



TrustBIX Inc.

Management's Discussion and Analysis

Third Quarter Ended June 30, 2020

TrustBIX Inc.

Management's Discussion and Analysis

For the third quarters ended June 30, 2020 and 2019

The following Management's Discussion and Analysis ("MD&A") relates to the financial position, results of operations and cash flows of TrustBIX Inc. ("TrustBIX", "we", "us" or the "Company" or "Corporation") for the three months ("third quarter") and nine months ended June 30, 2020 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the third quarter ended June 30, 2020 (the "financial statements") and the MD&A and TrustBIX Inc. (formerly Reco Northern Alberta Inc. – note 1) audited consolidated financial statements and related notes for the years ended September 30, 2019 and 2018. The information in this MD&A is current to August 24, 2020, unless otherwise noted.

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

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

Management is responsible for the information contained in the MD&A and its consistency with information presented, and the MD&A was reviewed and approved by the Board of Directors ("Board") on August 24, 2020. The interim condensed consolidated financial statements and additional information pertaining to the Company can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "should", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed

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or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by applicable securities legislation, regulations or policies.

SIGNIFICANT DEVELOPMENTS AFFECTING OPERATIONS

COVID-19

The impacts of COVID-19 and measures to prevent its spread are affecting the Company's business in several ways. Late in the second quarter and during the third quarter, disruptions in sales and certain delays in the collection of trade receivables were experienced across the beef and pork sectors, as well as reduced usage of certain products and services. In addition, disruptions to beef and pork processors due to COVID-19 have slowed sales of pork probes and parts and the development of markets for the BIX products.

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

Going concern

As at June 30, 2020, the Company had a net working capital deficiency of \$446,658 compared to a net working capital of \$1,157,966 as at September 30, 2019. For the three and nine-month period ended June 30, 2020, the Company incurred a net loss of \$549,672 and \$2,256,650, respectively (\$726,725 and \$2,736,639 net loss for the three and six-month period ended June 30, 2019, respectively) and net cash outflow from operating activities of \$325,162 and \$1,794,646, respectively (\$559,141 and \$1,477,213 net cash outflow from operating activities for the three and nine-month period ended June 30, 2019, respectively). As at June 30, 2020, the Company had an accumulated deficit of \$9,893,354 (September 30, 2019 – \$7,636,704). In addition, the Company also has lease commitments in the amount of \$96,872 as disclosed in note 7 of the unaudited interim condensed consolidated financial statements.

Management is currently pursuing multiple strategies to increase their net working capital position. Current operations have been financed primarily from the issue of share capital, along with revenues from the sale, installation and support of software and hardware of the ViewTrak segment. Management efforts and the Company's focus are primarily on the development of the Company's proprietary, cloud-based and secure distributed ledger platform (BIX) and its use of incentive solutions related to food traceability and sustainability information. Management is actively pursuing new business opportunities related to the BIX platform to increase cash flows from operations. Additionally, the Company is considering 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

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Wage Subsidy ("CEWS"). During the quarter ended June 30, 2020, the Company received \$215,280 from CEWS, which is netted against wages and benefits on the interim condensed consolidated statement of loss. The Company has implemented a cost reduction program and is working with certain investors on strategies to exercise the current warrants outstanding. Management is also sourcing financing alternatives, such as through private placement.

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

Financing

The Company's purpose and vision resonate with staff, partners, and directors and they committed to support the Company. On July 15, 2020, the Company completed the private placement, announced on May 27, 2020, for gross proceeds of \$74,928 and issued 227,054 common shares. On August 4, 2020, the Company issued 237,341 common shares on exercise of warrants for gross proceeds of \$71,202. The private placement and exercise of warrants were made by directors, officers, employees and TrustBIX contractors pursuant to applicable securities exemptions.

On July 27, 2020, the Company entered into a contribution agreement with Western Economic Diversification Canada ("WD") for a repayable financial contribution ("Contribution") under the Regional Relief and Recovery Fund ("RRRF"). Under the contribution agreement, WD is supporting the Company with an investment of up to \$1,000,000 prior to March 31, 2021 to support general working capital requirements. Repayment of the Contribution commences January 31, 2023 and continues in equal monthly installments 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 Company received a \$500,000 advance on the Contribution on July 31, 2020.

PRINCIPAL BUSINESS

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

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BIX and its unique use of incentive solutions, the Company can deliver independent validation of food provenance and sustainable production practices within the supply chain.

While management's efforts and the Company's focus is primarily on the development of BIX products and markets, current revenue is generated largely from ViewTrak's products (information regarding operating segments is disclosed in note 14 of the unaudited interim condensed consolidated financial statements). ViewTrak, a wholly owned subsidiary of TrustBIX, has developed solutions for many agricultural technology challenges, with an emphasis on feedlots, auctions and processors, and its proprietary technology includes:

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

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

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

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

OUTLOOK

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

Since the CBSA pilot began in 2017, TrustBIX continued to collaborate with the industry leaders to provide funding to participants that produced certified sustainable cattle, throughout the entire supply chain. With the signing of a new agreement with Cargill on February 26, 2020, TrustBIX continues working with Cargill and their sustainable beef sourcing.

On August 13, 2020, McDonalds Canada announced that it will return to sourcing 100% Canadian beef starting in September 2020, which stopped due to COVID-19 as announced in their June 29, 2020 press release. As well, McDonalds Canada will be extending its Canadian Roundtable for Sustainable Beef (CRSB) certified sustainable sourcing to include its Quarter Pounder patties.

On July 22, 2019, Innovation, Science and Economic Development Canada (ISED) announced an investment of up to \$49.5 million in Alberta Innovates and its partners in the Strategic Innovation Fund competition. TrustBIX is one of the core partners of the Canadian Agri-Food Automation and Intelligence

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

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Network (CAAIN) that will share the \$49.5 million in funding. Hubert Lau, TrustBIX CEO and interim board of director of CAAIN, and Tom Ogaranko, Chief Innovation Officer of TrustBIX and member of the working group of CAAIN, continue to work with their colleagues in CAAIN to meet the deliverables of the Canadian government's requirements. The amount of the direct financial benefit to TrustBIX is being determined.

CAAIN brings together technology and agri-food companies focused on creating and integrating automated and digitized solutions in Canada's agri-food sector. Projects focus on using techniques in artificial intelligence, advanced sensor technologies, hyperspectral imaging, and blockchain applications to increase the productivity of Canadian agri-food producers.

Discussions between ISED and CAAIN for the contribution agreement are near completion. Once the agreement is signed and announced, the CAAIN network will call for project proposals, and evaluate and award them. TrustBIX and its collaboration partners have submitted their proposals as part of the preparation for CAAIN's kickoff.

Adjustments to 2020 focus due to COVID-19

In response to the COVID-19 pandemic, TrustBIX has adjusted its 2020 focus:

- Ensure health and safety of employees;
- Support solutions that will help agri-food workers to stay healthy and safe;
- Create potential post-COVID opportunities for progressive Canadian agri-food businesses in collaboration with TrustBIX;
- Enhance capabilities and expand on the types of data collectable in the BIX platform;
- Integrate incentive solutions and the BIX platform with other third-party agri-business platforms; and
- Expand into China and other global markets.

Since March 12, 2020 and still ongoing, employees in the TrustBIX Edmonton and Markham offices were asked to work from home and to respect social distancing. Staff meetings have moved from weekly to monthly to provide updates on COVID-19 and address any concerns or questions the staff may have.

Basecase – Provision Analytics

In support of workers' health and safety in high density workplaces such as packing and processing plants, on April 23, 2020, the Company signed a Channel Partner Agreement in which TrustBIX will market and sell licenses for Provision Analytics' proprietary Basecase software.

Basecase is a digital platform for COVID-19 tracking and reporting. It allows companies with job sites that require high employee densities to capture important information about employees' health before they enter the workplace. Basecase has a number of reporting features that are important to corporate Occupational Safety and Health programs. The software enables companies to review employee symptoms and exposure for COVID-19, sort staff between safety categories, and review trendlines and case lists by location. It has been designed for ease of use from a desktop or mobile device, and is licensed based on the headcount at a given workplace.

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This Agreement is a natural extension of TrustBIX's core business of building solutions that create sustainable agri-food supply chains. TrustBIX's software platform, BIX, addresses agri-food sourcing from primary producers and provides chain of custody, while Basecase addresses and protects employees in the downstream processing businesses.

On July 10, 2020, TrustBIX and Centennial Foodservice ("Centennial") signed a contract for the implementation of Basecase in all of Centennial's Western Canadian locations. For more details, refer to the press release on July 24, 2020, "TrustBIX Inc. Announces Sale of Basecase Software Solution to Combat the Impact of COVID-19 in the Canadian Agrifood Supply Chain".

Export opportunities

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

For more details, refer to the press releases on April 2, 2020, "TrustBIX and Food2China announce a Memorandum of Understanding to guide future collaboration", and on April 9, 2020, "Cantriex and TrustBIX join forces on age-verified grain-fed Angus beef for export to the European Union".

Enhance capabilities

Added Functionality of the BIX Platform

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

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

New Solutions for ViewTrak's Auction Market Software

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

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ViewTrak has also created the ability to transition away from the older audience display boards to fully customizable TV screens.

For more details, refer to the press release on July 7, 2020, "TrustBIX Inc. Announces New Solutions For Livestock Auction Markets".

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

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RESULTS OF OPERATIONS**Selected information for the three and nine months ended June 30, 2020 and 2019:**

	Three months ended June 30		Nine months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue				
License	1,056	44,483	18,659	73,954
Hardware and installation	89,402	128,896	233,476	336,087
Professional and development services	70,313	36,453	185,813	116,029
Maintenance	190,538	201,474	652,495	656,722
	351,309	411,306	1,090,443	1,182,792
Expenses:				
Wages and benefits	457,486	405,328	1,798,611	1,693,870
Consulting fees	188,543	229,689	608,178	602,509
Professional fees	52,459	209,774	226,085	737,436
Hardware costs and supplies	30,638	85,688	132,932	200,998
Travel, trade shows and conferences (a)	13,787	92,086	144,207	247,289
Office (a)	64,923	59,449	243,352	167,433
Amortization and depreciation	33,727	23,722	98,227	66,821
Advertising and promotion (recovery)	(655)	24,697	34,520	55,384
Research and development	45,218	24,333	90,245	71,243
Bad debts (recovery)	(3,105)	(13,521)	(10,852)	6,639
Foreign exchange loss (gain)	6,861	-	(9,387)	-
	889,882	1,141,245	3,356,118	3,849,622
Loss before other income (expenses) and income taxes	(538,573)	(729,939)	(2,265,675)	(2,666,830)
Other income (expense)	(11,099)	3,214	9,025	(69,809)
Income taxes	-	-	-	-
Net loss and comprehensive loss for the period	(549,672)	(726,725)	(2,256,650)	(2,736,639)
Per common share:				
Basic and diluted loss per share	(0.02)	(0.03)	(0.09)	(0.17)
Number of common shares outstanding - end of period	27,396,518	24,923,022	27,396,518	24,923,022
Weighted average number of common shares outstanding - basic and diluted	25,920,454	23,386,262	26,169,187	16,350,209
Statement of financial position data:				
Working capital (deficiency) - current assets less current liabilities	(446,658)	1,598,637	(446,658)	1,598,637
Total assets	1,011,630	2,818,394	1,011,630	2,818,394

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

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Three months ended June 30, 2020 compared to nine months ended June 30, 2019

Revenue

Total revenue for the three ended June 30, 2020 decreased to \$351,309 from \$411,306 in 2019, a decrease of \$59,997 or 14.6% due to the following:

- Licence revenue decreased to \$1,056 in 2020 from \$44,483 in 2019, a decrease of \$43,427, due to reduced demand for AMP software.
- Hardware and installation revenue decreased to \$89,402 in 2020 from \$128,896 in 2019, a decrease of \$39,494 driven primarily by lower AMP systems and peripheral sales, partially offset by an increase in pork probe sales.
- Professional and development services revenue increased to \$70,313 in 2020 from \$36,453 in 2019, an increase of \$33,860. The increase was primarily due to chain of custody and data analysis revenues of \$52,074 related to the Company's BIX platform, partially offset by a reduction of ViewTrak professional and development services.
- Maintenance revenue decreased to \$190,538 in 2020 from \$201,474 in 2019, a decrease of \$10,936, primarily due to the timing of the customer renewals of maintenance, partially offset by an increase in pork probe servicing activities.

The impact of COVID-19 and measures to prevent its spread affected the Company's revenue in several ways. In the third quarter of 2020, postponed sales as well as some delays in the collection of trade receivables across the beef and pork sectors were experienced, along with reduced usage of certain products and services. In addition, disruptions at beef and pork processors due to COVID-19 have slowed sales of pork probes and parts.

Expenses

Wages and benefits

Wages and benefits increased to \$457,486 in 2020 from \$405,328 in 2019, an increase of \$52,158. The increase is due mainly to additional staff hired after the third quarter of 2019, partially offset by a decrease of \$67,679 in stock-based compensation expense.

Consulting fees

Consulting fees decreased to \$188,543 in 2020 from \$229,689 in 2019, a decrease of \$41,146. The decrease in consulting fees is due primarily to changing the status of two consultants to employees, partially offset by a consultant retained for international market development.

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Professional fees

Professional fees decreased to \$52,459 in 2020 from \$209,774 in 2019, a decrease of \$157,315 primarily due to the completion of the reverse takeover transaction in 2019.

Hardware costs and supplies

Hardware costs and supplies decreased to \$30,638 in 2020 from \$85,688 in 2019, a decrease of \$55,050, primarily driven by a decline in hardware and installation sales.

Travel, trade shows and conferences

Travel, trade shows and conferences decreased to \$13,787 in 2020 from \$92,086 in 2019, a decrease of \$78,299. The decrease was due primarily to the impact of COVID-19 travel restrictions, as well as management's general reduction of travel and promotion expenses.

Office

Office increased to \$64,923 in 2020 from \$59,449 in 2019, an increase of \$5,474. The increase was primarily due to software user licenses, additional insurance coverage and general increases in insurance costs and business license fees. Partially offsetting these increases was a \$13,275 reduction in office rent expense due to the adoption of IFRS 16, Leases (notes 4 and 7 of the unaudited interim condensed consolidated financial statements).

Amortization and depreciation

Amortization and depreciation increased to \$33,727 in 2020 from \$23,722 in 2019, an increase of \$10,005. The increase is primarily due to the depreciation of right of use lease assets, which were recorded as a result of the adoption of IFRS 16, Leases (notes 4 and 7 of the unaudited interim condensed consolidated financial statements).

Advertising and promotion (recovery)

Advertising and promotion, decreased to a recovery of (\$655) in 2020 from \$24,697 in 2019, a decrease of \$25,352, primarily due to cost reduction measures, including cancellation of promotion due to COVID-19.

Research and development

Research and development, increased to \$45,218 in 2020 from \$24,333 in 2019, an increase of \$20,885, primarily due development of the BIX platform.

Bad debts (recovery)

Bad debts (recovery), decreased to (\$3,105) in 2020 from (\$13,521) in 2019, a decrease of \$10,416. The recovery in 2020 is due a revision of estimated bad debts due to lower trade accounts receivables as at June 30, 2020 compared to 2019. The recovery in 2019 was a result of collection of trade receivables that were previously written off as bad debts expense.

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Foreign exchange loss (gain)

Foreign exchange loss increased to \$6,861 in 2020 from \$nil in 2019, due to changes in foreign exchange rates.

Other income (expense)

Other income (expense) increased to (\$11,099) in 2020 from \$3,214 in 2019, an increase of \$14,313 in expense. The increase is due primarily to a \$8,550 revaluation of the investment (USD \$250,000) in Provision Analytics using the USD/CAD exchange rate at June 30, 2020, a \$8,436 increase in net interest expense, partially offset by a decrease in expenses related to accretion of preferred shares.

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Nine months ended June 30, 2020 compared to nine months ended June 30, 2019

Revenue

Total revenue for the nine months ended June 30, 2020 decreased to \$1,090,443 from \$1,182,792 in 2019, a decrease of \$92,349 or 7.8% due to the following:

- Licence revenue in decreased to \$18,659 in 2020 from \$73,954 in 2019, a decrease of \$55,295, due to less demand for AMP software.
- Hardware and installation revenue decreased to \$233,476 in 2020 from \$336,087 in 2019, a decrease of \$102,611. The decrease was primarily due to decreased sales of hardware and pork probes.
- Professional and development services revenue increased to \$185,813 from \$116,029 in 2019, an increase of \$69,784. The increase was primarily due to chain of custody and data analysis revenues of \$134,874 related to the Company's BIX platform, partially offset by a reduction of other services.
- Maintenance revenue decreased to \$652,495 from \$656,722 in 2019, a decrease of \$4,227, due primarily to timing of customer renewals of maintenance, partially offset by an increase in pork probe servicing activities.

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

Expenses

Wages and benefits

Wages and benefits increased to \$1,798,611 in 2020 from \$1,693,870 in 2019, an increase of \$104,741. The increase is due mainly to additional staff hired after the third quarter of 2019, as well as an overall increase in wages and benefits. Partially offsetting the increase is a decrease of \$525,817 in stock-based compensation expense, and the receipt of the Canada Emergency Wage Subsidy which is netted against wages and benefits.

Consulting fees

Consulting fees increased to \$608,178 in 2020 from \$602,509 in 2019, an increase of \$5,669. The increase is due primarily to consultants retained for international market development and cyber security training, partially offset by two consultants changing status to employees.

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Professional fees

Professional fees decreased to \$226,085 in 2020 from \$737,436 in 2019, a decrease of \$511,351, primarily due to the completion of the reverse takeover transaction in 2019.

Hardware costs and supplies

Hardware costs and supplies decreased to \$132,932 in 2020 from \$200,998 in 2019, a decrease of \$68,066, primarily driven by a decline in hardware and installation sales. The resale price of hardware can vary, depending on customer requests.

Travel, trade shows and conferences

Travel, trade shows and conferences decreased to \$144,207 in 2020 from \$247,289 in 2019, a decrease of \$103,082. The decrease was due primarily to the impact of COVID-19 travel restrictions, as well as management's general reduction of travel and promotion expenses.

Office

Office increased to \$243,352 in 2020 from \$167,433 in 2019, an increase of \$75,919. The increase was primarily due to expansion of office space and software user licenses, office costs for consultants in China, additional insurance coverage and general increases in insurance costs and business license fees. Partially offsetting these increases was a \$36,167 reduction in office rent expense due to the adoption of IFRS 16, Leases (notes 4 and 7 of the unaudited interim condensed consolidated financial statements).

Amortization and depreciation

Amortization and depreciation increased to \$98,227 in 2020 from \$66,821 in 2019, an increase of \$31,406. The increase is primarily due to the depreciation of right of use lease assets, which were recorded as a result of the adoption of IFRS 16, Leases (notes 4 and 7 of the unaudited interim condensed consolidated financial statements).

Advertising and promotion

Advertising and promotion, decreased to \$34,520 in 2020 from \$55,384 in 2019, a decrease of \$20,864, primarily due to cost reduction measures implemented in the second quarter and the impact of COVID-19 restrictions.

Research and development

Research and development, increased to \$90,245 in 2020 from \$71,243 in 2019, an increase of \$19,002, primarily due development of the BIX platform.

Bad debts (recovery)

Bad debts (recovery), increased to (\$10,852) in 2020 from \$6,639 in 2019, an increase in recovery of \$17,491. The recovery in 2020 is due a revision of estimated bad debts due to lower trade accounts receivables as at June 30, 2020 compared to 2019.

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Foreign exchange loss (gain)

Foreign exchange gain increased to \$9,387 in 2020 from \$nil in 2019, due to changes in foreign exchange rates.

Other income (expense)

Other income (expense) increased to income of \$9,025 in 2020 from expenses of (\$69,809) in 2019, an increase of \$78,834. The increase is primarily due to accretion of preferred shares of (\$102,099) in 2019.

Summary of quarterly results

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

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	351,309	354,329	384,805	458,641	411,306	348,105	423,381	333,962
Expenses	889,882	1,192,745	1,273,491	1,124,034	1,141,245	1,139,432	1,568,945	1,073,548
Loss before other income (expenses) and income taxes	(538,573)	(838,416)	(888,686)	(665,393)	(729,939)	(791,327)	(1,145,564)	(739,586)
Other income (expenses)	(11,099)	22,905	(2,781)	9,448	3,214	4,643	(77,666)	(91,124)
Income taxes	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	(549,672)	(815,511)	(891,467)	(655,945)	(726,725)	(786,684)	(1,223,230)	(830,710)
Per common share:								
Basic and diluted loss per share	(0.02)	(0.03)	(0.04)	(0.03)	(0.03)	(0.05)	(0.12)	(0.14)
Number of common shares outstanding - end of period	27,396,518	27,236,283	25,359,720	25,359,720	24,923,022	16,666,676	15,703,673	6,666,666
Weighted average number of common shares outstanding - basic and diluted	25,920,454	25,881,716	25,359,720	25,207,164	23,386,262	16,046,074	9,855,713	5,789,910

The Company has incurred losses over the past several quarters relating to costs associated with the completion of the transaction which concluded during the quarter ended June 30, 2019 (note 1 of the unaudited interim condensed consolidated financial statements), as well as the investment in the growth of the Company including additional personnel and product development. The Company will continue to invest further resources in 2020 to drive sales and product development.

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

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

	Three months ended June 30		Nine months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Cash used in operating activities	(325,162)	(559,141)	(1,794,646)	(1,477,213)
Cash (used in) provided by investing activities	-	(6,130)	(345,124)	175,870
Cash (used in) provided by financing activities	97,822	(152,845)	783,652	2,629,622
(Decrease) increase in cash	(227,340)	(718,116)	(1,356,118)	1,328,279
Cash - beginning of year	488,849	3,136,172	1,617,627	1,089,777
Cash - end of year	261,509	2,418,056	261,509	2,418,056

Cash consists of cash on hand and deposits held with banks. As of June 30, 2020, the Company held cash of \$261,509 compared to \$2,418,056 as of June 30, 2019.

Cash used in operating activities

Cash used in operating activities for the three months ended June 30, 2020 increased to (\$325,162) from (\$559,141) in 2019, an increase of \$233,979, and for the nine months ended June 30, 2020 decreased to (\$1,794,646) from (\$1,477,213) in 2019, a decrease of (\$317,433), primarily due to higher cash operating expenses in 2020, as well as changes in working capital, specifically timing of payment of accounts payable, unearned revenues and accounts receivables.

Cash (used in) provided by investing activities

Cash (used in) provided by investing activities for the three months ended June 30, 2020 increased to \$nil from (\$6,130) in 2019, primarily due to intangible asset additions and purchase of property and equipment in 2019.

Cash (used in) provided by investing activities for the nine months ended June 30, 2020 decreased to (\$345,124) from \$175,870 in 2019, a decrease of (\$520,994) primarily due to the \$329,039 investment in Provision Analytics in 2020, and \$195,900 of restricted cash that became unrestricted in 2019.

Cash (used in) provided by financing activities

Cash (used in) provided by financing activities for the three months ended June 30, 2020 increased to \$97,822 from (\$152,845) in 2019, an increase of \$250,667, and for the nine months ended June 30, 2020 decreased to \$783,652 from \$2,629,622 in 2019, a decrease of \$1,845,970, primarily due to a decrease in the proceeds from private placements, offset in 2019 by the redemption of preferred shares.

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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.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting financial obligations as they come due (see the section, Significant Developments Affecting Operations, herein). The Company manages its liquidity risk through the management of its capital structure and financial leverage. It also monitors its cash position to its actual 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.

Market risk

- Currency risk

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

The following table presents the Company's exposure to the US dollar and RMB for the quarters ended June 30, 2020 and 2019:

	2020	2019
	CAD\$	CAD\$
Cash – USD	137,823	19,299
Accounts receivable – USD	5,039	60,851
Accounts receivable – RMB	63,558	29,797
Accounts payable and accrued liabilities – USD	(9,002)	(16,861)
	<u>197,418</u>	<u>93,086</u>
	2020	2019
	\$	\$
CAD\$ - US\$	0.7347	0.7638
CAD\$ - RMB\$	0.1914	0.1724

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 \$20,000 as at June 30, 2020 (2019 - \$9,300), assuming all other variables remained

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

- Interest rate risk

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

Credit risk

- Accounts Receivable

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 requirement payment when due, which is generally within 60 days of the billing date.

The Company applied the simplified approach to provide for expected credit losses ("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.

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. While the Company evaluates a customer's credit worthiness before credit is extended, provisions for potential credit losses are also maintained. Included in accounts receivable, for the three months ended June 30, 2020 is a recovery of \$3,105 (2019 – 13,521 recovery) and for nine months ended June 30, 2020 is a recovery of \$10,852 (2019 – \$6,639 expense), as a result of a decrease in trade receivables. There have been no significant changes to expected loss rates used to measure credit losses.

- Investment

The Company is exposed to credit risk in relation to its investment in Provision Analytics Inc. (note 8 of the unaudited interim condensed consolidated financial statements). The maximum exposure at June 30, 2020 is the carrying amount of the investment.

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CONTRACTUAL OBLIGATIONS

The Company has the following lease liability obligations, net of accretion expense of \$21,670, as at June 30, 2020:

Lease liability obligations	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Lease payments, net of interest accretion	96,872	38,760	58,112	-	-

OUTSTANDING SHARE DATA

As at August 24, 2020 there were 27,860,913 common shares, 4,254,645 warrants and 2,644,997 share options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Related party transactions, including key management compensation, are provided in note 10 of the unaudited interim condensed consolidated financial statements. No ongoing contractual or other commitments resulted from the transactions, other than the key management compensation.

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

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	Three months ended		Nine months ended	
	June 30, 2020 \$	June 30, 2019 \$	June 30, 2020 \$	June 30, 2019 \$
Rent paid to a company controlled by directors	-	18,535	6,178	55,605
Sublease rental income received from two companies separately controlled by directors	(1,912)	(4,704)	(10,769)	(10,988)
Exercise of warrants and purchase of common shares and units in private placement (notes 9(a) and (b) to the interim condensed consolidated financial statements) by directors and officers	(9,240)	-	(429,421)	-
Janitorial services paid to related parties of a director	1,319	2,229	6,528	6,745
	<u>(9,833)</u>	<u>16,060</u>	<u>(427,484)</u>	<u>51,362</u>

The compensation paid to key management personnel during the three and nine months ended June 30, 2020 and 2019 are as follows:

	Three months ended		Nine months ended	
	June 30, 2020 \$	June 30, 2019 \$	June 30, 2020 \$	June 30, 2019 \$
Salaries, short-term employee benefits and stock-based compensation	303,618	295,193	951,108	955,578
Consulting fees	1,418	62,517	25,910	155,502
	<u>305,036</u>	<u>357,710</u>	<u>977,018</u>	<u>1,111,080</u>

Accounts receivable

As at June 30, 2020, accounts receivable include \$1,146 (2019 – \$nil) due from companies controlled by directors of the Company, related to sublease rental income, \$4,909 (2019 – \$nil) due from a director of the Company and \$1,786 (2019 – \$nil) due from an officer related to a purchase of common shares (note 9(b)).

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Accounts payable

As at June 30, 2020, accounts payable and accrued liabilities include \$361 (2019 – \$986) payable to a related party of a director for janitorial services, and \$nil (2019 – \$8,741) related to professional services provided by an officer.

RECENT CHANGES IN ACCOUNTING PRONOUNCEMENTS

IFRS 16 – Leases (“IFRS 16”)

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

As a result of adopting IFRS 16, the Company has recognized an increase in both assets and liabilities in its interim condensed 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 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 \$18,677, an amount equal to the liability (adjusted for accruals and prepayments), as described in note 4 of the unaudited interim condensed consolidated financial statements.

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 for its quarter ended June 30, 2020.

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CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

A discussion of critical accounting policies, estimates and judgments can be found in notes 2, 3, 4, 5 and 6 of the audited consolidated financial statements for the years ended September 30, 2019 and September 30, 2018. Updates related to the third quarter are disclosed in notes 3 and 4 of the unaudited interim consolidated financial statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, investment and accounts payable and accrued liabilities. 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 interim condensed 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.

On October 22, 2019, TrustBIX invested (USD \$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 an embedded derivative are considered in their entirety when determining whether their cash flows are solely payment of principal and interest (SPPI).

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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 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 as profit or loss and presented net within other gains/(losses) in the period in which it arises.

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

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 judgement about the likelihood and timing of these trigger events as well as the discount period and rate 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 from operations.

The Company recorded the investment initially at the transaction price, and subsequent measurement is determined considering level 3 fair value inputs based on future cash flows discounted using estimated current lending rates.

The fair value of the convertible debenture was calculated as the net present value of the future cash flows expected to arise at each measurement date. A fair value adjustment was not required after reviewing the fair value calculation of the convertible debenture at June 30, 2020.

Given the ongoing impacts of COVID-19, the cash flow projections that are used to assess the fair value of the investment are subject to greater uncertainty than normal. If cash flow projections are reduced in the future, fair value adjustment of the investment may be required.

RISK FACTORS

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

The impact of these disruptions and the extent of their adverse impact on the Company's financial and operational results will be dictated by the length of time that such disruptions continue, and among other things, the impact of government actions imposed in response to the pandemic and the risk tolerance of

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individuals and companies regarding health matters going forward. With the unknown duration of the pandemic, it is not possible to precisely estimate the impact in future periods.

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