TrackX Holdings Inc.

Management's Discussion and Analysis

For the Three Ended December 31, 2019

Connecting Assets in a Connected World

The following discussion and analysis ("**MD&A**") of the operations, results and financial three months ended December 31, 2019 should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes thereto for the three months ended December 31, 2019 and the audited consolidated financial statements fiscal year ended September 30, 2019. For further information on the Company, reference should also be made to its public filings under the Company's profile on SEDAR at www.sedar.com. Information is also available on the Company's website at www.trackx.com. The effective date of this report is May 6, 2020. All figures are presented in Canadian dollars, unless otherwise indicated.

COMPANY HISTORY AND COMPANY OVERVIEW

The Company was incorporated under the Canadian Business Corporations Act on April 21, 2004. On August 24, 2012, the Company consolidated all of its issued and outstanding common shares on a ten (10) old common shares for one (1) new common share basis. On December 31, 2013, the Company consolidated all of the issued and outstanding common shares on a four (4) old common shares for one (1) new common share basis. On July 2, 2015, the Company consolidated all of the issued and outstanding common shares on a ten (10) old common shares for one (1) new common share basis. On January 11, 2016, the Company continued into and became a company existing in British Columbia under the British Columbia Business Corporations Act.

The Company's head office is located at 7800 E. Union Ave., Suite 430, Denver, CO 80237 United States of America ("**USA**") and its registered office and records office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6B 2R9.

The Company changed its name from Cougar Minerals Corporation to TrackX Holdings Inc. ("**TrackX**") (formerly TrackX LLC) upon the completion of an acquisition of all of the issued share capital of TrackX, Inc. (the "**Acquisition**") resulting in a reverse takeover of the Company, on May 26, 2016.

TrackX, Inc. is incorporated and existing under the laws of the state of Delaware, USA TrackX's principal business is the development and customization of its proprietary enterprise software platform which enables companies to track physical assets using a wide variety of unique item level tracking and sensor technology.

On closing of the Acquisition, TrackX, Inc. became a wholly owned subsidiary of the Company. As TrackX, Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities and operations since incorporation on July 9, 2015 are included in the consolidated financial statements at their historical carrying value. The Company's results of operations are those of TrackX, with the Company's operations being included from May 26, 2016 onwards, being the closing date of the Acquisition. Please refer to "Reverse Takeover" (Note 4) of the Consolidated Financial Statements for more details.

TrackX is an enterprise asset management company deploying Software-as-a-Solution ("**SaaS**") based solutions leveraging multiple auto-ID and sensor technologies for the comprehensive tracking and management of physical assets. TrackX's Global Asset Management for Enterprises ("**GAME**") platform enables the Industrial Internet of Things ("**IIoT**") by providing unique item level tracking, workflow processing, event management, alerting, and powerful analytics to deliver solutions across an expanding number of industries. TrackX delivers significant value to a growing list of Fortune 500 companies and for customers in industries such as transportation, beverage, brewery, healthcare, hi-tech, hospitality, mining, agriculture, horticulture, manufacturing and government.

SIGNIFICANT HIGHLIGHTS

The following highlights developments for the three months ended December 31, 2019 ("**Q1 2020**") and to the date of this MD&A:

During Q1 2020, the Company has remained consistent in its focus to execute on its core strategies:

- **LAND & EXPAND:** The Company's land and expand strategy resulted in multiple implementations during the quarter:

    - The Company has continued to expand its relationship with Carvana, one of the fastest growing online used car retailers in the industry. In Q1 2020, the Company made significant enhancements to its GAME for Automotive solution and completed the installation of the GAME platform at two additional vehicle inspection centers (IC's).

    - The Company completed an additional implementation of GAME for Supply Chain Management (SCM) for a leading household appliance manufacturer, bringing the total number of installed locations to 10. The Company has continued its discussions with the customer regarding the tracking of additional assets leveraging the GAME for EAM (Enterprise Asset Management) solution.

    - For the second largest insurance company in the industry, TrackX has continued its expansion of the GAME for Enterprise Asset Management (EAM) solution to support additional business processes and workflows. The Company is in discussions regarding additional expansion at potentially four additional facilities. As customers continue to offer feedback and drive enhancements to the GAME platform, these enhancements become a part of the core functionality, creating additional value for our customers, creating additional revenue for TrackX, and further differentiating GAME from asset management solutions in the marketplace.

    - For Polaris Inc., a global leader in powersports, TrackX completed the phase 1 implementation of its Global Asset Management for Enterprises solution for recreational vehicle inventory management. TrackX is leveraging GPS and active RFID tags affixed vehicles to obtain real-time visibility to high-value vehicles as they move not only throughout the customer's facilities, but also on test drives, at tradeshows and at other marketing events nationwide. GAME's event management, workflow processing, and analytics will not only provide significant savings on inventory loss and insurance liability, but also provide operational efficiency while reducing overall labor costs. TrackX revenues will be generated largely from recurring SaaS license fees along with associated implementation and configuration services. TrackX anticipates additional expansion with this customer in subsequent quarters.

    - An international hotel chain furthered its deployment of TrackX's GAME for EAM solution to track hotel linen inventory, reduce loss and theft, and hold third-party laundry service providers accountable to service level agreements.

- **RESEARCH AND DEVELOPMENT:** TrackX has continued to make enhancements to the GAME enterprise solution platform with additional features, workflows and analytics across all of the Company's solution offerings. In Q1 2020, TrackX further extended support for a broad range of tracking and sensors technologies including LoRa, BLE, Cellular and several other IIOT devices. Constantly adding support for new tracking technologies and sensors positions TrackX to deliver additional value and an increased ROI to customers. With the increased focus by large enterprises on improving Supply Chain Visibility, the Company will continue to make developments in the delivery of blockchain and distributed ledger solutions, especially given the Company's refined focus on repeatable, higher margin SaaS-based solutions in the Supply Chain Execution and Returnable Transport Item arena.

  The Company elected to capitalize its research and development costs in accordance with IFRS standards beginning in fiscal Q1 2019. These costs are for technologically feasible enhancements to GAME and adds to the features and function of the solution. The total of software capitalization for YE 19 was $553,533. This policy is included in the Consolidated Financial Statements for the Years Ended September 30, 2019 and 2018, (footnote 3.m).

- **PARTNERSHIPS**: The Company has continued to expand relationships with key partners. As these relationships continue to evolve, collaboration with the partner ecosystem is anticipated to drive additional pipeline growth and recurring SaaS revenue over future quarters. In Q1 2020:

  - The Company established a partnership with FourKites, the Chicago-based creator of the predictive supply chain visibility category. FourKites boasts the world's largest network of shippers, carriers, and 3PLs. Already sharing multiple customers in common, integration between TrackX and FourKites provides unprecedented shipment visibility to larger enterprises, enabling them to make better, more proactive supply chain decisions. This relationship is expected to generated additional pipeline activity and an increase in related SaaS revenue in subsequent quarters.

  - The Company and Impinj Inc., a leading provider and pioneer of RAIN RFID solutions, have continued to collaborate and are participating in joint sales-related activities with a refined focus on supply chain management opportunities.

  - The Company has continued to expand sales and marketing activities with Barcodes, Inc., resulting in additional pipeline opportunities which the partners are jointly progressing through the sales process.

  - The Company has partnered closely with Omni-ID, a major IoT hardware and tag provider. Omni-ID has announced a series of active-RFID, Bluetooth low energy (BLE) and Long Range (LoRa) asset tags that, integrated with GAME, address a cost-effective solution in the tracking of high value assets across multiple industries.

  - The Company continues to work with the Amazon Managed Blockchain (AMB) group. Amazon and TrackX have worked together to develop a solution driven by GAME which is tightly integrated with the Amazon Managed Blockchain platform. Through increased collaboration, the Companies are targeting joing customer opportunities for the tracking of returnable transport items.

- **OPERATIONAL EFFICIENCY**: The Company has restructured employee roles and responsibilities and has continued to execute on its plans to drive additional operating efficiencies and reduce overall operating expenses.

- **CUSTOMER SUCCESS**: The Company continues its efforts to maintain a process of consistent communications and feedback with its customers. This communication has improved the Company's service quality and is an important catalyst in the definition and prioritization of new product features and capabilities.

FISCAL PERFORMANCE

The Company's total revenue decreased to $1,176,940 from $2,187,925 for the three months ended December 31, 2019 ("**Q1 2020**") as compared three months ended December 31, 2018 ("**Q1 2019**"). Recurring revenue increased $161,291 (28%) for a total of $731,123 for Q1 2020 as compared to $569,832 for Q1 2019.

In Q1 2020, the cost of sales decreased 54% to $599,270 from $1,309,988 in Q1 2019 compared to a 46% decrease in revenue for the same period. Hardware revenue was $103,969 for Q1 2020 (Q1 2019 $499,957) and other implementation revenue for Q1 2020 was $341,848 compared to $811,285 for Q1 2019. The gross margin percentage for Q1 2020 was 49% compared to 40% for Q1 2019. The increase in gross margin percentage was attributable to the increase in recurring revenue and the decrease in hardware and other implementation revenue for the quarter.

Expenses decreased for Q1 2020 as compared to Q1 2019 of $1,210,245 and $1,636,839 respectively. The decrease in operating expenses for the three months ended December 31, 2019 can be attributed to a decrease in general and administrative expenses, and sales and marketing expenses of $271,136 and $95,434, respectively. Share-based compensation decrease by $115,193 in the quarter. These decreases were off-set by the increase in amortization of intangible assets expense of $96,896 which was a result of capitalizing software development in 2019.

SELECTED ANNUAL INFORMATION

The following table represents selected financial information of the Company for the three (3) most recently completed financial years and should be read in conjunction with the Company's audited financial statements and associated management discussion and analysis:

	2019	2018	2017
	$	$	$
Total revenue	6,288,108	5,668,119	5,170,078
Loss for the year	(3,919,095)	(3,452,184)	(3,974,271)
Comprehensive loss for the year	(4,029,350)	(3,228,633)	(4,104,102)
Total assets	2,542,503	5,469,729	5,497,999
Total liabilities	6,389,669	4,947,308	2,282,408
Basic and fully diluted loss per common share	(0.05)	(0.04)	(0.07)

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's quarterly financial results for the fiscal quarters noted:

	December 31 2019	September 30 2019	June 30 2019	March 31 2019
	$	$	$	$
Revenues	1,176,940	1,052,592	1,391,341	1,656,249
Cost of sales	599,270	474,348	842,550	967,028
Gross margin	49%	55%	39%	42%
Expenses	1,210,245	1,087,347	1,831,634	2,005,019
Net loss	(748,650)	(511,714)	(1,276,599)	(1,315,027)
Loss per share	(0.02)	(0.01)	(0.02)	(0.02)
Total assets	1,914,348	2,542,503	2,823,254	3,666,139

	December 31 2018	September 30 2018	June 30 2018	March 31 2018
	$	$	$	$
Revenues	2,187,926	673,895	2,144,728	1,822,040
Cost of sales	1,309,988	1,035,222	923,308	598,243
Gross margin	40%	(54%)	57%	67%
Expenses	1,636,839	1,781,590	1,468,368	1,429,919
Net loss	(815,755)	(2,142,033)	(251,321)	(122,835)
Loss per share	(0.01)	(0.03)	(0.00)	(0.00)
Total assets	4,601,163	5,469,729	4,590,605	4,814,780

Revenues during the quarter ended December 31, 2019 were $1,176,940 with a total cost of sales of $599,270 resulting in a gross margin of $577,670. Expenses totaled $1,210,245 resulting net loss from operations of $(632,575).

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 76,886,327 common shares outstanding. The following table summarizes the maximum number of common shares outstanding as at December 31, 2019 and as of the date of this MD&A as if all outstanding stock options and common share purchase warrants were converted to common shares:

	December 31 2019	As of the date of this MD&A
Common shares	76,886,327	76,886,327
Warrants to purchase common shares	800,000	800,000
Options to purchase common shares	3,747,500	3,747,500
TOTAL	**81,433,827**	**81,433,827**

RESULTS OF OPERATIONS

Three months ended December 31, 2019 compared with the three months ended December 31, 2018

Revenues

Revenues were $1,176,940 during Q1 2020 and decreased by $1,010,986 from the same period in FY 2019. Recurring revenue increased by $161,291 to $731,123 for Q1 2020, up from $569,832 in Q1 2019 (62% and 26% of total revenue, respectively). Hardware revenue decreased $395,988 to $103,969 for Q1 2020 from $499,957 for Q1 2019 (9% and 23% of total revenue, respectively). Customization and integration fees, setup, implementation and other fees were 29% of the Q1 2020 revenue as compared to 37% in Q1 2019. The Company's focus continues to be on growing recurring revenue, which was up 28% year-over-year and increases revenue visibility in future years without adding appreciable costs of sales.

Cost of Sales

During Q1 2020, the cost of sales was $599,270 (Q1 2019 - $1,309,988) resulting in gross margin of 49% for the quarter. The decrease corresponds with a decrease in the Company's revenue. The decrease in hardware revenue of $395,988 was the largest contributor to the decrease in cost of sales. Recurring revenues, which have the highest gross margin, were 62% of total revenue for Q1 2020 as compared to 26% for Q1 2019.

Expenses

Operating expenses were $1,210,245 in Q1 2020 (Q1 2019 - $1,636,839) a decrease of $426,594. General and administrative expenses decreased $271,136 and sales and marketing expenses decreased by $95,434. The decrease in these expenses were due to a reduction in staffing and increase in operational efficiency. The decrease in general and administrative expenses and sales and marketing expenses was off-set with the increase in the amortization of intangible assets expense of $96,896 which was a result of capitalizing software development cost in 2019.

Net Loss

Net loss from operations for Q1 2020 was $(632,575) (Q1 2019 - $758,901). The decrease in Net Loss for Q1 2019 was due to the increased gross margin while and reduction in operating expenses for Q1 2020.

Non-IFRS Measures

The accompanying non-IFRS measures do not have any standardized meaning as it relates to performance measures and may not be comparable to other Company or issuer disclosures of similar performance measures. The Company has provided a reconciliation of Adjusted EBITDA to IFRS loss in the following table. Adjusted EBITDA is defined as earnings before interest income, taxes, depreciation and amortization, share-based compensation, and other non-recurring gains and losses. Management believes that adjusted EBITDA is a useful measure that facilitates period to period operating comparisons. Adjusted EBITDA should not be considered a measure superior to IFRS net income (loss).

Adjusted EBITDA	For the Three Months Ended December 31 2018	For the Three Months Ended December 31 2017
	$	$
Net Loss	(748,650)	(815,755)
Amortization of intangible assets	393,845	296,949
Depreciation of equipment	10,734	11,274
Interest Expense and finance charges	109,908	61,178
Share-based compensation	35,996	151,189
Write-off of Accounts Payable	6,167	-
Adjusted EBITDA	**(192,000)**	**(295,165)**

OUTLOOK

The Company will continue to refine its focus in the areas of returnable asset tracking, high-value asset tracking (i.e., IT asset tracking) and supply chain management. COVID-19 has brought with it many global challenges across every industry and within every community. Companies are seeking solutions to gain supply chain visibility and improve supply chain efficiency. With a proven, enterprise scalable, IOT hardware agnostic, blockchain-enabled supply chain platform, TrackX is poised to address these new market opportunities and expects to see an increase in pipeline activity with more repeatable solutions driving higher margin recurring revenue over future quarters.

To respond effectively to these opportunities, TrackX will increase its efforts to expand and leverage its partner network. Not only will new partners, like FourKites, continue to be added to the TrackX ecosystem, but additional improvements to joint sales and marketing collaboration with existing partners are expected to fuel additional growth in pipeline activity and, as implementations are completed, a growth in high margin recurring SaaS revenue.

TrackX will continue to execute on its other core strategies. The Company has achieved success from its land and expand strategy within multiple industry horizontals (for example, high value asset tracking, returnable transport item management, and work in process tracking). TrackX is not only realizing expansion beyond the initial implementation to multiple locations tracking similar assets but is also seeing the GAME platform being leveraged by these customers to track new assets and additional processes. As these implementations are completed, the Company anticipates continued growth in recurring revenue, a core metric, throughout 2020.

TrackX is very committed to achieving sustainable profitability. To do so, the Company must continue to focus on the monitoring and control of overall operating expenses. Over the past two quarters the Company has executed on its plans to aggressively reduced monthly operating expense. The Company will only hire as revenue opportunities are solidified and able to support an increase in personnel. Improved operational metrics allow us to ensure adherence to performance standards and profitability goals by account and by project. The Company will invest in marketing and messaging. The TrackX website will be updated to reflect the Company's refined focus on suppy chain execution and high value asset management solutions. New outbound target marketing campaigns and a very aggressive prospecting program are expected to generate an increase in pipeline opportunities and subsequent growth in higher margin recurring SaaS revenue throughout Fiscal 2020.

The TrackX IIoT platform, GAME, will continue to benefit from new features and enhancements, the majority of which will come from the automation of business processes and analytics as requested by customers and prospects. Other GAME enhancements will be driven by the integration with new technologies made available by our hardware partners. The overall solution focus has shifted more towards high value asset tracking and supply chain related soultions. Within enterprise accounts, opportunities in these areas typically address a large volume of assets, generate a rapid ROI, are easy for our partners to implement and represent larger revenue opportunities with higher gross margins.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Key management personnel consist of directors and senior management including the President and Chief Executive Officer (CEO), Chief Operating Officer (COO), and Chief Financial Officer (CFO). Key management personnel compensation includes:

	December 31 2019	December 31 2018
Salaries and wages	$ 171,009	$ 223,032
Consulting	47,809	47,576
Automobile allowance	7,192	6,542
Share-based compensation	-	114,713
	$ 226,010	**$ 391,863**

Included in due to related party (short term) are $97,479 payable to the CEO, COO, and CFO, for reimbursements and consulting fees.

Included in due to related party is $216,933 owed to broTECH, which is majority owned by the COO of the Company. The total balance owed to broTECH was subsequently paid from the proceeds of the transaction with FourKites (noted in Subsequent events in the Financial Statement).

FINANCIAL INSTRUMENTS AND RISKS

Capital Risk Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes shareholders' equity, comprised of issued share capital, reserves and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further develop the infrastructure for customer deployment to support the growing sales and marketing opportunities in the IIOT. To secure the additional capital necessary to pursue these plans, the Company will attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended December 31, 2019.

The Company is exposed to a variety of financial risks by virtue of its activities. In particular: market risk (composed of currency risk), liquidity risk, fair value risk and credit risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies reviewed by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

The Company's financial instruments and risk exposures are summarized below:

a) Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash and needs to maintain sufficient cash in excess of anticipated needs. To do so relies on the Company's ability to achieve positive operating cash flow, raise equity financing or establish debt financing. The Company is exposed to liquidity risk.

b) Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. Cash is held with major financial institutions in the United States and Canada and is subject to the Interest Rate Risk. Receivables are subject to standard credit terms.

c) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

d) Foreign Currency Risk is the risk on fluctuation of currency related to monetary items with a settlement currency other than US dollars.

In managing currency risks the Company aims to reduce the impact of short-term fluctuations on earnings by minimizing transactions between TrackX Holdings, Inc. which the functional currency is Canadian Dollars and TrackX, Inc. in which the operational currency is in United States Dollars. As at December 31, 2019, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Fair Value Hierarchy

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

The estimated fair value of accounts receivable, accounts payable, due to related party, and accrued liabilities are equal to their carrying values due to the short-term nature of these instruments.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company may be regarded as speculative due to the Company's stage of development. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. Prospective investors should carefully consider the following risks and uncertainties:

Additional Financing

The Company has a history of operating losses and uses cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering may result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Product Enhancements and Development

The development activities of the Company may be funded by its customers through engineering services provided in addition to the Company's investment in enhancing its existing product suite. If the Company fails to develop new products, incurs delays in developing new products, or if the product or enhancements to existing products and services that the Company develops are not successful, the Company's business could be harmed. Even if the Company does develop new products that are accepted by its target markets, the Company cannot assure that the revenue from these products will be sufficient to justify the Company's investment in research and development.

History of Losses

The Company has a history of losses, and there can be no assurance that the Company's losses will not continue in the future. As at December 31, 2019, the Company had an accumulated deficit of $(20,249,376). The Company's prospects must be considered in the context of the implementation stage of its current strategy, the risks and uncertainties it faces, and the inability of the Company to accurately predict its results of sales and marketing initiatives. There can be no assurances that implementation of the Company's strategy will result in the Company generating and sustaining profitable operations.

Product Development and Technological Change

The market for the Company's products and services is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To be successful, the Company will need to enhance existing products and to introduce new products and features in response to changing standards, customer requirements, and technological innovations by others. There can be no assurance that the Company will be successful in doing this in a timely manner or at all. The embedded computing and IIoT industries are characterized by a continuous flow of improved products that render existing products obsolete. There can be no assurance that products or technologies developed by others will not render the Company's products obsolete or non-competitive.

Intellectual Property Protection

The Company's ability to compete may be affected by its ability to protect its intellectual property. It relies primarily on a combination of copyright, trademark, patent and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. While the Company believes that its products and technologies are adequately protected against infringement, there can be no assurance of effective protection. Monitoring and identifying unauthorized use of the Company's technology is difficult, and the prohibitive cost of litigation may impair the Company's ability to prosecute any infringement. The commercial success of the Company will also depend upon its products not infringing any intellectual property rights of others and upon no claims for infringement being made against the Company. The Company believes that it is not infringing any intellectual property rights of third parties, but there can be no assurance that such infringement will not occur. Any infringement claims against the Company by a third party, even if it is invalid, could have a material adverse effect on the Company because of the costs of defending against such a claim.

Customer Concentration

The Company's business and future success depends on the Company's ability to maintain its existing customer relationships, add new customers and expand within their current customers. If certain of the significant customers, for any reason, discontinues their relationship with us, or reduces or postpones current or expected orders for products or services, or suffers from business loss, our revenues and profitability could decline materially. The Company has mitigated this risk by diversifying its customer base.

Dependence on Key Personnel

The Company's future success depends largely on its ability to attract and retain talented employees. The Company is highly dependent on a limited number of key personnel to maintain customer and strategic relationships. Loss of key personnel could have an adverse effect on these relationships and negatively impact the Company's financial performance. The Company's future results of operations will depend in part on the ability of its officers, management and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. If the Company were to lose the services of any key personnel, the Company may encounter difficulties finding qualified replacement personnel.

Management of Growth

The Company's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. Substantial growth in the Company's hardware initiatives may require the Company to raise additional capital through the issuance of additional shares or securing financing. There can be no assurance that the Company would be able to secure additional funding through these activities.

Stock Price Volatility

The market price for the common shares of the Company fluctuates significantly, and these fluctuations tend to be exaggerated if the trading volume is low. The market price of the common shares may rise or fall in response to announcements of technological or competitive developments, acquisitions or strategic alliances by the Company or its competitors, the gain or loss by the Company of significant orders or broad market fluctuations.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. During the year ended September 30, 2017, the Company's Independent Auditors included an explanatory paragraph in their Audit Report describing a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern due to recurring losses incurred in recent years. The Company's accompanying interim condensed consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying interim condensed consolidated financial statements.

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2019, the Company had net working capital deficit of ($3,416,820) and as of September 30, 2019 had net working capital deficit of ($3,837,368) and an accumulated deficit of ($20,249,376) at December 31, 2019. The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The continuation of the Company is dependent upon the financial support of creditors and stockholders, refinancing debts payable, obtaining additional long-term debt or equity financing, as well as achieving and maintaining a profitable level of operations.

Net cash used in operating activities for Q1 2020 was $87,161 compared with net cash used of $1,269,031 in Q1 2019. The decrease in cash used in operating activities was primarily due to the decrease in deferred revenue for Q1 2020 as compared to the Q1 2019 and the reduction of accounts receivable for Q1 2020 as compared to Q1 2019.

Net cash flows used in investing activities for the Q1 2020 was $Nil (Q1 2018 - $164,065).

The Company's consolidated financial statements have been prepared in accordance with IFRS under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. The interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Changes in Internal Control over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim condensed consolidated financial statements and the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental regulatory and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company to meet certain work commitments, and work plans to be conducted by the Company.

ADDITIONAL INFORMATION

For further detail, see the Company's unaudited interim condensed consolidated financial statements for the period ended December 31, 2019. Additional information about the Company can also be found under the Company's profile at www.sedar.com.

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Chris Brumett (Chief Operating Officer)
Blair Garrou (Director)