



TrustBIX Inc.

Consolidated Financial Statements
September 30, 2022 and September 30, 2021

Independent Auditors' Report

To: The Shareholders of **TrustBIX Inc.**

Opinion

We have audited the consolidated financial statements of TrustBIX Inc. and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as at September 30, 2022 and the consolidated statements of changes in (deficiency) equity, loss and comprehensive loss, cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates that at September 30, 2022 the Company had a deficit of \$16,278,316. This condition, along with other matters as set forth in Note 1, 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 qualified in respect of this matter.

Other matter

The consolidated financial statements of the Company for the year ended September 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on December 30, 2021.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

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

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report (continued)

In preparing the 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the 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 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 Auditors' report is Roland A. Bishop, CPA, CA.



Chartered Professional Accountants

December 22, 2022
Calgary, Alberta

TrustBIX Inc.
Consolidated Statement of Financial Position
As at September 30, 2022 and September 30, 2021

	2022	2021
	\$	\$
Assets		
Current assets		
Cash	126,881	450,167
Accounts receivable (note 7)	70,385	254,090
Inventory (note 8)	74,811	58,457
Deposits and prepaid expenses	86,067	47,311
	<u>358,144</u>	<u>810,025</u>
Property and equipment (note 9)	32,424	40,927
Intangible assets (note 10)	1,475,615	10,474
Right-of-use assets (note 11)	32,389	40,832
Investment (note 12)	180,244	333,993
	<u>2,078,816</u>	<u>1,236,251</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	655,325	449,929
Unearned revenue	390,170	336,519
Loans payable (note 14)	372,818	-
Lease liability (note 11)	8,039	43,686
	<u>1,426,352</u>	<u>830,134</u>
Loans payable (note 14)	613,045	614,422
Lease liability (note 11)	26,017	3,605
	<u>2,065,414</u>	<u>1,448,161</u>
Shareholders' (Deficit) Equity		
Share capital issued (note 15(a))	12,764,699	9,457,445
Warrants (note 15(b))	370,630	468,408
Contributed surplus	3,156,389	2,073,410
Deficit	(16,278,316)	(12,211,173)
	<u>13,402</u>	<u>(211,910)</u>
	<u>2,078,816</u>	<u>1,236,251</u>

Nature of operations and going concern (note 1)

Approved by the Board of Directors

_____(Signed) "Hubert Lau"_____
 Director

_____(Signed) "Lap Shing (Andrew) Kao"_____
 Director

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

TrustBIX Inc.

Consolidated Statements of Changes in (Deficiency) Equity For the years ended September 30, 2022 and September 30, 2021

	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
Balance – October 1, 2020	7,977,154	403,719	1,637,743	(9,971,814)	46,802
Net loss and comprehensive loss for the year	-	-	-	(2,239,359)	(2,239,359)
Common shares issued in private placement, net of share issue costs (notes 15(a) and (b))	1,475,570	464,336	-	-	1,939,906
Common shares issued on exercise of warrants and options (notes 15(a) and (b))	4,721	(221)	-	-	4,500
Expiration of warrants (note 15(b))	-	(399,426)	399,426	-	-
Stock-based compensation (note 15(c))	-	-	36,241	-	36,241
Balance – September 30, 2021	9,457,445	468,408	2,073,410	(12,211,173)	(211,910)
Net loss and comprehensive loss for the year	-	-	-	(4,067,143)	(4,067,143)
Common shares issued for asset acquisition, net of share issue costs (notes 15(a))	1,771,125	-	-	-	1,771,125
Common shares and warrants issued in private placement, net of share issue costs (notes 15(a) and (b))	1,436,129	370,630	-	-	1,806,759
Common shares issued on exercise of options (notes 15(a) and (c))	100,000	-	-	-	100,000
Expiration of warrants (notes 15(b))	-	(468,408)	468,408	-	-
Stock-based compensation (note 15(c))	-	-	614,571	-	614,571
Balance – September 30, 2022	12,764,699	370,630	3,156,389	(16,278,316)	13,402

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, 2022 and September 30, 2021

	2022 \$	2021 \$
Revenue		
Licence	193,105	143,514
Hardware and installation	387,344	514,930
Professional and development services	278,152	687,319
Maintenance	816,504	823,065
	<u>1,675,105</u>	<u>2,168,828</u>
Expenses		
Wages and benefits (note 15(c))	2,287,546	1,742,487
Professional fees	972,687	446,237
Consulting fees	893,186	974,274
Amortization and depreciation	378,390	88,373
Office	354,642	306,761
Research and development (note 19)	338,685	220,112
Hardware costs and supplies	285,096	377,343
Travel, trade shows and conferences	94,052	46,763
Advertising and promotion	29,095	36,324
Foreign exchange loss	7,880	25,234
Bad debts	124	3,565
	<u>5,641,383</u>	<u>4,267,473</u>
Loss before other (expenses) income and income taxes	<u>(3,966,278)</u>	<u>(2,098,645)</u>
Other (expenses) income		
Foreign exchange remeasurement on investment (note 12)	15,616	(14,950)
Gain on sale of investment (note 12)	10,643	-
Interest income (note 12)	1,492	7,767
Accretion expense	(120,191)	(100,528)
Interest expense	(8,425)	(33,003)
	<u>(100,865)</u>	<u>(140,714)</u>
Loss before income taxes	<u>(4,067,143)</u>	<u>(2,239,359)</u>
Income taxes	<u>-</u>	<u>-</u>
Net loss and comprehensive loss for the year	<u>(4,067,143)</u>	<u>(2,239,359)</u>
Basic and diluted loss per share (note 16)	(0.08)	(0.06)

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, 2022 and September 30, 2021

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(4,067,143)	(2,239,359)
Adjustments to reconcile net loss to cash flows from operating activities:		
Stock-based compensation	614,571	36,241
Amortization and depreciation	378,390	88,373
Accretion expense	120,191	100,528
Interest expense	8,425	12,572
Gain on sale of investment (note 12)	(10,643)	-
Foreign exchange remeasurement on investment (note 12)	(15,616)	14,950
Interest income on investment (note 12)	(899)	(7,611)
	<u>(2,972,724)</u>	<u>(1,994,306)</u>
Cash used in operating activities before changes in items of working capital	(2,972,724)	(1,994,306)
Net change in items of non-cash working capital (note 17)	397,092	(146,436)
	<u>(2,575,632)</u>	<u>(2,140,742)</u>
Investing activities		
Proceeds from sale of investment (note 12)	180,907	-
Purchase of property and equipment	(3,217)	(14,353)
	<u>177,690</u>	<u>(14,353)</u>
Financing activities		
Proceeds from issuance of common shares and warrants in private placements (note 15(a))	1,843,380	2,100,000
Proceeds from promissory notes (note 14)	250,000	-
Proceeds from exercise of options and warrants (note 15(a)(b) and (c))	100,000	4,500
Share issue costs (note 15(a))	(65,496)	(160,094)
Lease payments (note 11)	(53,228)	(53,103)
	<u>2,074,656</u>	<u>1,891,303</u>
Decrease in cash during the year	(323,286)	(263,792)
Cash – Beginning of year	450,167	713,959
Cash – End of year	126,881	450,167

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

TrustBIX Inc.

Notes to Consolidated Statements

September 30, 2022 and September 30, 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;
- the sale, installation and support for Business InfoXchange (BIX); and
- the sale of solutions to track, protect and identify the movement of high-value moveable equipment

The Company and its wholly owned subsidiaries, ViewTrak Technologies Inc. (ViewTrak) and Insight Global Technology Inc. (Insight) are incorporated and domiciled in Canada. The Company and its subsidiaries' 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, 2022, the Company had a net working capital deficit of \$1,068,208 compared to a net working capital of \$20,109 as at September 30, 2021. For the year ended September 30, 2022, the Company incurred a net loss of \$4,067,143 (2021 – \$2,239,359) and net cash outflow from operating activities of \$2,575,632 (2021 – \$2,140,742). As at September 30, 2022, the Company had an accumulated deficit of \$16,278,316 (2021 – \$12,211,173). In addition, the Company also has lease commitments in the amount of \$34,056 as disclosed in note 11.

Current operations have been financed primarily from the issue of share capital, including non-brokered private placements for gross proceeds of \$1,843,380 (note 15(a)).

The Company also raised financing from the issue of promissory notes totaling \$250,000 (note 14).

Management is actively pursuing new business opportunities related to the BIX platform, as well as acquisitions to expand the business, and the sale of equity securities to increase working capital. On March 7, 2022 the Company completed the acquisition of Insight (note 6), an early stage company providing solutions to track, protect and identify the movement of high-value moveable equipment used in agriculture and other industries.

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Additionally, the Company continues to apply for provincial and/or federal government grant and funding programs including Protein Industries Canada (PIC) and Industrial Research Assistance Program (IRAP) (note 19). The Company also has a contribution agreement with Western Economic Diversification Canada (WD) for a repayable financial contribution under the Regional Relief and Recovery Fund (note 14).

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.

2 Basis of presentation

These consolidated financial statements of the Company have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board 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 5.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 22, 2022, the date the Board of Directors approved the consolidated financial statements.

3 Recent developments and impact on estimation uncertainty

The COVID-19 pandemic has had, and continues to have, a significant impact around the world, prompting governments and businesses to implement restrictions on travel and business operations and quarantine. During the year ended September 30, 2022, aspects of the Company's business continue to be affected by the COVID-19 pandemic, with a number of the Company's employees working remotely and the reactivation of certain travel and business development activities. The continued spread of COVID-19 resulted in a slowing of the agriculture and general business sectors and staffing issues, 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 uncertain. It will depend on future developments that are uncertain and unpredictable, including the duration and emergence of new variants, 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

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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 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 a going concern and 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 subsidiaries (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 loss and 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

TrustBIX Inc.

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that most reasonably reflects the selling price that might be achieved in a stand-alone transaction. Any discounts identified are proportionately allocated to all separately identifiable components based on their relative selling price.

The Company disaggregates revenue by performance obligation in the consolidated statements of loss and comprehensive loss as well as by geography (note 21).

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, 2022 and 2021.

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.

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Investments

The Company measures its non-marketable equity securities at fair value as required by IFRS – Financial Instruments. The determination of fair value requires management judgment and estimation, and may change over time. The Company adjusts the carrying value of its non-marketable equity securities to fair value at the end of each reporting period. All gains and losses are recognized in other income (expense).

Business combinations

In accordance with IFRS 3 – Business Combination (“IFRS 3”), a transaction is recorded as a business combination if the significant assets, liabilities, or activities, in addition to property, assumed constitute a business. IFRS 3 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. IFRS 3 also includes an optional concentration test to determine whether an acquired set of activities and assets is a business. Where there are no such integrated activities, the transaction is treated as an asset acquisition. The estimation of the fair value of the assets and liabilities acquired in an acquisition is subject to judgement concerning estimating market values and predicting future events.

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

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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, lease liability and loans 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.

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, computer equipment for sale to auction markets and livestock dealers and Insight trackers.

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%

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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.

Intangible assets also include software acquired as part of the acquisition of Insight (note 6)

Capitalized software 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.

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.

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Lessee accounting

Leases are recognized as a right-of-use (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.

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.

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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

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.

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

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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.

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.

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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 with the Canada Emergency Wage Subsidy (CEWS), PIC and IRAP (note 19) and a contribution agreement with WD for a repayable financial contribution under the Regional Relief and Recovery Fund (note 19).

5 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.

Estimates:

i) 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.

ii) 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).

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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.

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.

iii) 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. Estimation is required in determining the recoverable amount.

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

iv) Intangibles

Intangible assets, largely comprised of Insight software (notes 6 and 10), represent approximately 71% of total assets as at September 30, 2022 (2021 – 1%).

Management uses estimates and judgment to determine the fair values and useful lives of intangible assets acquired and developed. Future events, or changes in estimates and assumptions used, could have a material impact on amortization or impairment charges. Such charges, in and of themselves, do not result in cash outflow and would not immediately impact liquidity.

v) 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.

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vi) Investment

As of September 30, 2021, the fair value of the investment is based on estimates of 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.

During the year ended September 30, 2022, the investment plus accrued interest was converted into non-marketable preferred shares (note 12).

Critical judgements:

i) 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 fair value contains uncertainties as it involves judgment about the likelihood of these trigger events. Any change in any of these assumptions could produce a different fair value, which could have a material impact on the results of operations.

ii) 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 determines 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, using the most likely amount method and the Company allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognizes revenue when,

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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.

iii) 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.

iv) 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.

v) Leases

The Company uses judgment to determine 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.

vi) Determination of Reportable Operating Segments

Management has exercised judgment in evaluating the defined aspects of its operating segments, aggregation criteria, and quantitative thresholds that form the reportable operating segments of the Company. The Company's Chief Executive Officer is the Company's Chief Operating Decision Maker ("CODM") who is responsible for allocating resources and assessing the performance of the operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM.

vii) 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. Judgment is required in management's identification of indications of impairment. Management considers external sources of information in determining whether any impairment indicators exist including, but not limited to, any observable indications that

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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.

viii) Share-based compensation 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 determines 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.

6 Acquisition of Insight

On March 7, 2022, pursuant to the terms of the definitive agreement, the Company acquired 100% of the issued and outstanding shares of Insight for up to 30,000,000 common shares of the Company priced at \$0.18 per share (Consideration Shares). The Insight shareholders will receive 10,000,000 Consideration Shares (subject to certain resale restrictions) on closing, and an additional amount of up to 20,000,000 Consideration Shares (subject to applicable escrow and resale restrictions) may be issued by the Company based on the satisfaction of certain financial metrics over the twelve months after the closing of the transaction, as follows:

- i) a further 5,000,000 Consideration Shares on Insight attaining Net Revenue of \$500,000 and Target Profit of \$150,000;
- ii) a further 7,500,000 Consideration Shares on Insight attaining cumulative Net Revenue of \$750,000 and cumulative Target Profit of \$225,000; and
- iii) a further 7,500,000 Consideration Shares on Insight attaining cumulative Net Revenue of \$1,000,000, cumulative Target Profit of \$300,000, and achieving a minimum of 50% recurring revenue (continuing subscriptions and rollover renewals of the Insight Solution).

Net Revenue includes the sales of Insight products and related services, net of returns, discounts, shipping, taxes, duties and other such amounts. Target Profit is defined as Net Revenue, minus cost of goods sold, including installation and support, and direct operating expenses, including all sales and technical activities. Net Revenue and Target Profit are calculated in accordance with the Company's accounting standards and corporate policies.

Any Consideration Shares which have not been released pursuant to the escrow agreement within twelve months of the closing date, shall be cancelled without recourse. As of September 30, 2022, no Consideration Shares have been released pursuant to the escrow agreement.

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The Company applied the optional concentration test permitted under IFRS 3 to the acquisition which resulted in the acquired assets being accounted for as an asset acquisition. The amounts recognized on the date of acquisition of the identifiable assets were as follows:

	\$
Assets acquired:	
Inventory	9,450
Software	<u>1,790,550</u>
Assets acquired	<u>1,800,000</u>
Share consideration (30,000,000 common shares)	<u>1,800,000</u>

Software acquired is amortized over the useful life of three years on a straight-line basis (note 10).

7 Accounts receivable

Included in accounts receivable are the following:

	2022 \$	2021 \$
Trade accounts receivable	55,137	149,861
Allowance for trade receivables	(4,537)	(4,537)
Receivable due from contractor	19,701	73,597
Other receivables	84	35,169
	<u>70,385</u>	<u>254,090</u>

8 Inventory

Inventory consists of the following:

	2022 \$	2021 \$
Components and parts	52,261	44,192
Finished goods	22,550	14,265
	<u>74,811</u>	<u>58,457</u>

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Inventory expensed during the year is included in 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, 2020	93,634	17,808	15,086	126,528
Additions	14,353	-	-	14,353
Cost – as at September 30, 2021	107,987	17,808	15,086	140,881
Additions	1,317	1,900	-	3,217
Cost – as at September 30, 2022	109,304	19,708	15,086	144,098
Accumulated depreciation as at September 30, 2020	(61,816)	(17,808)	(8,928)	(88,552)
Depreciation	(10,273)	-	(1,129)	(11,402)
Accumulated depreciation as at September 30, 2021	(72,089)	(17,808)	(10,057)	(99,954)
Depreciation	(9,597)	(1,201)	(922)	(11,720)
Accumulated depreciation as at September 30, 2022	(81,686)	(19,009)	(10,979)	(111,674)
Net book value				
As at September 30, 2022	27,618	699	4,107	32,424
As at September 30, 2021	35,898	-	5,029	40,927

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.

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10 Intangible assets

	BIX software \$	Trademarks \$	Insight software \$	Total \$
Cost – as at September 30, 2020 and 2021	244,959	8,092	-	253,051
Additions	-	-	1,790,550	1,790,550
Cost – as at September 30, 2022	<u>244,959</u>	<u>8,092</u>	<u>1,790,550</u>	<u>2,043,601</u>
Accumulated amortization – as at September 30, 2020	(207,320)	-	-	(207,320)
Amortization	<u>(35,257)</u>	<u>-</u>	<u>-</u>	<u>(35,257)</u>
Accumulated amortization – as at September 30, 2021	(242,577)	-	-	(242,577)
Amortization	<u>(2,115)</u>	<u>-</u>	<u>(323,294)</u>	<u>(325,409)</u>
Accumulated amortization – as at September 30, 2022	<u>(244,692)</u>	<u>-</u>	<u>(323,294)</u>	<u>(567,986)</u>
Net book value				
As at September 30, 2021	<u>2,382</u>	<u>8,092</u>	<u>-</u>	<u>10,474</u>
As at September 30, 2022	<u>267</u>	<u>8,092</u>	<u>1,467,256</u>	<u>1,475,615</u>

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.

Insight software was acquired as part of the purchase of Insight (note 6).

11 Leases

Below is a summary of the activity related to the Company's right-of-use (ROU) assets for the years ended September 30, 2022 and September 30, 2021.

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	\$
ROU assets as at September 30, 2020	82,546
Depreciation	<u>(41,714)</u>
ROU assets as at September 30, 2021	40,832
Additions	32,818
Depreciation	<u>(41,261)</u>
ROU assets as at September 30, 2022	<u><u>32,389</u></u>

The following is a summary of the activity related to the Company's lease liabilities for the years ended September 20, 2022 and September 30, 2021:

	\$
ROU lease liabilities as at September 30, 2020	87,822
Lease payments	(53,103)
Accretion of lease liabilities	<u>12,572</u>
ROU lease liabilities as at September 30, 2021	47,291
Additions	32,818
Lease payments	(53,228)
Accretion of lease liabilities	<u>7,175</u>
ROU lease liabilities as at September 30, 2022	<u><u>34,056</u></u>
Of which are	
Current lease liabilities	8,039
Non-current lease liabilities	<u>26,017</u>
	<u><u>34,056</u></u>

The Company's estimated cash outflows related to the lease obligation for the 12 months ending are as follows:

	\$
2023	13,226
2024	9,816
2025	10,064
2026	10,313
2027	<u>5,219</u>
	<u><u>48,638</u></u>

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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 accrued simple interest on an annual basis at the rate of 2.5% per annum.

The investment plus accrued interest was converted into non-marketable preferred shares on November 23, 2021 at the transaction price of US\$262,997 (\$333,427). No significant changes were recorded to initial fair value measurement as at September 30, 2022 (note 22).

The Company does not have control or significant influence over Provision Analytics and has no participation in its policy-making processes. Each preferred share shall be convertible, at the option of the holder into common shares.

During the year ended September 30, 2022, the Company sold half of the investment in Provision Analytics for gross proceeds of \$180,907 and recognized a gain of \$10,643.

13 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following:

	2022 \$	2021 \$
Trade accounts payable	419,989	224,071
Accrued liabilities	235,336	225,858
	<hr/> 655,325	<hr/> 449,929

14 Loans payable

A summary of the current portion of loans payable as at September 30, 2022 and 2021 are as follows:

	2022 \$	2021 \$
Regional relief and recovery fund	121,568	-
Promissory notes	251,250	-
	<hr/> 372,818	<hr/> -

Regional relief and recovery fund

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

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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. Interest is calculated at an average bank rate plus 3%, compounded monthly, on repayments not made as scheduled. The interest calculation ends when repayments are back on schedule.

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.

The short-term and long-term components of loan payable at September 30, 2022 are as follows:

	\$
Current loan payable	249,750
Interest accretion	<u>(128,182)</u>
Current loan payable, net of interest accretion	121,568
Non-current loan payable	<u>613,045</u>
	<u>734,613</u>

Anticipated cash outflows on the loan payable as at September 30, 2022 are as follows:

	\$
2023	249,750
2024	333,000
2025	333,000
2026	<u>84,250</u>
	<u>1,000,000</u>

Promissory notes

On August 15, 2022 the Company issued a promissory note totaling \$50,000 repayable in 60 days at an interest rate of 1% per month on the unpaid principal.

On September 15, 2022 the Company issued a promissory note totaling \$200,000 repayable in 60 days at an interest rate of 0.5% per month on the unpaid principal.

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The components of the promissory notes at September 30, 2022 are as follows:

	\$
Principal value of promissory notes	250,000
Accrued interest	1,250
	<u>251,250</u>

15 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, 2020	27,860,913	7,977,154
Issued pursuant to private placement (i)	10,500,000	1,475,570
Issued pursuant to exercise warrants (note 15(b))	5,000	221
Issued pursuant to exercise of options (note 15(c))	20,000	4,500
	<u>38,385,913</u>	<u>9,457,445</u>
Balance as at September 30, 2021	38,385,913	9,457,445
Issued pursuant to private placement (ii)	4,406,250	684,591
Issued pursuant to exercise of options (note 15(c))	533,334	100,000
Issued pursuant to acquisition of Insight (iii)	30,000,000	1,771,125
Issued pursuant to private placement (iv)	6,324,334	751,538
	<u>79,649,831</u>	<u>12,764,699</u>
Balance as at September 30, 2022	79,649,831	12,764,699

(i) 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 was comprised of one common share and one common share purchase warrant, entitling the holder to purchase one common share at a price of \$0.30 for a period of one year from the date of closing.

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

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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, volatility of 93.6%, an expected life of one year, a dividend yield of nil% and a risk-free interest rate of 0.16%.

(ii) Private placement of 4,406,250 shares

On December 31, 2021, the Company completed a non-brokered private placement, which consisted of the issuance of 4,406,250 common shares at a subscription price of \$0.16 per common share for gross proceeds of \$705,000. Share issue costs of \$20,409 were netted against share capital issued.

(iii) Issued pursuant to acquisition of Insight

In connection with the acquisition of Insight, the Company issued 30,000,000 common shares, which include 20,000,000 common shares to be released contingent upon achieving certain milestones (Note 6). Share issue costs of \$28,875 have been netted against share capital issued.

(iv) Private placement of 6,324,334 shares

On February 2, 2022, the Company announced a non-brokered private placement financing for up to 11,111,111 units (“Units”) at a price of \$0.18 per Unit for gross proceeds of up to \$2,000,000. The Company closed the non-brokered private placement and issued 6,324,334 Units, at a subscription price of \$0.18 per Unit for gross proceeds of \$1,138,380.

Each Unit consists of one common share and one common share purchase warrant, which entitles the holder to purchase one common share at a price of \$0.30 for a period of eighteen months from the date of closing.

The gross proceeds of \$1,138,380 were allocated between share capital – issued and warrants in the amounts of \$762,396 and \$375,984, respectively. Share issue costs of \$16,212 have been allocated between share capital – issued and warrants in the amounts of \$10,858 and \$5,354, respectively.

The fair value of the warrants in the amount of \$375,984 was determined using the Black-Scholes option pricing model with the following assumptions: stock price of \$0.18, exercise price of \$0.30, average volatility of 99.4%, an expected life of eighteen months, a dividend yield of nil% and an average risk-free interest rate of 1.9%.

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September 30, 2022 and September 30, 2021

b) Warrants

	Number	\$
Balance as at September 30, 2020	4,254,645	403,719
Issued (note 15(a))	10,500,000	464,336
Warrants exercised (note 15(a))	(5,000)	(221)
Expired	(4,000,000)	(399,426)
	<hr/>	
Balance as at September 30, 2021	10,749,645	468,408
Issued (note 15(a)(iv))	6,324,334	370,630
Expired	(10,749,645)	(468,408)
	<hr/>	
Balance as at September 30, 2022	<u>6,324,334</u>	<u>370,630</u>

The expiration dates of warrants outstanding as at September 30, 2022 were as follows:

Expiration date	Warrants outstanding number	Exercise price \$
September 13, 2023	1,475,445	0.30
October 4, 2023	4,848,889	0.30
	<hr/>	
Balance as at September 30, 2022	<u>6,324,334</u>	<u>0.30</u>

c) Stock options and compensation expense

A summary of the stock options outstanding as at September 30, 2022 and 2021 and changes during the periods ended on those dates is as follows:

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	September 30, 2022		September 30, 2021	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	2,972,404	0.40	3,017,856	0.40
Granted	10,440,000	0.16	200,000	0.50
Exercised	(533,334)	0.19	(20,000)	0.15
Forfeited	(147,222)	0.46	(225,452)	0.52
Outstanding – End of period	<u>12,731,848</u>	<u>0.21</u>	<u>2,972,404</u>	<u>0.40</u>
Options exercisable – End of period	<u>7,201,015</u>	<u>0.24</u>	<u>2,855,676</u>	<u>0.40</u>

As at September 30, 2022, the Company's stock option plan allows a maximum of 15,849,966 common shares of the Company for issuance.

Options granted during the year ended September 30, 2022 were as follows:

- 6,625,000 options were issued to directors, officers and employees, exercisable at \$0.10 and vest 50% immediately and 50% on the 12-month anniversary date of the grant, for a five year term;
- 2,715,000 options were issued to directors, officers, employees and non-employees, exercisable at \$0.30 and vest one-third immediately, one-third on the 12-month anniversary date of the grant and one-third on the 24-month anniversary date, for a five year term;
- 800,000 options were issued to non-employees, exercisable at \$0.20 and vest one-quarter after each subsequent three-month period from date of grant, for a one year term; and
- 300,000 options were issued to non-employees, exercisable at \$0.20 and vest 50% immediately and 50% three months from the date of grant, for a one year term.

Options granted during the year ended September 30, 2021 were as follows:

- 175,000 options were issued to an officer, exercisable at \$0.50 and vest one-third immediately, one-third on the 12-month anniversary date and one-third on the 24-month anniversary date, for a five year term; and
- 25,000 options were issued to a non-employee and do not require any future performance obligations by the grantee.

The fair value of the options granted to non-employees was measured at the value of services the Company received.

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September 30, 2022 and September 30, 2021

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted to directors, officers, employees. 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, employee and non-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 year ended September 30, 2022 and 2021:

	2022	2021
Annualized volatility	94%	91%
Risk-free interest rate	2.3%	0.19%
Expected life of options in years	3.7	2.0
Dividend rate	nil%	nil%
Exercise price	\$0.16	\$0.50
Market price on date of grant	\$0.12	\$0.26
Weighted average fair value	\$0.08	\$0.08

Stock-based compensation expense for the year ended September 30, 2022 was \$614,571 (2021 – \$36,241), with a corresponding increase in contributed surplus included in shareholders' equity.

The following table summarizes information on stock options outstanding as at September 30, 2022:

Exercise price \$	Number outstanding	Weighted average remaining contractual life in years	Options exercisable
0.10	6,625,000	4.64	3,312,500
0.15	801,663	1.08	801,663
0.20	700,000	0.34	300,000
0.30	2,715,000	4.24	905,000
0.50	1,590,000	1.24	1,581,667
0.60	300,185	3.00	300,185
	<u>12,731,848</u>	3.65	<u>7,201,015</u>

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Notes to Consolidated Statements

September 30, 2022 and September 30, 2021

16 Loss per share

	2022 \$	2021 \$
Net loss	(4,067,143)	(2,239,359)
	2022 #	2021 #
Weighted average number of common shares outstanding – basic and diluted	50,705,085	34,984,110
	\$	\$
Basic and diluted loss per share	(0.08)	(0.06)

For the years ended September 30, 2022 and 2021, potential shares 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. Consideration Shares (note 6) that have not been released from escrow have also been excluded.

17 Supplementary cash flow information

Changes in items of non-cash working capital for the years ended September 30, 2022 and 2021:

	2022 \$	2021 \$
Accounts receivable	183,705	(91,416)
Inventory	(6,904)	(2,391)
Deposits and prepaid expenses	(38,756)	(5,700)
Accounts payable and accrued liabilities	205,396	(117,467)
Unearned revenue	53,651	70,538
	397,092	(146,436)

TrustBIX Inc.

Notes to Consolidated Statements

September 30, 2022 and September 30, 2021

18 Related party transactions and balances

During the years ended September 30, 2022 and 2021, the Company incurred 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:

	2022	2021
	\$	\$
Sublease rental income from a company controlled by a director and from a company controlled by family members of a director	11,638	13,640
Exercise of warrants and options and purchase of common shares and units in private placement (notes 15(a)(c) and (d)) by directors and officers	20,000	478,969
Consulting fees to a company controlled by family members of a director	33,611	13,564
Office and administrative services to family members of a director	68,458	24,058
Project management services to a company controlled by a member of key management	487,200	95,219

The compensation to key management during the years ended September 30, 2022 and 2021 are as follows:

	2022	2021
	\$	\$
Salaries, short-term employee benefits and stock-based compensation	906,903	690,939
Consulting fees to a company controlled by a member of key management and to a company controlled by a director	105,212	31,481
	<u>1,012,115</u>	<u>722,420</u>

During the year ended September 30, 2022, the Company granted 5,150,000 stock options with a fair value of \$313,785 to directors and members of key management, exercisable at \$0.10 per option (note 15 (c)).

During the year ended September 30, 2022, the Company granted 2,475,000 stock options with a fair value of \$230,420 to directors and members of key management, exercisable at \$0.30 per option (note 15 (c)).

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Notes to Consolidated Statements

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Accounts payable

Accounts payable and accrued liabilities as at September 30, 2022 and September 30, 2021 include the following amounts due to:

	2022	2021
	\$	\$
Company controlled by a director for consulting fees	-	7,875
Company controlled by a member of key management for project management services	78,750	63,000
Member of key management for consulting fees	17,535	17,536
Family members of a director for other services	3,986	-
	<u>100,271</u>	<u>88,411</u>

19 Government assistance

Government assistance consists of grants from PIC and IRAP. These grants 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 grant program.

PIC

On March 31, 2021 the Company signed an agreement with PIC, Farmers Edge Inc., and OPIsystems Inc. to create a platform for Canada's plant-based food, feed and ingredient sector. The project is partially funded through PIC, up to a maximum of \$334,057.

For the year ended September 30, 2022, the Company recognized funding of \$107,247 (2021 – \$10,418) in research and development expenses, and \$nil (2021 – \$43,860) in consulting expenses related to the project.

IRAP

On April 1, 2021, the Company received approval of funding up to \$300,000 from the IRAP, to develop traceability of products and sustainability metrics for poultry produced using Arden Biotechnology Ltd.'s natural feed supplement, Sustavian.

For the year ended September 30, 2022, the Company recognized funding of \$125,206 (2021 – \$1,893) in research and development expenses, and \$nil (2021 – \$32,530) in consulting expenses related to the project.

Wage subsidy

During the year ended September 30, 2022, the Company received \$8,214 (2021 – \$37,958) from CEWS, which is netted against wages and benefits.

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Notes to Consolidated Statements

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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 23.55% (2021 – 23.18%) to loss before income taxes. A reconciliation of the difference is as follows:

	2022 \$	2021 \$
Loss before income taxes	(4,067,143)	(2,239,359)
Expected income tax recovery at statutory income tax rates	(957,812)	(519,083)
Tax effects of		
Non-deductible expenses	(7,552)	36,670
Tax losses for which no deferred tax asset was recognized	1,004,441	488,020
Effect of change in future tax rate	(39,077)	(5,607)
Income tax recovery	-	-

As at September 30, 2022, the Company has available Canadian non-capital losses in the amount of \$14,660,604 (2021 – \$10,721,486) to reduce Canadian taxable income in future years.

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	2,206,646
2040	2,232,389
2041	2,065,378
2042	4,099,207
	<u>14,660,604</u>

As at September 30, 2022 and September 30, 2021, temporary differences for which no deferred tax asset was recognized were as follows:

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	2022 \$	2021 \$
Deferred tax assets		
Loss carry-forwards	3,452,572	2,485,240
Deductible temporary differences	8,579	200,531
	<u>3,461,151</u>	<u>2,685,772</u>
Potential tax assets not recognized	(3,461,151)	(2,685,772)
	<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 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.

	<u>September 30, 2022</u>		
	ViewTrak \$	BIX \$	Consolidated \$
Revenue from external customers	1,447,824	227,281	1,675,105
Expenses	(3,799,573)	(1,463,420)	(5,262,993)
Amortization and depreciation	(52,981)	(325,409)	(378,390)
Other income (expenses)	(100,865)	-	(100,865)
	<u>(2,505,595)</u>	<u>(1,561,548)</u>	<u>(4,067,143)</u>
Net loss	(2,505,595)	(1,561,548)	(4,067,143)

For the year ended September 30, 2022, BIX includes \$323,294 of amortization and depreciation related to Insight software (note 10).

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	September 30, 2021		
	ViewTrak \$	BIX \$	Consolidated \$
Revenue from external customers	1,558,714	610,114	2,168,828
Expenses	(2,667,259)	(1,511,841)	(4,179,100)
Amortization and depreciation	(53,116)	(35,257)	(88,373)
Other income (expenses)	(140,714)	-	(140,714)
Net loss	(1,302,375)	(936,984)	(2,239,359)

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:

	2022 \$	2021 \$
Canada	882,381	1,389,012
United States	736,078	558,789
Other	56,646	221,027
	<u>1,675,105</u>	<u>2,168,828</u>

22 Financial instruments

For accounting recognition and measurement purposes, cash, accounts receivable, accounts payable and accrued liabilities, promissory notes and regional relief and recovery fund 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. The regional relief and recovery fund loan payable was measured using the estimated incremental borrowing rate and approximates fair value.

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.

TrustBIX Inc.

Notes to Consolidated Statements

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- 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.

The non-marketable equity securities in Provision Analytics (note 12) are an investment in a privately held company without readily determinable market values and is classified as Level 3.

During the years ended September 30, 2022 and 2021, there have been no transfers between levels of the fair value hierarchy.

Financial risk management

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

Market risk

- Currency risk

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

The following table presents the Company's exposure in Canadian dollars to the US dollar and China RMB as at September 30, 2022 and 2021:

	2022	2021
	\$	\$
Cash – USD	9,048	21,134
Accounts receivable – USD	28,266	8,024
Accounts payable and accrued liabilities – USD	(35,909)	(12,129)
	<u>1,405</u>	<u>17,029</u>

	2022	2021
	\$	\$
Accounts receivable – RMB	19,715	73,611

	2022	2021
	\$	\$
CAD\$ - USD	0.7296	0.7849
CAD\$ - RMB	0.1923	0.1970

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Based on the Company's foreign currency exposure noted above, varying the foreign exchange rates to reflect a 10% strengthening of the US dollar and China RMB would have decreased net loss by approximately \$nil and \$2,000, respectively, as at September 30, 2022 (2021 – \$2,000 and \$7,000), 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, 2022 and 2021.

Credit risk

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

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

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

	2022 \$	2021 \$
Balance – Beginning of period	4,537	2,317
ECL provision	124	31,439
Accounts written off, net of recoveries	(124)	(29,219)
	<hr/>	<hr/>
Balance – End of period	4,537	4,537

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

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

	2022		2021	
	\$	%	\$	%
Current	48,523	88	136,032	91
31 – 60 days	3,485	6	7,805	5
61 – 90 days	531	1	4,639	3
Greater than 90 days	2,598	5	1,385	1
	<u>55,137</u>	<u>100</u>	<u>149,861</u>	<u>100</u>

The Company is also exposed to credit risk in relation to debt investments that are measured at FVPL. The maximum exposure as at September 30, 2022 and 2021 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:

	2022	2021
	\$	\$
Accounts payable and accrued liabilities	655,325	449,929
Loans payable	372,818	-
Lease liability	8,039	43,686

The Company's long-term liabilities include a loan payable for \$613,045 (note 14) and a lease liability for \$26,017 (note 11).

Anticipated cash outflows on the lease liability and loans payable as at September 30, 2022 are disclosed in note 11 and 14.

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.

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23 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:

	2022	2021
	\$	\$
Cash	126,881	450,167
Loans payable – short term	(372,818)	-
Loan payable – long term	(613,045)	(614,422)
	<u>(858,982)</u>	<u>(164,255)</u>

The Company is focused on obtaining capital through internally generated cash flows, private placements, promissory notes and government assistance (note 1) to ensure sufficient liquidity to pursue its growth and expansion strategy, while taking a conservative approach toward financial leverage and management of financial risk.

24 Subsequent events

On November 11, 2022, stock options were granted to directors, officers, employees and non-employees of TrustBIX to purchase an aggregate of 3,000,000 common shares pursuant to its stock option plan. The options are exercisable at \$0.05, vest immediately and expire April 30, 2023.