



TrustBIX Inc.

Interim Condensed Consolidated
Financial Statements
(Unaudited)
June 30, 2022

TrustBIX Inc.

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at June 30, 2022

	June 30, 2022 \$	September 30, 2021 \$
Assets		
Current assets		
Cash	199,448	450,167
Accounts receivable	197,697	254,090
Inventory	111,033	58,457
Deposits and prepaid expenses	185,835	47,311
	<u>694,013</u>	<u>810,025</u>
Property and equipment (note 5)	35,040	40,927
Intangible assets (note 4 and 6)	1,625,357	10,474
Right-of-use assets (note 7)	42,591	40,832
Investment (note 8)	338,687	333,993
	<u>2,735,688</u>	<u>1,236,251</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	629,376	449,929
Unearned revenue	423,824	336,519
Loan payable (note 9)	166,500	-
Lease liability (note 7)	18,284	43,686
	<u>1,237,984</u>	<u>830,134</u>
Loan payable (note 9)	536,023	614,422
Lease liability (note 7)	27,234	3,605
	<u>1,801,241</u>	<u>1,448,161</u>
Shareholders' Equity (Deficit)		
Share capital issued (note 10(a))	12,724,699	9,457,445
Warrants (note 10(c))	370,630	468,408
Contributed surplus (note 10(d))	2,835,025	1,923,782
Capital reserve	149,628	149,628
Deficit	<u>(15,145,535)</u>	<u>(12,211,173)</u>
	<u>934,447</u>	<u>(211,910)</u>
	<u>2,735,688</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 interim condensed consolidated financial statements.

TrustBIX Inc.

Interim Condensed Consolidated Statements of Changes in Equity (Deficiency)

(Unaudited)

For the nine-month periods ended June 30, 2022 and 2021

	Share capital \$	Warrants \$	Contributed surplus \$	Capital reserve \$	Deficit \$	Total \$
Balance – October 1, 2021	9,457,445	468,408	1,923,782	149,628	(12,211,173)	(211,910)
Net loss for the period	-	-	-	-	(2,934,362)	(2,934,362)
Common shares issued for asset acquisition, net of share issue costs (notes 10(a))	1,771,125	-	-	-	-	1,771,125
Common shares and warrants issued in private placement, net of share issue costs (notes 10(a) (b) (c))	1,436,129	370,630	-	-	-	1,806,759
Common shares issued on exercise of options (notes 10(a) and (d))	60,000	-	-	-	-	60,000
Expiration of warrants (notes 10(c))	-	(468,408)	468,408	-	-	-
Stock-based compensation (note 10(d))	-	-	442,835	-	-	442,835
Balance – June 30, 2022	12,724,699	370,630	2,835,025	149,628	(15,145,535)	934,447
Balance – October 1, 2020	7,977,154	403,719	1,488,115	149,628	(9,971,814)	46,802
Net loss for the period	-	-	-	-	(1,687,818)	(1,687,818)
Common shares issued in private placement, net of share issue costs (notes 10(a) and (c))	1,475,570	464,336	-	-	-	1,939,906
Common shares issued on exercise of warrants and options (notes 10(a)(c) and (d))	4,721	(221)	-	-	-	4,500
Expiration of warrants (notes 10(c))	-	(399,426)	399,426	-	-	-
Stock-based compensation (note 10(d))	-	-	39,506	-	-	39,506
Balance – June 30, 2021	9,457,445	468,408	1,927,047	149,628	(11,659,632)	342,896

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 nine-month periods ended June 30, 2022 and 2021

	Three months ended		Nine months ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Revenue				
Licence	48,100	10,848	104,821	83,363
Hardware and installation	72,551	86,368	260,818	446,166
Professional and development services	73,410	198,119	240,583	507,654
Maintenance	196,435	208,793	618,261	640,432
	<u>390,496</u>	<u>504,128</u>	<u>1,224,483</u>	<u>1,677,615</u>
Expenses				
Wages and benefits (note 10(d))	708,504	405,903	1,693,407	1,359,004
Consulting fees	228,034	250,317	644,426	677,274
Professional fees	229,985	109,617	753,629	341,963
Hardware costs and supplies	59,421	97,539	169,083	281,151
Travel, trade shows and conferences	40,953	7,784	64,536	23,780
Office	85,236	75,569	256,324	221,659
Amortization and depreciation	162,754	13,929	215,830	74,394
Advertising and promotion	13,428	957	27,811	26,411
Research and development	127,894	58,715	241,236	181,446
Bad debts	124	598	124	29,432
Foreign exchange (gain) loss	(1,885)	10,062	3,964	26,242
	<u>1,654,448</u>	<u>1,030,990</u>	<u>4,070,370</u>	<u>3,242,756</u>
Loss before other (expenses) income and income taxes	<u>(1,263,952)</u>	<u>(526,862)</u>	<u>(2,845,887)</u>	<u>(1,565,141)</u>
Other (expenses) income				
Interest expense	(1,894)	(2,926)	(5,297)	(30,549)
Interest income (note 8)	115	1,811	1,128	5,385
Accretion expense	(30,688)	(25,668)	(88,101)	(73,688)
Foreign exchange remeasurement on investment (note 8)	10,730	(5,175)	3,795	(23,825)
	<u>(21,737)</u>	<u>(31,958)</u>	<u>(88,475)</u>	<u>(122,677)</u>
Loss before income taxes	<u>(1,285,689)</u>	<u>(558,820)</u>	<u>(2,934,362)</u>	<u>(1,687,818)</u>
Income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss and comprehensive loss for the period	<u>(1,285,689)</u>	<u>(558,820)</u>	<u>(2,934,362)</u>	<u>(1,687,818)</u>
Basic and diluted loss per share (note 11)	(0.02)	(0.01)	(0.05)	(0.05)

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 nine-month periods ended June 30, 2022 and 2021

	<u>Three-months ended</u>		<u>Nine-months ended</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(1,285,689)	(558,820)	(2,934,362)	(1,687,818)
Adjustments to reconcile net loss to cash flows from operating activities:				
Amortization and depreciation	162,754	13,929	215,830	74,394
Accretion expense	30,688	25,668	88,101	73,688
Stock-based compensation	266,983	3,648	442,835	39,506
Unrealized foreign exchange gain on investment (note 8)	(10,730)	5,175	(3,795)	23,825
Interest income on investment (note 8)	-	(1,744)	(899)	(5,229)
Interest expense	1,894	2,927	5,297	10,118
Cash used in operating activities before changes in items of working capital	(834,100)	(509,217)	(2,186,993)	(1,471,516)
Net change in items of non-cash working capital (note 14)	65,055	(424)	141,495	(213,997)
	<u>(769,045)</u>	<u>(509,641)</u>	<u>(2,045,498)</u>	<u>(1,685,513)</u>
Investing activities				
Purchase of property and equipment	(1,317)	(3,067)	(3,217)	(10,744)
Financing activities				
Lease payments (note 7)	(13,337)	(13,276)	(39,888)	(39,828)
Proceeds from issuance of common shares and warrants in private placement (note 10(a))	160,800	-	1,843,380	2,100,000
Proceeds from exercise of options and warrants (note 10(a)(d))	40,000	4,500	60,000	4,500
Share issue costs (note 10(a))	-	-	(65,496)	(160,094)
	<u>187,463</u>	<u>(8,776)</u>	<u>1,797,996</u>	<u>1,904,578</u>
(Decrease) increase in cash during the period	(582,899)	(521,484)	(250,719)	208,321
Cash – Beginning of period	782,347	1,443,764	450,167	713,959
Cash – End of period	199,448	922,280	199,448	922,280

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

TrustBIX Inc.

Notes to Interim Condensed Consolidated Statements

(Unaudited)

June 30, 2022

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 interim 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 June 30, 2022, the Company had a net working capital deficiency of \$543,971 compared to a net working capital deficiency of \$20,109 as at September 30, 2021. For the three and nine-month period ended June 30, 2022, the Company incurred a net loss of \$1,285,689 and \$2,934,362, respectively (\$558,820 and \$1,687,818 net loss for the three and nine-month periods ended June 30, 2021, respectively) and net cash outflow from operating activities of \$769,045 and \$2,045,498, respectively (\$509,641 and \$1,685,513 net cash outflow from operating activities for the three and nine-month periods ended June 30, 2021). As at June 30, 2022, the Company had an accumulated deficit of \$15,145,535 (September 30, 2021 – \$12,211,173). In addition, the Company also has lease commitments in the amount of \$45,518 as disclosed in note 7.

Current operations have been financed primarily from the issue of share capital, including a non-brokered private placement financing for gross proceeds of \$1,138,380 or 6,324,334 units at a price of \$0.18 (note 10(a)(c)).

The Company also raised financing from the issue of share capital, including a non-brokered private placement financing for gross proceeds of \$705,000 or 4,406,250 common shares at a price of \$0.16 which closed on December 31, 2021 (note 10(a)).

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Notes to Interim Condensed Consolidated Statements

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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 agri-food traceability and chain of custody value solutions, along with sales, installation and support of software and hardware of the ViewTrak segment.

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 4), an early stage company providing solutions to track, protect and identify the movement of high-value moveable equipment used in agriculture and other industries.

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 16). 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 9).

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, 2021, 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 August 23, 2022.

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, except for financial instruments, which are measured at fair value.

TrustBIX Inc.

Notes to Interim Condensed Consolidated Statements

(Unaudited)

June 30, 2022

Significant accounting policies

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.

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 three months ended June 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 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 Acquisition of Insight Global Technology Inc.

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

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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 June 30, 2022, no Consideration Shares have been released pursuant to the escrow agreement.

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 6).

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(Unaudited)

June 30, 2022

5 Property and equipment

	Computer hardware \$	Computer software \$	Office furniture and equipment \$	Total \$
As at September 30, 2021				
Cost	107,987	17,808	15,086	140,881
Accumulated depreciation	(72,089)	(17,808)	(10,057)	(99,954)
Net book value as at September 30, 2021	<u>35,898</u>	<u>-</u>	<u>5,029</u>	<u>40,927</u>
Cost – as at September 30, 2021	107,987	17,808	15,086	140,881
Additions	1,317	1,900	-	3,217
Cost – as at June 30, 2022	<u>109,304</u>	<u>19,708</u>	<u>15,086</u>	<u>144,098</u>
Accumulated depreciation – as at September 30, 2021	(72,089)	(17,808)	(10,057)	(99,954)
Depreciation	(7,404)	(992)	(708)	(9,104)
Accumulated depreciation – as at June 30, 2022	<u>(79,493)</u>	<u>(18,800)</u>	<u>(10,765)</u>	<u>(109,058)</u>
Net book value as at June 30, 2022	<u>29,811</u>	<u>908</u>	<u>4,321</u>	<u>35,040</u>

TrustBIX Inc.

Notes to Interim Condensed Consolidated Statements

(Unaudited)

June 30, 2022

6 Intangible assets

	BIX software \$	Trademarks \$	Insight software \$	Total \$
As at September 30, 2021				
Cost	244,959	8,092	-	253,051
Accumulated amortization	(242,577)	-	-	(242,577)
Net book value as at September 30, 2021	2,382	8,092	-	10,474
Cost – as at September 30, 2021	244,959	8,092	-	253,051
Additions	-	-	1,790,550	1,790,550
Cost – as at June 30, 2022	244,959	8,092	1,790,550	2,043,601
Accumulated amortization – as at September 30, 2021	(242,577)	-	-	(242,577)
Amortization	(1,586)	-	(174,081)	(175,667)
Accumulated amortization – as at June 30, 2022	(244,163)	-	(174,081)	(418,244)
Net book value as at June 30, 2022	796	8,092	1,616,469	1,625,357

Insight software was acquired with the purchase of Insight (note 4).

7 Leases

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

	\$
ROU assets as at September 30, 2021	40,832
Additions	32,818
Depreciation	(31,059)
ROU assets as at June 30, 2022	42,591

The following is a summary of the activity related to the Company's lease liabilities for the period ended June 30, 2022:

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June 30, 2022

	\$
ROU lease liabilities as at September 30, 2021	47,291
Additions	32,818
Lease payments	(39,888)
Accretion of lease liabilities	5,297
	<hr/>
ROU lease liabilities as at June 30, 2022	45,518
	<hr/>
Of which are	
Current lease liabilities	18,284
Non-current lease liabilities	27,234
	<hr/>
	45,518
	<hr/>

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

	\$
June 30, 2023	24,141
June 30, 2024	9,754
June 30, 2025	10,002
June 30, 2026	10,251
June 30, 2027	7,828
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	61,976
	<hr/>

8 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 June 30, 2022 (note 12).

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.

9 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

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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.

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

	\$
Current loan payable	166,500
Non-current loan payable	<u>536,023</u>
	<u>702,523</u>

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

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

10 Share capital

Authorized

Unlimited common shares, with no par value

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

TrustBIX Inc.

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(Unaudited)

June 30, 2022

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 of options and warrants (note 10(c) and (d))	25,000	4,500
Balance as at June 30, 2021	<u>38,385,913</u>	<u>9,457,224</u>

	Number	\$
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 10(d))	333,334	60,000
Issued pursuant to acquisition of Insight (iii)	30,000,000	1,771,125
Issued pursuant to private placement (iv)	6,324,334	751,538
Balance as at June 30, 2022	<u>79,449,831</u>	<u>12,724,699</u>

(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 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%.

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(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 4). 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. On March 14, 2022 and April 5, 2022, the Company partially closed on the non-brokered private placement and issued 1,475,445 Units and 4,848,889 Units, respectively, at a subscription price of \$0.18 per Unit for gross proceeds of \$265,580 and \$872,800, respectively.

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. If after four months and one 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 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 days after the date that written notice has been given to the warrant holder or the date that the Company issues a press release announcing the exercise of the acceleration right. The securities issued under the private placement are subject to a four-month hold period from the time 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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b) Share capital – committed

	Number – committed	\$
Balance as at September 30, 2020 and June 30, 2021	-	-
Balance as at September 30, 2021	-	-
Committed to issue pursuant to private placement (note 10(a)(iv))	4,011,112	722,000
Conversion from share capital – committed to common shares (note 10(a)) and warrants (note 10(c))	(4,011,112)	(722,000)
Balance as at June 30, 2022	-	-

c) Warrants

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

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

Expiration date	Warrants outstanding number	Exercise price \$
September 14, 2023	6,324,334	0.30

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d) Stock options and compensation expense

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

	June 30, 2022		June 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	8,765,000	0.17	200,000	0.50
Exercised	(333,334)	0.18	(20,000)	0.15
Forfeited	(147,222)	0.46	-	-
Outstanding – End of period	11,256,848	0.23	3,197,856	0.41
Options exercisable – End of period	6,500,953	0.26	2,815,950	0.39

As at June 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 nine months ended June 30, 2022 were as follows:

- 4,950,000 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.

The fair value of the 800,000 options granted to non-employees was measured at the value of services the Company received.

The Company used the Black-Scholes option pricing model to estimate the fair value of the 4,950,000, 2,715,000 and 300,000 options granted. The Company considered historical volatility of its common

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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 nine months ended June 30, 2022:

Annualized volatility	94.0%
Risk-free interest rate	2.2%
Expected life of options in years	3.7
Dividend rate	nil%
Exercise price	\$0.17
Market price on date of grant	\$0.121

Stock-based compensation expense for the three and nine months ended June 30, 2022 was \$266,983 and \$442,835, respectively (2021 – \$3,648 and \$39,506, respectively), with a corresponding increase in contributed surplus included in shareholders' equity.

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

Exercise price \$	Number outstanding	Weighted average remaining contractual life in years	Options exercisable
0.10	4,950,000	4.89	2,475,000
0.15	801,663	1.33	801,663
0.20	900,000	4.59	150,000
0.30	2,715,000	4.59	1,205,000
0.50	1,590,000	1.50	1,581,667
0.60	300,185	3.25	212,623
	<hr/>		<hr/>
	11,256,848	4.02	6,425,953

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(Unaudited)

June 30, 2022

11 Loss per share

	Three months ended		Nine months ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Net loss	(1,285,689)	(558,820)	(2,934,362)	(1,687,818)
	#	#	#	#
Weighted average number of common shares outstanding – basic and diluted	59,091,101	38,371,169	55,964,328	33,837,715
	\$	\$	\$	\$
Basic and diluted loss per share	(0.02)	(0.01)	(0.05)	(0.05)

For the three and nine-month periods ended June 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 4) that have not been released from escrow have also been excluded.

12 Financial instruments

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

The non-marketable equity securities in Provision Analytics (note 8) are an investment in a privately held company without readily determinable market values and is classified as Level 3. The Company classifies the non-marketable equity securities in Provision Analytics at fair value through profit or loss.

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

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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- Level 3 – Inputs for the asset or liability that are not based on observable market data.

During the three and nine months ended June 30, 2022 and 2021, there have been no transfers between levels of the fair value hierarchy.

13 Related party transactions

During the periods ended June 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:

	Three months ended		Nine months ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Sublease rental income from a company controlled by a director and from a company controlled by family members of a director	2,951	3,152	8,687	10,488
Exercise of warrants/options and purchase of common shares and units in private placement (notes 10(a)(c)(d)) by directors and officers	-	2,500	20,000	478,969
Consulting fees to companies controlled by family members of a director	12,313	3,875	26,219	8,461
Office and administrative services to family members of a director	23,249	8,995	46,655	16,878
Project management services to a company controlled by a member of key management	157,500	-	355,950	-

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

	Three months ended		Nine months ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Salaries, short-term employee benefits and stock-based compensation	305,196	193,774	652,373	554,064
Consulting fees to a company controlled by a member of key management	26,303	-	78,909	-
	<u>331,499</u>	<u>193,774</u>	<u>731,282</u>	<u>554,064</u>

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During the three months ended June 30, 2022, the Company granted 4,400,000 stock options with a fair value of \$268,088 to directors and members of key management, exercisable at \$0.10 per option (note 10 (d)).

During the three months ended March 31, 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 10 (d)).

Accounts receivable

As at June 30, 2022, accounts receivable includes \$960 (September 30, 2021 – \$nil) due from a company controlled by a key manager of the Company, related to consulting services.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts due to:

	June 30, 2022 \$	September 30, 2021 \$
Company controlled by a director for consulting fees	-	7,875
Company controlled by a member of key management for project management services	52,500	63,000
Member of key management for consulting fees	8,768	17,536
Family members of a director for other services	2,691	-
	<u>63,959</u>	<u>88,411</u>

14 Supplementary cash flow information

Changes in items of non-cash working capital:

	Three months ended		Nine months ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Restricted cash	-	(96,055)	-	(96,055)
Accounts receivable	(13,288)	34,724	56,393	(35,527)
Inventory	(37,423)	(2,482)	(43,126)	(9,430)
Deposits and prepaid expenses	68,595	5,651	(138,524)	8,311
Accounts payable and accrued liabilities	(32,074)	22,251	179,447	(148,479)
Unearned revenue	79,245	35,487	87,305	67,183
	<u>65,055</u>	<u>(424)</u>	<u>141,495</u>	<u>(213,997)</u>

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15 Liquidity risk

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

	\$
Accounts payable and accrued liabilities	629,376
Lease liability	18,284
Loan liability	166,500

The Company's long-term liabilities include a lease liability for \$27,234 (note 7) and a loan payable for \$536,023 (note 9).

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, and determines if 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.

16 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. As at June 30, 2022, the Company had a cash advance of \$nil (September 30, 2021 – \$62,868) related to the project. This cash advance was recorded in accounts payable and accrued liabilities and was recognized as a reduction of eligible expenses as incurred. For the three and nine months ended June 30, 2022, the Company recognized funding of \$nil and \$83,399 (2021 – \$7,248 and \$7,248), respectively, in research and development expenses, and \$nil and \$nil (2021 – \$13,860 and \$13,860), respectively, 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 three and nine months ended June 30, 2022, the Company recognized funding of \$43,187 and \$103,218 (2021 – \$1,577 and \$1,577), respectively, in research and development expenses, and \$nil and \$nil (2021 – \$26,435 and \$26,435), respectively, in consulting expenses related to the project.

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Wage subsidy

For the three and nine months ended June 30, 2022, the Company received \$nil and \$8,214 (2021 – \$nil and \$29,508), respectively, from the Canada Emergency Wage Subsidy, which is netted against wages and benefits.

17 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 June 30, 2022		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	335,482	55,014	390,496
Expenses	(1,059,973)	(431,721)	(1,491,694)
Amortization and depreciation	(13,013)	(149,741)	(162,754)
Other income (expenses)	(21,737)	-	(21,737)
Net loss	<u>(759,241)</u>	<u>(526,448)</u>	<u>(1,285,689)</u>

The amortization of the Company's Insight software for the three months ended June 30, 2022 was \$149,212 and was included in total BIX amortization and depreciation in the table above.

	Three months ended June 30, 2021		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	318,198	185,930	504,128
Expenses	(622,738)	(394,323)	(1,017,061)
Amortization and depreciation	(13,399)	(530)	(13,929)
Other income (expenses)	(31,958)	-	(31,958)
Net loss	<u>(349,897)</u>	<u>(208,923)</u>	<u>(558,820)</u>

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June 30, 2022

	Nine months ended June 30, 2022		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	1,026,597	197,886	1,224,483
Expenses	(2,773,905)	(1,080,635)	(3,854,540)
Amortization and depreciation	(40,162)	(175,668)	(215,830)
Other income (expenses)	(88,475)	-	(88,475)
Net loss	<u>(1,875,945)</u>	<u>(1,058,417)</u>	<u>(2,934,362)</u>

The amortization of the Company's Insight software for the nine months ended June 30, 2022 was \$174,081 and was included in total BIX amortization and depreciation in the table above.

	Nine months ended June 30, 2021		
	ViewTrak	BIX	Consolidated
	\$	\$	\$
Revenue from external customers	1,222,331	455,284	1,677,615
Expenses	(2,032,098)	(1,136,264)	(3,168,362)
Amortization and depreciation	(39,667)	(34,727)	(74,394)
Other income (expenses)	(122,677)	-	(122,677)
Net loss	<u>(972,111)</u>	<u>(715,707)</u>	<u>(1,687,818)</u>

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 for the three and nine months ended:

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	Three months ended		Nine months ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Canada	324,951	399,200	765,814	1,017,402
United States	61,930	70,256	406,616	442,857
Other	3,615	34,672	52,053	217,356
	<u>390,496</u>	<u>504,128</u>	<u>1,224,483</u>	<u>1,677,615</u>

18 Subsequent events

On May 20, 2022, the board of directors approved a grant of stock options to directors, officers, employees and contractors of TrustBIX to purchase an aggregate of 6,625,000 common shares pursuant to its stock option plan, of which 4,950,000 were granted as of June 30, 2022 and 1,675,000 were granted subsequent to June 30, 2022 (note 10(d)).