

ViewTrak Technologies Inc.

Interim Condensed Consolidated
Financial Statements
(Unaudited)
March 31, 2019

Under National Instrument 51 – 102, the Company is providing notice that the comparative figures for the three and six months ended March 31, 2018 have not been reviewed by the Company's auditor.

ViewTrak Technologies Inc.

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at March 31, 2019

	March 31, 2019 \$	September 30, 2018 \$
Assets		
Current assets		
Cash	3,136,172	1,089,777
Restricted cash (note 6(b))	-	195,900
Accounts receivable	148,928	113,938
Share subscription receivable (note 6(b))	102,703	22,500
Inventory	70,645	68,497
Deposits and prepaid expenses	5,765	13,675
	<u>3,464,213</u>	<u>1,504,287</u>
Intangible assets (notes 4 and 10)	152,445	192,213
Property and equipment (note 5)	<u>36,300</u>	<u>26,842</u>
	<u>3,652,958</u>	<u>1,723,342</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	796,423	456,720
Unearned revenue	342,335	261,477
Preferred shares (note 6(c))	1,787,593	2,447,729
	<u>2,926,351</u>	<u>3,165,926</u>
Shareholders' Equity (Deficiency)		
Share capital issued (note 6(a))	3,286,005	301,010
Share capital – committed (note 6(b))	1,944,673	1,073,420
Preferred shares (note 6(c))	-	429,148
Equity component of convertible preferred shares (note 6(c))	142,606	199,280
Warrants (note 6(d))	882,180	649,050
Contributed surplus (note 6(e))	575,550	-
Capital reserve	149,628	149,628
Deficit	<u>(6,254,035)</u>	<u>(4,244,120)</u>
	<u>726,607</u>	<u>(1,442,584)</u>
	<u>3,652,958</u>	<u>1,723,342</u>
Commitments (note 8)		
Approved by the Board of Directors		
<u>(signed) "Hubert Lau"</u>	Director	<u>(signed) "Jaison Lee"</u> Director

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

ViewTrak Technologies Inc.

Interim Condensed Consolidated Statements of Changes in (Deficiency) Equity (Unaudited)

For the six-month periods ended March 31, 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	-	-	-	-	-	-	-	(2,009,915)	-	(2,009,915)
Transactions with the owners in their capacity as owners:										
Issuance of common shares in private placement, net of share issue costs (notes 6(a) and (b))	1,758,287	(1,345,652)	-	-	-	-	-	-	-	412,635
Conversion of preferred shares into common shares (note 6(c))	1,226,708	-	(429,148)	(56,674)	-	-	-	-	-	740,886
Private placement committed to issuance of common shares, net of share issue costs (note 6(b))	-	272,232	-	-	-	-	-	-	-	272,232
Private placement committed to issuance of units, net of share issue costs (notes 6(b) and (d))	-	1,944,673	-	-	233,130	-	-	-	-	2,177,803
Stock-based compensation (note 6(e))	-	-	-	-	-	575,550	-	-	-	575,550
Balance – March 31, 2019	3,286,005	1,944,673	-	142,606	882,180	575,550	149,628	(6,254,035)	-	726,607
Balance – October 1, 2017	8,438,947	-	-	-	-	-	122,063	(8,161,413)	(276,452)	123,145
Net income (loss) for the period	-	-	-	-	-	-	-	66,083	(26,230)	39,853
Balance – March 31, 2018	8,438,947	-	-	-	-	-	122,063	(8,095,330)	(302,682)	162,998

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

ViewTrak Technologies Inc.

Interim Condensed Consolidated Statements of (Loss) Income and Comprehensive

(Loss) Income

(Unaudited)

For the three- and six-month periods ended March 31, 2019 and 2018

	Three-month periods ended		Six-month periods ended	
	March 31, 2019 \$	March 31, 2018 \$	March 31, 2019 \$	March 31, 2018 \$
Revenue				
Licence	13,659	54,086	29,471	96,086
Hardware and installation	81,046	96,134	207,191	182,533
Professional and development services	40,871	132,854	79,576	223,566
Maintenance	212,529	189,433	455,248	438,364
	<u>348,105</u>	<u>472,507</u>	<u>771,486</u>	<u>940,549</u>
Expenses				
Wages and benefits (note 6(e))	420,249	134,022	1,288,542	270,806
Professional fees	223,747	28,349	527,662	42,728
Consulting fees	191,901	165,043	372,820	351,980
Travel, trade shows and conferences	74,485	23,439	132,312	39,361
Hardware costs and supplies	66,406	51,670	115,310	104,825
Amortization and depreciation	21,200	1,505	43,098	3,010
Office and administrative	68,303	43,908	130,706	78,821
Research and development	33,667	-	46,910	-
Advertising and promotion	19,143	3,299	30,687	5,350
Bad debts	20,160	-	20,160	6,400
Repairs and maintenance	171	158	171	253
	<u>1,139,432</u>	<u>451,393</u>	<u>2,708,378</u>	<u>903,534</u>
(Loss) income before other (expenses) income and income taxes	<u>(791,327)</u>	<u>21,114</u>	<u>(1,936,892)</u>	<u>37,015</u>
Other (expenses) income				
Finance costs	(2,711)	(2,013)	(85,017)	(4,218)
Foreign exchange	2,748	(308)	7,388	7,056
Interest income	5,718	-	5,718	-
Loss on disposal of property and equipment	(1,112)	-	(1,112)	-
	<u>4,643</u>	<u>(2,321)</u>	<u>(73,023)</u>	<u>2,837</u>
(Loss) income before income taxes	<u>(786,684)</u>	<u>18,793</u>	<u>(2,009,915)</u>	<u>39,853</u>
Income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (loss) income and comprehensive (loss) income for the period	<u>(786,684)</u>	<u>18,793</u>	<u>(2,009,915)</u>	<u>39,853</u>
Attributable to				
Non-controlling interest	-	(23,014)	-	(26,230)
Controlling shareholders	(786,684)	41,807	(2,009,915)	66,083
Basic and diluted (loss) earnings per share (note 7)	<u>(0.05)</u>	<u>0.09</u>	<u>(0.16)</u>	<u>0.14</u>

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

ViewTrak Technologies Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the three- and six-month periods ended March 31, 2019 and 2018

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<u>March 31,</u> <u>2019</u> <u>\$</u>	<u>March 31,</u> <u>2018</u> <u>\$</u>	<u>March 31,</u> <u>2019</u> <u>\$</u>	<u>March 31,</u> <u>2018</u> <u>\$</u>
Cash provided by (used in)				
Operating activities				
Net (loss) income for the period	(786,684)	18,793	(2,009,915)	39,853
Adjustments to reconcile net loss to cash flows from operating activities:				
Amortization and depreciation	21,200	1,505	43,098	3,010
Loss on disposal of property and equipment	1,112	-	1,112	-
Accretion of preferred shares	685	-	80,750	-
Stock-based compensation	102,870	-	575,550	-
Cash (used in) provided by operating activities before changes in items of working capital	(660,817)	20,298	(1,309,405)	42,863
Net change in items of non-cash working capital (note 9)	363,817	13,488	391,333	(23,693)
	(297,000)	33,786	(918,072)	19,170
Investing activities				
Cash held in trust	56,700	-	195,900	-
Purchase of property and equipment	(9,943)	(450)	(13,900)	(450)
	46,757	(450)	182,000	(450)
Financing activities (note 9)				
Proceeds from issuance of common shares in private placement	-	-	749,302	-
Proceeds from units in private placement committed to be issued	2,296,267	-	2,313,565	-
Share issue costs	(218,030)	-	(280,400)	-
	2,078,237	-	2,782,467	-
Increase in cash during the period	1,827,994	33,336	2,046,395	18,720
Cash – Beginning of period	1,308,178	74,208	1,089,777	88,824
Cash – End of period	3,136,172	107,544	3,136,172	107,544

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

ViewTrak Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2019

1 Nature of operations

ViewTrak Technologies Inc.'s (the Company or ViewTrak) 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 through Feedlot Solutions Ltd., a wholly owned private subsidiary;
- 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 through BIXSco Inc., a subsidiary.

The Company and its subsidiaries are incorporated and domiciled in Canada. The Company and its subsidiaries' principal office is located at 10607 – 82 Street, Edmonton, Alberta.

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 IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements of the Company 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 May 30, 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 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.

a) 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 standards simplify 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.

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Notes to Interim Condensed Consolidated Financial Statements

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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 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
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.

b) 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.

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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.

The Company disaggregates revenue by performance obligation in the interim condensed consolidated statement of (loss) income and comprehensive (loss) income as well as by geography in note 10.

Software licences

Revenue for software licences, where hardware, installation and training are essential to the functionality of the software, is recognized when it is highly probable that a significant reversal will not occur and 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 and when it is highly probable that a significant reversal will not occur. 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 and when it is highly probable that a significant reversal will not occur. Revenue for installation, where not essential to the functionality of the hardware, is recognized as the services are delivered to the customer, all obligations are performed and it is highly probable that a significant reversal will not occur.

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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.

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 \$
As at September 31, 2018	
Cost	238,609
Accumulated amortization	<u>(46,396)</u>
Net book value	<u>192,213</u>
For the period ended March 31, 2019	
Opening net book value	192,213
Amortization	<u>(39,768)</u>
Closing net book value	<u>152,445</u>
As at March 31, 2019	
Cost	238,609
Accumulated amortization	<u>(86,164)</u>
Net book value	<u>152,445</u>

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Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

March 31, 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 March 31, 2019				
Opening net book value	21,345	-	5,497	26,842
Additions	11,912	-	1,988	13,900
Disposals	(1,112)	-	-	(1,112)
Depreciation	(2,675)	-	(655)	(3,330)
Closing net book values	29,470	-	6,830	36,300
As at March 31, 2019				
Cost	74,713	17,808	13,587	106,108
Accumulated depreciation	(45,243)	(17,808)	(6,757)	(69,808)
Net book value	29,470	-	6,830	36,300

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

a) Common shares

Issued

	Number	\$
Balance as at September 30, 2017 and March 31, 2018	461,932	8,438,947
Balance as at September 30, 2018	6,666,666	301,010
Issued pursuant to private placement	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
Balance as at March 31, 2019	16,666,676	3,286,005

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(Unaudited)

March 31, 2019

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, respectively, 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.

b) Share capital – committed

	Number – committed	\$
Balance as at September 30, 2017 and December 31, 2017	-	-
Balance as at September 30, 2018	3,607,130	1,073,420
Committed to issue pursuant to private placement	963,033	272,232
Conversion from share capital – committed to share capital (note 6(a))	(4,570,163)	(1,345,652)
Committed to issue pursuant to private placement	4,832,535	1,944,673
Balance as at March 31, 2019	<u>4,832,535</u>	<u>1,944,673</u>

During the period, subscription agreements related to private placements were signed which provided a commitment to issue 4,832,535 units at a subscription price of \$0.50 per unit on completion of the reverse takeover transaction as described in note 11. Each unit consists of one common share and one-half of a share purchase warrant. Gross proceeds of \$2,328,934 have been received and \$87,334 is included as a share subscription receivable for total gross proceeds of \$2,416,268. The gross proceeds have been allocated between share capital – committed and warrants in the amounts of \$1,944,673 (net of share issue costs of \$212,938) and \$233,130 (net of share issue costs of \$25,527), 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 \$258,657 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 0% and a risk-free interest rate of 1.92%.

Subsequent to period-end, the private placement was completed and total gross proceeds raised was \$4,000,000.

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March 31, 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.

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.

The remaining convertible preferred shares with a redemption amount of \$2,566,754 have been 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.

On December 4, 2018, the \$429,148, noted above, as well as an additional \$797,560 of the preferred shares classified as current liabilities were converted and the Company issued 3,970,207 common shares on conversion. The remaining liability has accreted to \$1,786,223 as at March 31, 2019.

Under the amalgamation agreement disclosed in note 11, the preferred shares of the new amalgamated company were issued in exchange for preferred shares of the Company on a one for one basis. Management then redeemed the preferred shares on April 30, 2019, in the amount of \$1,808,942.

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d) Warrants

	Number	\$
Balance as at September 30, 2017 and December 31, 2017	-	-
Balance as at September 30, 2018	6,666,666	649,050
Warrants committed to be issued (note 6(b))	<u>2,416,268</u>	<u>233,130</u>
Balance as at March 31, 2019	<u>9,082,934</u>	<u>882,180</u>

e) Stock options and compensation expense

A summary of the stock options outstanding as at March 31, 2019 and March 31, 2018 and changes during the periods ended on those dates is as follows:

	<u>March 31, 2019</u>		<u>March 31, 2018</u>	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	-	-	4,000	10.00
Granted	<u>3,333,330</u>	<u>0.36</u>	-	-
Outstanding – End of period	<u>3,333,330</u>	<u>0.36</u>	<u>4,000</u>	<u>10.00</u>
Options exercisable – End of period	<u>1,367,777</u>	<u>0.35</u>	<u>4,000</u>	<u>10.00</u>

A summary of the stock options granted for the period ended March 31, 2019 are as follows:

Grant date	Grant price \$	Number
October 31, 2018 – Directors ⁽¹⁾	0.15	225,000
October 31, 2018 – Directors ⁽²⁾⁽⁴⁾	0.15	125,000
October 31, 2018 – Key management ⁽²⁾	0.15	963,330
October 31, 2018 – Employees ⁽²⁾	0.15	20,000
December 17, 2018 – Directors ⁽¹⁾	0.50	160,000
December 17, 2018 – Directors ⁽³⁾⁽⁴⁾	0.50	250,000
December 17, 2018 – Key management ⁽³⁾	0.50	1,350,000
December 17, 2018 – Employees ⁽³⁾	0.50	<u>240,000</u>
		<u>3,333,330</u>

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- (1) These options vest immediately and are exercisable the earlier of: (i) 90 days after the amalgamation as described in note 11; and (ii) 90 days after the date on which the option holder ceases to be a director of the Corporation.
- (2) 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.
- (3) 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.
- (4) These options were granted to Directors of TrustBIX Inc., the amalgamated company as described in note 11.

No stock options were granted in the period ended March 31, 2018.

Application of the fair value method resulted in charges to stock-based compensation expense of \$102,870 for the three months ended March 31, 2019 (2018 – \$nil) and \$575,550 for the six months ended March 31, 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 \$19,114 for the period. 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 \$18,131 for the period.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted during the period.

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.

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	March 31, 2019
Annualized volatility	60%
Risk-free interest rate	2.09%
Expected life of options in years	1.85
Dividend rate	0.0%
Exercise price	\$0.24
Market price on date of grant	\$0.50
Fair value per common share option	\$0.30

The following table summarizes information on stock options outstanding as at March 31, 2019:

Exercise price (\$)	Number outstanding	Weighted average remaining contractual life (years)	Options exercisable
0.15	1,333,330	3.86	594,444
0.50	2,000,000	4.25	773,333
	<hr/> 3,333,330	4.12	<hr/> 1,367,777

7 (Loss) earnings per share

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	March 31, 2019 \$	March 31, 2018 \$	March 31, 2019 \$	March 31, 2018 \$
Net (loss) earnings attributable to controlling shareholders	(786,684)	41,807	(2,009,915)	66,083
	<hr/>		<hr/>	

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March 31, 2019

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Weighted average number of common shares outstanding – basic	16,046,074	461,932	12,832,182	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>16,046,074</u>	<u>461,932</u>	<u>12,832,182</u>	<u>461,932</u>
Basic and diluted (loss) earnings per share	<u>(0.05)</u>	<u>0.09</u>	<u>(0.16)</u>	<u>0.14</u>

For the period ended March 31, 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) earnings per share calculation as their effects would have been anti-dilutive.

8 Commitments

Operating lease commitments

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

	<u>\$</u>
Less than 1 year	9,466
Between 1 and 5 years	16,879
More than 5 years	-
	<u>26,345</u>

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9 Supplementary cash flow information

Changes in items of non-cash working capital:

	Three months ended		Six months ended	
	March 31, 2019 \$	March 31, 2018 \$	March 31, 2019 \$	March 31, 2018 \$
Accounts receivable	37,578	51,250	(34,990)	91,290
Inventory	(7,136)	7,351	(2,148)	11,023
Deposits and prepaid expenses	8,784	6,719	7,910	9,275
Accounts payable and accrued liabilities	273,216	(18,578)	339,703	(59,633)
Unearned revenue	51,375	(33,254)	80,858	(75,648)
	<u>363,817</u>	<u>13,488</u>	<u>391,333</u>	<u>(23,693)</u>

Changes in liabilities from financing activities:

	Preferred shares liability \$
Balance – September 30, 2018 and March 31, 2018	-
Balance – September 30, 2019	2,447,729
Conversion of preferred shares liability	(740,886)
Accretion expense	<u>80,750</u>
Balance – March 31, 2019	<u>1,787,593</u>

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March 31, 2019

10 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 BIXSco, which delivers data to benefit beef supply chain participants by improving communications and individual animal information sharing across the entire beef chain.

Three-month period ended March 31, 2019

	ViewTrak \$	BIXSco \$	Corporate and other reconciling items \$	Consolidated \$
Revenue from external customers	334,415	13,690	-	348,105
Expenses	(866,797)	(243,025)	(8,410)	(1,118,232)
Amortization and depreciation	(1,316)	(19,884)	-	(21,200)
Other income (expenses)	4,643	-	-	4,643
Net loss	(529,055)	(249,219)	(8,410)	(786,684)

Three-month period ended March 31, 2018

	ViewTrak \$	BIXSco \$	Corporate and other reconciling items \$	Consolidated \$
Revenue from external customers	464,359	8,148	-	472,507
Expenses	(349,683)	(100,205)	-	(449,888)
Amortization and depreciation	(1,505)	-	-	(1,505)
Other income (expenses)	(2,321)	-	-	(2,321)
Net (loss) income	110,850	(92,057)	-	18,793

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	Six-month period ended March 31, 2019			
	ViewTrak	BIXSco	Corporate and other reconciling items	Consolidated
	\$	\$	\$	\$
Revenue from external customers	757,796	13,690	-	771,486
Expenses	(2,195,661)	(461,209)	(8,410)	(2,665,280)
Amortization and depreciation	(3,330)	(39,768)	-	(43,098)
Other expenses	(73,023)	-	-	(73,023)
Net loss	(1,514,218)	(487,287)	(8,410)	(2,009,915)

	Six-month period ended March 31, 2018			
	ViewTrak	BIXSco	Corporate and other reconciling items	Consolidated
	\$	\$	\$	\$
Revenue from external customers	898,463	42,086	-	940,549
Expenses	(153,517)	(147,006)	-	(900,523)
Amortization and depreciation	(3,010)	-	-	(3,010)
Other income (expenses)	2,837	-	-	2,837
Net (loss) income	144,773	(104,920)	-	39,853

Geographical segmentation

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

ViewTrak Technologies Inc.

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March 31, 2019

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

	<u>Three-month periods ended</u>		<u>Six-month periods ended</u>	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	\$	\$	\$	\$
Canada	107,253	240,734	247,531	416,877
United States	213,450	231,773	471,053	521,208
Other	27,402	-	52,902	2,464
	348,105	472,507	771,486	940,549

11 Subsequent event

Reverse takeover transaction

Subsequent to period-end, the Company's shareholders became shareholders of Reco Northern Alberta Inc. (RNAI), an unlisted reporting issuer, through a reverse takeover transaction that was pursuant to an amalgamation agreement dated February 27, 2019, and amended on April 15, 2019. Under this agreement, the Company amalgamated with its wholly owned subsidiaries and 2141987 Alberta Ltd., a wholly owned subsidiary of RNAI. The newly formed company (Amalco) is continuing as one corporation that is a wholly owned subsidiary of RNAI. The shareholders of the Company and the shareholders of RNAI each approved the amalgamation at their respective meetings held on April 15, 2019.

Upon completion of the amalgamation, RNAI changed its name to TrustBIX Inc., and on April 25, 2019 the TSX Venture Exchange (TSXV) announced that effective at the opening on April 29, 2019, the common shares of TrustBIX Inc. will commence trading on the TSXV under the ticker symbol "TBIX".

TrustBIX Inc. granted stock options to directors, officers and employees of TrustBIX Inc. in exchange for the options that were previously issued by the Company and as described in note 6 (e).