



TrustBIX Inc.

Interim Condensed Consolidated
Financial Statements
(Unaudited)
March 31, 2021

TrustBIX Inc.

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at March 31, 2021

	March 31, 2021 \$	September 30, 2020 \$
Assets		
Current assets		
Cash	1,443,764	713,959
Accounts receivable	232,925	162,674
Inventory	63,014	56,066
Deposits and prepaid expenses	38,951	41,611
	<u>1,778,654</u>	<u>974,310</u>
Property and equipment (note 4)	40,243	37,976
Intangible assets (note 5)	11,533	45,731
Right-of-use assets (note 6)	61,689	82,546
Investment (note 7)	326,167	341,332
	<u>2,218,286</u>	<u>1,481,895</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	396,666	567,396
Unearned revenue	297,677	265,981
Lease liability (note 6)	44,318	40,531
	<u>738,661</u>	<u>873,908</u>
Loan payable (note 8)	561,914	513,894
Lease liability (note 6)	24,143	47,291
	<u>1,324,718</u>	<u>1,435,093</u>
Shareholders' Equity (Deficiency)		
Share capital issued (note 9(a))	9,452,724	7,977,154
Warrants (note 9(b))	868,055	403,719
Contributed surplus (note 9(c))	1,523,973	1,488,115
Capital reserve	149,628	149,628
Deficit	(11,100,812)	(9,971,814)
	<u>893,568</u>	<u>46,802</u>
	<u>2,218,286</u>	<u>1,481,895</u>

Nature of operations and going concern (note 1)

Subsequent events (note 15)

Approved by the Board of Directors

(Signed) "Hubert Lau" _____ Director (Signed) "Tony Barlott" _____ Director

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

TrustBIX Inc.

Interim Condensed Consolidated Statements of Changes in Equity (Deficiency)

(Unaudited)

For the six-month periods ended March 31, 2021 and 2020

	Share capital \$	Warrants \$	Contributed surplus \$	Capital reserve \$	Deficit \$	Total \$
Balance – October 1, 2020	7,977,154	403,719	1,488,115	149,628	(9,971,814)	46,802
Net loss for the period	-	-	-	-	(1,128,998)	(1,128,998)
Common shares issued in private placement, net of share issue costs (notes 9(a) and (b))	1,475,570	464,336	-	-	-	1,939,906
Stock-based compensation (note 9(c))	-	-	35,858	-	-	35,858
Balance – March 31, 2021	<u>9,452,724</u>	<u>868,055</u>	<u>1,523,973</u>	<u>149,628</u>	<u>(11,100,812)</u>	<u>893,568</u>
Balance – October 1, 2019	6,936,913	1,029,681	837,161	149,628	(7,636,704)	1,316,679
Net loss for the period	-	-	-	-	(1,706,978)	(1,706,978)
Common shares issued in private placement, net of share issue costs (notes 9(a) and (b))	259,963	38,577	-	-	-	298,540
Common shares issued on exercise of warrants (notes 9(a) and (b))	550,326	(140,145)	-	-	-	410,181
Stock-based compensation (note 9(c))	-	-	117,412	-	-	117,412
Balance – March 31, 2020	<u>7,747,202</u>	<u>928,113</u>	<u>954,573</u>	<u>149,628</u>	<u>(9,343,682)</u>	<u>435,834</u>

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

TrustBIX Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the three and six-month periods ended March 31, 2021 and 2020

	Three months ended		Six months ended	
	March 31, 2021 \$	March 31, 2020 \$	March 31, 2021 \$	March 31, 2020 \$
Revenue				
Licence	62,277	12,404	72,515	17,603
Hardware and installation	210,183	50,899	359,798	144,074
Professional and development services	239,873	44,757	309,535	115,500
Maintenance	240,922	246,269	431,639	461,957
	<u>753,255</u>	<u>354,329</u>	<u>1,173,487</u>	<u>739,134</u>
Expenses				
Wages and benefits (note 9(c))	490,211	698,907	953,101	1,341,125
Consulting fees	212,864	178,856	426,957	419,635
Professional fees	153,145	81,447	232,346	173,626
Hardware costs and supplies	132,685	33,217	183,612	102,294
Travel, trade shows and conferences	11,739	38,687	15,996	130,420
Office	74,110	93,981	146,090	178,429
Amortization and depreciation	26,946	34,381	60,465	64,500
Advertising and promotion	9,308	14,161	25,454	35,175
Research and development	67,791	29,724	122,731	45,027
Bad debts (recovery)	28,834	(3,578)	28,834	(7,747)
Foreign exchange loss (gain)	6,328	(7,038)	16,180	(16,248)
	<u>1,213,961</u>	<u>1,192,745</u>	<u>2,211,766</u>	<u>2,466,236</u>
Loss before other (expenses) income and income taxes	<u>(460,706)</u>	<u>(838,416)</u>	<u>(1,038,279)</u>	<u>(1,727,102)</u>
Other (expenses) income				
Interest expense	(23,812)	(4,722)	(27,623)	(7,014)
Interest income	1,926	3,502	3,574	7,352
Accretion expense	(24,546)	-	(48,020)	-
Unrealized foreign exchange on investment	(3,475)	24,125	(18,650)	19,786
	<u>(49,907)</u>	<u>22,905</u>	<u>(90,719)</u>	<u>20,124</u>
Loss before income taxes	<u>(510,613)</u>	<u>(815,511)</u>	<u>(1,128,998)</u>	<u>(1,706,978)</u>
Income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss and comprehensive loss for the period	<u>(510,613)</u>	<u>(815,511)</u>	<u>(1,128,998)</u>	<u>(1,706,978)</u>
Basic and diluted loss per share (note 11)	(0.01)	(0.03)	(0.04)	(0.07)

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

TrustBIX Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the three and six-month periods ended March 31, 2021 and 2020

	Three-months ended		Six-months ended	
	March 31, 2021 \$	March 31, 2020 \$	March 31, 2021 \$	March 31, 2020 \$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(510,613)	(815,511)	(1,128,998)	(1,706,978)
Adjustments to reconcile net loss to cash flows from operating activities:				
Amortization and depreciation	26,946	34,381	60,465	64,500
Accretion expense	24,546	-	48,020	-
Stock-based compensation	10,482	35,193	35,858	117,412
Unrealized foreign exchange gain on investment	3,475	(24,125)	18,650	(19,786)
Interest income on investment	(1,837)	(2,290)	(3,485)	(3,847)
Interest (income) expense	3,380	4,722	7,191	7,014
Cash used in operating activities before changes in items of working capital	(443,621)	(767,630)	(962,299)	(1,541,685)
Net change in items of non-cash working capital (note 12)	(232,024)	120,782	(213,573)	72,201
	(675,645)	(646,848)	(1,175,872)	(1,469,484)
Investing activities				
Purchase of property and equipment	(5,552)	(5,866)	(7,677)	(9,735)
Purchase of investment (note 7)	-	-	-	(329,039)
Increase in intangible assets	-	-	-	(24,705)
Proceeds from government assistance	-	-	-	18,355
	(5,552)	(5,866)	(7,677)	(345,124)
Financing activities				
Lease payments (note 6)	(13,276)	(13,275)	(26,552)	(22,891)
Proceeds from issuance of common shares and warrants in private placement (note 9)	2,100,000	305,577	2,100,000	305,577
Proceeds from exercise of warrants (note 9)	-	410,181	-	410,181
Share issue costs (note 9)	(160,094)	(7,037)	(160,094)	(7,037)
	1,926,630	695,446	1,913,354	685,830
Increase (decrease) in cash during the period	1,245,433	42,732	729,805	(1,128,778)
Cash – Beginning of period	198,331	446,117	713,959	1,617,627
Cash – End of period	1,443,764	488,849	1,443,764	488,849

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

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Notes to Interim Condensed Consolidated Statements

(Unaudited)

March 31, 2021

1 Nature of operations and going concern

TrustBIX Inc.'s (the Company or TrustBIX) business operations consist of information solutions for the agri-food 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 interim condensed 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 March 31, 2021, the Company had a net working capital of \$1,039,993 compared to a net working capital of \$100,402 as at September 30, 2020. For the three and six-month periods ended March 31, 2021, the Company incurred a net loss of \$510,613 and \$1,128,998, respectively (\$815,511 and \$1,706,978 net loss for the three and six-month periods ended March 31, 2020, respectively) and net cash outflow from operating activities of \$675,645 and \$1,175,872, respectively (\$646,848 and \$1,469,484 net cash outflow from operating activities for the three and six-month periods ended March 31, 2020). As at March 31, 2021, the Company had an accumulated deficit of \$11,100,812 (September 30, 2020 – \$9,971,814). In addition, the Company also has lease commitments in the amount of \$68,461 as disclosed in note 6.

Current operations have been financed primarily from the issue of share capital, including the Private Placement closed on February 1, 2021 for gross proceeds of \$2,100,000 or 10,500,000 units at a price of \$0.20 per unit (note9(a)), 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 the Canada Emergency Wage Subsidy (CEWS). During

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the three and six-month periods ended March 31, 2021, the Company received \$8,902 and \$29,508, respectively from CEWS, which is netted against wages and benefits on the interim condensed consolidated statements of loss and comprehensive loss. The Company has also implemented a cost reduction program.

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 interim condensed 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.

2 Basis of presentation

These interim condensed consolidated financial statements of the Company have been prepared in accordance with IFRS, as applicable to interim financial reports including International Accounting Standard 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended September 30, 2020, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 21, 2021.

Basis of measurement

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

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 quarter ended March 31, 2021, 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.

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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.

4 Property and equipment

	Computer hardware \$	Computer software \$	Office furniture and equipment \$	Total \$
As at September 30, 2020				
Cost	93,634	17,808	15,086	126,528
Accumulated depreciation	(61,816)	(17,808)	(8,928)	(88,552)
Net book value as at September 30, 2020	31,818	-	6,158	37,976
Cost – as at September 30, 2020	93,634	17,808	15,086	126,528
Additions	7,677	-	-	7,677
Disposal	-	-	-	-
Cost – as at March 31, 2021	101,311	17,808	15,086	134,205
Accumulated depreciation – as at September 30, 2020	(61,816)	(17,808)	(8,928)	(88,552)
Depreciation	(4,816)	-	(594)	(5,410)
Disposal	-	-	-	-
Accumulated depreciation – as at March 31, 2021	(66,632)	(17,808)	(9,522)	(93,962)
Net book value as at March 31, 2021	34,679	-	5,564	40,243

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Notes to Interim Condensed Consolidated Statements

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5 Intangible assets

	BIX software \$	Trademarks \$	Total \$
As at September 30, 2020			
Cost	244,959	8,092	253,051
Accumulated amortization	(207,320)	-	(207,320)
	-	-	-
Net book value as at September 30, 2020	<u>37,639</u>	<u>8,092</u>	<u>45,731</u>
Cost – as at September 30, 2020	244,959	8,092	253,051
Additions	-	-	-
	-	-	-
Cost – as at September 30, 2020 and March 31, 2021	<u>244,959</u>	<u>8,092</u>	<u>253,051</u>
Accumulated amortization – as at September 30, 2020	(207,320)	-	(207,320)
Amortization	(34,198)	-	(34,198)
	-	-	-
Accumulated amortization – as at March 31, 2021	<u>(241,518)</u>	<u>-</u>	<u>(241,518)</u>
Net book value as at March 31, 2021	<u>3,441</u>	<u>8,092</u>	<u>11,533</u>

6 Leases

Below is a summary of the activity related to the Company's right-of-use (ROU) assets for the period ended March 31, 2021.

	\$
ROU assets as at September 30, 2020	82,546
Additions	-
Depreciation	<u>(20,857)</u>
ROU assets as at March 31, 2021	<u>61,689</u>

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The following is a summary of the activity related to the Company's lease liabilities for the period ended March 31, 2021:

	\$
ROU lease liabilities as at September 30, 2020	87,822
Additions	-
Lease payments	(26,552)
Accretion of lease liabilities	<u>7,191</u>
ROU lease liabilities as at March 31, 2021	<u>68,461</u>
Of which are	
Current lease liabilities	44,318
Non-current lease liabilities	<u>24,143</u>
	<u>68,461</u>

The Company's estimated cash outflows related to the lease obligation are \$53,103 and \$25,613 within the 12 months ending March 31, 2022 and March 31, 2023, respectively.

7 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 solely payment of principal and interest (SPPI).

The investment in Provision Analytics Inc. does not represent SPPI and therefore is classified as a financial asset measured at fair value through profit or loss.

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 three and six-months ended March 31, 2021, the Company recorded fair value adjustments related to the cash flows associated with the interest earned in the amount of \$1,837 and \$3,485, respectively. The Company also remeasured the investment for foreign currency loss in the amount of \$3,475 and \$18,650 during the three and six-months ended March 31, 2021, respectively. No other fair value adjustments were recorded.

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Notes to Interim Condensed Consolidated Statements

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8 Loan payable

On July 27, 2020, the Company entered into a contribution agreement with Western Economic Diversification Canada (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 on 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.

Anticipated cash outflows on the loan payable as at March 31, 2021 are as follows:

	\$
Remainder of fiscal 2021	-
Fiscal 2022	-
Fiscal 2023	249,750
Fiscal 2024	333,000
Fiscal 2025	333,000
Fiscal 2026	84,250
	<u>1,000,000</u>

9 Share capital

Authorized

Unlimited common shares, with no par value

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

a) Common shares

Issued

	Number	\$
Balance as at September 30, 2019	25,359,720	6,936,913
Issued pursuant to private placement	509,294	259,963
Issued pursuant to exercise of warrants (note 9(b))	1,367,269	550,326
Balance as at March 31, 2020	<u>27,236,283</u>	<u>7,747,202</u>

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	Number	\$
Balance as at September 30, 2020	27,860,913	7,977,154
Issued pursuant to private placement	10,500,000	1,475,570
Balance as at March 31, 2021	<u>38,360,913</u>	<u>9,452,724</u>

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 9(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 twenty consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants. Gross cash proceeds of \$305,577 were received in the three months ended March 31, 2020. The gross proceeds have been allocated between share capital – issued and warrants in the amounts of \$266,091 and \$39,486, respectively. Share issue costs of \$7,037 have been allocated between share capital – issued and warrants in the amounts of \$6,128 and \$909, respectively.

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%.

Private placement of 10,500,000 shares

On February 1, 2021, the Company closed a Private Placement for gross proceeds of \$2,100,000 or 10,500,000 units at a price of \$0.20 per unit.

Each unit is comprised of one (1) common share in the capital of TrustBIX ("Common Share") and one (1) Common Share purchase warrant ("Warrant"), whereby each Warrant entitles the holder to purchase one (1) Common Share at a price of \$0.30 for a period of one (1) year from the date of closing. If after four (4) months and one (1) day from the date of closing the trading price of the Common Shares on the principal market on which such shares trade closes at a price that is equal to or exceeds \$0.50 per Common Share for twenty (20) consecutive trading days, the Company will have the right to accelerate the expiry date of the Warrants. In the event of acceleration, the expiry date will be accelerated to a date that is thirty (30) days after the date that written notice has been given to the warrant holder or the date that TrustBIX has issued a press release announcing the exercise of the acceleration right; and thereafter, no further notification will be provided by the Company to the subscribers. The securities issued under the Private Placement are subject to a four-month hold period from the time of closing of the Private Placement.

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The gross proceeds of \$2,100,000 have been allocated between share capital – issued and warrants in the amounts of \$1,597,344 and \$502,656, respectively. Share issue costs of \$160,094 have been allocated between share capital – issued and warrants in the amounts of \$121,774 and \$38,320, respectively.

The fair value of the warrants in the amount of \$502,656 was determined using the Black-Scholes option pricing model with the following assumptions: stock price of \$0.20, exercise price of \$0.30, average volatility of 93.6%, an expected life of one year, a dividend yield of nil% and an average risk-free interest rate of 0.16%.

b) Warrants

	Number	\$
Balance as at September 30, 2019	10,483,301	1,029,681
Issued (note 9(a))	254,645	38,577
Warrants exercised (note9(a))	(1,367,269)	(140,145)
Balance as at March 31, 2020	<u>9,370,677</u>	<u>928,113</u>
Balance as at September 30, 2020	4,254,645	403,719
Issued (note 9(a))	10,500,000	464,336
Balance as at March 31, 2021	<u>14,754,645</u>	<u>868,055</u>

The expiration dates of warrants outstanding as at March 31, 2021 were as follows:

Expiration date	Warrants outstanding number	Exercise price \$
April 16, 2021	4,000,000	0.75
January 20, 2022	2,967,343	0.30
January 25, 2022	3,665,000	0.30
January 28, 2022	3,867,657	0.30
February 7, 2022	254,645	0.90
	<u>14,754,645</u>	

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c) Stock options and compensation expense

A summary of the stock options outstanding as at March 31, 2021 and 2020 and changes during the periods ended on those dates is as follows:

	March 31, 2021		March 31, 2020	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	3,017,856	0.40	2,939,997	0.35
Granted	200,000	0.50	-	-
Outstanding – End of period	3,217,856	0.40	2,939,997	0.35
Options exercisable – End of period	2,835,950	0.38	1,957,220	0.35

The Company's stock option plan allows a maximum of 5,572,182 common shares of the Company for issuance.

A summary of the stock options granted are as follows:

Grant date	Exercise price \$	Fair value \$	Number
January 11, 2021 – Key management ^(f)	0.50	0.08	175,000
January 11, 2021 – Non-employees ^{(b)(e)}	0.50	0.08	25,000
			<u>200,000</u>
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	37,500
			<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

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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.
- f) These options vest one-third immediately, one-third on the 12-month anniversary date and one-third on the 24-month anniversary date. Options expire December 29, 2025.

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 three and six-months ended March 31, 2021:

Annualized volatility	91%
Risk-free interest rate	0.19%
Expected life of options in years	2.0
Dividend rate	nil%
Exercise price	\$0.50
Market price on date of grant	\$0.26
Fair value per common share option	\$0.08

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Application of the fair value method resulted in charges to stock-based compensation expense for the three and six-months ended March 31, 2021 of \$10,482 (2020 – \$35,193) and \$35,858 (2020 – \$117,412), respectively, with a corresponding increase in contributed surplus included in shareholders' equity.

The following table summarizes information on stock options outstanding as at March 31, 2021:

Exercise price \$	Number outstanding	Weighted average remaining contractual life in years	Options exercisable
0.15	979,997	2.58	979,997
0.50	1,865,000	2.93	1,731,667
0.60	372,859	4.50	124,286
	<u>3,217,856</u>	<u>3.01</u>	<u>2,835,950</u>

10 Related party transactions

During the periods ended March 31, 2021 and 2020, 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:

	Three months ended		Six months ended	
	March 31, 2021 \$	March 31, 2020 \$	March 31, 2021 \$	March 31, 2020 \$
Rent paid to a company controlled by directors	-	-	-	6,178
Sublease rental income received from two companies separately controlled by directors	(4,203)	(3,850)	(7,336)	(8,857)
Exercise of warrants and purchase of common shares and units in private placement (notes 9(a) and (b)) by directors and officers	(476,469)	(420,181)	(476,469)	(420,181)
Cybersecurity services paid to a company controlled by a director	3,168	-	4,586	-
Other services paid to family members of a director	1,272	2,826	2,468	5,209
Administration services paid to family members of a director	5,415	-	5,415	-
	<u>(470,817)</u>	<u>(421,205)</u>	<u>(471,336)</u>	<u>(417,651)</u>

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The compensation paid to key management personnel during the three and six-months ended March 31, 2021 and 2020 is as follows:

	Three months ended		Six months ended	
	March 31, 2021 \$	March 31, 2020 \$	March 31, 2021 \$	March 31, 2020 \$
Salaries, short-term employee benefits and stock-based compensation	183,548	296,874	360,290	647,490
Consulting fees	-	1,418	-	24,492
	<u>183,548</u>	<u>298,292</u>	<u>360,290</u>	<u>671,982</u>

Accounts receivable

As at March 31, 2021, accounts receivable includes \$nil (2020 – \$956) due from a company controlled by a director of the Company, related to sublease rental income, and \$12,224 (2020 – \$4,882) due from a director of the Company related to prepayment of business expenses.

11 Loss per share

	Three months ended		Six months ended	
	March 31, 2021 \$	March 31, 2020 \$	March 31, 2021 \$	March 31, 2020 \$
Net loss	(510,613)	(815,511)	(1,128,998)	(1,706,978)
	#	#	#	#
Weighted average number of common shares outstanding – basic and diluted	35,363,510	25,881,716	31,570,989	25,619,292
	\$	\$	\$	\$
Basic and diluted loss per share	<u>(0.01)</u>	<u>(0.03)</u>	<u>(0.04)</u>	<u>(0.07)</u>

For the three and six-month periods ended March 31, 2021 and 2020, potentially dilutive securities issuable in exchange for warrants and all stock-based payment awards have been excluded in the diluted loss per share calculation as their effects would have been anti-dilutive.

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12 Supplementary cash flow information

Changes in items of non-cash working capital:

	Three months ended		Six months ended	
	March 31, 2021 \$	March 31, 2020 \$	March 31, 2021 \$	March 31, 2020 \$
Accounts receivable	(15,783)	108,968	(70,251)	25,893
Inventory	4,018	2,269	(6,948)	(7,247)
Deposits and prepaid expenses	(22,926)	8,940	2,660	23,405
Accounts payable and accrued liabilities	(216,692)	15,862	(170,730)	57,060
Unearned revenue	19,359	(15,257)	31,696	(26,910)
	<u>(232,024)</u>	<u>120,782</u>	<u>(213,573)</u>	<u>72,201</u>

13 Liquidity risk

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

	\$
Accounts payable and accrued liabilities	396,666
Lease liability	44,318

The Company's long-term liabilities include a loan payable for \$561,914 (note 8) and a lease liability for \$24,143 (note 6).

Anticipated cash outflows on the loan payable as at March 31, 2021 are as follows:

	\$
Remainder of fiscal 2021	-
Fiscal 2022	-
Fiscal 2023	249,750
Fiscal 2024	333,000
Fiscal 2025	333,000
Fiscal 2026	84,250
	<u>1,000,000</u>

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Liquidity risk is the risk the Company will encounter difficulty in meeting financial obligations as they come due. See note 1 for additional disclosure on the Company's financial condition. 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.

14 Segment disclosures

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 leverages blockchain-derived technology and unique incentive solutions to deliver independent validation of food provenance and sustainable production practices within the agri-food supply chain.

	Three months ended March 31, 2021		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	537,571	215,684	753,255
Expenses	(811,700)	(375,315)	(1,187,015)
Amortization and depreciation	(13,162)	(13,784)	(26,946)
Other income (expenses)	(49,907)	-	(49,907)
Net loss	(337,198)	(173,415)	(510,613)
Other information			
Expenditures for additions to intangible assets	-	-	-
Government assistance netted against intangible asset additions	-	-	-

	Three months ended March 31, 2020		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	324,329	30,000	354,329
Expenses	(649,794)	(508,570)	(1,158,364)
Amortization and depreciation	(13,968)	(20,413)	(34,381)
Other income (expenses)	22,905	-	22,905
Net loss	(316,528)	(498,983)	(815,511)
Other information			
Expenditures for additions to intangible assets	-	-	-
Government assistance netted against intangible asset additions	-	-	-

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	Six months ended March 31, 2021		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	904,133	269,354	1,173,487
Expenses	(1,409,360)	(741,941)	(2,151,301)
Amortization and depreciation	(26,267)	(34,198)	(60,465)
Other income (expenses)	(90,719)	-	(90,719)
Net loss	(622,214)	(506,784)	(1,128,998)
Other information			
Expenditures for additions to intangible assets	-	-	-
Government assistance netted against intangible asset additions	-	-	-

	Six months ended March 31, 2020		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	656,334	82,800	739,134
Expenses	(1,371,112)	(1,030,624)	(2,401,736)
Amortization and depreciation	(23,938)	(40,562)	(64,500)
Other income (expenses)	20,124	-	20,124
Net loss	(718,592)	(988,386)	(1,706,978)
Other information			
Expenditures for additions to intangible assets	-	(24,705)	(24,705)
Government assistance netted against intangible asset additions	-	18,355	18,355

Geographical segmentation

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

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	\$	\$	\$	\$
Canada	397,199	86,383	618,202	243,215
United States	263,348	225,635	372,601	435,507
Other	92,708	42,311	182,684	60,412
	<u>753,255</u>	<u>354,329</u>	<u>1,173,487</u>	<u>739,134</u>

15 Subsequent events

On May 5, 2021, the Company issued 5,000 common shares upon exercise of warrants at a price of \$0.30 per common share for proceeds of \$1,500.

On May 5, 2021, the Company issued 11,666 common shares upon exercise of stock options at a price of \$0.15 per common share for proceeds of \$1,750.