

**TrackX Holdings Inc.**  
**Management's Discussion and Analysis**  
**For the Three and Six Months Ended March 31, 2020**



The following discussion and analysis (“**MD&A**”) of the operations, results and financial three and six months ended March 31, 2020 should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements and related notes thereto for the three and six months ended March 31, 2020 and the audited consolidated financial statements fiscal year ended September 30, 2019. For further information on the Company, reference should also be made to its public filings under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also available on the Company’s website at [www.trackx.com](http://www.trackx.com). The effective date of this report is June 8, 2020. All figures are presented in Canadian dollars, unless otherwise indicated.

## COMPANY HISTORY AND COMPANY OVERVIEW

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

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

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

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

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

## SIGNIFICANT HIGHLIGHTS

During the quarter, TrackX continued to execute on its core strategies with new partners added to our ecosystem, additional expansion occurring within the current customer base, and numerous extensions and functional enhancements completed to the GAME platform.

The following highlights developments for the three months ended March 31, 2020 (“Q2 2020”) and to the date of this MD&A:

### SALE OF THE YARD MANAGEMENT BUSINESS TO FOURKITES

In Q2, 2020 TrackX continued its focus on the growth of highly repeatable, high margin SaaS-based solutions in the supply chain and enterprise asset management industries. In the Quarter, TrackX announced the completion of a strategic transaction with FourKites, the Chicago-based creator of the predictive supply chain visibility category, in which FourKites acquired the TrackX Yard Management business, related intellectual property and customer Yard Management contracts.

Under the terms of this transaction, 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\$2.75mm), with US\$1,600,000 (C\$2.3mm) in cash paid on closing and \$300,000 (C\$450,000) 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) is being paid over nine months at the rate of US\$100,000 per month for engineering services to assist with the transition of the Yard Management business to FourKites. The TrackX customer contracts assigned to FourKites under this transaction will represent a reduction of approximately US\$800,000 (C\$1.081mm) in annual recurring revenue for the Company, offset by an annual savings in operating expense of approximately US\$840,000 (C\$1.135mm) resulting from the transaction.

Additionally, FourKites and TrackX have established a strategic collaboration agreement under which TrackX will receive 30% of the first year SaaS revenue generated by FourKites on existing opportunities in TrackX’s pipeline. TrackX will also receive 15% of the first year SaaS revenue on customer opportunities that TrackX introduces FourKites into and which results in revenue to FourKites.

The strategic relationship with Fourkites has already generated additional sales opportunities which TrackX expects to result in additional revenue growth over subsequent quarters.

### LAND & EXPAND

While TrackX was very consumed with closing the FourKites’s transaction in Q2, it was able to drive results through its its land and expand strategy:

- For the second largest insurance company in the industry, TrackX has continued its expansion of the GAME for Enterprise Asset Management (EAM) solution. In Q2, 2020 TrackX initiated the deployment of its GAME solution to two additional facilities. In addition, the Company is expanding its existing implementation to support additional business processes and workflows.

- For Polaris Inc., a global leader in powersports, TrackX provided additional enhancements to the Phase 1 implementation of its Global Asset Management for Enterprises solution to manage the inventory recreational vehicles. Within the Quarter, the success of the Phase 1 implementation has resulted in discussions regarding a Phase 2 expansion. For this expansion, TrackX will further leverage simultaneous support for GPS and active RFID tags affixed vehicles to obtain real-time visibility to high-value vehicles as they move throughout the customer's facilities, on test drives, at tradeshow and at other marketing events nationwide. GAME's event management, workflow processing, and analytics will not only provide significant savings on inventory loss and insurance liability, but also provide operational efficiency while reducing overall labor costs. TrackX revenues will be generated largely from recurring SaaS license fees along with associated implementation and configuration services. TrackX anticipates additional expansion with this customer in subsequent quarters.
- An international hotel chain completed its first deployment of TrackX's GAME for EAM solution at its Miami-based hotel to track hotel linen inventory, reduce loss and theft, and hold third-party laundry service providers accountable to service level agreements. TrackX anticipates expansion of this linen tracking solution to be replicated across additional hotels in subsequent quarters.

## RESEARCH AND DEVELOPMENT

TrackX has made continual enhancements to the GAME enterprise solution platform with additional features, workflows and analytics based upon feedback received from customers and partners. In Q2 2020, TrackX continued its support for additional tracking and sensor technologies including LoRa, BLE and other IIOT devices. Constantly adding support for new tracking and sensor technologies positions TrackX to deliver additional value and an increased ROI to customers. With the increased focus by large enterprises on improving Supply Chain Visibility, the Company has continued to make developments in the delivery of blockchain and distributed ledger solutions, especially given the Company's refined focus on repeatable, higher margin SaaS-based solutions in the Supply Chain Execution and Returnable Transport Item arena.

## PARTNERSHIPS

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

- The Company completed the sale of its Yard Management business to FourKites, the Chicago-based creator of the predictive supply chain visibility category, boasting the world's largest network of shippers, carriers, and 3PLs. This relationship has generated additional sales pipeline activity which is expected to result in additional SaaS revenue in subsequent quarters.
- The Company expanded its relationship with Barcoding Inc., whose vision is to deliver supply chain automation and innovation to enable organizations to be more efficient, accurate and connected. Through additional sales and marketing collaboration, the partnership has created multiple customer opportunities in the supply chain management industry that TrackX expects to generate additional SaaS revenue over future quarters.
- The Company has continued to expand sales and marketing activities with Barcodes, Inc., resulting in additional pipeline opportunities which the partners are jointly progressing through the sales process.

- The Company has continued to evolve its partnership with Omni-ID, a major IoT hardware and tag provider. Omni-ID has announced a series of active-RFID, Bluetooth low energy (BLE) and Long Range (LoRa) asset tags that, integrated with GAME, address a cost-effective solution in the tracking of high value assets across multiple industries. Within the Quarter, and as a result of the COVID-19 pandemic, opportunities have arisen for the utilization of GAME leveraging BLE and Ultra-wideband technology to deliver contact tracing solutions enabling companies to keep their employees safe by maintaining social distance within their environments.

## OPERATIONAL EFFICIENCY

The Company continues to closely monitor and manage its operational metrics and strives to continually improve operating efficiency and reduce overall operating expense.

## CUSTOMER SUCCESS

The Company continues its efforts to maintain a process of consistent communication and feedback with its customers. This communication is of paramount importance in delivering the highest quality of service to TrackX customers. It is also an important catalyst in the definition and prioritization of new product features and capabilities.

## FISCAL PERFORMANCE

The Company's total revenue decreased \$725,426 to \$930,823 for the three months ended March 31, 2020 as compared to \$1,656,249 for three months ended March 31, 2019 ("Q2 2019"). Recurring revenue increased \$90,708 (14%) for a total of \$760,129 for Q2 2020 as compared to \$669,421 for Q2 2019 as a result of the Company's continuing focus on sustaining growth in recurring revenue.

In Q2 2020, the cost of sales decreased 44% to \$544,092 from \$967,028 in Q2 2019, the same as a 44% decrease in revenue for the same period. Hardware revenue was \$106,789 for Q2 2020 (Q2 2019 \$356,666) and other implementation revenue for Q2 2020 was \$63,905 compared to \$538,478 for Q2 2019. The decrease in cost of sales was a direct result of the decrease in total revenue for Q2 2020.

Operating expenses for Q2 2020 and Q2 2019 were \$1,054,442 and \$1,921,173, respectively. The decrease of \$866,731 is largely due to lower salaries, benefits and share based compensation as the Company strives to increase operational efficiency (Q2 2020, \$338,993; Q2 2019 \$921,778).

During Q2 2020, the Company completed a transaction with FourKites® to acquire TrackX Yard Management business and related intellectual property. TrackX will receive US \$1,900,000 (C\$2.75M) with US \$1,600,000 (C\$2.3M) in cash paid on closing and US \$300,000 (\$0.45M) in cash paid 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 receive an additional US \$100,000 (C\$0.144M) per month for 9 months for engineering services to assist with the transition of the Yard Management business to FourKites.

## SELECTED ANNUAL INFORMATION

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

statements and associated management discussion and analysis:

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

## SUMMARY OF QUARTERLY RESULTS

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

	March 31 2020	December 31 2019	September 30 2019	June 30 2019
	\$	\$	\$	\$
Revenues	930,823	1,176,940	1,052,592	1,391,341
Cost of sales	544,092	599,270	474,348	842,550
Gross margin	42%	49%	55%	39%
Expenses	1,054,442	1,210,245	1,087,347	1,831,634
Net income (loss)	2,168,060	(748,650)	(511,714)	(1,276,599)
Income (loss) per share	0.02	(0.02)	(0.01)	(0.02)
Total assets	2,344,739	1,914,348	2,542,503	2,823,254

	March 31 2019	December 31 2018	September 30 2018	June 30 2018
	\$	\$	\$	\$
Revenues	1,656,249	2,187,926	673,895	2,144,728
Cost of sales	967,028	1,309,988	1,035,222	923,308
Gross margin	42%	40%	(54%)	57%
Expenses	2,005,019	1,636,839	1,781,590	1,468,368
Net income (loss)	(1,315,027)	(815,755)	(2,142,033)	(251,321)
Income (loss) per share	(0.02)	(0.01)	(0.03)	(0.00)
Total assets	3,666,139	4,601,163	5,469,729	4,590,605

Revenues during the quarter ended March 31, 2020 were \$930,823 with a total cost of sales of \$544,092 resulting in a gross margin of \$386,731. Operating expenses totaled \$1,054,442. Net income was \$2,168,060.

## DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 80,232,739 common shares outstanding. The following table summarizes the maximum number of common shares outstanding as at March 31, 2020 and as of the date of this MD&A as if all outstanding stock options and common share purchase warrants were converted to common shares:

	March 31 2020	As of the date of this MD&A
Common shares	80,232,739	80,232,739
Warrants to purchase common shares	800,000	800,000
Options to purchase common shares	3,332,500	3,332,500
<b>TOTAL</b>	<b>84,365,239</b>	<b>80,232,739</b>

## RESULTS OF OPERATIONS

### Six months ended March 31, 2020 compared with the six months ended March 31, 2019

#### Revenues

Revenues were \$2,107,763 during the YTD 2020 (YTD 2019 - \$3,844,175) for a decrease of \$1,736,412 (45%). Recurring revenue increased \$251,999, \$1,491,252 YTD 2020 compared to \$ 1,239,253 YTD 2019, a 20% increase. Implementation and other services revenues for YTD 2020 decreased to \$405,753 from \$1,536,231 YTD 2019.

#### Cost of Sales

During the YTD 2020, the cost of sales was \$1,143,362 (YTD 2019 - \$2,277,016). The decrease corresponds with the decrease the Company's revenue. Hardware revenue decreased 75% (YTD 2020 \$210,758, YTD 2019 \$856,623) and integration and other fees revenue decrease 70% (YTD 2020 \$405,753, YTD 2019 \$1,349,763) which are the largest components of cost of sales.

#### Operating Expenses

Operating expenses were \$2,264,687 in YTD 2020, (YTD 2019 – \$3,558,011) a decrease of \$1,293,324. The decrease is largely due to a decrease of \$853,870 in salaries and benefits and share based compensation as the Company strives to increase operational efficiency (YTD 2020, \$1,130,502, YTD 2019 \$1,984,372). Additionally, expenses for product enhancements decreased from \$131,737 for YTD 2019 to \$Nil YTD 2020 as the Company capitalized the development of new features and functions of GAME. Sales and marketing expenses YTD 2020 was \$314,906 as compared to \$795,194 YTD 2019, this reduction of expenses can be contributed to the reductions of the sales and marketing staff and the limited number participation in financial conferences attended.

#### Net Income (Loss)

Net Income during YTD 2020 was \$1,416,812 (YTD 2019 – (\$2,130,781)). The change from a net loss for YTD 2019 to a net income was the one time gain for the sale of the TrackX Yard line of business (\$2,952,909). The Company reduced the net loss from operations by \$690,566 for YTD 2020 compared to YTD 2019 which was offset by an increase in interest expense of \$ 81,970.

**Three months ended March 31, 2020 compared with the three months ended March 31, 2019****Revenues**

Revenues were \$930,853 during Q2 2020 and decreased by \$725,426 from the same period in 2019. Recurring revenue increased \$90,708 (14%) for a total of \$760,129 for Q2 2020 as compared to \$669,421 for Q2 2019 as a result of the Company's continuing focus on sustaining growth in recurring revenue. Hardware revenue decreased by \$249,877 from \$356,666 (Q2 2019) to \$106,789 (Q2 2020) and integration and other fees decrease \$474,573 (Q2 2020, \$63,905, Q2 2019 \$538,478). The mix of revenue changed to 82% recurring revenue, 11% hardware revenue and 7% integration and other fees revenue.

**Cost of Sales**

During Q2 2020, the cost of sales decreased \$544,095 (Q2 2019 - \$967,028). This decrease is in line with the decrease in revenue, both revenue and cost of sales decrease 44%. The company was able to reduce the cost of salaries and benefits included in the cost of sales to maintain a gross margin of 42% in Q2 2020 (Q2 2019 42%).

**Operating expenses**

Operating expenses were \$1,054,442 in Q2 2020 (Q2 2019 - \$1,921,173). The decrease is largely due to a decrease of \$466,433 in salaries and benefits and share based compensation as the Company strives to increase operational efficiency (Q2 2020, \$502,958, Q2 2019 \$969,391). Additionally, expenses for product enhancements decreased from \$131,737 for Q2 2019 to \$Nil YTD 2020 as the Company capitalized the development of new features and functions of GAME. Sales and marketing expenses Q2 2020 was \$138,303 as compared to \$485,401 Q2 2019, this reduction of expenses can be contributed to the reductions of the sales and marketing staff and the limited number participation in financial conferences attended.

**Net Income (Loss)**

Net Income during Q2 2020 was \$2,168,060 (Q2 2019 – (\$1,315,027)). The change from a net loss for YTD 2019 to a net income was the one time gain for the sale of the TrackX Yard line of business (\$2,952,909). The Company reduced the net loss from operations for Q2 2020 compared to Q2 2019 by \$564,241.

**Non-IFRS Measures**

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

Adjusted EBITDA	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019	For the Six Months Ended March 31, 2020	For the Six Months Ended March 31, 2019
	\$	\$	\$	\$
Net Income (Loss)	2,168,060	(1,315,028)	1,419,812	(2,130,781)
Amortization of intangible assets	398,741	305,977	792,586	602,925
Depreciation of equipment	14,097	13,181	24,831	24,455
Finance charges	117,086	83,846	226,994	145,024
Share-based compensation	(77,825)	91,298	(41,829)	242,487
Gain on sale of line of business	(2,952,909)		(2,952,909)	
Write-off of Accounts Payable	52		6,219	
<b>Adjusted EBITDA</b>	<b>(332,698)</b>	<b>(820,726)</b>	<b>(524,296)</b>	<b>(1,115,890)</b>

## OUTLOOK

The sale of TrackX's yard solution business enables the Company to focus on leveraging its scaleable GAME asset management platform on industry opportunities where IIoT can be utilized to gain insight to enterprise assets and operations. The Company will narrow its focus in returnable asset tracking, high value asset tracking (i.e., IT asset tracking) and supply chain management. These high margin SaaS-based solutions are easily scalable and repeatable with a short sales cycle and low operating overhead. With a strengthened balance sheet and a notable reduction in operating costs, the Company is able to aggressively pursue both its pipeline of opportunities and expansion within current customers without significant capital outlay.

COVID-19 has brought with it many global challenges across every industry and within every community. Companies need now, more than ever, to gain supply chain visibility and improve supply chain efficiency. This need to eliminate the black holes in the supply chain, protect against product tampering, eliminate theft, maintain a clear chain of custody, ensure product quality and obtain proof of delivery has resulted in supply chain initiatives moving closer to the top of the priority list for many companies. With a proven, enterprise scalable, IOT hardware agnostic, blockchain-enabled supply chain platform, TrackX expects to not only see an increase in pipeline activity, but to also see opportunities close more quickly over the subsequent quarters.

To increase delivery capacity and more effectively respond to industry opportunities, TrackX will continue to develop its partner network. Not only will new partners, like FourKites, continue to be added to the TrackX ecosystem, but additional improvements to joint sales and marketing collaboration with partners are expected to fuel additional growth in pipeline activity, and growth in high margin recurring SaaS revenue.

TrackX will continue to execute on its other core strategies as well. The Company has achieved success from its land and expand strategy within multiple industry horizontals. TrackX is not only realizing expansion beyond the initial implementation to multiple locations tracking similar assets but is also seeing the GAME

platform being leveraged by these customers to track new assets and additional processes. As these implementations are completed, the Company anticipates continued growth in recurring revenue, a core metric, throughout 2020.

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

GAME offers companies an unparalleled opportunity to gain operational efficiencies while at the same time better understand the movement, status and ownership of their assets. GAME will continue to benefit from new features enhancements, the majority of which will come from the automation of business processes and analytics as requested by customers and prospects. Other GAME enhancements will be driven by the integration with new technologies made available by our hardware partners. The Company's recent integration with blockchain further extends asset visibility and tracking in a secure and immutable way which allows customers to more effectively communicate, collaborate and conduct business across all supply chain constituents.

## OFF BALANCE SHEET ARRANGEMENTS

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

## RELATED PARTY TRANSACTIONS

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

	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019	For Six Months Ended March 31, 2020	For Six Months Ended March 31, 2019
	\$	\$	\$	\$
Salaries and wages	128,099	214,359	300,560	437,391
Consulting	47,912	47,855	95,824	95,431
Automobile allowance	5,390	6,580	12,643	13,122
Share-based compensation	-	62,725	-	177,438
	181,401	331,519	409,027	723,382

Included in due to related party is \$Nil for Q2 2020 (Q2 2019 - \$207,764) owed to broTECH which is majority owned by the COO of the Company.

## FINANCIAL INSTRUMENTS AND RISKS

### Capital Risk Management

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

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

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

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended March 31, 2020.

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

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

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

- a) Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash and needs to maintain sufficient cash in excess of anticipated needs. To do so relies on the Company's ability to achieve positive operating cash flow, raise equity financing or establish debt financing. The Company is exposed to liquidity risk.
- b) Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. Cash is held with major financial institutions in the United States and Canada and is subject to the Interest Rate Risk. Receivables are subject to standard credit terms.
- c) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.
- d) Foreign Currency Risk is the risk on fluctuation of currency related to monetary items with a

settlement currency other than US dollars.

In managing currency risks the Company aims to reduce the impact of short-term fluctuations on earnings by minimizing transactions between TrackX Holdings, Inc. which the functional currency is Canadian Dollars and TrackX, Inc. in which the operational currency is in United States Dollars. As at March 31, 2020, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

### **Fair Value Hierarchy**

The three levels of the fair value hierarchy are:

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

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

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

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

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

### **RISKS AND UNCERTAINTIES**

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

#### **Additional Financing**

The Company has a history of operating losses and uses cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable

commercial terms or at all. Any equity offering may result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Product Enhancements and Development**

The development activities of the Company may be funded by its customers through engineering services provided in addition to the Company's investment in enhancing its existing product suite. If the Company fails to develop new products, incurs delays in developing new products, or if the

product or enhancements to existing products and services that the Company develops are not successful, the Company's business could be harmed. Even if the Company does develop new products that are accepted by its target markets, the Company cannot assure that the revenue from these products will be sufficient to justify the Company's investment in research and development.

### **History of Losses**

The Company has a history of losses, and there can be no assurance that the Company's losses will not continue in the future. As at March 31, 2020, the Company had an accumulated deficit of \$18,829,966. The Company's prospects must be considered in the context of the implementation stage of its current strategy, the risks and uncertainties it faces, and the inability of the Company to accurately predict its results of sales and marketing initiatives. There can be no assurances that implementation of the Company's strategy will result in the Company generating and sustaining profitable operations.

### **Product Development and Technological Change**

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

### **Intellectual Property Protection**

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

### **Customer Concentration**

The Company's business and future success depends on the Company's ability to maintain its existing customer relationships, add new customers and expand within their current customers.

If certain of the significant customers, for any reason, discontinues their relationship with us, or reduces or postpones current or expected orders for products or services, or suffers from business loss, our revenues and profitability could decline materially. The Company has mitigated this risk by diversifying its customer base.

### **Dependence on Key Personnel**

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

### **Management of Growth**

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

### **Stock Price Volatility**

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

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

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

## LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2020, the Company had net working capital deficit of (\$1,312,849) and as of September 30, 2019 had net working capital deficit of (\$3,837,368) and an accumulated deficit of (\$18,829,966) at March 31, 2020. The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The continuation of the Company is dependent upon the financial support of creditors and stockholders, refinancing debts payable, obtaining additional long-term debt or equity financing, as well as achieving and maintaining a profitable level of operations.

Net cash provided in operating activities for Q2 2020 was \$160,815 compared with net cash used of \$1,405,257 in Q2 2019. The increase in cash provided in operating activities was primarily due to the sale of the TrackX Yard line of business.

Net cash flows used in investing activities for the Q2 2020 was \$Nil (Q2 2019 - \$340,283).

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

## CRITICAL ACCOUNTING ESTIMATES

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

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

## FORWARD-LOOKING STATEMENTS

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

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

## ADDITIONAL INFORMATION

For further detail, see the Company's unaudited interim condensed consolidated financial statements for the period ended March 31, 2020. Additional information about the Company can also be found under the Company's profile at [www.sedar.com](http://www.sedar.com).

## CORPORATE DIRECTORY

### Trading Symbol – TKX

Exchange - TSX-V

#### Head Offices

TrackX Holdings Inc.  
7800 E. Union Ave., Suite 430  
Denver, CO 80237 USA  
Tel: 303.325.7600  
Fax: 303.799.0703

TrackX, Inc.  
7800 E. Union Ave., Suite 430  
Denver, CO 80237 USA  
Tel: 303.325.7600  
Fax: 303.799.0703  
[www.trackx.com](http://www.trackx.com)

#### Officers and Directors

Tim Harvie (President, Chief Executive Officer, Chairman, and Director)  
Gene McConnell (Chief Financial Officer)  
Chris Brumett (Chief Operating Officer)  
Blair Garrou (Director)

#### Legal Counsel

McMillan LLP  
Suite 1500 – 1055 West Georgia Street  
Vancouver, BC, V6E 4N7

#### Auditors

SingerLewak LLP  
2000 S. Colorado Blvd.  
Tower 2, Suite 200  
Denver, CO 80222 USA

#### Transfer Agent

Computershare  
2<sup>nd</sup> Floor, 510 Burrard Street  
Vancouver, BC, V6C 3B9