRS 15 had no material effect on initial application.

Contracts with multiple products or services

The Company sells its products and services on a stand-alone basis or as a bundled solution with separately identifiable performance obligations that add value to the customer on a stand-alone basis. For bundled transactions, each distinct performance obligation is recognized separately at its assessed transaction price. When the fair value cannot be determined for a performance obligation, the Company determines a value that most reasonably reflects the selling price that might be achieved in a stand-alone transaction. Any discounts identified are proportionately allocated to all separately identifiable components based on their relative selling price.

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The Company disaggregates revenue by performance obligation in the interim condensed consolidated statement of loss and comprehensive loss as well as by geography in note 11.

Software licences

Revenue for software licences, where hardware, installation and training are essential to the functionality of the software, is recognized when the performance obligation has been performed. This is considered to be when hardware is installed and all services are complete. All other software revenue is recognized on delivery when the customer has the right to use the software.

Professional and development services

Revenue for professional services is recognized when the performance obligation has been performed, which is considered as services are delivered to the customer. Development revenue is recognized using the percentage of completion method, comparing costs incurred to date to estimated total costs on a project-by-project basis.

Post-contract customer support (PCS)

PCS, which consists primarily of maintenance revenue, is recognized on a systematic basis over the period during which the related services and activities are rendered and all obligations are performed.

Hardware and installation

Hardware revenue, which also includes the sales of probes, is recognized when the performance obligation has been performed, which is considered to be on delivery. Revenue for installation, where not essential to the functionality of the hardware, is recognized as the services are delivered to the customer and all obligations are performed.

Contract liability

Prepaid revenue received from customers pertaining to the revenue streams are treated as unearned revenue and are classified as such on the interim condensed consolidated statement of financial position.

Contract assets

Contract costs, such as commissions paid to personnel are treated as a contract asset and are classified as such on the interim condensed consolidated statement of financial position if the benefit is expected to be greater than one year and those costs are expected to be recoverable under the terms of the contract.

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Impact of transition

The adoption of this standard did not have a material impact on the consolidated financial statements and as a result no transition adjustments were required.

4 Intangible assets

	BIXSco software \$	Trademark \$	Total \$
As at September 30, 2018			
Cost	238,609	-	238,609
Accumulated amortization	(46,396)	-	(46,396)
Net book value	192,213	-	192,213
For the period ended June 30, 2019			
Opening net book value	192,213	-	192,213
Additions	-	4,174	4,174
Amortization	(59,652)	-	(59,652)
Closing net book value	132,561	4,174	136,735
As at June 30, 2019			
Cost	238,609	4,174	242,783
Accumulated amortization	(106,048)	-	(106,048)
Net book value	132,561	4,174	136,735

During the three-month period ended June 30, 2019 the Company successfully registered a trademark in China, which has a definite life of 10 years.

The trademark will be amortized on a straight-line basis over the life of the asset.

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June 30, 2019

5 Property and equipment

	Computer hardware \$	Computer software \$	Office furniture and equipment \$	Total \$
As at September 30, 2018				
Cost	67,363	17,808	11,599	96,770
Accumulated depreciation	(46,018)	(17,808)	(6,102)	(69,928)
Net book value	21,345	-	5,497	26,842
For the period ended June 30, 2019				
Opening net book value	21,345	-	5,497	26,842
Additions	13,469	-	2,387	15,856
Disposals	(1,157)	-	-	(1,157)
Depreciation	(6,164)	-	(1,004)	(7,168)
Closing net book values	27,493	-	6,880	34,373
As at June 30, 2019				
Cost	79,675	17,808	13,986	111,469
Accumulated depreciation	(52,182)	(17,808)	(7,106)	(77,096)
Net book value	27,493	-	6,880	34,373

6 Share capital

Authorized

Unlimited number of common shares, with no par value

Unlimited number of preferred shares, voting, convertible, designated as Series 1 and Series 2

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Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2019

a) Common shares

Issued

	Number	\$
Balance as at September 30, 2017 and June 30, 2018	461,932	8,438,947
Balance as at September 30, 2018	6,666,666	301,010
Issued pursuant to private placement (i)	6,029,803	1,758,287
Issued pursuant to conversion of preferred shares to common shares (note 6(c))	3,970,207	1,226,708
Issued pursuant to private placement (ii)	8,000,000	3,331,771
Share-based payment from the amalgamation (iii)	256,346	113,596
Balance as at June 30, 2019	24,923,022	6,731,372

(i) Private placement of 6,029,803 shares

On November 16, 2018, December 4, 2018 and February 27, 2019, the Company completed a private placement, which consisted of the issuance of 1,887,667, 3,179,133 and 963,003 common shares at a subscription price of \$0.30 per share. Total gross cash proceeds were \$1,808,941 of which \$1,082,139 was received during the year ended September 30, 2018. These proceeds, less share issue costs of \$8,719, were converted from share capital – committed on issuance of 3,607,130 common shares. The remaining gross proceeds of \$726,802, less share issue costs of \$41,935, consisted of the issuance of the remaining 2,422,673 common shares.

(ii) Private placement of 8,000,000 shares

On April 17, 2019, the Company completed a private placement, which consisted of the issuance of 8,000,000 units at a subscription price of \$0.50 per unit. Each unit consisted of one common share and one-half of a warrant priced at \$0.75 per share. Gross proceeds of \$4,000,000 have been received. The gross proceeds have been allocated between share capital – issued and warrants in the amounts of \$3,331,771 (net of share issue costs of \$240,036) and \$399,426 (net of share issue costs of \$28,767), respectively. Each common share purchase warrant provides the holder the right to acquire one additional common share at an exercise price of \$0.75 and expires after two years. The fair value of the warrants in the amount of \$428,193 was determined using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.75, volatility of 60%, an expected life of two years, a dividend yield of nil% and a risk-free interest rate of 1.92%.

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(iii) Reverse takeover and amalgamation

On April 15, 2019, the Company completed the reverse takeover transaction with ViewTrak and amalgamated with subsidiaries as disclosed in note 1.

b) Share capital – committed

	Number – committed	\$
Balance as at September 30, 2017 and June 30, 2018	-	-
Balance as at September 30, 2018	3,607,130	1,073,420
Committed to issue pursuant to private placement	5,795,568	2,216,905
Conversion from share capital – committed to share capital	<u>(9,402,698)</u>	<u>(3,290,325)</u>
Balance as at June 30, 2019	<u>-</u>	<u>-</u>

During the period, all remaining share capital – committed has been converted to share capital – issued as result of completion of the concurrent financing on April 17, 2019.

c) Preferred shares

At a special meeting of the shareholders of the Company on April 20, 2018, the shareholders resolved to convert all of the 461,932 common shares outstanding as at September 30, 2017 into 2,750,002 voting, convertible, preferred Series 1 shares. The preferred shares were issued on July 13, 2018. On April 20, 2018, the shares held by the non-controlling interest of one of the subsidiary companies were converted into 250,000 voting, convertible, preferred Series 2 shares of the Company in exchange for the remaining 25% interest in BIXSco.

The voting convertible preferred Series 1 and Series 2 shares have the following attributes:

- redeemable and retractable at \$1 per share;
- the Company can redeem the shares at any time;
- the holder of the preferred shares has the right to require the Company to redeem the shares following the later of the date on which all of the common shares are acquired by a public company, and the date such public company completes an initial public offering; and
- the preferred shares will be automatically converted into common shares on July 1, 2019 at the rate of one common share for every \$0.15 of redemption value.

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In June 2018, the Company granted the preferred shareholders the right to convert up to 20% of their preferred shares into common shares at an exercise value of \$0.30 per share. This conversion would occur when the holder has the right to require the Company to redeem the shares as noted above or at the Company's discretion. As at September 30, 2018, preferred shareholders holding \$429,148 (net of \$4,100 share issue costs) of the \$3,000,002 redemption value agreed in writing to convert their shares. Because these shares are no longer redeemable or retractable, they have been classified as equity.

The remaining convertible preferred shares with a redemption amount of \$2,566,754 were classified as a current liability. The liability component of these convertible preferred shares was initially recognized at its estimated fair value of \$2,367,474 using an estimated maturity of January 31, 2019 and an interest rate of 15%. The residual \$199,280 representing the conversion option has been recognized in equity. The liability has accreted to \$2,447,729 as at September 30, 2018. Upon completion of the transaction on April 15, 2019, the remaining \$142,606 residual equity component of preferred shares has been reclassified to contributed surplus.

On December 4, 2018, the \$429,148, noted above, as well as an additional \$797,560 of the preferred shares were converted and the Company issued 3,970,207 common shares on conversion.

On April 30, 2019, the preferred shares were redeemed for a total of \$1,808,942 and the liability has been extinguished.

d) Warrants

	Number	\$
Balance as at September 30, 2017 and December 31, 2017	-	-
Balance as at September 30, 2018	6,666,666	649,050
Issued (note 6(a)(ii))	4,000,000	399,426
Balance as at June 30, 2019	<u>10,666,666</u>	<u>1,048,476</u>

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e) Stock options and compensation expense

A summary of the stock options outstanding as at June 30, 2019 and June 30, 2018 and changes during the periods ended on those dates is as follows:

	June 30, 2019		June 30, 2018	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	-	-	4,000	10.00
Cancelled	-	-	(4,000)	(10.00)
Granted	3,333,330	0.24	-	-
Outstanding – End of period	3,333,330	0.24	-	-
Options exercisable – End of period	1,367,777	0.23	-	-

During the three-month period ended June 30, 2019, pursuant to the stock option agreement, existing ViewTrak stock options were replaced with TrustBIX stock options with the same terms and conditions as ViewTrak options. No new stock options were granted.

A summary of the stock options granted for the period ended June 30, 2019 are as follows:

Grant date	Exercise price \$	Number
October 31, 2018 – Directors ^(a)	0.15	225,000
October 31, 2018 – Directors ^{(b)(d)}	0.15	125,000
October 31, 2018 – Key management ^(b)	0.15	963,330
October 31, 2018 – Employees ^(b)	0.15	20,000
December 17, 2018 – Directors ^(a)	0.50	160,000
December 17, 2018 – Directors ^{(c)(d)}	0.50	250,000
December 17, 2018 – Key management ^(c)	0.50	1,350,000
December 17, 2018 – Employees ^(c)	0.50	240,000
		<u>3,333,330</u>

- a) These options vest immediately and are exercisable the earlier of: (i) 90 days after the amalgamation as described in note 1; and (ii) 90 days after the date on which the option holder ceases to be a director of the Company.
- b) These options vest one-third immediately, one-third on the 12-month anniversary date and one-third on the 24-month anniversary date and are exercisable for a term of five years.

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- c) These options vest one-third immediately, one-third on the 12-month anniversary date and one-third on the 24-month anniversary date and are exercisable for a term of five years. These options were initially granted at \$0.30 per option. Subsequent to the initial approval, the terms of the options were amended to \$0.50 per option.
- d) These options were granted to Directors of TrustBIX Inc., the amalgamated company as described in note 1.

No stock options were granted in the three-month period ended June 30, 2018.

Application of the fair value method resulted in charges to stock-based compensation expense of \$102,872 for the three months ended June 30, 2019 (2018 – \$nil) and \$678,422 for the nine months ended June, 2019 (2018 – \$nil) with a corresponding increase in contributed surplus included in shareholders' equity (deficiency).

If the stock price volatility was higher by a factor of 10% on the option grant dates in 2019, this would have increased the stock-based compensation expense by approximately \$4,161 for the nine-month period ended June 30, 2019. If the stock price volatility was lower by a factor of 10% on the grant date, this would have decreased stock-based compensation expense by approximately \$3,820 for the nine-month period ended June 30, 2019.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted during the nine-month period ended June 30, 2019.

The Company considered historical volatility of its common shares as well as industry benchmarking in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term, taking into account expected director or employee exercise and expected post-vesting employment termination behaviour.

The following weighted average assumptions were used to estimate the fair value of the options granted during the period.

	June 30, 2019
Annualized volatility	60%
Risk-free interest rate	2.09%
Expected life of options in years	1.85
Dividend rate	nil%
Exercise price	\$0.24
Market price on date of grant	\$0.50
Fair value per common share option	\$0.30

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The following table summarizes information on stock options outstanding as at June 30, 2018:

Exercise price \$	Number outstanding	Weighted average remaining contractual life years	Options exercisable
0.15	1,333,330	3.61	594,444
0.50	2,000,000	4.00	773,333
	<u>3,333,330</u>	<u>3.84</u>	<u>1,367,777</u>

7 Related party transactions

The Company paid \$143,123 and \$606,702 for the three-month period and nine-month periods ended June 30, 2019, respectively, in professional and consulting fees to officers, directors, companies controlled by the director, shareholders and legal firms of which certain partners are shareholders of the company (2018 – \$25,601 and \$101,296).

The Company paid \$8,800 and \$9,200 in commissions for the three-month period and nine-month period ended June 30, 2019, respectively, to a shareholder (2018 – \$nil and \$nil) and \$1,714 for the three and nine-month periods ended was paid for other services to a family member of a director (2018 – \$8,893 and \$18,830).

The Company paid rent in the amount of \$17,652 and \$52,956 for the three-month and nine-month periods ended June 30, 2019, respectively, for a lease with a company controlled by two directors of the Company (2018 – \$7,598 and \$22,795).

These transactions are in the normal course of business and have been valued at amounts which are consideration established and agreed to by the related parties.

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Key management compensation

The compensation paid or payable to key management personnel during the three and nine months ended June 30, 2019 and 2018 were as follows:

	Three months ended		Nine months ended	
	June 30, 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$
Salaries and short-term benefits	185,167	61,856	588,189	112,329
Consulting	25,000	25,000	75,000	85,000

8 Loss per share

	Three months ended		Nine months ended	
	June 30, 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$
Net loss attributable to controlling shareholders	(726,725)	(371,399)	(2,736,639)	(350,242)
Net loss attributable to non-controlling interest	-	(21,194)	-	(64,250)
	<u>(726,725)</u>	<u>(392,593)</u>	<u>(2,736,639)</u>	<u>(414,492)</u>

	Three months ended		Nine months ended	
	June 30, 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$
Weighted average number of common shares outstanding – basic	23,386,262	461,932	16,350,209	461,932
Effect of dilutive securities	-	-	-	-
Potential shares issuable in exchange for preferred shares	-	-	-	-
Potential shares issuable in exchange for warrants	-	-	-	-
Potential shares issuable in exchange for stock-based options	-	-	-	-
Potential shares issuable in exchange for convertible debentures	-	-	-	-
Weighted average number of common shares outstanding – diluted	<u>23,386,262</u>	<u>461,932</u>	<u>16,350,209</u>	<u>461,932</u>
Basic and diluted loss per share	<u>(0.03)</u>	<u>(0.80)</u>	<u>(0.17)</u>	<u>(0.76)</u>

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For the three- and nine-month periods ended June 30, 2019, potential shares issuable in exchange for preferred shares, warrants, convertible debentures and all stock-based payment awards have been excluded in the diluted loss per share calculation as their effects would have been anti-dilutive.

9 Commitments

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	\$
Less than 1 year	9,591
Between 1 and 5 years	16,502
More than 5 years	-
	<hr/>
	26,093
	<hr/>

10 Supplementary cash flow information

Changes in items of non-cash working capital:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
	\$	\$	\$	\$
Accounts receivable	25,055	(3,513)	(9,937)	149,527
Inventory	3,416	(6,003)	1,268	5,020
Deposits and prepaid expenses	(32,362)	3,467	(24,452)	12,742
Accounts payable and accrued liabilities	(30,704)	334,152	308,999	274,521
Unearned revenue	(59,405)	47,138	21,453	(28,510)
	<hr/>	<hr/>	<hr/>	<hr/>
	(94,000)	375,241	297,331	413,300
	<hr/>	<hr/>	<hr/>	<hr/>

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Changes in liabilities from financing activities:

	Preferred shares liability \$
Balance – September 30, 2018 and June 30, 2018	-
Balance – September 30, 2018	2,447,729
Conversion of preferred shares liability	(740,886)
Accretion expense	102,099
Redemption of preferred shares	<u>(1,808,942)</u>
Balance – June 30, 2019	<u>-</u>

During the three-month period ended June 30, 2019, the Company redeemed all outstanding preferred shares for \$1,808,942.

11 Segment disclosures

Management has organized the Company under two reportable segments: the development and sale of information solutions for the livestock industry and related services, and BIX, which delivers data to benefit beef supply chain participants by improving communications and individual animal information sharing across the entire beef chain.

	Three months ended June 30, 2019			
	ViewTrak \$	BIX \$	Corporate and other reconciling items \$	Consolidated \$
Revenue from external customers	411,306	-	-	411,306
Expenses	919,780	197,743	-	1,117,523
Amortization and depreciation	3,838	19,884	-	23,722
Other income	3,214	-	-	3,214
Net loss	(509,098)	(217,627)	-	(726,725)
Other information				
Expenditures for additions to intangible assets net of government assistance	4,174	-	-	4,174

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	Three months ended June 30, 2018			
	ViewTrak	BIX	Corporate and other reconciling items	Consolidated
	\$	\$	\$	\$
Revenue from external customers	273,041	39,899	-	312,940
Expenses	543,629	133,730	-	677,359
Amortization and depreciation	1,505	26,512	-	28,017
Other expenses	(157)	-	-	(157)
Net loss	(272,250)	(120,343)	-	(392,593)
Other information				
Expenditures for additions to intangible assets net of government assistance	-	-	-	-
	Nine months ended June 30, 2019			
	ViewTrak	BIX	Corporate and other reconciling items	Consolidated
	\$	\$	\$	\$
Revenue from external customers	1,169,102	13,690	-	1,182,792
Expenses	3,103,965	678,836	-	3,782,801
Amortization and depreciation	7,169	59,652	-	66,821
Other expenses	69,809	-	-	69,809
Net loss	(2,011,841)	(724,798)	-	(2,736,639)
Other information				
Expenditures for additions to intangible assets net of government assistance	4,174	-	-	4,174

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	<u>Nine months ended June 30, 2018</u>			
	<u>ViewTrak</u>	<u>BIX</u>	<u>Corporate and other reconciling items</u>	<u>Consolidated</u>
	\$	\$	\$	\$
Revenue from external customers	1,137,239	54,410	-	1,191,649
Expenses	1,257,319	320,475	-	1,577,794
Amortization and depreciation	4,515	26,512	-	31,027
Other income	2,680	-	-	2,680
Net loss	(121,915)	(292,577)	-	(414,492)
Other information				
Expenditures for additions to intangible assets net of government assistance	-	-	-	-

Geographical segmentation

The Company's segments are managed on a worldwide basis. Substantially all of the Company's assets are located in Canada.

The following is a summary of revenue by geographic location in which the Company's customers are located:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	\$	\$	\$	\$
Canada	122,445	142,094	335,732	518,432
United States	270,028	170,311	773,559	670,219
Other	18,833	535	73,501	2,998
	<u>411,306</u>	<u>312,940</u>	<u>1,182,792</u>	<u>1,191,649</u>

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12 Revision of prior period financial statements

In connection with the preparation of these interim condensed consolidated financial statements of the Company, a misallocation of revenue streams between quarters for 2018 was identified. Accordingly, the first and second quarter of 2018 were adjusted as indicated in the tables below. Management does not believe that these adjustments, which relate entirely to comparative 2018 quarterly amounts, are material. This non-cash revision does not impact cash flows for any prior quarters. The Company has revised its comparative consolidated financial statements to correct the effect of this matter.

The following tables present the effect of this revision on individual line items within the Company's interim condensed consolidated statement of financial position and interim condensed consolidated statements of loss and comprehensive loss. The effects which flow through to the individual line items of quarterly revenue are not significant and the total revenue for the year does not change and have no net effect on the Company's cash flows from operating activities.

	Three months ended March 31, 2018			Three months ended December 31, 2017		
	As previously reported \$	Reallocation \$	As revised \$	As previously reported \$	Reallocation \$	As revised \$
Revenue						
Licence	54,086	4,946	59,032	42,000	(168)	41,832
Hardware and installation	96,134	20,725	116,859	86,399	25,260	111,659
Professional and development services	132,854	(33,113)	99,741	90,712	(74,990)	15,722
Maintenance	189,433	-	189,433	248,931	(4,500)	244,431
	<u>472,507</u>	<u>(7,442)</u>	<u>465,065</u>	<u>468,042</u>	<u>(54,398)</u>	<u>413,644</u>
Net income (loss) and comprehensive income (loss) for the period	<u>18,793</u>	<u>(7,442)</u>	<u>11,351</u>	<u>21,148</u>	<u>(54,398)</u>	<u>(33,250)</u>
Non-controlling interests	(23,014)	-	(23,014)	(13,151)	(6,891)	(20,042)
Controlling shareholders	41,807	(7,442)	34,365	34,299	(47,507)	(13,208)
Basic and diluted earnings (loss) per share	0.09	(0.02)	0.07	0.07	(0.10)	(0.03)

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	Six months ended March 31, 2018		
	As previously reported \$	Reallocation \$	As revised \$
Revenue			
Licence	96,086	4,778	100,864
Hardware and installation	182,533	45,985	228,518
Professional and development services	223,566	(108,103)	115,463
Maintenance	438,364	(4,500)	433,864
	<u>940,549</u>	<u>(61,840)</u>	<u>878,709</u>
Net income (loss) and comprehensive income (loss) for the period	<u>39,941</u>	<u>(61,840)</u>	<u>(21,899)</u>
Non-controlling interests	(36,165)	(6,891)	(43,056)
Controlling shareholders	76,106	(54,949)	21,157
Basic and diluted earnings (loss) per share	0.14	(0.09)	0.05

	March 31, 2017			December 31, 2017		
	As previously reported \$	Reallocation \$	As revised \$	As previously reported \$	Reallocation \$	As revised \$
Equities						
Capital reserve	122,063	27,565	149,628	122,063	27,565	149,628
Deficit	(8,095,330)	(61,839)	(8,157,169)	(8,127,114)	(54,398)	(8,181,512)

13 Subsequent events

Exercise of stock options and warrants

Subsequent to June 30, 2019, 233,333 options were exercised at a price of \$0.15 per share, 20,000 options at a price of \$0.50 per share and 73,346 warrants at a price of \$0.30 per share, for total proceeds of \$67,004.

\$49.5 million awarded to Alberta Innovates and its partners in Strategic Innovation Fund competition

On July 22, 2019, Alberta Innovates announced it will be partnering with organizations including the Vineland Research and Innovation Centre, Olds College, MDA Systems Ltd., Linamar Corp., Lakeland College, DOT Technology Corporation and TrustBIX and will share \$49.5 million in funding to bring together the private sector, academia and research institutions to drive automation and digitization of Canada's agricultural sector. The Company anticipates this will have a positive impact on cashflow and working capital.