TrackX Holdings Inc.

Consolidated Financial Statements

For the Years Ended September 30, 2020 and 2019

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 2020	September 30 2019
ASSETS			
Current			
Cash		$ 17,849	$ 71,531
Accounts receivable	3,6	208,523	909,298
Inventory	3	165,450	163,921
Prepaid expenses and other current assets	13	307,391	140,071
		699,213	1,284,821
Deposits		44,255	43,846
Fixed assets, net	7	19,135	60,860
Right to use asset – net	17	132,709	-
Intangible assets	8	128,031	1,152,976
TOTAL ASSETS		$ 1,023,343	$ 2,542,503
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 793,219	$ 2,115,020
Right to use liability (short term)	3,17	169,829	-
Contract liability	9	292,801	1,380,976
Due to related party (short term)	18	88,807	206,095
Promissory notes (short term) net of Debt Discount	10	-	1,420,098
Promissory notes in default net of Debt Discount	10	2,046,223	-
		3,390,879	5,122,189
Right to use liability (long term)	3,17	19,111	-
Promissory note (long term)	10	610,014	1,267,480
TOTAL LIABILITIES		4,020,004	6,389,669
SHAREHOLDERS’ EQUITY (DEFICIT)			
Share capital	11	15,060,467	14,463,761
Reserves		1,757,496	1,674,416
Cumulative translation adjustment		(499,150)	(484,617)
Deficit		(19,315,474)	(19,500,726)
TOTAL SHAREHOLDERS’ EQUITY (DEFICIT)		(2,996,661)	(3,847,166)
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		$ 1,023,343	$ 2,542,503

Approved by the Board of Directors:

“Tim Harvie” — Director

“Blair Garrou” — Director

- The accompanying notes are an integral part of these financial statements –

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

	Note		Year Ended September 30 2020		Year Ended September 30 2019
Revenues	12	$	3,955,434	$	6,288,108
Cost of Sales	14		1,727,380		3,593,914
Gross Margin			2,228,054		2,694,194
Expenses					
Amortization of intangible assets	8		1,285,905		1,559,294
Depreciation of equipment	7		43,010		49,940
Depreciation of right to use assets	17		285,039		
General and administrative			2,413,846		3,043,102
Product enhancements and development			-		338,165
Sales and marketing			350,594		1,350,255
Share-based compensation	11		(2,370)		64,712
Total Expenses			4,376,024		6,405,468
(Loss) from Operations			(2,147,970)		(3,711,274)
Interest income			407		4,681
Interest expense and finance charges			(515,744)		(373,262)
Interest from lease liability			(11,139)		-
Foreign exchange (gain)/loss			37,466		(156,713)
Gain (Loss) on sale of line of business	13		2,650,076		-
Gain on settlement of liabilities			178,441		6,632
Write-off of accounts payable			(6,285)		(2,585)
Net income (loss)			185,252		(3,919,095)
Foreign exchange translation adjustment			(14,533)		(110,255)
Comprehensive income (loss)		$	170,719	$	(4,029,350)
Basic income (loss) per common share		$	0.01	$	(0.05)
Fully diluted income (loss) per common share		$	0.00	$	(0.05)
Weighted average common shares outstanding			82,550,833		73,896,103

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

Cash Provided By (Used In):		Year Ended September 30 2020		Year Ended September 30 2019
Operating activities:				
Net Income (Loss)	$	185,252	$	(3,919,095)
Items not affecting cash:				
Amortization of intangible assets		1,285,905		1,559,294
Depreciation of equipment		43,010		49,940
Depreciation of Right of Use Assets		221,647		-
Financing costs		152,354		58,376
Share-based compensation		(2,370)		64,712
Shares issued for interest expense		352,322		173,128
Gain on settlement of liabilities		178,441		(6,632)
Allowance for doubtful accounts		230,313		-
Holdback receivable on Sale of Business		(403,518)		-
Relief of Payables in Sale of Business		(1,234,304)		-
Change in non-cash working capital:				
Accounts receivable		470,462		(5,209)
Prepaid expenses and other current assets		(163,802)		203,644
Accounts payable and accrued liabilities		(143,945)		244,028
Due to related parties		(210,335)		-
Deposit		(409)		(16,544)
Contract liability		(1,088,175)		1,380,976
Deferred revenue		-		(1,515,514)
Inventory		-		(164,210)
Cash provided by (used in) operating expenses		272,848		(1,893,106)
Investing activities:				
Acquisition of equipment		(6,647)		(31,782)
Development expenses		(236,825)		(553,533)
Lease liability payments		(188,940)		-
Cash provided by (used in) investing activities		(432,412)		(585,315)
Financing activities:				
Proceeds from notes payable - related parties		67,253		(153,632)
Proceeds from notes payable		324,096		397,893
Payments on notes payable		(300,000)		
Proceeds from issuance of shares		-		50,000
Cash provided by investing actvities		91,349		294,261
Net change in cash		(68,215)		(2,184,160)
Foreign exchange impact on cash		14,533		45,138
Cash – beginning of year		71,531		2,210,553
Cash – end of year	$	17,849	$	71,531

Cash Paid for:				
Interest	$	11,139	$	Nil
Income taxes	$	Nil	$	Nil

- The accompanying notes are an integral part of these financial statements -

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

	Number of shares	Share capital	Reserve	Cumulative translation adjustment	Deficit	Total
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)		(110,255)
Net (loss)					(3,919,095)	(3,919,095)
Balance, September 30, 2019	**74,873,903**	**$ 14,463,761**	**$ 1,674,416**	**$ (484,617)**	**$ (19,500,726)**	**$(3,847,166)**
Share-based compensation	-	-	(2,370)	-	-	(2,370)
Shares issued in Settlement of Related Party Payables	1,011,280	40,451				40,451
Warrants Issued in Debt Settlement		-	85,450			85,450
Shares issued in payment of interest	7,980,846	352,322	-	-	-	352,322
Shares issued for settlement of liabilities	5,098,320	203,933				203,933
Comprehensive (loss)	-	-	-	(14,533)		(14,533)
Net income					185,252	185,252
Balance, September 30, 2020	**88,964,349**	**15,060,467**	**$ 1,757,496**	**$ (499,150)**	**$ (19,315,474)**	**$(2,996,661)**

The accompanying notes are an integral part of these financial statements -

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, 2020, the Company had not achieved profitable operations, had an accumulated deficit of $19,315,474 since inception 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 is located at 7800 East Union Ave, Suite 430, Denver, CO 80237 United States of America.

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 RTO (Note 6) for more details.

2. Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Accounting Standards as issued by the International Financial Reporting Standards Board ("**IFRS**"), as issued by the International Accounting Standards Board **("IASB")** and the International Financial Reporting Interpretations Committee **("IFRIC")**.

b) Approval of the Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on February 2, 2021.

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 would include 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 financial statements include, on a consolidated basis, assets, liabilities, revenues and expenses of the Company and TrackX, which carries out 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 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.

d) 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 held to maturity, loans and receivables, and available for sale securities.

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.

d) 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, 2020.

(Expressed in Canadian Dollars)

d) Accounts receivable and contract liability

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 contract liability.

e) 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.

f) 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, 2020, three customers accounted for 89% of accounts receivable and four customers accounted for 78% of revenue. For the year ended September 30, 2019, five customers accounted for 82% of accounts receivable and two customers accounted for 77% of revenue.

g) Inventory

The Company holds inventory for sale. If hardware is ordered for a customer that hardware is delivered directly to the customer. The inventory as of September 30, 2020 was hardware returned from a customer due to an implementation delay and will be reallocated to different implementations in fiscal 2021. Inventory is carried at cost and there was no impairment at September 30, 2020.

h) 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.

i) 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 8). 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

j) 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.

k) 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. As of September 30, 2020 there was no impairment of intangibles.

l) 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. As of September 30, 2020 there was no impairment of long lived assets.

m) 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 SSP for each of the goods and services within the contract.

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.

i. 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 fees 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.

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 expected 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:

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.

n) 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.

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) 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.

q) 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.

r) 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.

s) 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: 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.

t) Warrants issued in debt and equity financing transactions

The Company engages in debt and equity financing transactions to obtain the funds necessary to continue operations. These debt and 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 debt and equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to an expiry date stipulated by the debt and 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.

u) 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 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.

v) 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'.

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
Right to use liability	-	Other financial liabilities
Contract liability	-	Other financial liabilities
Warrant liability	-	Other financial liabilities
Due to related party	-	Other financial liabilities
Promissory notes payable	-	Other financial liabilities
Promissory notes payable in default	-	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 3 of the fair value hierarchy.

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.

w) 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.

x) In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures of travel-related businesses. The Company does not anticipate any significant changes or estimates in the financial statements as a result of COVID-19.

y) The Company has two office leases and has adopted the IFRS 16 Leases reporting effective October 1, 2019. The chosen the transition option of not restating and recognizing the amounts at transition date of October 1, 2019. The company does not have any other leases or contracts that would be identified as leases . The lease liabilities we measured at present value and discounted at 5%. A corresponding amount for both leases were recognized for an equal amount to the lease liability. The new standard did not have an effect on equity as the adjustment was made in the current year.

z) IFRIC 23 Uncertainty over Income Tax Treatments clarifies the recognition and measurement for income tax when it is unclear whether a taxation authority will accept the tax treatment claimed. An uncertain tax position arises where there is more than one possible interpretation of how tax regulations apply to a given transaction or event. The interpretation requires the Company to determine whether uncertain tax treatments are assessed separately or as a group. The interpretation also requires an assumption that a taxation authority has full knowledge of all relevant information. Where it is not probable that a taxation authority will accept an uncertain tax treatment, it requires the Company to reflect the effect of the uncertainty in the accounting tax position. Finally, reassessment should be performed on a yearly basis in the event of changes in facts and circumstances. Based on the assessment performed, this interpretation had no material impact on the Company's uncertain income tax accounting positions recognized.

aa) Leases – Right to use assets

Lease for right to use assets

Leased assets reflect "right of use" assets and are valued at their initial cost. Cost includes the sum of the lease payments over the term of the lease plus any direct costs of the lease minus incentives received. The assets are periodically reviewed for impairment losses which would, if incurred, reduce the value of the assets.

Lease right to use liabilities

Lease liabilities are measured at the value of the future lease payments. Lease payments include the value of the payments, any residual value guarantees and if applicable, payments for an option to renew. The liability is presented on the statement of financial position in the loans and borrowings section

Depreciation of lease for right to use assets

The lease assets are depreciated using the straight line method over the life of the lease.

4. Accounting pronouncements to be adopted in 2021

The Company is reviewing the following accounting pronouncements and the effects on the Company's financial statements beginning fiscal 2021:

a) IFRS 3 Business Combinations – establishes principles and requirements for an acquirer.

b) IFRS 16 and COVID-19 related rent concessions amendment – This amendment permits leases not to assess whether particular rent concessions occurring as a direct result of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they were not lease modifications .

(Expressed in Canadian Dollars)

c) Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors – IFRS board is considering changes to the IFRS Taxonomy.

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 paid March 24, 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 commons shares in escrow were released, totaling 1,454,940.

6. Accounts Receivable

	September 30 2020	September 30 2019
Trade Receivables	$ 208,523	$ 909,298

The Company currently does not factor its accounts receivable. A provision for doubtful accounts is estimated on a case by case basis. For the year ended September 30, 2020 the Company has provided a $230,313 allowance for doubtful accounts. There were no allowance for doubtful accounts at September 30, 2019. At September 30, 2020 two customers accounted for 61% of accounts receivable and at September 30, 2019, five customers accounted for 87% of accounts receivable.

7. Fixed Assets

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

	Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Total
Depreciation				
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**

(Expressed in Canadian Dollars)

Additions / (disposals)		25,476		4,229		13,305		43,009
Cumulative translation adjustment		3,936		405		159		4,500
Balance at September 30, 2020	**$**	**74,558**	**$**	**13,432**	**$**	**69,476**	**$**	**157,465**
Carrying Value as at September 30, 2019	**$**	**34,872**	**$**	**4,716**	**$**	**21,272**	**$**	**60,860**
Carrying Value as at September 30, 2020	**$**	**6,278**	**$**	**220**	**$**	**12,636**	**$**	**19,135**

		Furniture and Fixtures		Leasehold Improvements		Computer Equipment		Total
Cost								
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**
Additions / (disposals)		**-**		**-**		**6,674**		**6,674**
Cumulative translation adjustment		818		138		(1,686)		(730)
Balance at September 30, 2020	**$**	**80,836**	**$**	**13,652**	**$**	**82,272**	**$**	**176,600**

Intangible Assets

		Intellectual Property		Development Costs		Total
Cost						
Balance at September 30, 2018	**$**	**3,840,085**	**$**	**-**	**$**	**3,840,085**
Additions/(disposals)				547,093		547,093
Cumulative translation adjustment		108,906		37,393		146,299
Balance at September 30, 2019	**$**	**3,948,991**	**$**	**584,486**	**$**	**4,533,477**
Additions/(disposals)		-		236,825		236,825
Cumulative translation adjustment		(224,744)		(33,599)		(258,343)
Balance at September 30, 2020	**$**	**3,724,247**	**$**	**787,712**	**$**	**4,511,959**
Amortization						
Balance at September 30, 2018	**$**	**1,739,215**	**$**	**-**	**$**	**1,739,215**
Additions/(disposals)		817,921		335,180		1,153,101
Cumulative translation adjustment		488,775		(590)		488,185
Balance at September 30, 2019	**$**	**3,022,411**	**$**	**358,090**	**$**	**3,380,501**
Additions/(disposals)		938,934		346,971		1,285,905
Cumulative translation adjustment		(287,999)		5,521		(282,478)
Balance at September 30, 2020	**$**	**3,673,346**	**$**	**710,582**	**$**	**4,383,928**
Carrying Value as at September 30, 2019	**$**	**956,580**	**$**	**226,396**	**$**	**1,152,976**
Carrying Value as at September 30, 2020	**$**	**50,901**	**$**	**77,130**	**$**	**128,031**

(Expressed in Canadian Dollars)

Intellectual property includes patents, architecture, source code, trademarks, and other intellectual property that support the TrackX suite of products. Development costs include external direct costs of services and the payroll and payroll-related costs for employees who are directly associated with the software development project.

9. Contract Liability

Contract liability consists of customer deposits received in advance of product installed or services performed.

10. Promissory Notes

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, 2020, $470,1711 in financing costs was recognized which comprises interest expense and amortization. No principal amortization applied for the first twelve-month period following the issuance date. Thereafter, $130,000 is payable in quarterly installments on the first Business Day of each quarter during the second, third and fourth year of the Term. 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. A total of 7,980,846 shares valued at $352,322 have been issued for year ended September 30, 2020 for payment of interest, in lieu of cash, on the loan.

Closing Date of Promissory 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	87,091
	2.437,480
Current portion	(130,000)
Balance at September 30, 2019	**$ 2,307,480**
Repayment	(520,000)
Debt Discount	(47,442)
Issuance of warrants	100,580
Effective interest on note discount	75,606
Balance in default at September 30, 2020	**$ 2,046,223**

On August 15, 2019 the Company issued a promissory note of $409,241 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 August 28, 2023. The warrants and common shares were not issued at September 30, 2019 and were recorded as liabilities.

The following table details the components of the promissory notes balance at September 30, 2020:

Closing Date of Note	**August 15, 2019**
Proceeds from issuance of promissory notes	$ 409,241
Repayment	-
Transactions costs	-
Discount on the notes	(122,522)
Effective interest on note discount	**-**
Balance at September 30, 2019	**$ 286,719**
Repayment	-
Effective interest on note discount	**-**
Balance at September 30, 2020	**$ 286,719**

The Company received a Payroll Protection Plan ("**PPP**") loan from the U.S. SBA in the amount of $307,414. The loan is based on the current monthly payroll times 2.5. Under the terms of the loan, the funds used for payroll, benefits, lease payments and utilities in the eight weeks following the date of the loan will be forgiven. Any balance of the loan not forgiven will carry an interest rate of 1% per annum with a 24 month maturity date. There are no monthly payments for the first six months. In month seven and every month thereafter, 1/18th of the balance will be due. As of December 28, 2020 the loan was forgiven by the SBA. And the total amount of the loans was written off to a one time gain in other income.

11. Shareholders' Equity

a) Authorized and Issued Share Capital

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

b) Share Capital Transactions

As of September 30, 2020, the Company had 88,964,349 of issued and outstanding common shares. 6,109,600 shares valued at $203,993 were issue for the settlement of accounts payables of $382,374 resulting in a gain on settlement for $178,444, 7,980,846 shares valued at $352,322 were issued in the payment of interest on notes payables and 1,011,280 shares valued at $40,451 were issued to directors for the year ended September 30, 2020. For the year ended September 30, 2019, 200,000 shares were issued for the exercising of stock options and 996,802 were issued in payment of interest on notes payable.

c) Stock Options

On May 26, 2016, the Company established a 10% fixed incentive stock option plan known as the TrackX Stock Option Plan ("**Stock Option Plan**"). 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 the Stock Option Plan, the Company has Nil options outstanding. The total number of common shares approved to be issued under the Stock Option Plan is 6,500,000. As of September 30, 2020, 2,957,500 options have been granted with 2,327,500 options available for grant in future periods. Stock option expenses was $73,523, net of cancellations of $75,893 resulting in share based compensation of ($2,370).

(Expressed in Canadian Dollars)

The following is a summary of the stock option transactions for the years ended September 30, 2019 and September 30,2020:

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		

September 30 2019	Issued	Cancelled	Exercised	September 30 2020	Exercise Price	Expiry Date
2,622,500	-	-	-	2,622,500	$0.250	May 26, 2021
65,000	-	(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
735,000	-	(400,000)	-	335,000	$0.285	May 16, 2023
350,000	-	(350,000)	-	-	$0.355	February 27, 2022
4,172,500	-	(915,000)	-	2,957,500	$0.251	
Exercisable				2,945,833		

During the year ended September 30, 2020, the Company recorded share-based compensation of ($2,370) for options that vested during the current period.

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, 2020, 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:

(Expressed in Canadian Dollars)

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)	-	-		

d) Warrants

The following is a summary of the warrant transactions for the period ended September 30, 2019 and September 30, 2020:

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	

September 30, 2019	Issued	Cancelled	Exercised	September 30, 2020	Exercise Price	Expiry Date
800,000	-	-	-	800,000	$0.280	August 28, 2022
	2,600,000			2,600,000	$0.065	August 28, 2022
800,000	2,600,000	-	-	3,400,000	$0.116	

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

Stock price volatility	56.23%
Risk-free interest rate	1.00%
Expected life of options	2.60 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.

On January 22, 2020, agreed to issue 2,600,000 warrants to two promissory notes for consideration of a default on two principal payments of $130,000 each. The warrants are exercisable at $0.280 per common share for a period of 31 months. The fair value of the warrants was $85,450 using the Black-Scholes valuation. The warrants are treated as equity since the warrant holder has the right to convert the warrants into a fixed number of shares for a fixed amount which is consistent with International Accounting Standard 32 (IAS32).

12. Revenues

The Company's revenue is primarily derived from contracts with customers. The nature and effect of initially applying IFRS 15 on the Company's financial statements are disclosed in Note 3. In the following table, revenue is disaggregated by major product and service lines.

(Expressed in Canadian Dollars)

	Year Ended September 30 2020	Year Ended September 30 2019
Perpetual software license fees	$ -	$ 212,210
Customization and enhancement fees	-	227,443
SaaS, hosting, and maintenance fees	2,037,193	2,710,880
Hardware sales	268,158	1,073,775
Integration and other fees	1,650,083	2,063,800
	$ 3,955,434	**$ 6,288,108**

13. Sale of Yard Line of Business

The Company sold the Yard management line of business to Fourkites, Inc. The transaction, which closed on March 23, 2020, is detailed as follows:

TrackX will receive up to US$2.8MM (C$4.05MM) in consideration under the sale. This is comprised of: US $1,900,000 (C$2.55mm), with US$1,600,000 (C$2.1MM) in cash which was paid on closing and US$300,000 (C$403K) in cash paid in 12 months, provided that 75% of the recurring revenue associated with the TrackX Yard Management business is retained by FourKites. An additional US$900,000 (C$1.3mm) was paid over nine months (which expired December, 2020) at the rate of US$100,000 (C$135K) per month for engineering services to assist with the transition of the Yard Management business to FourKites. Of the US$900,000, (C$1.2MM) US$600,000 (C$805K) was recognized as services revenue and received as of September 30, 2020. The remaining US$300,000 (C$402K) was recognized and received as of December 31, 2020. The TrackX customer contracts assigned to FourKites under this transaction will represent a reduction of approximately US$800,000 (C$1.08MM) in annual recurring revenue for the Company, offset by an annual savings in operating expense of approximately US$840,000 (C$1.1MM) resulting from the transaction. The transition services revenue are services that are provided to Fourkites, Inc. as a part of the recurring revenue-generating activities under the conditions of IFRS 15:9. The transactions does not meet the criteria for IFRS 5 for a discontinued operation of separate line of business or a plan to dispose of business operation as defined in IFRS 5. The revenue from the continued services are considered to be a part of the continuing operations of the company and is classified as revenue from continuing operations and not short-term revenue finite revenue as provided by discontinued operations and to be shown in other income. The Company's and Fourkites, Inc. have entered into agreement, with an auto-renewal clause every six months, to continue to provide the same services beyond the length for the original agreement. The Company has met the requirements of the holdback clause for the release of the US$300,000 (C$402,900) on or before the first anniversary of the initial agreement and therefore booked the ratable portion of the holdback of US$150,000 (C$201,450) earned through September 30, 2020 as a gain on sale.

Fourkites, Inc. receive the outstanding contracts and relationship with TrackX's customers that were currently using the Yard Management solution, list of all current prospects identified as considering the Yard Management solution and the software for which TrackX will receive a 30% royalty fee on the first year of SaaS revenue for each location implemented, and source code to the Yard Management solution. Fourkites assumed the support of all Yard Management customers currently under contract with TrackX and outstanding invoices payable to TrackX, for the services from the date of closing to the end of the agreements in force. Additionally, Fourkites hired TrackX employees that were dedicated to the Yard Management solution. Fourkites reimbursed TrackX for ongoing hosting and communication costs for the customers acquired until Fourkites could transfer services to contracts in their name.

(Expressed in Canadian Dollars)

Contract price		**$ 2,555,614**
Holdback		**(403,518)**
Payoff of accounts payables	**(631,499)**	
Legal expenses incurred	**(109,474)**	
Principal payment on notes payable	**(269,147)**	
Related-party debt payments	**(224,184)**	
		(1,234,304)
Cash received		**$ 917,792**

Purchase Price	**$ 2,555,614**
Unearned holdback	**(200,000)**
Customer service obligations transferred	**416,948**
Customer service payments	**(131,434)**
Expenses paid by purchaser	**8,948**
Gain on Sale	**$ 2,650,076**

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 ended September 30, 2020 were $1,519,420 compared to $2,998,779 in 2019.

15. Segmented Information

The Company's operations are conducted primarily in the United States. Revenues are disclosed in Note 12. 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

	Right to Use Asset
Cost	
Balance at September 30, 2019	**$ -**
Additions / (disposals)	413,897

(Expressed in Canadian Dollars)

Cumulative translation adjustment		**370**
Balance at September 30, 2020	**$**	**414,267**
Depreciation		
Balance at September 30, 2019	**$**	**-**
Additions / (disposals)		283,026
Cumulative translation adjustment		(1,468)
Balance at September 30, 2020	**$**	**281,558**
Carrying Value as at September 30, 2019	**$**	**-**
Carrying Value as at September 30, 2020	**$**	**132,709**

Below are the depreciation and financing expenses for the Company's two office leases:

For the Year ended September 30, 2020:

Additions to Right to Use Assets	Depreciation	Financing Costs	Total Liability	Total Lease Payments
$ 413,897	$ 285,039	$ 11,139	$ 188,940	$ 300,595

The Company has 2 office leases. One in Denver, CO and one in Riverside, CA. The Company has adopted the IFRS 16 Lease reporting effective October 1, 2019. The Company has chosen the modified retrospective transition approach option of not restating prior periods and recognizing the amounts at transition date of October 1, 2019. The lease for the office at 7800 E. Union, Suite 430, Denver, CO had a term of 36 months expiring on October 31, 2020. During 2020, the Company recorded a Right-to-Use asset in the amount of $111,110 using a weighted average incremental borrowing rate of 5%. The total lease payment for 2020 was $116,928 and financing costs of $5,848 were expensed. The lease for the office at 3400 Central Ave, Suite 225, Riverside, CA has a term of 36 months expiring on October 31, 2021. During 2020 the Company recorded a Right-to-Use asset of $198,619 using a weighted average incremental borrowing rate of 5%. The total lease payments for 2020 was $105,817 and is $108,992 for 2021. Financing cost of $5,291 were expensed in 2020. The office lease in Denver, CO is currently on month to month basis.

18. Related Party Transactions

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

(Expressed in Canadian Dollars)

	Year Ended September 30 2020	Year Ended September 30 2019
Salaries and wages	$ 562,684	$ 775,616
Consulting	193,689	183,031
Automobile allowance	23,673	25,863
Share-based compensation	-	103,901
	$ 780,046	**$ 1,044,367**

Included in general and administrative expenses for the year ended September 30, 2020 are $96,172 (2019 – $67,642) for directors' fees and services charged by non-key management and therefore are not included in the amounts above. Included in share-based compensation for the year ended September 30, 2020 are $Nil (2019 - $59,857) for directors and therefore are not included in the amounts above.

As of September 30, 2020, $15,409 (2019 – $41,597) is included in the due to related party (short term) for reimbursements and consulting fees to directors and officers of the Company.

On September 28, 2020 the Company issued a promissory note for $66,816 with Captios LLC. The Note carries an interest rate of 10% per annum and is payable upon demand. The Company issued 1,011,280 shares valued at $40,451 to directors as settlement of payables.

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 most of 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 has promissory notes with a fixed 10% interest rate. 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.

Based on the above net exposures and assuming that all other variables remain constant, a 10% increase or decrease in the Canadian dollar against the US dollar would result in a decrease or increase in the reported loss of approximately $255,000 in the period.

e) Fair Value Hierarchy

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:

(Expressed in Canadian Dollars)

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

	2020	2019
Non-cash investing and financing activities:		
Warrants issued in connection with defaulted principal payments	$ 85,540	$ -
Warrants expired	-	(986,000)
Agent's warrants expired	-	(212,000)
Stock options exercised during the period	-	(133,515)
Interest paid with issuance of common stock	(352,322)	(173,128)
Vendor payments settled with issuance of common stock	488,220	-
Debt discount recorded on promissory note	-	(126,578)
Right to use asset recorded on adoption of IFRS 16	413,986	-
Right to use liability recorded on adoption of IFRS 16	(423,501)	-

21. Income Taxes

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

	September 30, 2020	September 30, 2019
Net income (loss) for the year	$ 385,252	$ (3,919,096)
Expected income tax (recovery)	104,000	(1,058,000)
Change in statutory, foreign tax, foreign exchange rates and other	(220,000)	236,000
Permanent difference	-	25,000
Adjustment to prior years provisions versus statutory tax return and expiry of non-capital losses	(71,000)	(152,000)
Change in unrecognized deductible temporary differences	187,000	950,000
Total income tax expense (recovery)	**$ - 1,000**	**$ 1,000**
Current income tax	**$ 1,000**	**$ -**
Deferred tax recovery	**$ -**	**$ 1,000**

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:

	September 30, 2020	September 30, 2019
Deferred tax assets (liabilities)		

Exploration and evaluation assets	$	438,000	$	423,000
Property and equipment		(37,000)		(15,000)
Canadian eligible capital (CEC)		2,000		2,000
Share issue costs		138,000		138,000
Debt with accretion		44,000		44,000
Intangible assets		839,000		567,000
Non-capital losses available for future period		3,006,000		3,137,000
		4,430,000		4,296,000
Unrecognized deferred tax assets		(4,430,000)		(4,296,000)
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:

	2020	**Expiry Date Range**	**2019**	**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	(148,000)	No expiry date	(58,000)	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	510,000	2019 to 2021
Debt with accretion	163,000	No expiry date	163,000	No expiry date
Intangible assets	3,403,000	No expiry date	2,299,000	No expiry date
Non-capital losses available for future period	11,713,000	2019 to 2038	12,209,000	2018 to 2037
Canada	5,035,000	2019 to 2038	5,388,000	2019 to 2038
United States	6,677,000	2038	6,821,000	2037

The Company has generated a net operating loss carryforward ("**NOL**") for federal income tax purposes of approximately $11,713,000 as of September 30, 2020. 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.

22. Subsequent Events

In December of 2020, the Company issued 1,159,487 shares in lieu of cash for interest payments totalling $79,474,33 to two promissory note holders. The Company also issues 2,275,000 stock options, with an exercise price of $0.075, to directors, officers and employees in the second quarter of 2021. These options have an expiry date of January 1, 2031.

The Company's PPP loan was forgiven in the 1st quarter of 2021.