



TrustBIX Inc.

Consolidated Financial Statements

September 30, 2020 and September 30, 2019



Independent auditor's report

To the Shareholders of TrustBIX Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of TrustBIX Inc. and its subsidiary (together, the Company) as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at September 30, 2020 and 2019;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Armando Pinedo.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Edmonton, Alberta
December 21, 2020

TrustBIX Inc.

Consolidated Statements of Financial Position

As at September 30, 2020 and September 30, 2019

	2020 \$	2019 \$
Assets		
Current assets		
Cash	713,959	1,617,627
Accounts receivable (note 7)	162,674	165,868
Inventory (note 8)	56,066	60,316
Deposits and prepaid expenses	41,611	64,893
	<u>974,310</u>	<u>1,908,704</u>
Property and equipment (note 9)	37,976	37,943
Intangible assets (note 10)	45,731	120,770
Right-of-use assets (note 11)	82,546	-
Investment (note 12)	341,332	-
	<u>1,481,895</u>	<u>2,067,417</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	567,396	504,344
Unearned revenue	265,981	246,394
Lease liability (note 11)	40,531	-
	<u>873,908</u>	<u>750,738</u>
Loan payable (note 14)	513,894	-
Lease liability (note 11)	47,291	-
	<u>1,435,093</u>	<u>750,738</u>
Shareholders' Equity		
Share capital issued (note 15(a))	7,977,154	6,936,913
Warrants (note 15(d))	403,719	1,029,681
Contributed surplus (note 15(e))	1,488,115	837,161
Capital reserve	149,628	149,628
Deficit	<u>(9,971,814)</u>	<u>(7,636,704)</u>
	<u>46,802</u>	<u>1,316,679</u>
	<u>1,481,895</u>	<u>2,067,417</u>

Nature of operations and going concern (note 1)

Approved by the Board of Directors

(Signed) "Hubert Lau"

Director _____ (Signed) "Tony Barlott" Director

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

TrustBIX Inc.

Consolidated Statements of Changes in Equity

For the years ended September 30, 2020 and September 30, 2019

	Share capital \$	Share capital – committed \$	Preferred shares \$	Equity component of convertible preferred shares \$	Warrants \$	Contributed surplus \$	Capital reserve \$	Deficit \$	Total \$
Balance – September 30, 2018	301,010	1,073,420	429,148	199,280	649,050	-	149,628	(4,244,120)	(1,442,584)
Net loss and comprehensive loss	-	-	-	-	-	-	-	(3,392,584)	(3,392,584)
Conversion of preferred shares into common shares (note 15(c))	1,226,708	-	(429,148)	(56,674)	-	-	-	-	740,886
Preferred shares redeemed (note 15(c))	-	-	-	(142,606)	-	142,606	-	-	-
Private placement committed to issuance of common shares, net of share issue costs (note 15(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 15(b))	-	1,944,673	-	-	-	-	-	-	1,944,673
Stock-based compensation (note 15(e))	-	-	-	-	-	781,293	-	-	781,293
Issuance of common shares in private placement, net of share issue costs (note 15(a) and (d))	5,090,058	(3,290,325)	-	-	399,426	-	-	-	2,199,159
Common shares issued on exercise of options and warrants, net of share issue costs (note 15(d) and (e))	205,541	-	-	-	(18,795)	(86,738)	-	-	100,008
Balance – September 30, 2019	6,936,913	-	-	-	1,029,681	837,161	149,628	(7,636,704)	1,316,679
Net loss and comprehensive loss	-	-	-	-	-	-	-	(2,335,110)	(2,335,110)
Common shares in private placement, net of share issue costs (note 15(a) and (d))	329,891	-	-	-	38,577	-	-	-	368,468
Common shares issued on exercise of warrants (note 15(d))	710,350	-	-	-	(180,897)	-	-	-	529,453
Expiration of warrants (note 15(d))	-	-	-	-	(483,642)	483,642	-	-	-
Stock-based compensation (note 15(e))	-	-	-	-	-	167,312	-	-	167,312
Balance – September 30, 2020	7,977,154	-	-	-	403,719	1,488,115	149,628	(9,971,814)	46,802

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

TrustBIX Inc.

Consolidated Statements of Loss and Comprehensive Loss For the years ended September 30, 2020 and September 30, 2019

	2020 \$	2019 \$
Revenue		
Licence	62,679	86,469
Hardware and installation	423,101	514,917
Professional and development services	288,875	167,531
Maintenance	852,782	872,516
	<u>1,627,437</u>	<u>1,641,433</u>
Expenses		
Wages and benefits (note 15(e))	2,201,309	2,193,426
Consulting fees	790,355	815,731
Professional fees	396,332	919,872
Hardware costs and supplies	252,282	230,008
Travel, trade shows and conferences	165,723	312,057
Office	328,077	248,235
Amortization and depreciation	131,838	89,973
Advertising and promotion	39,511	64,141
Research and development (note 19)	154,775	84,789
Bad debts (recovery)	(10,035)	19,083
Foreign exchange gain	(1,472)	(3,659)
	<u>4,448,695</u>	<u>4,973,656</u>
Loss before other income (expenses) and income taxes	<u>(2,821,258)</u>	<u>(3,332,223)</u>
Other income (expenses)		
Fair value measurement of loan payable (note 14)	493,700	-
Interest expense	(15,859)	-
Interest income	11,465	16,048
Foreign exchange remeasurement on investment	4,436	-
Accretion expense	(7,594)	(102,099)
Other	-	26,847
Loss on disposal of equipment	-	(1,157)
	<u>486,148</u>	<u>(60,361)</u>
Loss before income taxes	<u>(2,335,110)</u>	<u>(3,392,584)</u>
Income taxes (note 20)	<u>-</u>	<u>-</u>
Net loss and comprehensive loss for the year	<u>(2,335,110)</u>	<u>(3,392,584)</u>
Basic and diluted loss per share (note 16)	(0.09)	(0.18)

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

TrustBIX Inc.

Consolidated Statements of Cash Flows

For the years ended September 30, 2020 and September 30, 2019

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Net loss for the year	(2,335,110)	(3,392,584)
Adjustments to reconcile net loss to cash flows from operating activities:		
Amortization and depreciation	131,838	89,973
Accretion expense	7,594	102,099
Stock-based compensation	167,312	781,293
Fair value measurement of loan payable	(493,700)	-
Unrealized foreign exchange gain on investment	(4,436)	-
Interest income on investment	(7,857)	-
Interest expense	15,859	-
Non-cash consideration upon reverse takeover (note 1)	-	113,596
Loss on disposal of equipment	-	1,157
	<hr/>	<hr/>
Cash used in operating activities before changes in items of working capital	(2,518,500)	(2,304,466)
Net change in items of non-cash working capital (note 17)	113,365	(62,426)
	<hr/>	<hr/>
	(2,405,135)	(2,366,892)
Investing activities		
Purchase of property and equipment	(11,623)	(22,696)
Purchase of investment (note 12)	(329,039)	-
Increase in intangible assets	(24,705)	(64,662)
Proceeds from IRAP government assistance	18,355	56,570
Cash held in trust (note 15(b))	-	195,900
	<hr/>	<hr/>
	(347,012)	165,112
Financing activities		
Proceeds from loan payable (note 14)	1,000,000	-
Lease payments (note 11)	(49,442)	-
Proceeds from issuance of common shares in private placement (note 15(a))	380,505	4,749,302
Proceeds on exercise of options and warrants (note 15(a)(d)(e))	529,453	100,008
Redemption of preferred shares (note 15(c))	-	(1,808,942)
Share issue costs (note 15(a))	(12,037)	(310,738)
	<hr/>	<hr/>
	1,848,479	2,729,630
(Decrease) increase in cash during the year	(903,668)	527,850
Cash – Beginning of year	1,617,627	1,089,777
Cash – End of year	<hr/>	<hr/>
	713,959	1,617,627

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

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

1 Nature of operations

TrustBIX Inc.'s (the Company or TrustBIX) 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 plants;
- internet-based applications that provide animal tracking and management; and
- the sale, installation and support for Business InfoXchange (BIX).

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.

Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS), which contemplates the realization of assets and satisfaction of liabilities in the normal course of business as they come due.

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 as disclosed in note 11.

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 consolidated statements of loss and comprehensive 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 (the Contribution) (note 14).

TrustBIX Inc.

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

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

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). The private placements and exercise of warrants were made by directors, officers, employees, partners and TrustBIX contractors pursuant to applicable securities exemptions.

The outcome of such efforts is dependent on a number of factors 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), make the success of any future financing ventures 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.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Reverse takeover of Reco Northern Alberta Inc.

On April 15, 2019, Reco Northern Alberta Inc. (RNAI) completed an acquisition (the transaction) with ViewTrak in connection with a triangular amalgamation (Amalgamation) involving ViewTrak and its subsidiaries BIXSco Inc. (BIXSco) and Feedlot Solutions Ltd. (Feedlot Solutions) 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 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 included in professional fees

TrustBIX Inc.

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

in the consolidated statements of loss and comprehensive loss. 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 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 (note 15(a))	<u>211,096</u>

2 Basis of presentation

The Company prepares its consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and as set out in the Chartered Professional Accountants of Canada Handbook.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 21, 2020, the date the Board of Directors approved the consolidated financial statements.

3 Recent developments and impact on estimation uncertainty

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.

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

4 Changes in significant accounting policies

IFRS 16, Leases

Effective October 1, 2019, the Company adopted IFRS 16, Leases, (IFRS 16), which supersedes previous accounting standards for leases, including International Accounting Standard (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.

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.

Adjustments recognized on adoption of IFRS 16

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).

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

A reconciliation of lease commitments as at October 1, 2019, outlining the effect of the transition to IFRS 16, is outlined below.

	\$
Operating lease commitments disclosed as at September 30, 2019	154,711
Less: Discounted using the incremental borrowing rate at October 1, 2019	(33,306)
Less: Lease entered after September 30, 2019, effective November 1, 2019	<u>(102,728)</u>
Lease liability recognized as at October 1, 2019	<u>18,677</u>
Of which are	
Current lease liabilities	8,483
Non-current lease liabilities	<u>10,194</u>
	<u>18,677</u>

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the Company has elected to use a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
- the Company has elected to exclude initial direct costs incurred in obtaining leases in the measurement of the ROU assets on transition;
- the Company has elected to use hindsight to determine the lease term where the lease contracts contain options to extend or terminate the lease;
- the Company has elected to rely on an onerous lease assessment as at October 1, 2019, as an alternative to performing an impairment review as at October 1, 2019; and
- the Company has elected not to account for leases for which the lease term ends within 12 months of October 1, 2019 as short-term leases or leases that meet the low value exemption.

The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4.

Accounting policies for leases prior to October 1, 2019 are disclosed in the Company's annual consolidated financial statements for the year ended September 30, 2019.

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

5 Summary of significant accounting policies

Basis of measurement

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's presentation and functional currency, and are prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (note 1). Subsidiaries are all entities over which the Company has control, where control is defined as possessing power over the investee, having exposure to variable returns from its involvement with the investee and having the ability to use its power over the investee to affect its returns.

Foreign currencies

Foreign currency transactions are translated into the Company's functional currency at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the reporting date rates of exchange, and non-monetary assets and liabilities at historical exchange rates. Revenues and expenses are translated at the average exchange rates in the month they occur, except for revenues and expenses from non-monetary assets, which are translated using the same rates as the related assets. Translation gains and losses are recorded in net comprehensive loss.

Revenue recognition

The Company's main sources of revenue are from sale, installation and support of the information solutions the Company provides.

The Company uses the revenue accounting practical expedient when estimating transaction prices allocated to any remaining unfulfilled, or partially unfulfilled, performance obligations, exclusion of amounts arising from contracts originally expected to have a duration of one year or less, as well as amounts arising from contracts the Company may recognize and bill revenue in an amount that corresponds directly with completed performance obligations.

Revenues for each unit of accounting are recorded as described below.

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.

TrustBIX Inc.

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

The Company disaggregates revenue by performance obligation in the consolidated statements of loss and comprehensive loss as well as by geography (note 23).

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 assets

Contract costs, such as commissions paid to personnel, are treated as a contract asset and are classified as such on the consolidated statements 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. There are no contract assets as at September 30, 2020 and 2019.

Contract liability

Prepaid revenue received from customers pertaining to the revenue streams is treated as unearned revenue and is classified as such on the consolidated statements of financial position.

TrustBIX Inc.

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Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial asset or a financial liability when it becomes a party to the contract of a financial instrument. A purchase or sale of financial assets is recognized or derecognized at the trade date.

Financial assets

The Company's financial assets consist of cash, accounts receivable and investment in Provision Analytics Inc. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristic of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payment of principal and interest (SPPI), are measured at amortized cost.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at fair value through other comprehensive income (FVOCI).
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss (FVPL). A gain or loss on a debt instrument that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.

Subsequent measurement of cash and accounts receivable is at amortized cost using the effective interest rate method. The investment in Provision Analytics Inc. does not represent cash flows which are SPPI and therefore is classified as a financial asset measured at FVPL.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities

The Company's financial liabilities comprise accounts payable and accrued liabilities and loan payable. All financial liabilities are recognized initially at fair value. After initial recognition, the financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest rate method amortization is included in accretion expense in the consolidated statements of loss and comprehensive loss. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the liabilities are derecognized.

Financial liabilities are derecognized when the contractual obligations associated with the liability are discharged, cancelled or expire.

TrustBIX Inc.

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Cash

Cash consists of cash on hand or deposits held with banks.

Inventory

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle and includes expenditures incurred in acquiring the inventories, assembly and other costs incurred in bringing them to their existing location and condition. Inventories include components and parts and finished goods. Components and parts consist mainly of computer components and parts. Finished goods include pork carcass grading probes and computer equipment for sale to auction markets and livestock dealers.

Property and equipment

Property and equipment are measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Property and equipment are depreciated over their estimated useful lives using the declining balance basis as follows:

Office furniture and equipment	20%
Computer hardware	30%
Computer software	30%

Intangible assets

The Company capitalized software development costs for BIXS software internally developed (BIXS software). The Company capitalizes costs for internally generated software to be used by customers during the development stage. This occurs when the preliminary project stage is complete, management authorizes and commits to funding the projects and it is feasible that the projects will be completed and the software will perform the intended function. Costs incurred prior to meeting these criteria are charged to net income in the period in which they are incurred. Capitalization of costs related to the software project stops when it enters the post-implementation and operation stage.

Costs capitalized during the development stage consist of payroll and related costs for employees who are directly associated with, and who devote time to, a project to develop or implement software. The Company capitalizes the direct costs of materials and services, which generally include outside contractors. It does not capitalize any general and administrative costs, or costs incurred during the development stage related to training. Costs related to upgrades and enhancements to software, if those upgrades and enhancements result in additional functionality, are capitalized.

Capitalized software internally developed is amortized using the straight-line method over three years. In determining and reassessing the estimated useful life over which the cost incurred for the software should be amortized, the Company considers the effects of obsolescence, technology, competition and other economic factors. If different determinations are made with respect to the estimated useful life of the software, the amount of amortization charges in a particular period could differ materially.

Indefinite-lived intangible assets represent trademarks of the Company. The Company does not amortize intangible assets with indefinite useful lives.

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, we assess whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all the economic benefits from the use of the identified asset throughout the period of use; and
- the Company has the right to the direct use of the assets.

Lessee accounting

Effective October 1, 2019, leases are recognized as a ROU asset and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to interest expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease payments included in the measurement of the lease liability include the net present value of the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the Company under residual value guarantee;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used. The incremental borrowing rate is the rate that the Company would have to pay to borrow at prevailing interest rates, market precedents and the Company's specific credit spread, on similar terms and security.

ROU assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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The ROU assets are typically depreciated on a straight-line basis over the lease term, unless the Company expects to obtain ownership of the leased asset at the end of the lease. The lease term consists of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

If the Company expects to obtain ownership of the leased asset at the end of the lease, the ROU asset is depreciated over the underlying asset's estimated useful life. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Impairment

- Financial assets at amortized cost

As at October 1, 2018, financial assets measured at amortized cost are assessed for impairment losses based on expected credit losses. At the end of the reporting period, if credit risk has not increased significantly after initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from default events that are possible within 12 months after the reporting date (12-month expected credit losses). On the other hand, at the end of the reporting period, if credit risk has increased significantly after initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from all possible default events over the life of the financial instrument (lifetime expected credit losses).

For trade receivables, the Company applied the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade accounts receivable and contract assets without a significant financing component.

- Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date (or more frequently if required) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit (CGU) is the higher of its estimated value in use (VIU) and its estimated fair value less costs of disposal (FVLCD). VIU is based on the estimated future cash flows from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. FVLCD is based on the best information available to reflect the amount that could be obtained from the disposal of the asset or CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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Notes to Consolidated Financial Statements

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Income taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is provided using the consolidated statements of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statements of financial position reporting dates applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Income taxes recoverable represent the current estimated refund of taxes from taxation authorities.

Loss per share

Basic loss per share is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Proceeds from the issue of common share purchase warrants (warrants) treated as equity are recorded as a separate component of equity. Costs incurred on the issue of warrants are netted against proceeds. Warrants issued with common shares are measured at fair value at the date of issue using the Black-Scholes option pricing model, which incorporates certain input assumptions including the warrant price, risk-free interest rate, expected warrant life and expected share price volatility. The fair value is included as a component of equity and is transferred from warrants to common shares on exercise.

TrustBIX Inc.

Notes to Consolidated Financial Statements

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Share-based payments

When share options are granted to officers and directors, pursuant to specific share option agreements, they are accounted for at fair value using accepted valuation techniques and result in compensation expenses when the stock options are issued. The expenses are recognized in the consolidated statements of loss and comprehensive loss over the vesting period of the share options granted, with a corresponding amount recorded in contributed surplus. On settlement of the share options, any amount previously recorded in contributed surplus and consideration paid is credited to share capital.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value using the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Government assistance

Grants that assist in reducing specific costs are accounted for as a reduction of related expenditures and are recorded when there is reasonable assurance that the Company has complied with the terms and conditions of the approved government program. Grants that assist in reducing general costs are accounted for as other income in the consolidated statements of loss and comprehensive loss.

Government assistance consists of grants within the Industrial Research Assistance Program (IRAP) (note 19), Canada Emergency Wage Subsidy (CEWS) (note 1) and a contribution agreement with WD for a repayable financial contribution under the Regional Relief and Recovery Fund (note 14).

6 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires judgments to be made by management when formulating the Company's financial position and results. The Company has adopted accounting policies most appropriate to the circumstances for the purpose of presenting fairly the financial position, financial performance and cash flows. In determining and applying the accounting policies, judgment is often required in respect of items where the choice of a specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate. Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and accordingly provides an explanation of each below.

TrustBIX Inc.

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

Investment

The fair value of the investment is based on the occurrence of future events, such as a qualified financing, probability of being held to maturity or a liquidation event. Accordingly, the estimate of fair value contains uncertainties as it involves judgment about the likelihood and timing of these trigger events as well as the conversion ratios of certain conversion events and the discount period to be applied. Any change in any of these assumptions could produce a different fair value, which could have a material impact on the results of operations.

Leases

The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option, by assessing relevant factors included in the lease term. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and is within the control of the Company.

Impairment of financial assets

Financial assets measured at amortized cost are assessed for impairment losses based on expected credit losses (ECL). At the end of the reporting period, if credit risk has not increased significantly after initial recognition, the amount of loss allowance is calculated based on the ECL resulting from default events that are possible within 12 months after the reporting date (12-month ECL). On the other hand, at the end of the reporting period, if credit risk has increased significantly after initial recognition, the amount of loss allowance is calculated based on the ECL resulting from all possible default events over the life of the financial instrument (lifetime ECL).

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.

Judgment is used in order to determine the expected loss rates. To measure ECL, they have been grouped based on days past due. The expected loss rates per group are based on historical credit losses experienced within the previous 24 months. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, if necessary. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net bad debts on the consolidated statements of loss and comprehensive loss.

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Impairment of non-financial assets

At each consolidated statement of financial position date, management reviews the carrying value of its non-financial assets, other than inventories and deferred income tax assets, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its estimated recoverable amount to its carrying value. Judgment and estimation are required in management's identification of indications of impairment and in determining the recoverable amount. Management considers external sources of information in determining whether any impairment indicators exist including, but not limited to, any observable indications that the asset has declined during the period significantly such as changes in current or expected laws or regulations in the industry the intangible assets are used to service, new further advanced technology brought to market and the Company's market capitalization. Management also considers internal sources of information such as less than expected economic performance of the asset and whether the asset continues to show technical feasibility.

Changing the assumptions selected by management could significantly affect the Company's impairment evaluation and hence its results.

Deferred income taxes

Deferred income tax assets are assessed to determine the likelihood that they will be realized from future taxable income (note 20). The Company used judgment in its determination not to record a deferred income tax asset at each consolidated statement of financial position date.

Revenue recognition

Judgment is used involving the allocation of the transaction price. One contract may include multiple products or services and the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception based on observable prices of the type of hardware provided or service rendered. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

The revenue and profits recognized are based on the delivery of performance obligations and an assessment of when, or as, control is transferred to the customer. In determining the amount of revenue and profits to record, and related consolidated statement of financial position items, such as contract fulfillment assets, trade receivables, accrued income and unearned revenue to recognize in the period, the Company forms a number of key judgments and assumptions. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed or capitalized, and the achievement of contractual milestones. Revenue is recognized when the performance obligations in a contract have been satisfied by transferring goods or services to the customer.

For bundled solutions, the Company applies judgment to consider whether those goods or services are: (i) distinct – to be accounted for as separate performance obligations; (ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer. At contract inception, the total transaction price is estimated, and the Company allocates this to the identified

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performance obligations in proportion to their relative stand-alone selling prices and recognizes revenue when, or as, those performance obligations are satisfied. The Company may offer discounts in a contract but no change to the performance obligations to be delivered. Such variable consideration is included in the total transaction price to be allocated across all performance obligations unless it relates to only one performance obligation in the contract.

Share-based compensation and warrants

The Company uses the Black-Scholes option pricing model to determine the fair value of share-based payments and warrants issued pursuant to equity offerings. Inputs to the model are subject to various estimates relating to the Company's share price, volatility, interest rates and expected life of the options and warrants issued. These inputs are estimated based on historical industry benchmark figures. Changing the assumptions selected by management, in particular the Company's share price and volatility, could significantly affect the fair value of the share-based payments and warrants.

Separate from the fair value calculation, the amount recognized as share-based compensation expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are met. If the Company estimates that it is not probable that the non-market vesting conditions will be met, no expense is recognized. Assessment of probability of the non-market vesting condition is re-evaluated at each consolidated statement of financial position date.

Research and development expenditures

Expenditures on research activities are recognized as an expense when incurred. Management applies judgment in determining when research activities have ended and development activities, which are capitalized, have begun. These judgments include whether the product being developed is feasible, both technically and commercially, future economic benefits are probable and the Company has sufficient resources to complete the project.

7 Accounts receivable

Included in accounts receivable are the following:

	2020 \$	2019 \$
Trade accounts receivable	95,746	136,183
Allowance for trade receivables	(2,317)	(14,233)
IRAP government assistance receivable	-	12,273
Receivable due from contractor	55,692	28,510
Other receivables	13,553	3,135
	<hr/> 162,674	<hr/> 165,868

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

8 Inventory

Inventory consists of the following:

	2020 \$	2019 \$
Components and parts	39,658	46,922
Finished goods	16,408	13,394
	<u>56,066</u>	<u>60,316</u>

Inventory expensed during the year comprises hardware costs and supplies in the consolidated statements of loss and comprehensive loss.

9 Property and equipment

	Computer hardware \$	Computer software \$	Office furniture and equipment \$	Total \$
Cost as at September 30, 2018	67,363	17,808	11,599	96,770
Additions	19,659	-	3,037	22,696
Disposals	(4,462)	-	-	(4,462)
Cost as at September 30, 2019	82,560	17,808	14,636	115,004
Additions	11,173	-	450	11,623
Disposals	(99)	-	-	(99)
Cost as at September 30, 2020	93,634	17,808	15,086	126,528
Accumulated depreciation as at September 30, 2018	46,018	17,808	6,102	69,928
Depreciation	9,002	-	1,436	10,438
Disposals	(3,305)	-	-	(3,305)
Accumulated depreciation as at September 30, 2019	51,715	17,808	7,538	77,061
Depreciation	10,200	-	1,390	11,590
Disposals	(99)	-	-	(99)
Accumulated depreciation as at September 30, 2020	61,816	17,808	8,928	88,552
Net book value				
As at September 30, 2020	31,818	-	6,158	37,976
As at September 30, 2019	30,845	-	7,098	37,943

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The Company follows the guidance of IAS 36 to determine if impairment indicators exist for its property and equipment. When impairment indicators exist, the Company is required to make a formal estimate of the recoverable amount of its property and equipment. In making this judgment, management evaluates external and internal factors, such as significant adverse changes in the technological, market, economic or legal environment in which the Company operates. In making a judgment as to whether impairment indicators exist as at September 30, 2020 and 2019, management concluded there were none.

10 Intangible assets

	BIX software \$	Trademarks \$	Total \$
Cost as at September 30, 2018	238,609	-	238,609
Additions	56,570	8,092	64,662
IRAP government assistance	(56,570)	-	(56,570)
Cost as at September 30, 2019	238,609	8,092	246,701
Additions	24,705	-	24,705
IRAP government assistance	(18,355)	-	(18,355)
Cost as at September 30, 2020	244,959	8,092	253,051
Accumulated amortization as at September 30, 2018	46,396	-	46,396
Amortization	79,535	-	79,535
Accumulated amortization as at September 30, 2019	125,931	-	125,931
Amortization	81,389	-	81,389
Accumulated amortization as at September 30, 2020	207,320	-	207,320
Net book value			
As at September 30, 2020	37,639	8,092	45,731
As at September 30, 2019	112,678	8,092	120,770

Trademarks are indefinite-lived intangible assets and are not amortized.

The Company follows the guidance of IAS 36 to determine if impairment indicators exist for its intangible assets. When impairment indicators exist, the Company is required to make a formal estimate of the recoverable amount of its intangible assets. In making this judgment, management evaluates external and internal factors, such as significant adverse changes in the technological, market, economic or legal environment in which the Company operates. In making a judgment as to whether impairment indicators exist as at September 30, 2020 and 2019, management concluded there were none.

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11 Leases

Below is a summary of the activity related to the Company's ROU assets for the year ended September 30, 2020.

	\$
ROU assets arising from implementation of IFRS 16 as at October 1, 2019	18,677
Additions	102,728
Depreciation	<u>(38,859)</u>
ROU assets as at September 30, 2020	<u>82,546</u>

The following is a summary of the activity related to the Company's lease liabilities for the year ended September 30, 2020:

	\$
ROU lease liabilities as at October 1, 2019	18,677
Additions	102,728
Lease payments	(49,442)
Accretion of lease liabilities	<u>15,859</u>
ROU lease liabilities as at September 30, 2020	<u>87,822</u>
Of which are	
Current lease liabilities	40,531
Non-current lease liabilities	<u>47,291</u>
	<u>87,822</u>

The Company's estimated cash outflows related to the lease obligation is \$91,475 within the next year and \$13,792 for the subsequent year thereafter.

12 Investment

On November 7, 2019, TrustBIX invested US\$250,000 in a Calgary, Alberta-based company, Provision Analytics Inc., through a convertible debenture offering maturing in 24 months. It accrues simple interest on an annual basis at the rate of 2.5% per annum. The investment plus accrued interest is convertible into preferred shares upon certain conversion events or maturity, whichever occurs first. Subsequent to the conversion to preferred shares, the Company has an option to immediately convert the preferred shares into common shares at a prescribed conversion ratio at the time of conversion.

The investment is considered a financial asset and is measured at fair value on initial recognition, which is considered the transaction price. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The investment in Provision Analytics Inc. does not represent SPPI and therefore is classified as a financial asset measured at FVPL.

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Notes to Consolidated Financial Statements

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The Company recorded the investment initially at the transaction price of US\$250,000 (\$329,039) based on Level 3 fair value inputs, which included estimated future cash flows based on probable conversion outcomes discounted using the discount rate implicit to the convertible debenture terms. Subsequent measurement is determined considering Level 3 fair value inputs based on future cash flows based on probable conversion outcomes discounted using the discount rate implicit to the convertible debenture terms. During the year, the Company recorded fair value adjustments related to the cash flows associated with the interest earned in the amount of \$7,857. The Company also remeasured the investment for foreign currency gains in the amount of \$4,436. No other fair value adjustments were recorded.

13 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following:

	2020 \$	2019 \$
Trade accounts payable	334,865	305,919
Accrued liabilities	232,531	198,425
	<hr/> 567,396	<hr/> 504,344

14 Loan payable

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.

The loan payable was initially recognized at a fair value of \$506,300. The initial carrying value of the loan payable was calculated using the effective interest rate method, discounting estimated cash flows using the Company's effective interest rate of 18%. The difference between the \$1,000,000 loan proceeds received and the initially recognized carrying value was treated as a government grant and recognized in other income in the consolidated statements of loss and comprehensive loss.

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Anticipated cash outflows on the loan payable as at September 30, 2020 are as follows:

	\$
2021	-
2022	-
2023	249,750
2024	333,000
2025 and thereafter	417,250
	<u>1,000,000</u>

15 Share capital

Authorized

Unlimited number of common shares, with no par value

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

a) Common shares issued

	Number	\$
Balance as at September 30, 2018	6,666,666	301,010
Issued pursuant to private placement (i), (ii)	14,029,803	5,090,058
Issued pursuant to conversion of preferred shares into common shares (note 15(c))	3,970,207	1,226,708
Share-based payment from amalgamation (iii)	256,346	113,596
Issued pursuant to exercise of warrants and options (note 15(d) and (e))	436,698	205,541
	<u>25,359,720</u>	<u>6,936,913</u>
Balance as at September 30, 2019	25,359,720	6,936,913
Issued pursuant to private placement (iv), (v)	736,348	329,891
Issued pursuant to exercise of warrants (note 15(d))	1,764,845	710,350
	<u>27,860,913</u>	<u>7,977,154</u>
Balance as at September 30, 2020	27,860,913	7,977,154

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Notes to Consolidated Financial Statements

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(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 common share purchase warrant (note 15(d)). Each whole common share purchase warrant entitles the holder to purchase a common share at a price of \$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 whole purchase warrant (note 15(d)) provides the holder the right to acquire one additional common share at \$0.75 and expires after two years. When the Company became a public company, it has the right to accelerate the expiry date of the warrants if the average closing price of the listed common shares is equal to or exceeds \$1.25 per common share for twenty consecutive trading days. 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%.

(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.

(iv) Private placement of 509,294 shares

On February 7, 2020, the Company completed a private placement, which consisted of the issuance of 509,294 units at a subscription price of \$0.60 per unit. Each unit consisted of one common share and one-half common share purchase warrant (note 15(d)). Each whole common share purchase warrant entitles the holder to purchase a common share at a price of \$0.90 per share for a period of two years from the closing date of February 7, 2020. If the trading volume of the common shares on the principal market on which such shares trade is equal to or exceeds \$1.75 per common share for 20 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants. Gross cash proceeds of \$305,577 have been allocated between share capital – issued and warrants in the amounts of \$259,963 (net of allocated share issue costs of \$6,128) and \$38,577 (net of allocated share issue costs of \$909), respectively.

TrustBIX Inc.

Notes to Consolidated Financial Statements

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The fair value of the warrants in the amount of \$39,486 was determined using the Black-Scholes option pricing model with the following assumptions: stock price of \$0.60, exercise price of \$0.90, volatility of 68%, an expected life of two years, a dividend yield of nil% and a risk-free interest rate of 1.79%.

- (v) Private placement of 227,054 shares

On July 15, 2020, the Company completed a private placement and issued 227,054 common shares at a subscription price of \$0.33 per common share for a total of \$69,928 (net of share issue costs of \$5,000).

b) Share capital – committed

	Number	\$
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 September 30, 2019 and 2020	<u>-</u>	<u>-</u>

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 had 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 had 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 completed an initial public offering; and
- the preferred shares would 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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Notes to Consolidated Financial Statements

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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 had 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 was recognized in equity. During the nine months ended June 30, 2019, \$102,099 was recorded as accretion expense related to the liability. Upon completion of the transaction on April 15, 2019, the remaining \$142,606 residual equity component of preferred shares was 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 was extinguished.

d) Warrants

	Number	\$
Balance as at September 30, 2018	6,666,666	649,050
Issued (note 15(a)(ii))	4,000,000	399,426
Exercised	<u>(183,365)</u>	<u>(18,795)</u>
Balance as at September 30, 2019	10,483,301	1,029,681
Issued (note 15(a)(iv))	254,645	38,577
Exercised	(1,764,845)	(180,897)
Expired	<u>(4,718,456)</u>	<u>(483,642)</u>
Balance as at September 30, 2020	<u>4,254,645</u>	<u>403,719</u>

The expiration dates of warrants outstanding as at September 30, 2020 were as follows:

Expiration date	Warrants outstanding number	Exercise price \$
April 16, 2021 (note 15(a)(ii))	4,000,000	0.75
February 7, 2022 (note 15(a)(iv))	<u>254,645</u>	<u>0.90</u>
	<u>4,254,645</u>	

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

e) Share options and compensation expense

A summary of the stock options outstanding as at September 30, 2020 and 2019 and changes during the periods ended on those dates is as follows:

	<u>September 30, 2020</u>		<u>September 30, 2019</u>	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	2,939,997	0.37	-	-
Granted	372,859	0.60	3,333,330	0.36
Exercised	-	-	(253,333)	0.18
Expired	-	-	(140,000)	0.50
Forfeited	(295,000)	0.36	-	-
Outstanding – End of period	<u>3,017,856</u>	<u>0.40</u>	<u>2,939,997</u>	<u>0.37</u>
Options exercisable – End of period	<u>1,884,840</u>	<u>0.39</u>	<u>974,443</u>	<u>0.37</u>

During the year ended September 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 upon amalgamation (note 1).

The Company's 20% fixed stock option plan (the Stock Option Plan) allows a maximum of 4,984,604 common shares of the Company for issuance.

TrustBIX Inc.

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

A summary of the stock options granted during the year ended September 30, 2020 and 2019 is as follows:

Grant date	Exercise price \$	Fair value \$	Number
September 30, 2020 – Directors ^(b)	0.60	0.05	308,518
September 30, 2020 – Key management ^(b)	0.60	0.05	26,841
September 30, 2020 – Non-employees ^{(b)(e)}	0.60	0.05	<u>37,500</u>
			<u>372,859</u>
October 31, 2018 – Directors ^(a)	0.15	0.35	225,000
October 31, 2018 – Directors ^{(b)(d)}	0.15	0.36	250,000
October 31, 2018 – Key management ^(b)	0.15	0.36	838,330
October 31, 2018 – Employees ^(b)	0.15	0.36	20,000
December 17, 2018 – Directors ^(a)	0.50	0.21	160,000
December 17, 2018 – Directors ^{(c)(d)}	0.50	0.26	500,000
December 17, 2018 – Key management ^(c)	0.50	0.26	1,100,000
December 17, 2018 – Employees ^(c)	0.50	0.26	<u>240,000</u>
			<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.
- 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, the amalgamated company, as described in note 1.
- e) These options do not require any future performance obligations by the grantee.

TrustBIX Inc.

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

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

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 Black-Scholes fair value of the options granted during the years ended September 30, 2020 and 2019:

	2020	2019
Annualized volatility	81%	60%
Risk-free interest rate	0.25%	2.09%
Expected life of options in years	2.0	1.85
Dividend rate	nil%	nil%
Exercise price	\$0.60	\$0.24
Market price on date of grant	\$0.25	\$0.50
Fair value per common share option	\$0.05	\$0.30

Application of the fair value method resulted in charges to stock-based compensation expense of \$167,312 for the year ended September 30, 2020 (2019 – \$781,293) with a corresponding increase in contributed surplus included in shareholders' equity.

The following table summarizes information on stock options outstanding as at September 30, 2020:

Exercise price \$	Number outstanding	Weighted average remaining contractual life in years	Options exercisable
0.15	979,997	3.08	650,554
0.50	1,665,000	3.21	1,110,000
0.60	372,859	5.00	124,286
	<u>3,017,856</u>	<u>3.39</u>	<u>1,884,840</u>

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

16 Loss per share

	2020 \$	2019 \$
Net loss	(2,335,110)	(3,392,584)
	2020 #	2019 #
Weighted average number of common shares outstanding – basic and diluted	26,562,428	18,582,647
	2020 \$	2019 \$
Basic and diluted loss per share	(0.09)	(0.18)

For the years ended September 30, 2020 and 2019, potential shares issuable in exchange for preferred shares, warrants and all share-based payment awards have been excluded in the diluted loss per share calculation as their effects would have been anti-dilutive.

17 Supplementary cash flow information

Changes in items of non-cash working capital:

	2020 \$	2019 \$
Accounts receivable	3,194	(51,930)
Inventory	4,250	8,181
Deposits and prepaid expenses	23,282	(51,218)
Accounts payable and accrued liabilities	63,052	47,624
Unearned revenue	19,587	(15,083)
	113,365	(62,426)

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

18 Related party balances and transactions

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

	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 (note 15(a) and (d)) 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 is 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 include \$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 include \$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.

TrustBIX Inc.

Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

19 Government assistance

IRAP

The Company recognized IRAP grants as follows:

	2020	2019
	\$	\$
Reduction of intangible assets	18,355	56,570
Reduction of research and development	-	229,434
	<u>18,355</u>	<u>286,004</u>

The Company signed a contribution agreement dated April 1, 2018 with the National Research Council Canada Industrial Research Assistance Program (NRC-IRAP) to receive funding of up to \$350,000 to support ongoing research and development efforts in blockchain. During the years ended September 30, 2020 and 2019, the Company claimed \$18,355 and \$286,004, respectively. The agreement ended during the year ended September 30, 2020.

Wage subsidy

During the year ended September 30, 2020, the Company received \$378,045 from CEWS, which is netted against wages and benefits on the consolidated statements of loss and comprehensive loss (note 1).

Loan payable

During the year ended September 30, 2020, the Company entered into a contribution agreement with WD and received a \$1,000,000 Contribution (note 14).

20 Income taxes

The recovery of income taxes differs from that which would be expected by applying the federal and provincial statutory income tax rates of 24.81% (2019 – 26.41%) to loss before income taxes. A reconciliation of the difference is as follows:

	2020	2019
	\$	\$
Loss before income taxes	(2,335,110)	(3,392,584)
Expected income tax recovery at statutory income tax rates	(579,341)	(895,981)
Tax effects of		
Non-deductible expenses	49,128	233,365
Tax losses for which no deferred tax asset was recognized	327,344	796,832
Effect of change in future tax rate	273,268	26,243
Other	(70,399)	(160,459)
Income tax recovery	<u>-</u>	<u>-</u>

As at September 30, 2020, the Company has available Canadian non-capital losses in the amount of \$8,494,440 (2019 – \$6,263,630) to reduce Canadian taxable income in future years.

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Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

The non-capital loss carry-forwards will expire as follows:

	\$
2030	25,588
2031	145,683
2032	-
2033	85,986
2034	127,596
2035	468,659
2036	467,374
2037	405,922
2038	2,330,176
2039 and thereafter	4,437,456
	<u>8,494,440</u>

As at September 30, 2020 and September 30, 2019, temporary differences for which no deferred tax asset was recognized were as follows:

	2020 \$	2019 \$
Deferred tax assets (liabilities)		
Loss carry-forwards	1,963,915	1,581,897
Deductible temporary differences	196,727	251,655
	<u>2,160,642</u>	<u>1,833,552</u>
Potential tax assets not recognized	(2,160,642)	(1,833,552)
	<u>-</u>	<u>-</u>
Net deferred tax assets	-	-

Given the Company's past losses, management does not believe that it is more probable than not that the Company can realize its deferred tax assets and therefore has not recognized any amount in the consolidated statements of financial position.

21 Capital management

In general, the overall capital of the Company is evaluated and determined in the context of its financial objectives and its strategic plan. The Company views its capital resources as the aggregate of its cash and debt, summarized as follows:

	2020 \$	2019 \$
Cash	713,959	1,617,627
Debt	(513,894)	-
	<u>200,065</u>	<u>1,617,627</u>

TrustBIX Inc.

Notes to Consolidated Financial Statements

September 30, 2020 and September 30, 2019

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth and expansion strategy, while taking a conservative approach toward financial leverage and management of financial risk. The Company currently funds these requirements from internally generated cash flows, government assistance and private placements (note 1).

22 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:

- 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.

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Notes to Consolidated Financial Statements September 30, 2020 and September 30, 2019

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

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

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 remained 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.

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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)
	<hr/>	<hr/>
Balance – End of period	2,317	14,233

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.

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
	<hr/>		<hr/>	
	95,746	100	136,183	100

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 Inc. (note 12).

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) and a lease liability for \$47,291 (note 11).

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Notes to Consolidated Financial Statements

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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 note 1. 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.

23 Operating segments

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

	2020		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	1,428,249	199,188	1,627,437
Expenses	(2,357,768)	(1,959,089)	(4,316,857)
Amortization and depreciation	(50,450)	(81,388)	(131,838)
Other expenses	486,148	-	486,148
Net loss	(493,821)	(1,841,289)	(2,335,110)
Other information			
Expenditures for additions to intangible assets	-	(24,705)	(24,705)
IRAP government assistance netted against intangible asset additions	-	18,355	18,355
	2019		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	1,601,418	40,015	1,641,433
Expenses	(3,927,010)	(956,673)	(4,883,683)
Amortization and depreciation	(10,438)	(79,535)	(89,973)
Other expenses	(60,361)	-	(60,361)
Net loss	(2,396,391)	(996,193)	(3,392,584)
Other information			
Expenditures for additions to intangible assets	(5,899)	(58,763)	(64,662)
IRAP government assistance netted against intangible asset additions	-	56,570	56,570

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Notes to Consolidated Financial Statements

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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:

	2020	2019
	\$	\$
Canada	790,091	471,129
United States	668,577	1,051,429
Other	168,769	118,875
	<hr/>	<hr/>
	1,627,437	1,641,433
	<hr/>	<hr/>