TrackX Holdings Inc.

Consolidated Financial Statements

For the Years Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

Connecting Assets in a Connected World

TrackX Holdings Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		September 30 2019		September 30 2018
ASSETS					
Current Assets					
Cash		$	71,531	$	2,210,553
Accounts receivable	6		909,298		884,963
Inventory			163,921		-
Prepaid expenses			140,071		169,792
Total Current Assets			1,284,821		3,265,308
Deposits			43,846		26,620
Fixed assets, net	7		60,860		76,931
Intangible assets, net	8		1,152,976		2,100,870
TOTAL ASSETS		$	2,542,503	$	5,469,729
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		$	2,115,020	$	1,520,131
Contract liability	9		1,380,976		-
Deferred revenue	9		-		697,965
Due to related party (short term)	18		206,095		242,638
Promissory Notes (short term)	10		1,420,098		242,638
Total Current Liabilities			5,122,189		2,460,734
Promissory notes	10		1,267,480		2,379,104
Due to related party (long term)	18		-		107,470
TOTAL LIABILITIES			6,389,669		4,947,308
SHAREHOLDERS' EQUITY (DEFICIT)					
Share capital	12		14,463,761		12,999,279
Reserves			1,674,416		2,851,058
Accumulated other comprehensive income/translation			(484,617)		(374,362)
Retained Deficit			(19,500,726)		(14,953,554)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)			(3,847,166)		522,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		$	2,542,503	$	5,469,729

Nature of Operations and Going Concern *(Note 1)*
Contingencies and Commitments (*Note 17*)

Approved by the Board of Directors:

"Tim Harvie" — Director

"Blair Garrou" — Director

- See Accompanying Notes -

TrackX Holdings Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year Ended September 30 2019	Year Ended September 30 2018Intereest
Revenues	13	$ 6,288,108	$ 5,668,119
Cost of Sales	14	3,593,914	3,157,418
Gross Margin		2,694,194	2,510,701
Expenses	14		
Amortization of intangible assets	8	1,559,294	1,153,101
Depreciation of equipment	7	49,940	37,425
Foreign exchange (gain)/loss		(156,713)	193,097
General and administrative	18	3,043,102	2,900,083
Product enhancements and development		338,165	1,023,239
Sales and marketing		1,350,255	689,115
Share-based compensation	12	64,712	267,337
Total Expenses		6,248,755	6,263,397
Loss from Operations		(3,554,561)	(3,752,696)
Interest income		4,681	1,772
Interest expense and finance charges		(373,262)	(52,221)
Gain on dispute settlement	19	6,632	75,581
Write-off of accounts payable	20	(2,585)	275,380
Net Loss		(3,919,095)	(3,452,184)
Foreign exchange translation adjustment		(110,255)	223,551
Comprehensive loss		$ (4,029,350)	$ (3,228,633)
Basic and fully diluted loss per common share		$ (0.05)	$ (0.04)
Weighted average common shares outstanding		73,896,103	73,398,289

- See Accompanying Notes -

TrackX Holdings Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Cash Provided By (Used In):	Year Ended September 30 2019	Year Ended September 30 2018
Operating activities:		
Net Loss	$ (3,919,095)	$ (3,452,184)
Items not affecting cash:		
Amortization of intangible assets	1,559,294	1,153,101
Depreciation of equipment	49,940	37,425
Share-based compensation	64,712	267,337
Finance charges	58,376	28,714
Gain on settlement of debt	(6,632)	(75,581)
Write-off of accounts payable	-	(275,380)
Change in non-cash working capital:		
Accounts receivable	(5,209)	(75,047)
Inventory	(164,210)	-
Prepaid expenses	203,644	(12,924)
Deposits	(16,544)	(1,347)
Accounts payable and accrued liabilities	417,156	547,208
Contract liability	1,380,976	-
Deferred revenue	(1,515,514)	424,852
	(1,893,106)	(1,433,826)
Investing activities:		
Acquisition of equipment	(31,782)	(76,247)
Development expenses capitalized in intangible assets	(553,533)	-
Acquisition of broTECH	-	(313,575)
	(585,315)	(389,822)
Financing activities:		
Proceeds from (payments to) related parties	(153,632)	41,912
Proceeds from promissory notes	397,893	2,600,000
Cash paid to TrackX shareholders	-	(132,000)
Proceeds from exercise of warrants	-	79,315
Proceeds from issuance of shares	50,000	40,000
	294,261	2,629,227
Net change in cash	(2,184,160)	805,579
Foreign exchange impact on cash	45,138	50,559
Cash - beginning of year	2,210,553	1,354,415
Cash - end of year	$ 71,531	$ 2,210,553

See *Note 20* for supplemental non-cash information.

- See Accompanying Notes -

TrackX Holdings Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Reserve	Contingently issuable shares	Cumulative translation adjustment	Deficit	Total
Balance, September 30, 2017	73,199,841	$ 12,688,455	$ 2,498,499	$ 127,920	$ (597,913)	$ (11,501,370)	$ 3,215,591
Agent's warrants exercised	317,260	133,515	(54,200)	-	-	-	79,315
Stock options exercised	160,000	104,246	(64,246)	-	-	-	40,000
Warrants issued	-	-	148,811	-	-	-	148,811
Warrants expired	-	73,063	(73,063)	-	-	-	-
Share-based compensation	-	-	395,257	-	-	-	395,257
Contingently issuable shares	-	-	-	(127,920)	-	-	(127,920)
Comprehensive income (loss)	-	-	-	-	223,551	(3,452,184)	(3,228,633)
Balance, September 30, 2018	73,677,101	$ 12,999,279	$ 2,851,058	$ -	$ (374,362)	$ (14,953,554)	$ 522,421
IFRS 15 adoption	-	-	-	-	-	(628,075)	(628,075)
Agent's warrants expired	-	212,000	(212,000)	-	-	-	-
Stock options exercised	200,000	93,354	(43,354)	-	-	-	50,000
Warrants expired	-	986,000	(986,000)	-	-	-	-
Shares Issued for interest	996,802	173,128	-	-	-	-	173,128
Share-based compensation	-	-	64,712	-	-	-	64,712
Comprehensive loss	-	-	-	-	(110,255)	(3,919,095)	(4,029,350)
Balance, September 30, 2019	**74,873,903**	**$ 14,463,761**	**$ 1,674,416**	**$ -**	**$ (484,617)**	**$ (19,500,726)**	**$(3,847,166)**

- See Accompanying Notes -

1. Nature of Operations and Going Concern

TrackX Holdings Inc. (formerly Cougar Minerals Corporation) (the **"Company"** or "**TrackX Holding**s") was incorporated under the Canadian Business Corporation Act on April 21, 2004 and continued into British Columbia on January 11, 2016. The Company's head office is located at 7800 East Union Avenue, Suite 430, Denver, Colorado 80237 United States of America and its registered office and records office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6B 2R9, Canada. The Company's common shares are publicly listed on the Toronto Stock Exchange's Venture Exchange (the "**TSX-V**") under the symbol "**TKX**".

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At September 30, 2019, the Company had not achieved profitable operations, had an accumulated deficit of $19,500,726 and expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, expansion and customer deployments.

Reverse Takeover

On May 26, 2016, the Company completed the reverse takeover transaction ("**RTO**") pursuant to which it acquired TrackX, Inc. ("**TrackX**") (formerly TrackX, LLC) which operates under the laws of the state of Delaware, United States of America ("**USA**"). The principal activity of TrackX is development and marketing of software and customization of hardware. The Company provides value by enabling customers to track physical assets using radio frequency technology in combination with proprietary software. The head office of TrackX are located at 7800 E Union Ave, Ste 430, Denver, CO 80237 USA.

On closing of the RTO, TrackX, Inc. became a wholly-owned subsidiary of the Company. As TrackX, Inc. is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations are included in the consolidated financial statements at their historical carrying value. TrackX Inc.'s operations were considered to be a continuance of the business and operations of TrackX, LLC. The Company's results of operations are those of TrackX Inc., with TrackX Holdings operations being included from May 26, 2016 onwards, the closing date. Please refer to Reverse Takeover Transaction (Note 4) for more details.

2. Basis of Presentation

a) Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standard ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**") and the International Financial Reporting Interpretations Committee ("**IFRIC**"). These financial statements have been prepared on a historical cost basis except for financial assets at fair value for profit or loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

The accounting policies set out in Note 3 have been applied consistently by the Company during years presented.

b) Approval of the Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on April 10, 2020.

c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These financial statements are presented in Canadian dollars, the Company's presentation currency. The functional currency of TrackX Holdings, the legal parent company is Canadian dollars and TrackX, the subsidiary, is United States dollars.

Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position. This includes any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as part of the assets and liabilities of the foreign operation;

- Income and expenses for each income statement (including comparatives) are translated at exchange rates approximately at the dates of the transactions; and
- All resulting exchange differences are recognized in other comprehensive income.

Translation of Foreign Currency

(i) Foreign Currency Transactions

Monetary and non-monetary transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Foreign currency translation differences are recognized in earnings or loss.

(ii) Foreign Operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates at the reporting date. The earnings and expenditures of foreign operations are translated into Canadian dollars each month using the monthly average foreign exchange rate applicable for that month. Currency translation differences, including those on monetary items that form part of a net investment in a foreign operation, are recognized in other comprehensive income ("OCI") as a translation gain or loss on foreign operations, and may be subsequently reclassified to earnings or loss on disposal of a foreign operation.

d) Basis of Consolidation

The statements as at September 30, 2019 include, on a consolidated basis, assets, liabilities, revenues and expenses of the Company and TrackX, which carries out the business in the United States of America. All intercompany transactions and balances are eliminated on consolidation.

3. Significant Accounting Policies

a) Use of critical accounting judgment and estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Estimates and assumptions are pervasive throughout the financial statements and are reviewed on

a) Use of critical accounting judgment and estimates (cont'd…)

an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods impacted.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. Cash generating units

The determination of the Company's cash generating units ("**CGU**") impacts the measurement of impairment that is recognized in the financial statements. The determination of CGU's requires judgement in defining the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. CGU's are determined by similar market locations, shared infrastructure type of services provided, similar exposure to political risk, market risk and materiality.

b) Revenue recognition

i. IFRS 15 – Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of October 1, 2018. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods and services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's various goods and services are set out below.

Sale of goods and services

The Company sells hardware, software and related services. When a contract includes more than one performance obligation, the total amount of the consideration to be received is allocated to distinct goods and services based on the Standalone selling price (**"SSP"**) for each of the goods and services within the contract.

3. Significant Accounting Policies (cont'd…)

Revenue is recognized upon transfer of control of promised goods or services to the customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company's contracts often include a number of promised goods or services such as software licenses, SaaS, support and professional services. The Company's goods and services are generally distinct and accounted for as separate performance obligations. A good or service is distinct if the customer can benefit from it on its own or together with other readily available resources, and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer.

ii. Perpetual software license fees:

The Company generates revenues through the sale of perpetual software licenses which enables the customer to use the software on their devices. For software licenses, where the SSP is highly variable, the Company applies the residual method, which determines the SSP of the software licenses by subtracting the sum of the SSP's of the other goods and services in the contract from the total transaction price.

Software licenses provide the customer with a right to use the software. Revenue is recognized for these licenses when the customer can benefit from the license, which is typically when it is delivered or made available to the customer, at a point in time. For software licenses that include significant customization to, or development of the software revenue is recognized when the customer is able to use the license.

ii. SaaS, hosting, and maintenance fees:

For SaaS, hosting and maintenance the SSP is determined based on the price at which the Company separately sells or would separately sell each service. Revenue from SaaS, hosting, and maintenance fees are deferred and recognized ratably over the contract term beginning on the date the software is activated. Hosting fees are deferred and recognized ratably over the contract term beginning the software is uploaded to the server. Maintenance fees are deferred recognized ratably over the contract term beginning on the date the customer has access to the software.

iii. Integration, implementation, and installation fees:

These fees include software integration and configuration, hardware installation, and customer training services. The SSP for these services is determined based on the price at which the Company separately sells the service.

The revenue for these services is recognized over time as the services are delivered to the customer. When contracted on a fixed fee basis, revenue is generally recognized progressively by reference to the stage of completion of the contract, measured by the cost incurred to date in relation to the total expect cost to complete the deliverable, commonly referred to as the percentage of completion method. For contracts billed on a time and material basis, the Company invoices the customer and recognizes revenue equal to the amount of time incurred during the period.

iv. Customization and enhancement fees:

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (cont'd…)

Software customization and enhancement contracts are either on a fixed fee or time and material basis. The SSP for these services is determined based on the price at which the Company separately sells the

service. These revenues are recognized based on the substance of the transaction. This can result in revenues recognized as services are performed or based on the circumstances deferred and recognized at a point of time upon completion of the integration into the customer application.

v. Hardware sales:

For hardware sales the SSP is determined based on the price that the Company separately sells the product. Revenue from hardware is recognized at a point in time, when ownership transfers to the customer.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable and has determined that certain sales commissions meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer of the goods or services to which the asset relates. The amortization period includes anticipated contract renewals where there is either no renewal commission or a renewal commission that is not commensurate with the initial commission. The Company applies the practical expedient available under IFRS and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

The Company has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application on October 1, 2018. Accordingly, the information presented for 2018 has not been restated and is presented as previously reported under IAS 18, IAS 11 and related interpretations.

Impact of adoption of IFRS 15 – October 1, 2018		
Deficit – September 30, 2018	$	(14,953,554)
Change in recognition due to performance obligation identification.		(678,192)
Sales commissions capitalized		50,117
Total adjustment		(628,075)
Deficit – October 1, 2018 under IFRS 15	**$**	**(15,581,629)**

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (cont'd…)

The following table summarizes the impacts of adopting IFRS 15 on the Company's statement of financial position as of September 30, 2019.

	As Reported	Adjustments	Balances without adoption of IFRS 15
Prepaids expenses and other assets	$ 249,347	(55,547)	$ 193,800
Contract liability	1,380,976	(1,380,976)	-
Deferred revenue	-	1,380,976	1,380,976
Deficit	$ (16,397,386)	(64,211)	$ (16,461,597)

The following tables summarize the impacts of adopting IFRS 15 on the Company's year-end statement of loss and comprehensive loss for the year ended for each of the line items affected.

	As Reported	Adjustments	Balances without adoption of IFRS 15
Sales and marketing expense	$ 1,350,255	29,777	$ 1,380,032
Revenues	$ 6,288,108	(799,995)	$ 5,488,113
Comprehensive loss for the period	$ (4,029,350)	(588,210)	$ (4,617,560)

ii. IFRS 9 – Financial Instruments

The Company adopted IFRS 9 Financial Instruments with a date of initial application of October 1, 2018. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. IFRS 9 replaces the guidance in IAS 39 Financial Instruments:

Recognition and Measurement, on the classification and measurement of financial assets. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

A financial asset is classified as measured at amortized cost; fair value through other comprehensive income or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company's financial assets which consist primarily of cash and cash equivalents, trade and other receivables, and contract assets are classified at amortized cost.

3. Significant Accounting Policies (cont'd…)

iii. IFRIC 22 – Foreign Currency Transactions and Advance Considerations

The Company adopted IRFIC 22 Foreign Currency Transactions and Advance Considerations on October 1, 2018. When the Company receives consideration or is paid in advance of the recognition of a related asset, expense, or income the exchange rate used is based on the exchange rate as at the date when the pre-payment asset or deferred liability is recognized. The Company did not receive consideration or was not paid in advance of the recognition of a related asset, expense, or income for the year ended September 30, 2019. There is no effect on the financial statements for the adoption of IRFIC 22.

c) Business combinations

The acquired assets and assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available at the acquisition date. The determination of fair value of the acquired intangible assets, property and equipment and other assets and liabilities assumed at the date of the acquisition as well as the useful lives of any intangible assets and equipment are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

d) Accounts receivable and deferred revenue

The recoverability of trade and other receivables are included in the statement of financial position; based on estimated recovery. Cash received in advance of completed services is recorded as deferred revenue.

e) Intangible assets – useful lives

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at quarterly reporting dates and are updated if expectations change because of technical obsolescence or legal

and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

f) Share-based payments

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

g) Valuation of contingently issuable shares

The Company recognizes the fair value of contingently issuable shares and has classified it as equity carried at fair value with changes in fair value flowing through profit or loss. Contingently issuable shares are measured at fair value based on management's best estimate of the probability of the attainment of

3. Significant Accounting Policies (cont'd…)

specified revenue and earnings targets at each reporting period and is subsequently revalued at each financial reporting period. Management's estimate of the probability of the attainment of specified revenue and earnings targets takes into account management's evaluation of the revenue and earnings forecasts. Changes in management's estimate of the probability of achieving the specified target could have a material impact on the valuation of the contingently issuable shares.

h) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts related to trade and other receivables that are considered to be uncollectible. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

i) Intangibles – impairment

The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company's respective CGU's, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. At least annually or whenever there is an indicator for impairment management evaluates the recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. Intangibles are written down to their recoverable amount when a decline is identified. The determination of the recoverable amount requires the use of management's best assessment of the related inputs into the valuation models, such as future cash flows and discount rates.

j) Fixed assets

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the

carrying amount of item and are recognized net in profit or loss. Depreciation is calculated upon the depreciable amount, which is the cost of an asset less its residual value, if any. Depreciation is recognized

in operations over the estimated useful lives of fixed assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The Company rates for depreciation are as follows:

Furniture and fixtures	3 years
Leasehold improvements	3 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

3. Significant Accounting Policies (cont'd…)

c) Intangible assets

The Company owns intangible assets consisting of purchased intellectual property. Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in connection with a business combination are initially recorded at fair value (Note 5). Following initial recognition, intangible assets are carried at initial carrying value less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in operations as incurred. The Company does not hold any intangible assets with indefinite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment at each reporting date or whenever there is an indication that the intangible asset may be impaired.

The amortization method and amortization period of an intangible asset with a finite life is reviewed at least quarterly. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets with finite useful lives are amortized over their estimated useful lives as follows:

Intellectual property	3 years
Acquired technology	3 years
Customer relationships	3 years
Development costs	1 year

d) Internally capitalized intangible costs and development expenditures

Development costs that meet the criteria are capitalized as an intangible asset and amortized over the period the Company expects to benefit from such costs. Criteria necessary to capitalize development costs include technical feasibility, intention to complete and sell the asset, ability to sell the asset, probability of future economic benefits and market for such asset, availability of technical resources to complete development, and the ability to reliably measure the costs related to such development.

e) Provisions

Provisions are recorded when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

3. Significant Accounting Policies (cont'd…)

f) Impairment of long-lived assets

The carrying amount of the Company's long-lived assets (which includes equipment and intangible assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. The Company and its operations are considered to be the CGU.

g) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. At each reporting date, the Company revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services rendered. Expired stock options are transferred from reserves to deficit.

h) Contingently issuable shares

Equity-settled share-based payment arrangements such as performance shares issuable are based on certain performance conditions being met. Conditions include meeting revenue targets and achieving positive Earnings Before Interest Taxes Depreciation and Amortization ("**EBITDA**") targets. The fair value of performance shares issuable is calculated using valuation techniques and is recognized in profit or loss over the period between the date of grant and the date the performance conditions are expected to be met. Re-measurement of the contingently issuable shares is completed at each reporting period.

i) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

j) Income/loss per share

The Company presents basic and diluted income/loss per share data for its common shares, calculated by dividing the income/loss attributed to common shareholders of the Company by the weighted average

3. Significant Accounting Policies (cont'd…)

number of common shares outstanding during the period. Diluted income/loss per share does not adjust the income/loss attributed to the common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

k) Income taxes

Income tax is recognized in operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation (the "**Tax Act**"), which significantly revises the U.S. corporate income tax law by lowering the U.S. federal corporate income tax rate from 35% to 21%. The final impact on the Company from the Tax Act's transition tax

legislation may differ from estimates due to the complexity of calculating and supporting with primary evidence. The Company has implemented the U.S. Tax Act and does not expect any material changes related to the final impact from implementation.

l) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. Units comprise a certain number of common shares and a certain number of share purchase warrants

("**Warrants**"). Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to an expiry date stipulated by the equity financing agreement. Warrants that are part of units are assigned a value based on the residual value method. The residual value of warrants is included in reserves. Warrants that are issued as payment for broker or agency fees are accounted for as share issue costs. Expired warrants are transferred from reserves to share capital.

3. Significant Accounting Policies (cont'd…)

m) Revenues

i. Sale of goods and services:

The Company sells hardware, software, and services. When two or more sales activities or deliverables are sold under a single arrangement each deliverable that is considered to be a separate unit of accounting is accounted for separately. The allocation of consideration from the revenue arrangement to its separate units of account is set out in each arrangement. Revenues are recorded when delivery of the hardware, software and services has occurred, fees are fixed, and collectability is reasonably assured.

ii. Perpetual software license fees:

The Company generates revenues from installation of perpetual software licenses. Revenues are recognized when the software is activated where the amount of revenues can be measured reliably as the license fee of the product is fixed as agreed upon in the underlying purchase order or agreement.

iii. Customization and integration fees:

The majority of software customization and integration contracts are on a time and materials basis. These revenues are recognized based on the substance of the transaction. This can result in revenues recognized as services are performed or deferred and recognized over the estimated customer life upon completion of the integration into the customer application. The services are separate units of accounting because they have stand-alone value and are sold separately by the Company. In the event that services do not have stand-alone value, fees are deferred and recognized in operations rateably over the remaining term.

iv. SaaS, hosting, and maintenance fees:

Revenues from SaaS, hosting, and maintenance fees charged for services to be provided are deferred and recognized in operations rateably over the term of the arrangement beginning on the date the software is activated.

v. Hardware sales:

The Company recognizes revenues from hardware sales when ownership transfers to the customer.

vi. Setup, implementation, and professional fees:

The majority of the Company's setup and implementation contracts are on a time and materials basis. Implementation includes setup and configuration of hardware. Revenues from implementation are recognized by the stage of completion of the arrangement as the services are rendered using the percentage of completion method or when the milestones are achieved and collectability is reasonably assured.

Professional fees include site surveys, repairs, hardware and customer support. Revenue from site surveys and repairs are recognized once the survey is performed. Revenues from hardware and customer support are deferred and recognized over the term of the arrangement.

3. Significant Accounting Policies (cont'd…)

n) Customer concentrations

A significant portion of the Company's accounts receivable and revenue has historically been concentrated from various customers each year. For the year ended September 30, 2019, four customers accounted for 80% of accounts receivable and five customers accounted for 88% of revenue. For the year ended September 30, 2018, five customers accounted for 82% of accounts receivable and two customers accounted for 77% of revenue.

o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities including key members of management and the Board of Directors that are members of the same group, under common control, or provide key management personnel services to another entity. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

p) Financial instruments

i. Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("**FVTPL**"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets classified as FVTPL are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method.

ii. Financial liabilities:

All financial liabilities are recognized initially at fair value and incorporate in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3. Significant Accounting Policies (cont'd…)

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

iii. De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments are classified as follows:

Financial assets:		Classification:
Cash	-	FVTPL
Accounts receivable	-	Loans and receivables
Deposits	-	Loans and receivables
Financial liabilities:		Classification:
Accounts payable and accrued liabilities	-	Other financial liabilities
Incentive bonus	-	Other financial liabilities
Due to related party	-	Other financial liabilities
Notes payable	-	Other financial liabilities

iv. Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

v. Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instrument measured at fair value on the statement of financial position consists of cash, which is measured at level 1 of the fair value hierarchy.

3. Significant Accounting Policies (cont'd…)

vi. Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Company has no financial instruments which have been offset.

r) Accumulated other comprehensive income

Accumulated other comprehensive consists of the net income and other comprehensive income ("OCI").

The Company's financial statements include a Statement of Loss and Comprehensive Loss, which includes the components of comprehensive income.

For the Company, OCI is comprised of foreign currency translation differences for foreign operations which are presented within the shareholders' equity section of the statement of financial position.

s) Inventory

The Company does hold inventory for sale. If hardware is ordered for a customer that hardware is delivered directly to the customer. The inventory as of September 30, 2019 was hardware returned due

to an implementation delay and will be reallocated to different implementations in fiscal 2020. Inventory is carried at cost and there was no impairment at September 30, 2019.

t) New standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the financial statements and intends to adopt these standards when they become effective.

IFRS 16 – Leases: The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. The Company is currently assessing the impact the amendment will have on the consolidated financial statements. The amendment of IFRS 16 is effective October 1, 2019.

IFRIC 23 – Uncertainty over Income Tax Treatments: Provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The extent of the impact of adoption has yet to be determined. The Company intends to adopt IFRIC 23 in its consolidated financial statements effective October 1, 2019.

t) Subsequent events

On March 24, 2020, the Company completed a strategic transaction with FourKites®, a Chicago based creator of the predictive supply chain visibility category in which FourKites has acquired TrackX Yard Management business and related intellectual property. TrackX will receive up to US $2.8M (C$4.405M) in consideration from the transaction. This is comprised of: US $1,900,000 (C$2.75M) with US $1,600,000

3. Significant Accounting Policies (cont'd…)

(C$2.3M) in cash paid on closing and US $300,000 ($1.3M) in cash in 12 months, subject to retaining a certain amount of recurring revenue associated with TrackX Yard Management business. The Company and FourKites have also entered into a transition services agreement under which TrackX will received an additional US $100,000 (C$1.3M) per month for 9 months for engineering services to assist with the transition of the Yard Management business to FourKites. Additionally, the two companies have established a strategic collaboration agreement under which TrackX will received 30% of the first year SaaS revenue generated by FourKites on the existing opportunities in the TrackX pipeline. TrackX will also receive 15% of the first year SaaS revenue on customer opportunities that TrackX introduces FourKites into, resulting in revenue to FourKites. TrackX also anticipates to be engaged by FourKites for delivery of services in support of both new and existing customer installations at blended hourly rate for these services.

The Company issued 2,012,484 common shares of stock in for interest payment of $100,621 to the noteholders of the $2,600,000 promissory notes. A contract amendment with the noteholders was signed on November 20, 2019 extending 2,600,000 warrants for deferring the principal payments for the notes. As of the date of these financial statements the deferred principal payments have been paid.

In conjunction with the waiver of default on the $2,600,000 notes, the Company entered into an agreement with the $397,192 promissory note holder to subordinate the note to the $2,600,000 note holders.

4. Reverse Takeover Transaction ("RTO")

On May 26, 2016, the Company completed a reverse takeover with a TSX Venture Exchange shell company (the "**Transaction**"). Details of the Transaction are as follows:

Pursuant to the Transaction, the Company issued 13,500,000 common shares valued at $2,150,431 and paid $250,000 in cash accounted for as a distribution of share capital to shareholders of TrackX in exchange for all of the issued and outstanding securities of TrackX. Simultaneously the Company issued a further 13,316,392 to retire $1,300,000 of convertible debt and $31,640 accrued interest. Because the former shareholders of TrackX obtained control of the TSX Venture Exchange shell company, the Transaction is considered a purchase of the Company by TrackX and is accounted for as a reverse acquisition. Accordingly, TrackX is considered to have acquired the Company.

Beyond the initial issue of 13,500,000 common shares to the TrackX shareholders by the Company, contingently issuable shares (Note 11 and 18) of 7,650,000 additional common shares are payable, based on meeting performance targets as follows:

i. 2,550,000 performance shares upon TrackX generating total revenues of not less than $6,500,000 on or before May 26, 2017 (the "**First Performance Date**"); (performance target not met resulting in the right to these 2,550,000 common shares expiring).

ii. 1,275,000 performance shares upon TrackX generating total revenues of not less than $14,000,000 on or before May 26, 2018 (the "**Second Performance Date**"); (performance target not met resulting in the right to these 1,275,000 common shares expiring).

iii. 1,275,000 performance shares upon TrackX achieving positive EBITDA of not less than $2,100,000 on or before the Second Performance Date; (performance target not met resulting in the right to these 1,275,000 common shares expiring).

(Expressed in Canadian Dollars)

iv. 1,275,000 performance shares upon TrackX generating total revenues of not less than $18,000,000 on or before May 26, 2019 the Third Performance Date (the "**Third Performance Date**"); (performance target not met resulting in the right to these 1,275,000 common shares expiring).

v. 1,275,000 performance shares upon TrackX achieving positive EBITDA of not less than $2,700,000 on or before Third Performance Date; (performance target not met resulting in the right to these 1,275,000 common shares expiring).

In the event the Company's gross revenues or EBITDA are at least 70% (but less than 100%) of the Performance Target for the associated performance period, any associated common shares will be issued on a pro-rated basis.

5. Business Combination

On June 28, 2017, the Company completed the acquisition of all of the assets and certain liabilities of broTECH Solutions, LLC ("**broTECH**") pursuant to an Asset Purchase Agreement (the "**Purchase Agreement**"). The Company entered into this purchase agreement to broaden its product offerings for customers, expand its platform and development resources, as well as extend industry leadership in asset tracking and the Industrial Internet of Things ("**IIoT**").

On August 24, 2018 an amendment to the Purchase Agreement was executed which released the security interest in purchased assets by broTECH. In exchange for the release of the security interest the payment of the purchase price was amended upon execution as follows:

i. Accelerated payment of the equal quarterly installments totaling $648,845 ($500,000) USD with the last installment due March 28, 2020.

ii. Accelerated release of the common shares scheduled to be released in 2018 totaling 581,972 common shares upon execution of the Purchase Agreement amendment. On January 2, 2019, the remaining common shares in escrow were released, totaling 1,454,940 shares.

6. Accounts Receivable

	2019	2018
Trade receivables	$ 909,298	$ 880,497
Taxes receivable from federal governments	-	4,466
	$ 909,298	**$ 884,963**

The Company currently does not factor its accounts receivable and there has been no provision for doubtful accounts for the years presented.

(Expressed in Canadian Dollars)

7. Fixed Assets

	Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Total
Cost				
Balance at September 30, 2017	**$ 6,682**	**$ 5,805**	**$ 44,381**	**$ 56,868**
Additions / (disposals)	57,939	7,120	11,188	76,247
Cumulative translation adjustment	529	237	1,590	2,356
Balance at September 30, 2018	**$ 65,150**	**$ 13,162**	**$ 57,159**	**$ 135,471**
Additions / (disposals)	13,152	-	18,632	31,784
Cumulative translation adjustment	1,716	352	1,493	3,561
Balance at September 30, 2019	**$ 80,018**	**$ 13,514**	**$ 77,284**	**$ 170,816**

	Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Total
Depreciation				
Balance at September 30, 2017	**$ 4,071**	**$ -**	**$ 16,154**	**$ 20,225**
Additions / (disposals)	19,348	4,160	13,917	37,425
Cumulative translation adjustment	872	134	(116)	890
Balance at September 30, 2018	**$ 24,291**	**$ 4,294**	**$ 29,955**	**$ 58,540**
Additions / (disposals)	20,892	4,512	26,085	51,489
Cumulative translation adjustment	(37)	(8)	(28)	(73)
Balance at September 30, 2019	**$ 45,146**	**8,798**	**$ 56,012**	**$ 109,956**
Carrying Value as at September 30, 2018	**$ 40,859**	**$ 8,868**	**$ 27,204**	**$ 76,931**
Carrying Value as at September 30, 2019	**$ 34,872**	**$ 4,716**	**$ 21,272**	**$ 60,860**

Fixed assets are recorded at historical cost less related accumulated depreciation and impairment losses, adjusted for cumulative translation.

8. Intangible Assets

	Intellectual Property
Cost	
Balance at September 30, 2017	**$ 3,711,911**
Additions/(disposals)	-
Cumulative translation adjustment	128,174
Balance at September 30, 2018	**$ 3,840,085**
Additions/(disposals)	547,093
Cumulative translation adjustment	101,569
Balance at September 30, 2019	**$ 4,488,747**
Amortization	
Balance at September 30, 2017	**$ 560,834**
Additions/(disposals)	1,153,101
Cumulative translation adjustment	25,280
Balance at September 30, 2018	**$ 1,739,215**
Additions/(disposals)	1,552,855
Cumulative translation adjustment	(2,737)
Balance at September 30, 2019	**$ 3,335,771**

(Expressed in Canadian Dollars)

Carrying Value as at September 30, 2018	**$ 2,100,870**
Carrying Value as at September 30, 2019	**$ 1,152,976**

Intangible assets include patents, architecture, source code, trademarks, development costs and other intellectual property that support the TrackX suite of products.

9. Deferred Revenue

Deferred revenue consists of customer deposits received in advance of product installed or services performed.

10. Promissory Notes

The following table details the components of the promissory notes balance at September 30, 2019:

Closing Date of Notes	**August 28, 2018**
Proceeds from issuance of promissory notes	$ 2,600,000
Repayment	-
Transactions costs	(100,800)
Discount on the notes	(148,811)
Effective interest on note discount	66,575
Balance at September 30, 2019	**$ 2,416,964**

On August 28, 2018, the Company issued the initial tranche of two separate promissory notes of $1,300,000 each for a total issuance of $2,600,000. The notes bear interest at 10% per annum and mature on August 28, 2022. The value of the promissory notes at inception was determined to be $2,350,389, net of transactions costs of $100,800.

The estimated discount rate was 13.50% and is subject to estimation uncertainty. The discount to the promissory notes will be amortized over the term of the notes using the effective interest method. For the year ended September 30, 2019, total interest expense and finance charge (discount) amortization were $372,477.

No principal amortization applies for the first twelve-month period following the issuance date. Thereafter, $130,000 per tranche is payable in quarterly installments on the first Business Day of each quarter during the second, third and fourth year of the Term. At year end September 30, 2019, the Company was in default of one principal payment of $130,000. As additional consideration, the Company issued 400,000 common share purchase warrants per $1,300,000 of promissory note. A second tranche of up to $2,600,000 may be drawn upon subject to the Company achieving certain business goals including an average of 15% increase in recurring and total revenue for two successive fiscal quarters and the Company achieving a positive adjusted EBITDA as defined for the same successive fiscal quarters. The notes are secured against all current and future assets of the Company and its wholly owned operating subsidiary.

(Expressed in Canadian Dollars)

Closing Date of Note	**August 15, 2019**
Proceeds from issuance of promissory notes	$ 397,192
Repayment	-
Transactions costs	-
Discount on the notes	(126,578)
Effective interest on note discount	-
Balance at September 30, 2019	**$ 270,614**

On August 15, 2019 the Company issued a promissory note of $397,192 which is subordinated to the $2,600,000 promissory note. The note bears interest at 6% per annum, 10% of the value of the note in common shares of stock at $0.13 per share and 50% coverage in warrants valued at $0.08 using the Black Scholes valuation method. The note matures on July 31, 2020. The warrants and common shares were not issued at September 30, 2019 and were recorded as liabilities.

11. Contingent Consideration

As a result of the Transaction (Note 4), the Company issued 2,175,000 shares May 26, 2016 with a fair value of $543,750, as determined by the Black-Scholes valuation method, to a company related by common directors to settle a contingent consideration obligation. Beyond the issuance of 2,175,000 common shares to the TrackX shareholders by the Company, a potential 1,350,000 contingently issuable shares could be issued, based on meeting the performance targets as follows:

i. 450,000 common shares upon TrackX generating total revenues of not less than $6,500,000 on or before the First Performance Date; (performance target not met resulting in the right to these 450,000 common shares expiring).
ii. 225,000 common shares upon TrackX generating total revenues of not less than $14,000,000 on or before May 26, 2018 the Second Performance Date; (performance target not met resulting in the right to these 225,000 common shares expiring).
iii. 225,000 common shares upon TrackX achieving positive EBITDA of not less than $2,100,000 on or before the Second Performance Date; (performance target not met resulting in the right to these 225,000 common shares expiring).
iv. 225,000 common shares upon TrackX generating total revenues of not less than $18,000,000 on or before May 26, 2019 the Third Performance Date; (performance target not met resulting in the right to these 225,000 common shares expiring).
v. 225,000 common shares upon TrackX achieving positive EBITDA of not less than $2,700,000 on or before Third Performance Date; (performance target not met resulting in the right to these 225,000 common shares expiring).

None of the performance targets were met and there is no further contingencies.

12. Shareholders' Equity

a) Authorized and Issued Share Capital

The Company is authorized to issue an unlimited number of common shares.

b) Share Capital Transactions

Transactions for the year ended September 30, 2019:

i. Issued 200,000 common shares in connection with the exercise of stock options for proceeds of $50,000.

ii. Issued 996,802 common shares in lieu of interest payments for promissory notes in the amount of $173,128

As at September 30, 2019, the Company had 74,873,903 of issued and outstanding common shares.

c) Stock Options

On May 26, 2016, the Company entered into Incentive Stock Option Agreements (“**Agreements**”) under the terms of its stock option plan with directors, officers, consultants and employees. Under the terms of the Agreements, the exercise price of each option is set, at a minimum, at the fair value of the common shares at the date of grant. Stock options granted to certain employees, directors and officers of the Company are subject to vesting terms as decided by the Board of Directors. All exercise prices are denominated in Canadian Dollars. Prior to this plan the Company has Nil options outstanding. The total number of common shares approved to be issued under the Plan is 6,500,000. As of September 30, 2019, 3,772,500 options have been granted with 2,727,500 options available for grant in future periods.

The following is a summary of the stock option transactions for the year ended September 30, 2019:

September 30, 2018	Issued	Cancelled	Exercised	September 30, 2019	Exercise Price	Expiry Date
3,452,500	-	(630,000)	(200,000)	2,622,500	$0.250	May 26, 2021
100,000	-	(100,000)	-	-	$0.500	July 8, 2021
160,000	-	(95,000)	-	65,000	$0.345	November 29, 2021
200,000	-	-	-	200,000	$0.360	January 11, 2020
200,000	-	-	-	200,000	$0.320	March 13, 2021
885,000	-	(150,000)	-	735,000	$0.285	May 16, 2023
200,000		(200,000)	-	-	$0.220	September 10, 2023
-	350,000	-	-	350,000	$0.355	February 27, 2022
5,197,500	350,000	(1,175,000)	(200,000)	4,172,500	$0.268	
Exercisable				3,181,667		

i. On February 27, 2019, the Company granted to a director 350,000 stock options. The options are exercisable at $0.355 per common share for a period of three years and vest over 36 months. The fair value of the options was $124,250 using the Black-Scholes valuation. Each vesting period is treated as its own award and expensed as such.

The following weighted average assumptions were used for the Black-Scholes valuation model:

Stock price volatility	135.3%
Risk-free interest rate	1.92%
Expected life of options	3 years
Expected dividend yield	0.00%

(Expressed in Canadian Dollars)

Stock price volatility has been based on an evaluation of the historical volatility of comparable companies share prices, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience.

particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

During the year ended September 30, 2019, the Company recorded share-based compensation of $64,712 for services rendered in exchange for options during the year. Share-based compensation to be recorded in future periods is $183,160 as of September 30, 2019.

d) Restricted Share Units

The Company established a restricted share unit plan known as the TrackX Restricted Share Unit Plan ("**RSU Plan**"). Under the terms of the RSU Plan, the exercise price of each restricted share unit is set, at a minimum, at the fair value of the common shares at the date of grant. Restricted share units granted to certain employees, directors and officers of the Company are subject to vesting terms as decided by the Board of Directors. As of September 30, 2019, nil units have been granted with 2,000,000 units available for grant in future periods.

The following is a summary of RSU options transactions for the year ended September 30, 2019:

September 30, 2018	Issued	Cancelled	Exercised	September 30, 2019	Exercise Price	Expiry Date
950,000		(950,000)	-	-	$0.285	May 16, 2019
300,000		(300,000)	-	-	$0.285	September 10, 2019
-	-	(1,250,000)	-	-		

The following is a summary of the agent's options transactions for the year ended September 30, 2019:

September 30, 2018	Issued	Cancelled	Exercised	September 30, 2019	Exercise Price	Expiry Date
1,066,052	-	(1,066,052)	-	-	$0.380	May 10, 2019
1,066,052	-		-	-		

The following weighted average assumptions were used for the Black-Scholes valuation model:

Stock price volatility	101.26%
Risk-free interest rate	0.71%
Expected life of options	2.00 years
Expected dividend yield	0.00%

(Expressed in Canadian Dollars)

d) Warrants

The following is a summary of the warrant transactions for the year ended September 30, 2019:

September 30, 2018	Issued	Cancelled	Exercised	September 30, 2019	Exercise Price	Expiry Date
6,842,105	-	(6,842,105)	-	-	$0.550	May 10, 2019
800,000		-	-	800,000	$0.280	August 28, 2022
7,642,105	-	(6,842,105)	-	800,000	$0.520	

The following weighted average assumptions were used for the Black-Scholes valuation model:

Stock price volatility	106%
Risk-free interest rate	2.25%
Expected life of options	4.00 years
Expected dividend yield	0.00%

On August 22, 2018, 800,000 warrants were issued in conjunction with the issuance of two promissory notes (Note 10). The warrants are exercisable at $0.280 per common share for a period of four years. The fair value of the warrants was $148,811 using the Black-Scholes valuation.

e) Contingently Issuable Shares

Pursuant to the Transaction (Note 4), the Company agreed to issue (on a contingent basis) to certain TrackX shareholders of up to 9,000,000 common shares being; 7,650,000 common shares in relation to the Transaction and 1,350,000 common shares were in relation to the royalty agreement settlement (Note 11).

The fair value of the Performance Shares is estimated using a probability-weighted discounted cash flow analysis using unobservable (Level 3) inputs.

These inputs include:

i. the estimated amount and timing of projected cash flows.
ii. the probability of achievement of the factor(s) on which the cash flows are based.
iii. the discount rate used to present value the probability-weighted cash flows.
iv. the inputs used in the Black Scholes Model to determine the expected market value of the underlying TrackX shares on settlement date.

The Company probability weighted scenarios and discounted the contingent common shares payable based on the expected shared price at the respective anniversary dates of the closing of the Transaction. The resultant graded vesting valuation was recorded as contingently issuable common shares of $370,080 during the year ended September 30, 2016. The estimated payout was reduced to zero during the year ended September 30, 2018 based on overall anticipated performance. Forfeiture of $127,920 was recorded during the year ended September 30, 2018

13. Revenues

(Expressed in Canadian Dollars)

	2019	2018
Perpetual software license fees	$ 212,210	$ 892,300
Customization and integration fees	227,443	81,691
SaaS, hosting, and maintenance fees	2,710,880	2,040,510
Hardware sales	1,073,775	1,059,988
Setup, implementation, and other fees	2,063,800	1,593,630
	$ 6,288,108	**$ 5,668,119**

14. Expenses by Nature

Total salaries and wages as well as other personnel related expenses included in Cost of Sales and Expenses for the year were $3,593,914 compared to $2,945,019 in 2018.

15. Segmented Information

The Company's operations are conducted primarily in the United States. Revenues are disclosed in Note 13. Capital assets are located primarily in the United States.

16. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of shareholders' equity, reserves and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as considered appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

17. Contingencies and Commitments

The Company had a contingent obligation to issue common shares upon recipient of the contingent right meeting certain performance measurements (Note 11).

The Company has the following annual commitments under office lease agreements:

2020	$ 222,340
2021	118,473
2022	9,082
	$ 349,895

18. Related Party Transactions

Key management personnel consist of directors and senior management including the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Operating Officer, and VP of Sales & Marketing. Key management personnel compensation includes:

(Expressed in Canadian Dollars)

	2019	2018
Salaries and wages	$ 775,616	$ 808,312
Consulting	183,031	184,747
Automobile allowance	25,863	25,403
Share-based compensation	103,901	150,955
	$ 1,044,367	**$ 1,169,417**

Included in professional fees are $67,642 (2018 – $130,491) for directors' fees and services charged by non-key management and therefore are not included in the amounts above. Included in share-based compensation are $59,857 (2018 – $86,823) for directors and therefore are not included in the amounts above.

As of September 30, 2019, $41,597 (2018 – $32,501) is included in the due to related party (short term) for reimbursements and consulting fees to directors and officers of the Company.

Included in due to related party (short term) is $247,691 is owed to the sellers of the assets of broTECH, which are officers of the Company, as indicated in Note 5.

Contingently issuable shares are due to a director and a company related by common ownership as indicated in Notes 4 and 11. The following balances remain at September 30, 2018:

- $Nil relating to the future grant of contingently issuable common shares included in share-based compensation for 2019.
- Incentive bonus payments of $Nil (2018 – $132,000) were made during the year ended September 30, 2019.

19. Financial Instruments

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. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. 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 is subject to 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.

e) Fair Value Hierarchy

(Expressed in Canadian Dollars)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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 and accrued liabilities are equal to their carrying values due to the short-term nature of these instruments.

20. Supplemental Non-Cash Information

	2019	2018
Non-cash investing and financing activities:		
Warrants issued in connection with issuance of promissory notes	$ -	$ 148,811
Warrants expired	(986,000)	(73,063)
Agent's warrants expired	(212,000)	(104,246)
Stock options exercised during the period	-	(133,515)
Interest paid with issuance of common stock	(173,128)	-
Debt discount recorded on promissory note	(126,578)	-

21. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
Net loss for the year	$ (3,919,096)	$ (3,452,184)
Expected income tax (recovery)	(1,058,000)	(932,000)
Change in statutory, foreign tax, foreign exchange rates and other	236,000	541,000
Permanent difference	25,000	114,000
Adjustment to prior years provisions versus statutory tax return and expiry of non-capital losses	(152,000)	171,000
Change in unrecognized deductible temporary differences	950,000	106,000
Total income tax expense (recovery)	**$ 1,000**	**$ -**
Current income tax	**$ -**	**$ -**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

(Expressed in Canadian Dollars)

	2019	2018
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ 438,000	$ 438,000
Property and equipment	(15,000)	(14,000)
Canadian eligible capital (CEC)	2,000	2,000
Share issue costs	138,000	146,000
Intangible assets	567,000	302,000
Deferred revenue	-	31,000
Accrued expenses	44,000	46,000
Non-capital losses available for future period	3,137,000	2,720,000
	4,311,000	3,671,000
Unrecognized deferred tax assets	(4,311,000)	(3,671,000)
Net deferred tax assets	**$ -**	**$ -**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2019	Expiry Date Range	2018	Expiry Date Range
Temporary differences				
Exploration and evaluation assets	$ 1,551,000	No expiry date	$ 1,551,000	No expiry date
Investment tax credit	26,000	2019 to 2038	26,000	2018 to 2037
Property and equipment	(58,000)	No expiry date	(60,000)	No expiry date
Canadian eligible capital (CEC)	6,000	No expiry date	6,000	No expiry date
Share issue costs	510,000	2019 to 2022	540,000	2019 to 2021
Debt with accretion	163,000	No expiry date	-	No expiry date
Intangible assets	2,299,000	No expiry date	1,263,000	No expiry date
Non-capital losses available for future period	12,209,000	2019 to 2038	10,742,000	2018 to 2037
Canada	5,388,000	2019 to 2038	4,934,000	2019 to 2038
United States	6,821,000	2038	5,808,000	2037

The Company has generated a net operating loss carryforward ("**NOL**") for federal income tax purposes of approximately $12,209,000 as of September 30, 2019. Portions of this NOL are available to offset taxable income in the future from 2020 to indefinitely. Tax attributes are subject to review and potential adjustment by tax authorities.