



TrustBIX Inc.

Management's Discussion and Analysis

Year Ended September 30, 2020

TrustBIX Inc.

Management's Discussion and Analysis

For the years ended September 30, 2020 and 2019

The following Management's Discussion and Analysis ("MD&A") relates to the financial position, results of operations and cash flows of TrustBIX Inc. ("TrustBIX", "we", "us" or the "Company" or "Corporation") for the year ended September 30, 2020 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended September 30, 2020 (the "financial statements") and the MD&A and TrustBIX Inc. (formerly Reco Northern Alberta Inc. – note 1) audited consolidated financial statements and related notes for the years ended September 30, 2019. The information in this MD&A is current to December 21, 2020, unless otherwise noted.

Unless otherwise stated, financial information in this MD&A is expressed in Canadian dollars and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and included in the CPA Canada Handbook – Accounting, Part I. This MD&A provides information on the activities of the Company.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary ViewTrak Technologies Inc. ("ViewTrak"). All inter-company accounts and transactions have been eliminated.

Management is responsible for the information contained in the MD&A and its consistency with information presented, and the MD&A was reviewed and approved by the Board of Directors ("Board") as of December 21, 2020. The consolidated financial statements and additional information pertaining to the Company can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and reflects the Company's present assumptions regarding future events. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance, and/or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements.

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "should", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by applicable securities legislation, regulations or policies.

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SIGNIFICANT DEVELOPMENTS AFFECTING OPERATIONS

COVID-19

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of COVID-19. The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. During the year ended September 30, 2020, the spread of COVID-19 resulted in a slowing of the agriculture and general business sectors and the closure of certain major meat packing plants, which has resulted in a slowing of meat packing activity. Consequently, farmers are faced with an oversupply of cattle and pork and declining selling prices to the meat packing plants, resulting in financial uncertainty with the Company's customers.

The full extent of the impacts of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance and estimates and assumptions used by management in the preparation of its financial results.

The Company has taken several mitigation efforts in response. Staff have been required to work from home when feasible and non-essential travel and in-person meetings have been suspended consistent with government mandates or guidance. Some of these measures may have an adverse impact on the business.

Going concern

As at September 30, 2020 and 2019, the Company had a net working capital of \$100,402 and \$1,157,966, respectively. For the years ended September 30, 2020 and 2019, the Company incurred a net loss of \$2,335,110 and \$3,392,584, respectively and net cash outflow from operating activities of \$2,405,135 and \$2,366,892, respectively. As at September 30, 2020 and 2019, the Company had an accumulated deficit of \$9,971,814 and \$7,636,704, respectively. In addition, the Company also has lease commitments in the amount of \$87,822 and a loan payable of \$513,894, as disclosed in notes 11 and 14 of the consolidated financial statements.

Management is currently pursuing multiple strategies to increase their net working capital position. Current operations have been financed primarily from the issue of share capital, along with revenues from the sale, installation and support of software and hardware of the ViewTrak segment. Management efforts and the Company's focus are primarily on the development of the Company's proprietary, cloud-based and secure distributed ledger platform (BIX) and its use of incentive solutions related to food traceability and sustainability information. Management is actively pursuing new business opportunities related to the BIX platform to increase cash flows from operations. Additionally, the Company has received or is in the process of applying for provincial and/or federal government grant and funding programs including Innovation, Science and Economic Development Canada and the Canada Emergency Wage Subsidy ("CEWS"). During the year ended September 30, 2020, the Company received \$378,045 from CEWS, which is netted against wages and benefits on the condensed consolidated statement of loss. During the year, the Company entered into a contribution agreement with Western Economic Diversification Canada (WD) and received a \$1,000,000 repayable financial contribution (note 14 of the consolidated financial statements).

The Company has implemented a cost reduction program and is working on sourcing financing alternatives, such as through private placement.

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The outcome of such efforts is dependent on a number of factors, many of which are outside of the Company's control. The nature of the technology sector, availability of government grants and current financial equity market conditions, including the impact of a novel strain of the coronavirus (COVID-19) (as disclosed in note 3 of the consolidated financial statements), make the success of any future financing alternatives and the other management strategies uncertain. There can be no assurance that management's efforts will be successful. This uncertainty casts significant doubt upon the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to going concern.

Financing

The Company's purpose and vision resonate with staff, partners, and directors and they committed to support the Company. During the year ended September 30, 2020, the Company has raised gross proceeds of \$909,958 through a combination of private placements and exercise of warrants (note 15 to the consolidated financials statements). The private placements and exercise of warrants were made by directors, officers, employees, partners and TrustBIX contractors pursuant to applicable securities exemptions.

On July 27, 2020, the Company entered into a contribution agreement with WD for a repayable financial contribution under the Regional Relief and Recovery Fund. Under the contribution agreement, WD supported the Company with an investment of \$1,000,000 for general working capital requirements (the "Contribution"). Repayment of the Contribution commences January 31, 2023 and continues in equal monthly instalments until the Contribution is fully repaid by December 31, 2025. The Contribution is unsecured and non-interest bearing, unless repayment is not made as scheduled.

Cash from financing was used for ongoing operating expenses and to expand business operations.

PRINCIPAL BUSINESS

As an innovative leader, TrustBIX provides agri-food traceability. By addressing consumer and agri-food business demands, the Company has a goal to become the most trusted and largest source of third-party food traceability and sustainability information globally – Gate to Plate®. TrustBIX Inc.'s focus is to create a world where we trust more, waste less and reward sustainable behaviour. The Company's proprietary platform, BIX (Business infoXchange System), is designed to create trust without compromising privacy through innovative use of data and technology. Extensive R&D has allowed TrustBIX to create a new blockchain-derived technology to complement its mature and proven traceability systems. By leveraging BIX and its unique use of incentive solutions, the Company can deliver independent validation of food provenance and sustainable production practices within the supply chain.

While management's efforts and the Company's focus is primarily on the development of BIX products and markets, current revenue is generated largely from ViewTrak's products (information regarding operating segments is disclosed in note 23 of the consolidated financial statements). ViewTrak, a wholly owned subsidiary of TrustBIX, has developed solutions for many agricultural technology challenges, with an emphasis on feedlots, auctions and processors, and its proprietary technology includes:

Auction Master Pro ("AMP") and Market Master ("MM") - livestock auction market software solutions to help build and operate auction activities,

Feedlot Solutions ("FLS") - livestock feedlot management software, and

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Electronic Pork Grader - pork probe technology to help producers price pork carcasses by evaluating carcasses for fat thickness, lean meat thickness, meat percentage and carcass class.

ViewTrak's pork probe technology is used by the largest pork processor in China¹ and by major pork processors in Canada and Mexico to grade and price pork carcasses.

OUTLOOK

Globally, consumers continue to focus on food safety, social responsibility and environmental sustainability. Consumers are demanding, and have a right to know, what they are eating and where it comes from. These concerns are now heightened because of the COVID-19 pandemic, and they could be addressed through food supply chain traceability.

Preparations for 2021

With COVID-19 vaccines in process of being approved and administered around the world, TrustBIX will focus its attention on growth and expansion. However, for employees' health and safety, the Edmonton and Markham offices will continue to be closed and staff asked to work from home and to respect social distancing, as they have been since March 12, 2020.

Strategic sourcing and export opportunities

Strategic sourcing

Since the CBSA pilot began in 2017, TrustBIX continued to collaborate with industry leaders to provide funding to participants that produced certified sustainable cattle, throughout the entire supply chain. With the two-year contract renewal with Cargill announced on December 2, 2020, TrustBIX continues working with Cargill and their sustainable beef sourcing.

For more details, refer to the press release on December 2, 2020, "TrustBIX Inc. renews contract to support Cargill's Certified Sustainable Beef program".

Exports

TrustBIX continues to build strong links to supply premium beef products to customers globally. TrustBIX oversees the entire value chain. The BIX system tracks the chain of custody to enable sourcing of beef with the desirable attributes that customers want.

Two new Memorandums of Understanding were signed by the TrustBIX team relating to export opportunities. On November 19, 2020, TrustBIX announced its collaboration with GBI Global Inc. to assist in identifying buyers for premium beef products through its relationships in China and Hong Kong. On November 27, 2020, TrustBIX announced the arrangement for KML Meat Processors Ltd. to process cattle and ship products destined for TrustBIX customers in China and Hong Kong.

For more details, refer to the press releases on November 19, 2020, "TrustBIX Inc. signs MOU to market premium Canadian beef for export to China and Hong Kong", and on November 27, 2020, "TrustBIX Inc. signs MOU to process premium Canadian beef for export to China and Hong Kong".

¹ <https://www.scmp.com/business/companies/article/3022643/worlds-largest-pork-producer-wh-group-between-us-and-china-finds>

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TrustBIX continues to work with existing partners, such as Cantrix Livestock International Inc. and Guangzhou Food2China Network Technology Co., Ltd., on creating potential post-COVID solutions for progressive Canadian agri-food businesses.

Environment, Social, and Governance (ESG)

TrustBIX is expanding its data sources by entering into a complementary line of business which acknowledges the increasing importance of ESG considerations by customers and investors. By quantifying baseline energy usage and reductions, TrustBIX can help customers reduce their Scope 3 emissions and show progress on ESG and sustainability initiatives in their supply chain. The Company can help reduce their energy consumption, as well as measure the reduced carbon footprint, making it possible for them to save money now and be ready for future opportunities in carbon credits and ecosystems services.

For more details, refer to the press release on December 7, 2020, "TrustBIX Inc. signs on as a value-added reseller of BuildSense Energy Management Solutions, a Green Metrics Technologies product".

Enhance capabilities

Added Functionality of the BIX Platform

On November 17, 2020, TrustBIX announced a project with West-Central Forage Association aimed to improve genetic traceability in multi-sire breeding systems used in commercial herd management. This multi-year project will demonstrate the benefits of a systematic approach to breeding and how sire-progeny links and other herd performance information can be used to generate measurable productivity and profitability improvements.

For more information, refer to the press release on November 17, 2020, "TrustBIX Inc. delivers data solution for West-Central Forage Association".

During the third quarter, the Company announced the ability for producers and feedlot owners to certify their reports in the BIX platform. Certifying reports provides recipients of the reports a higher level of trust that the underlying data is accurate. This capability has been made possible through TrustBIX's ongoing exploration of blockchain technology.

For more details, refer to the press release on May 19, 2020, "TrustBIX continues growth through ongoing investment in software capabilities".

New Solutions for ViewTrak's Auction Market Software

TrustBIX added functionality for ViewTrak's livestock auction market customers. On July 7, 2020, TrustBIX announced the launch of new attribute-based marketing solutions that empower livestock auction markets to offer better value to producers and buyers. Auction markets that are presently ViewTrak Auction Master Pro or Market Master software clients have the opportunity to expand their capabilities to display attributes of the livestock being auctioned with Attribute Display. For example, at time of auction, buyers and sellers will know whether livestock are Verified Beef Production Plus ("VBP+") or Beef Quality Assurance ("BQA") certified, along with any vaccination or feeding programs the seller wants to display. In Canada, knowing that an animal is from a VBP+ certified operation is important in preserving chain-of-custody through operations audited to the Canadian Roundtable for Sustainable Beef sustainability framework, and can qualify animals for financial incentives at time of harvest. ViewTrak has begun marketing this capability for their existing AMP and MM clients as an additional software module. To allow Market Master clients to use the attribute display system, ViewTrak has also created the ability to transition away from the older audience display boards to fully customizable TV screens.

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For more details, refer to the press release on July 7, 2020, "TrustBIX Inc. announces new solutions for livestock auction markets".

TrustBIX will continue to explore and create new opportunities for its customers, the agri-food industry and its shareholders.

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RESULTS OF OPERATIONS**Selected information for the years ended September 30, 2020, 2019 and 2018:**

	2020	2019	2018
	\$	\$	\$
Revenue			
License	62,679	86,469	142,195
Hardware and installation	423,101	514,917	416,973
Professional and development services	288,875	167,531	132,504
Maintenance	852,782	872,516	833,939
	1,627,437	1,641,433	1,525,611
Expenses:			
Wages and benefits	2,201,309	2,193,426	841,693
Consulting fees	790,355	815,731	650,055
Professional fees	396,332	919,872	595,206
Hardware costs and supplies	252,282	230,008	201,146
Travel, trade shows and conferences ^(a)	165,723	312,057	147,292
Office ^(a)	328,077	248,235	150,778
Amortization and depreciation	131,838	89,973	54,451
Advertising and promotion	39,511	64,141	31,305
Research and development	154,775	84,789	22,900
Bad debts (recovery)	(10,035)	19,083	(3,626)
Foreign exchange loss	(1,472)	(3,659)	(8,831)
	4,448,695	4,973,656	2,682,369
Loss before other income (expenses) and income taxes	(2,821,258)	(3,332,223)	(1,156,758)
Other income (expense)	486,148	(60,361)	(88,444)
Net loss and comprehensive loss for the year	(2,335,110)	(3,392,584)	(1,245,202)
Per common share:			
Basic and diluted loss per share	(0.09)	(0.18)	(0.65)
Number of common shares outstanding - end of year	27,860,913	25,359,720	6,666,666
Weighted average number of common shares outstanding - basic and diluted	26,562,428	18,582,647	1,804,874
Statement of financial position data:			
Working capital (deficiency) ^(b)	100,402	1,157,966	(1,661,639)
Total assets	1,481,895	2,067,417	1,723,342
Non-current financial liabilities	513,894	-	-

(a) Certain travel and office expense items in 2019 have been recategorized from what had been presented in previous years.

(b) Working capital (deficiency) - current assets less current liabilities

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Year ended September 30, 2020 compared to 2019

Revenue

Total revenue for the year ended September 30, 2020 decreased to \$1,627,437 from \$1,641,433 in 2019, a decrease of \$13,996 or 0.9% due to the following:

- Licence revenue decreased to \$62,679 in 2020 from \$86,469 in 2019, a decrease of \$23,790, due to reduced demand for AMP software.
- Hardware and installation revenue decreased to \$423,101 in 2020 from \$514,917 in 2019, a decrease of \$91,816 driven primarily by lower peripheral, system and probe sales and partially offset by an increase in AMP hardware upgrades.
- Professional and development services revenue increased to \$288,875 in 2020 from \$167,531 in 2019, an increase of \$121,344. The increase was primarily due to chain of custody and data analysis revenues related to the Company's BIX platform and the sale of Basecase software, partially offset by a reduction of ViewTrak professional and development services.
- Maintenance revenue decreased to \$852,782 in 2020 from \$872,516 in 2019, a decrease of \$19,734, primarily due to the timing of the customer renewals of maintenance, partially offset by an increase in pork probe servicing activities.

The impact of COVID-19 and measures to prevent its spread affected the Company's revenue in several ways. Postponed sales as well as some delays in the collection of trade receivables across the beef and pork sectors were experienced, along with reduced usage of certain products and services. In addition, disruptions at beef and pork processors due to COVID-19 have slowed sales of pork probes and parts.

Expenses

Wages and benefits

Wages and benefits increased to \$2,201,309 in 2020 from \$2,193,426 in 2019, an increase of \$7,883. The increase is due mainly to additional staff hired after the third quarter of 2019, offset by a decrease of \$613,981 in stock-based compensation expense and \$378,045 of Canada Emergency Wage Subsidy received by the Company.

Consulting fees

Consulting fees decreased to \$790,355 in 2020 from \$815,731 in 2019, a decrease of \$25,376. The decrease in consulting fees is due primarily to changing the status of two consultants to employees and a reduction of consultants after the completion of the reverse takeover transaction in 2019, partially offset by a consultant retained for international market development.

Professional fees

Professional fees decreased to \$396,332 in 2020 from \$919,872 in 2019, a decrease of \$523,540 primarily due to the completion of the reverse takeover transaction in 2019.

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Hardware costs and supplies

Hardware costs and supplies increased to \$252,282 in 2020 from \$230,008 in 2019, an increase of \$22,274, primarily driven by an increase of AMP hardware and installation sales.

Travel, trade shows and conferences

Travel, trade shows and conferences decreased to \$165,723 in 2020 from \$312,057 in 2019, a decrease of \$146,334. The decrease was due primarily to the impact of COVID-19 travel restrictions, as well as management's general reduction of travel and promotion expenses.

Office

Office increased to \$328,077 in 2020 from \$248,235 in 2019, an increase of \$79,842. The increase was primarily due to software user licenses, additional insurance coverage and general increases in insurance costs and business license fees. Partially offsetting these increases was a \$49,422 reduction in office rent expense due to the adoption of IFRS 16, Leases (notes 4 and 11 of the consolidated financial statements).

Amortization and depreciation

Amortization and depreciation increased to \$131,838 in 2020 from \$89,973 in 2019, an increase of \$41,865. The increase is primarily due to the depreciation of right of use lease assets, which were recorded as a result of the adoption of IFRS 16, Leases (notes 4 and 11 of the consolidated financial statements).

Advertising and promotion

Advertising and promotion decreased to \$39,511 in 2020 from \$64,141 in 2019, a decrease of \$24,630, primarily due to cost reduction measures, including cancellation of promotion due to COVID-19.

Research and development

Research and development increased to \$154,775 in 2020 from \$84,789 in 2019, an increase of \$69,986, primarily due to development of the BIX platform.

Bad debts (recovery)

Bad debts (recovery) increased to a recovery of (\$10,035) in 2020 from an expense of \$19,083 in 2019, a decrease of \$29,118. The recovery in 2020 is due a revision of estimated bad debts due to lower trade accounts receivables as at September 30, 2020 compared to 2019.

Foreign exchange gain

Foreign exchange gain decreased to \$1,472 in 2020 from \$3,659 in 2019, a decrease of \$2,187 due to changes in foreign exchange rates.

Other income (expenses)

Other income (expenses) increased to income of \$486,148 in 2020 from expenses of \$60,361 in 2019, an increase of \$546,509 in other income. The increase is due primarily to \$493,700 of other income from the fair value measurement of the WD loan (see note 14 of the consolidated financial statements), a decrease in expenses related to accretion of preferred shares in 2019, partially offset by an increase in interest expense.

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Summary of quarterly results

The following tables show a summary of the Company's unaudited quarterly financial information for each of the eight most recent quarters:

2020	Q4	Q3	Q2	Q1	Year
	\$	\$	\$	\$	\$
Revenue	536,994	351,309	354,329	384,805	1,627,437
Expenses	1,092,577	889,882	1,192,745	1,273,491	4,448,695
Loss before other income (expenses) and income taxes	(555,583)	(538,573)	(838,416)	(888,686)	(2,821,258)
Other income (expense)	477,123	(11,099)	22,905	(2,781)	486,148
Income taxes	-	-	-	-	-
Net loss and comprehensive loss for the period	(78,460)	(549,672)	(815,511)	(891,467)	(2,335,110)
Per common share:					
Basic and diluted loss per share	(0.00)	(0.02)	(0.03)	(0.04)	(0.09)
Number of common shares outstanding - end of period	27,860,913	27,396,518	27,236,283	25,359,720	27,860,913
Weighted average number of common shares outstanding - basic and diluted	27,733,601	25,920,454	25,881,716	25,359,720	26,514,660

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2019	Q4	Q3	Q2	Q1	Year
	\$	\$	\$	\$	\$
Revenue	458,641	411,306	348,105	423,381	1,641,433
Expenses	1,124,034	1,141,245	1,139,432	1,568,945	4,973,656
Loss before other income (expenses) and income taxes	(665,393)	(729,939)	(791,327)	(1,145,564)	(3,332,223)
Other income (expense)	9,448	3,214	4,643	(77,666)	(60,361)
Income taxes	-	-	-	-	-
Net loss and comprehensive loss for the period	(655,945)	(726,725)	(786,684)	(1,223,230)	(3,392,584)
Per common share:					
Basic and diluted loss per share	(0.03)	(0.03)	(0.05)	(0.12)	(0.18)
Number of common shares outstanding - end of period	25,359,720	24,923,022	16,666,676	15,703,673	25,359,720
Weighted average number of common shares outstanding - basic and diluted	25,207,164	23,386,262	16,046,074	9,855,713	18,582,647

(a) Certain travel and office expense items have been recategorized from what had been presented in previous quarters to conform to 2020 presentation.

The Company has incurred losses over the past several quarters relating to costs associated with the completion of the transaction which concluded during the quarter ended June 30, 2019 (note 1 of the consolidated financial statements), as well as the investment in the growth of the Company including additional personnel and product development. The Company will continue to invest further resources to drive sales and product development.

The results of operations for these periods are not necessarily indicative of the results to be expected in any given comparable period, especially as the Company grows and develops product and market opportunities.

Three months ended September 30, 2020 compared to 2019**Revenue**

Total revenue for the three months ended September 30, 2020 increased to \$536,994 from \$458,641 in 2019, an increase of \$78,353 or 17.1% due to the following:

- Licence revenue increased to \$44,020 in 2020 from \$12,515 in 2019, an increase of \$31,505, due to demand for AMP and market master software sales.
- Hardware and installation revenue increased to \$189,625 in 2020 from \$178,830 in 2019, an increase of \$10,795 driven primarily by AMP hardware and systems, partially offset by a decrease in probe sales and peripherals and storage media.
- Professional and development services revenue increased to \$103,062 in 2020 from \$51,502 in 2019, an increase of \$51,560. The increase was primarily due to chain of custody and data analysis

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revenues related to the Company's BIX platform, sale of Basecase software, and one-time software development projects.

- Maintenance revenue decreased to \$200,287 in 2020 from \$215,794 in 2019, a decrease of \$15,507, primarily due a decrease in pork probe servicing activities and the timing of the customer renewals of maintenance.

The impact of COVID-19 and measures to prevent its spread affected the Company's revenue in several ways. Postponed sales as well as some delays in the collection of trade receivables across the beef and pork sectors were experienced, along with reduced usage of certain products and services. In addition, disruptions at beef and pork processors due to COVID-19 have slowed sales of pork probes and parts.

Expenses

Wages and benefits

Wages and benefits decreased to \$402,698 in 2020 from \$499,556 in 2019, a decrease of \$96,858. The decrease is due mainly to \$162,765 of Canada Emergency Wage Subsidy received and a decrease of \$88,164 in stock-based compensation expense, partially offset by additional staff hired during 2020.

Consulting fees

Consulting fees decreased to \$182,177 in 2020 from \$213,222 in 2019, a decrease of \$31,045. The decrease in consulting fees is due primarily to changing the status of two consultants to employees, partially offset by a consultant retained for international market development.

Professional fees

Professional fees decreased to \$170,247 in 2020 from \$182,436 in 2019, a decrease of \$12,189 primarily due to the completion of the reverse takeover transaction in 2019.

Hardware costs and supplies

Hardware costs and supplies increased to \$119,350 in 2020 from \$29,010 in 2019, an increase of \$90,340, primarily driven by an increase in sales of AMP hardware, Basecase, and higher cost of parts for probes.

Travel, trade shows and conferences

Travel, trade shows and conferences decreased to \$21,516 in 2020 from \$64,768 in 2019, a decrease of \$43,252. The decrease was due primarily to the impact of COVID-19 travel restrictions, as well as management's general reduction of travel and promotion expenses.

Office

Office increased to \$84,725 in 2020 from \$80,802 in 2019, an increase of \$3,923. The increase was primarily due to software user licenses, additional insurance coverage and general increases in insurance costs and business license fees. Partially offsetting these increases was a \$13,275 reduction in office rent expense due to the adoption of IFRS 16, Leases (notes 4 and 11 of the consolidated financial statements).

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Amortization and depreciation

Amortization and depreciation increased to \$33,611 in 2020 from \$23,152 in 2019, an increase of \$10,459. The increase is primarily due to the depreciation of right of use lease assets, which were recorded as a result of the adoption of IFRS 16, Leases (notes 4 and 11 of the consolidated financial statements).

Advertising and promotion (recovery)

Advertising and promotion, decreased to \$4,991 in 2020 from \$8,757 in 2019, a decrease of \$3,766, primarily due to cost reduction measures, including cancellation of promotion due to COVID-19.

Research and development

Research and development increased to \$64,530 in 2020 from \$13,546 in 2019, an increase of \$50,984, primarily due development of the BIX platform.

Bad debts

Bad debts decreased to \$817 in 2020 from \$12,444 in 2019, a decrease of \$11,627. The decrease in 2020 is due a revision of estimated bad debts due to lower trade accounts receivables as at September 30, 2020 compared to 2019.

Foreign exchange loss (gain)

Foreign exchange loss increased to \$7,915 in 2020 from a gain of (\$3,659) in 2019, due to changes in foreign exchange rates.

Other income

Other income increased to \$477,123 in 2020 from \$9,448 in 2019, an increase of \$467,675. The increase is due primarily to \$493,700 of other income from the fair value measurement of the WD loan (see note 14 of the consolidated financial statements), partially offset by an increase in interest expense and the remeasurement of the investment in Provision Analytics to Canadian dollars.

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LIQUIDITY AND CAPITAL RESOURCES**Summary of consolidated cash flows**

	2020	2019
	\$	\$
Cash used in operating activities	(2,405,135)	(2,366,892)
Cash (used in) provided by investing activities	(347,012)	165,112
Cash provided by financing activities	1,848,479	2,729,630
(Decrease) increase in cash	(903,668)	527,850
Cash - beginning of year	1,617,627	1,089,777
Cash - end of year	713,959	1,617,627

Cash consists of cash on hand and deposits held with banks. As of September 30, 2020, the Company held cash of \$713,959 compared to \$1,617,627 as of September 30, 2019.

Cash used in operating activities

Cash used in operating activities for 2020 increased to (\$2,405,135) from (\$2,366,892) in 2019, an increase of (\$38,243), primarily due to higher cash operating expenses in 2020, as well as changes in working capital, specifically timing of payment or collection of accounts payable, unearned revenues, deposits and prepaid expenses, and accounts receivables.

Cash (used in) provided by investing activities

Cash (used in) provided by investing activities for 2020 increased to (\$347,012) from \$165,112 in 2019, primarily due to the \$329,039 investment in Provision Analytics in 2020 (note 12 of the consolidated financial statements), and \$195,900 of restricted cash that became unrestricted in 2019.

Cash provided by financing activities

Cash provided by financing activities for 2020 decreased to \$1,848,479 from \$2,729,630 in 2019, a decrease of \$881,151, primarily due to higher proceeds from private placements in 2019, offset by redemption of preferred shares in 2019 and proceeds from the WD loan payable in 2020 (note 14 of the consolidated financial statements).

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CONTRACTUAL OBLIGATIONS

The Company has the following cash flow obligations, as at September 30, 2020:

	Payments due by period				
	\$				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Lease payments	105,267	91,475	13,792	-	-

The Company's long-term liabilities include a loan payable for \$513,894 (note 14 of the consolidated financial statements).

OUTSTANDING SHARE DATA

As at December 21, 2020, there were 27,860,913 common shares, 4,254,645 warrants and 3,017,856 share options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements at September 30, 2020 and 2019 and does not currently, as of the date of this MD&A, have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions, including key management compensation, are provided in note 18 of the consolidated financial statements. No ongoing contractual or other commitments resulted from the transactions, other than the key management compensation.

During the year ended September 30, 2020 and 2019, the Company paid (received) the following amounts in the normal course of business and they have been valued at amounts that are considered established and agreed to by the related parties:

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	2020 \$	2019 \$
Rent paid to a company controlled by two directors	6,178	74,138
Sublease rental income received from two companies separately controlled by two directors	(14,016)	(10,988)
Exercise of options and warrants and purchase of common shares in private placement (notes 15(a) and (d) of the consolidated financial statements) by directors and officers	(549,670)	(60,010)
Other services paid to family members of a director	8,996	13,424
	<u>(548,512)</u>	<u>16,564</u>

The compensation paid to key management personnel during the years ended September 30, 2020 and 2019 are as follows:

	2020 \$	2019 \$
Salaries, short-term employee benefits and stock-based compensation	1,277,402	1,220,281
Consulting fees	25,910	211,054
	<u>1,303,312</u>	<u>1,431,335</u>

Accounts receivable

As at September 30, 2020, accounts receivable includes \$1,051 due from companies controlled by directors of the Company and related to sublease rental income, and \$11,025 due from a director of the Company related to prepayment of business expenses. As at September 30, 2019, accounts receivable includes \$3,429 due from a company controlled by a director of the Company and related to sublease rental income.

Accounts payable

As at September 30, 2020, accounts payable and accrued liabilities include \$300 payable to a family member of a director for other services. As at September 30, 2019, accounts payable and accrued liabilities include \$20,790 payable to a company owned by a director for training services and \$850 payable to a family member of a director for other services.

RECENT CHANGES IN ACCOUNTING PRONOUNCEMENTS

IFRS 16 – Leases (“IFRS 16”)

Effective October 1, 2019, the Company adopted IFRS 16, Leases, (“IFRS 16”), which supersedes previous accounting standards for leases, including IAS 17, Leases, and International Financial Reporting Interpretations Committee (“IFRIC”) 4, Determining whether an arrangement contains a lease. IFRS 16 introduces a single lease accounting model, unless the underlying asset is of low value, and requires a lessee to recognize a right-of-use (“ROU”) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

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As a result of adopting IFRS 16, the Company has recognized an increase in both assets and liabilities in its consolidated statements of financial position, as well as a decrease to operating expenses (for the removal of base rent expense for leases), an increase to depreciation expense (due to the depreciation of the ROU assets) and an increase to interest expense (due to the accretion of the lease liability).

The Company has adopted IFRS 16 using the modified retrospective method and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

On May 28, 2020, the IASB issued an amendment to IFRS 16 that provides an optional practical expedient to simplify how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment does not affect lessors. The amendments are effective for periods beginning on or after June 1, 2020, with earlier application permitted. The Company has adopted the practical expedient, effective June 1, 2020.

On adoption of IFRS 16, the Company recognized lease assets and liabilities in relation to leases previously classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rate as at October 1, 2019. The associated ROU assets were measured at an amount equal to the liability (adjusted for accruals and prepayments).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying note disclosures. Although these estimates and assumptions are based on management's best estimate of current events, actual results may be different from the estimates.

A discussion of significant accounting policies, and critical accounting estimates and judgments can be found in note 5 and 6 of the consolidated financial statements.

FINANCIAL INSTRUMENTS

For accounting recognition and measurement purposes, cash, accounts receivable, accounts payable and accrued liabilities and loan payable are classified as amortized cost. The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the immediate or short-term maturity of these financial instruments.

Financial instruments recognized on the consolidated statements of financial position dates at fair value are classified in a hierarchy based on the significance of the estimates used in their measurement, as follows:

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- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

During the years ended September 30, 2020 and 2019, there have been no transfers between levels of the fair value hierarchy.

Financial risk management

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

Market risk

- Currency risk

Some of the Company's transactions, assets and liabilities are denominated in US dollars and China RMB and thus the Company is exposed to risk arising from changes in exchange rates.

The following table presents the Company's exposure to the US dollar and China RMB September 30, 2020 and 2019:

	2020	2019
	CAD\$	CAD\$
Cash – USD	53,410	99,004
Accounts receivable – USD	22,742	13,911
Accounts payable and accrued liabilities – USD	(7,866)	(9,350)
	<u>68,286</u>	<u>103,565</u>
	2020	2019
	CAD\$	CAD\$
Accounts receivable – RMB	<u>55,692</u>	<u>28,510</u>
	2020	2019
	\$	\$
CAD\$ - USD	0.7497	0.7551
CAD\$ - RMB	0.1963	0.1856

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Based on the Company's foreign currency exposure noted above, varying the foreign exchange rates to reflect a 10% strengthening of the US dollar and China RMB would have decreased net loss by approximately \$7,000 and \$5,000, respectively, as at September 30, 2020, assuming all other variables remained constant.

Based on the Company's foreign currency exposure noted above, varying the foreign exchange rates to reflect a 10% strengthening of the US dollar and China RMB would have decreased net loss by approximately \$13,000 and \$nil, respectively, as at September 30, 2019, assuming all other variables remained constant.

An assumed 10% weakening of the US dollar and China RMB would have had an equal but opposite effect to the amounts shown above, assuming all other variables remain constant.

- Interest rate risk

The Company is not exposed to significant interest rate risk as at September 30, 2020.

Credit risk

The Company, in the normal course of business, is exposed to credit risk from its customers. The allowance for doubtful accounts and past due receivables is reviewed by management at each consolidated statement of financial position reporting date. Accounts are considered past due when customers have failed to make the contractually required payment when due, which is generally within 60 days of the billing date.

The Company applied the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime ECL provision for trade receivables and contract assets without a significant financing component.

The following table presents a summary of the activity related to the allowance for doubtful accounts:

	2020	2019
	\$	\$
Balance – Beginning of period	14,233	11,881
ECL provision	(10,416)	15,859
Accounts written off, net of recoveries	(1,500)	(13,507)
Balance – End of period	<u>2,317</u>	<u>14,233</u>

Management believes the risks associated with concentrations of credit risk with respect to accounts receivable are limited due to the nature of the customers and the generally short-term payment cycle. The Company has a portion of its unsecured accounts receivable balance due from customers in China and its ability to mitigate such risks may be limited.

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The aging of the Company's trade accounts receivable is as follows:

	2020		2019	
	\$	%	\$	%
Current	80,029	84	64,012	47
31 – 60 days	4,250	4	6,454	5
61 – 90 days	7,276	8	25,683	19
Greater than 90 days	4,191	4	40,034	29
	<u>95,746</u>	<u>100</u>	<u>136,183</u>	<u>100</u>

The Company is also exposed to credit risk in relation to debt investments that are measured at FVPL. The maximum exposure as at September 30, 2020 is the carrying amount of the investment in Provision Analytics (note 12 of the consolidated financial statements).

Liquidity risk

The Company's liabilities have the following amounts that mature within one year:

	2020	2019
	\$	\$
Accounts payable and accrued liabilities	567,396	504,344
Lease liability	40,531	-

The Company's long-term liabilities include a loan payable for \$513,894 (note 14 of the consolidated financial statements) and a lease liability for \$47,291 (note 11 of the consolidated financial statements).

Liquidity risk is the risk the Company will encounter difficulty in meeting financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure and financial leverage, as discussed in the going concern section of this MD&A and note 1 of the consolidated financial statements. It also monitors its cash position and timing of payments to suppliers, ensuring that sufficient funds are available when payments come due. The Board of Directors reviews and approves any material transactions out of the ordinary course of business.

RISK FACTORS

The adverse impact of COVID-19 on the Company's business will continue for an unknown length of time.

The impact of these disruptions and the extent of their adverse impact on the Company's financial and operational results will be dictated by the length of time that such disruptions continue, and among other things, the impact of government actions imposed in response to the pandemic and the risk tolerance of individuals and companies regarding health matters going forward. With the unknown duration of the pandemic, it is not possible to precisely estimate the impact in future periods.

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The COVID-19 impact may further increase allowances for credit losses, change judgment in determining the fair value of assets and reduce usage of the Company's products or services. Financial risks may be exacerbated by liquidity issues of customers, which may impact timely payments by such customers. Estimates and judgements with respect to the collectability of trade receivables are subject to greater uncertainty due to the impacts of COVID-19.