
TrackX Holdings Inc.

Management's Discussion and Analysis

For the year Ended September 30, 2019



The following discussion and analysis (“**MD&A**”) of the operations, results and financial position of TrackX Holdings Inc. (the “**Company**”) for the year ended September 30, 2019 should be read in conjunction with the Company’s audited consolidated financial statements and related notes thereto for the fiscal years ended September 30, 2019 and September 30, 2018. For further information on the Company, reference should also be made to its public filings under the Company’s profile on SEDAR at www.sedar.com. Information is also available on the Company’s website at www.trackx.com. The effective date of this report is April 13, 2020. All figures are presented in Canadian dollars, unless otherwise indicated.

COMPANY HISTORY AND COMPANY OVERVIEW

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

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

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

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

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

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

SIGNIFICANT HIGHLIGHTS

The following highlights developments for the year ended September 30, 2019 and to the date of this MD&A:

In fiscal 2019, the Company has continued to focus on several strategies that have enabled growth, being:

- **LAND & EXPAND:** continued execution of its “land and expand” strategy. The Company:
 - The Company has continued to expand its relationship with Carvana, one of the fastest growing online used car retailers in the industry. We have continued to expand at a national level during 2019 and completed an enterprise wide update to our new GAME for Automotive solution. This release not only provides substantial operational and performance improvements over the prior release of GAME but provides TrackX with a very repeatable solution to address the vehicle inventory and processing needs of other potential automotive customers.
 - The Company completed the implementation of GAME for SCM (Supply Chain Management) in FY19 to an additional 8 locations for the world’s second largest processor and marketer of beef, pork and poultry. Discussions are currently underway with other business divisions expand the scope of GAME to include other assets, locations and business processes.
 - The Company completed the implementation of GAME for SCM for a leading household appliance manufacturer at 8 locations during 2019 which brings the total number of locations to 10. The initial deployment, one of the largest completed by the Company to date, manages all operational yard activity and more than 1,000 trailers on site at any one time. This implementation validates TrackX’s ability to accommodate very large and complex environments. The Company continues discussions with the customer regarding the of tracking additional assets through the use of GAME for EAM (Enterprise Asset Management).
 - For the second largest insurance company in the industry, TrackX has expanded its implementation of GAME for Enterprise Asset Management (EAM) to support additional business processes and workflows. Two additional locations were added in Q4 2019 and several additional locations are planned for 2020. As customers continue to offer feedback and drive enhancements to the GAME platform, these enhancements become a part of the core functionality, creating additional value for our customers, creating additional revenue for TrackX, and further differentiating GAME from asset management solutions in the marketplace.
 - The Company completed two implementations for a major US based baked goods manufacturer of TrackX’s GAME for SCM solution. Two additional locations are expected to be implemented in 2020. The GAME for SCM solution is being leveraged to automate all yard and trailer related activity within this customer’s distribution facilities.
 - The Company announced that Polaris Inc., a global leader in powersports, selected TrackX to deliver its Global Asset Management for Enterprises solution for recreational vehicle inventory management. TrackX will leverage GPS and active RFID tags on vehicles to provide

real-time visibility to high-value vehicles as they move not only throughout the customer's facilities, but also 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.

- An international hotel chain continued its deployment of TrackX's GAME solution for tracking hotel linens and towels creating visibility to inventory, reductions of loss and theft, and facilitating the accountability of third-party laundry service providers.
- **RESEARCH AND DEVELOPMENT:** TrackX has continued expansion of the GAME enterprise solution platform with additional features, workflows and analytics across all of the Company's solution offerings. Feedback from our core customers, is helping the Company define its product roadmap. In Q4 2019, TrackX further extended support for a broad range of tracking and sensors technologies including LoRa, BLE, Cellular and several other IIOT devices. Constantly adding support for new tracking technologies and sensors, better positions TrackX to deliver additional value and an increased ROI to customers. With the increased focus by large enterprises on improving Supply Chain Visibility, the Company will continue to make developments in the delivery of blockchain and distributed ledger solutions, specifically within the returnable and rental asset industries where there is additional pressure for customers to collaborate more effectively with their supply chain partners.

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

- **PARTNERSHIPS:** The Company has continued to focus on the expansion of relationships with its growing partner network resulting in additional sales opportunities. Collaboration with these is anticipated to drive additional revenue growth over subsequent quarters. Examples of these relationships are:
 - The Company has continued to work with Amazon Web Services and their Amazon Managed Blockchain (AMB) group. Amazon and TrackX have worked together to develop a solution driven by GAME which is tightly integrated with the Amazon Managed Blockchain platform and focused on the tracing and tracking of returnable transport items throughout the supply chain. Through collaborative marketing efforts this relationship is anticipated to drive additional pipeline opportunities in subsequent quarters and generate additional revenue for TrackX.
 - The Company and Impinj Inc., a leading provider and pioneer of RAIN RFID solutions, have continued joint marketing and collaboration initiatives and are participating in joint sales-related activities with a refined focus on larger opportunities within the enterprise asset management arena.

- The Company has continued to expand sales and marketing activities with Barcodes Inc., resulting in additional pipeline opportunities which the partners will jointly pursue over upcoming months.
- The Company has continued to develop its relationship with Omni-ID, a major IoT technology provider in response to new sales opportunities specifically requiring active-RFID and Long Range (LoRa) tags to track physical assets and inventory within a variety of industrial environments.
- **OPERATIONAL EFFICIENCY:** The Company has restructured employee roles and responsibilities and has made additional personnel cuts on an effort to drive additional operating efficiencies and reduce overall operating expenses.
- **CUSTOMER SUCCESS:** The Company continues its efforts to maintain a process of consistent communications and feedback with its customers. This communication has improved the Company's service quality and is an important catalyst in the definition and prioritization of new product features and capabilities.

FISCAL PERFORMANCE

The Company's total revenue increased \$619,989 to \$6,288,108 for the year ended September 30, 2019 ("YE 2019") as compared to \$5,668,119 for September 30, 2018 ("YE 2018"). Recurring revenue which includes Software as a Service ("**SaaS**") revenues and maintenance revenues, increased \$670,369 (33%) for a total of \$2,710,880 for the year ended September 30, 2019 as compared to \$2,040,511 for year ended September 30, 2018. Hardware revenue was \$1,073,775 for YE 2019 and other implementation revenue for YE 2019 was \$2,063,800 compared to hardware revenue \$1,059,988 and other implementation revenue of \$1,593,630 for YE 2018. Hardware made up 17% of total revenue for YE 2019 as compared to 19% for YE 2018, recurring revenue accounted for 43% of the YE 2019 total revenue compared to 36% YE 2018. Software license revenue for YE 2019 was \$212,210 and \$892,300 for YE 2018 (3% and 16%, respectively, of total revenue).

The cost of sales increased 14% to \$3,593,914 for YE 2019 from \$3,157,418 for YE 2018 compared to a 11% increase in revenue for the same period. The increase in the cost of sales of \$436,496 was due the shift in the revenue mix. Cost of sales for software license fees are much lower than the other sources of revenues.

The Gross Margin ("**GM**") for recurring revenue was 68% for YE 2019 and 79% for YE 2018. The GM for services revenue for YE 2019 and YE 2018, were 19% and (16%), respectively, and the GM for hardware revenue for YE 2019 and YE 2018 was 19% and 32%, respectively.

Expenses for YE 2019 were \$6,248,755 as compared to \$6,263,397 for YE 2018, an increase of \$306,399 (5%). The increase in operating expenses for the year ended September 30, 2019 can be attributed to:

1. In 2019, there was an increase in amortization expense of \$406,193 related to the intellectual property added due to the broTECH acquisition, which was completed in Q3 2017.
2. Engineering expenses (product enhancements and product development) incurred in the

deployment of TrackX Mobile and design and implementation of additional features with both GAME for EAM and GAME for RTI decrease \$685,075 largely due to the capitalization for development expenses of \$553,533. These products strengthen the Company's value proposition by supporting additional asset tagging technologies, providing additional integration into our customer's core business systems and expanding upon our ability to leverage mobile devices in lieu of more expensive ruggedized handheld devices.

3. The Company secured two separate promissory notes of \$1,300,000 each at an annual interest rate of 10% in the Q4 2018. Combined with the amortization of the debt discount, these notes largely drove the increase in interest and finance charges of \$321,041. There was a decrease in the Foreign exchange loss of \$349,810 due to the fluctuation in the exchange rate of the Canadian and U.S. Dollar.
4. Sales and Marketing expenses increased by \$661,140. This expense was primarily the result of the increased staffing for the sales department of a VP of Sales, two additional salesmen, and one marketing employee, for an increase of \$599,644 in salaries. Additionally, there was a decrease in sales and marketing consulting and an increase in additional travel expenses for conferences attended. The Company increased focus on target marketing campaigns leveraging our current success within an industry segment to target additional customers within those industries. This effort is expected to fuel additional growth in sales for 2020.
5. Share based compensation decreased by \$202,625 for YE 2019 as the portion of the RSU's accrued in YE 2018 were cancelled and written off in YE 2019.

SELECTED ANNUAL INFORMATION

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

	September 30 2019	June 30 2019	March 31 2019	December 31 2018
	\$	\$	\$	\$
Revenues	1,052,592	1,391,341	1,656,249	2,187,925
Cost of sales	474,348	842,550	967,028	1,309,988
Gross margin %	55%	39%	42%	40%
Expenses	1,087,347	1,831,634	2,005,019	1,698,017
Net loss	(511,714)	(1,276,599)	(1,315,027)	(815,755)
Loss per share	(0.01)	(0.02)	(0.02)	(0.01)
Total assets	2,542,503	2,823,254	3,666,139	4,601,163

	September 30 2018	June 30 2018	March 31 2018	December 31 2017
	\$	\$	\$	\$
Revenues	673,895	2,144,728	1,822,040	1,027,456
Cost of sales	1,035,222	923,308	598,243	600,645
Gross margin%	(54%)	57%	67%	42%
Expenses	1,781,590	1,468,368	1,429,919	1,635,741
Net loss	(2,142,033)	(251,321)	(122,835)	(935,995)
Loss per share	(0.03)	(0.00)	(0.00)	(0.01)
Total assets	5,469,729	4,590,605	4,814,780	4,496,669

Revenues during the quarter ended September 30, 2019 were \$1,052,592 with a total cost of sales of \$474,348 resulting in a gross margin of \$578,244. Expenses totaled \$1,087,347. The net loss was \$511,714

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 76,886,327 common shares outstanding. The following table summarizes the maximum number of common shares outstanding as at September 30, 2019 and as of the date of this MD&A as if all outstanding stock options and common share purchase warrants were converted to common shares:

	September 30, 2019	April 13, 2020 MD&A
Common shares	74,873,903	76,886,327
Warrants to purchase common shares	800,000	3,400,000
Options to purchase common shares	4,172,500	3,972,500
TOTAL	79,846,403	84,258,827

RESULTS OF OPERATIONS

Year ended September 30, 2019 compared with the year ended September 30, 2018

Revenues

Revenues were \$6,288,108 for YE 2019 (YE 2018 - \$5,668,119). The revenue increased 11% (\$619,989) for YE 2019 as compared to YE 2018. Recurring revenue was \$2,710,880 (YE 2019) compared to \$2,040,511 (YE 2018) an increase in recurring revenue of \$670,369. Software license revenue decreased from \$892,300 YE 2019 to \$212,210 YE 2018. As a percentage of total revenue, recurring revenue was 43% YE 2019 as compared to 36% YE 2018. Software license revenue was 3% and 16% for YE 2019 and YE 2018, respectively. The decline in traditional enterprise Software license revenue is expected to continue as the Company focuses on the growth of recurring SaaS revenue. Hardware revenue decreased from 19% for YE 2018 to 17% for YE 2019.

Recurring revenue increased to 43% of YE 2019 revenue from 36% of the YE 2018 revenue and software license revenue decreased from 16% YE 2018 to 3% YE 2019. Hardware revenue was 19% for YE 2018 as compared to 17% of the YE 2018 revenue. The growth in recurring revenues is expected to increase total revenues in future years with lower required costs to support such revenues. The Company expanded the TrackX solution to new locations for existing customers in 2019.

Customization and integration fees, setup, implementation and other fees were 36% in YE 2019 as compared to 28% of the YE 2018 revenue.

Cost of Sales

The YE 2019 cost of sales was \$3,593,914 (YE 2018 - \$3,157,418). This increase corresponds with the change in the mix of the Company's revenue.

Expenses

Expenses were \$6,248,755 for YE 2019, (YE 2018 – \$6,263,397). As referenced in the Fiscal Performance section of this MD&A, the increase can be largely attributed to the increase in amortization of the broTech acquisition, increase in the interest expense for the notes payable and the increase in sales and marketing expense with an offset in the decrease in engineering and product development expenses as a result of capitalizing development expenses and a decrease in transition adjustment.

Net Loss

Net loss for YE 2019 was \$3,919,095 (YE 2018 - \$3,452,185). The increase in the Company's net loss for YE 2019 to YE 2018 is due to the strategic reduction in perpetual software license revenue. Additionally, there was an increase in the sales and marketing expenses (see details in Fiscal Performance, Sales and Marketing expenses).

Three months ended September 30, 2019 compared with the three months ended September 30, 2018

Revenues

Revenues were \$1,052,592 during the Q4 2019 (Q4 2018 - \$673,895). The revenue increase of \$378,697 for the period from 2018 to 2019.

Recurring revenue and software license revenue increased \$189,846 to \$709,552 for Q4 2019 from \$519,706 for Q4 2018 (67% and 77% of total revenue, respectively). Hardware revenue set up, implementation and other fees increased \$103,894 to \$324,964 for Q4 2019 from \$221,070 for Q4 2018 (31% and 33% of total revenue, respectively). Recurring revenue increased 38% in Q4 2019 to \$710,053, a \$196,065 increase from \$513,988 for Q4 2018. This increase was largely due to the Company's focus on higher margin SaaS licensing as opposed to traditional perpetual software licensing.

Cost of Sales

During Q4 2019, the cost of sales was \$474,348 (Q4 2018 - \$1,035,222). The decrease corresponds with an increase in the Company's recurring revenue in Q4 2019 when compared to revenue in Q4 2018. The increase in Gross Margin in Q4 is a result of the revenue recognition change for IFRS 15 in Q4 2018. Additionally, operating costs were incurred related to customer specific projects in Q4 2018, but the associated revenue was recognized during fiscal 2019 as the implementations were completed. Customization and integration fees, setup, implementation and other fees were 16% of the Q4 2018 revenue as compared to 36% in Q4 2019.

Expenses

Operating expenses were \$1,087,347 in Q4 2019 (Q4 2018 - \$1,781,591) a decrease of \$694,244. The decrease included decreases of \$181,031 in salaries and benefits, \$403,058 in share base compensation which was offset with increases in interest expense of \$67,919 and amortization of \$340,621, decrease in translation adjustment of \$364,456 and the reduction of \$47,640 in Product enhancements and development expenses due to the capitalization of these expenses.

Net Loss

Net loss for Q4 2019 was (\$511,714) (Q4 2018 – (\$2,142,034)). The decrease in the Net loss of \$1,630,320 was result of increased revenues and reduced operating expense as referenced in Expenses above.

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 September 30 2019	For the Three Months Ended September 30 2018	For the Year Ended September 30 2019	For the Year Ended September 30 2018
	\$	\$	\$	\$
Net Loss	(511,714)	(2,142,033)	(3,919,095)	(3,452,184)
Amortization of intangible assets	634,439	293,818	1,559,294	1,153,101
Depreciation of equipment	12,298	10,030	49,940	37,425
Interest expense and finance charges	120,140	52,221	376,205	52,221
Share-based compensation	(235,774)	167,284	64,712	267,337
Gain on dispute settlement	(407)	2,040	(6,632)	(75,581)
Write-off of Accounts Payable	(2,585)	1,765	(2,585)	(275,380)
Adjusted EBITDA	16,397	(1,614,875)	(1,938,376)	(2,293,061)

OUTLOOK

TrackX has remained consistent in its efforts to execute on its core strategies. The Company's land and expand strategy generated additional deployments in Q4. In 2019, the Company further expanded its solution footprint both in terms of capabilities and number of installed locations for many customers including GE Appliances, Carvana, a large insurance customer, a large US baked snack food manufacturer, and the world's second largest processor and marketer of beef, pork and poultry.

TrackX will also continue to expand and leverage its partner network. Not only do partners provide implementation resources to support scale, they have access to a very large potential customer base. As the Company has continued its collaboration with partners, the Company has continued to generate additional leads and pipeline opportunities. As the Company converts these opportunities into customer implementations, the Company anticipates growth in higher margin recurring SaaS revenue as a percentage of total revenue. The Company is working on formalizing additional partnerships over the subsequent quarters and expects that these partnerships will also drive additional pipeline opportunities and incremental revenue growth for TrackX.

TrackX will refine its sales efforts on higher margin, larger revenue opportunities in returnable asset tracking, high value asset tracking (i.e. IT asset tracking) and supply chain management. The focus will continue to shift towards repeatable industry solutions that more effectively leverage GAME's capability for business process automation and support for a wide array of IIOT devices. These solutions will result in recurring SaaS becoming a larger component of total revenue and require a lesser degree of support than other solutions such as Yard Management. Combined with a reduction in operating expenses, TrackX anticipates that the result of these efforts will generate higher margin on future revenues.

TrackX has continued to invest in its core GAME platform and solution offerings. Through a collaborative effort with the current customer base, and in conjunction with a formal customer success program, customers have a conduit through which they are easily able to offer feedback on new features, functions, workflows and analytics that are important to their solution implementation. This feedback is being incorporated into the definition of the Company's product roadmap and future releases of the TrackX solutions. In Q4, 2019 TrackX:

- Developed additional enhancements to the GAME for Automotive solution now being leveraged by Carvana and made available to other prospects within the automotive industry.
- Extended development for additional IoT sensor and locationing technology.
- Automated additional business processes further extending the Company's supply chain execution capabilities within GAME

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 Strategy Officer (CSO), Chief Operating Officer (COO), and Chief Financial Officer (CFO). Key management personnel compensation includes:

	For the Three Months Ended September 30 2019	For the Three Months Ended September 30 2018	For the Year Ended September 30 2019	For the Year Ended September 30 2018
	\$	\$	\$	\$
Salaries and wages	180,710	236,072	775,616	808,312
Consulting	39,789	119,978	183,301	184,747
Automobile allowance	6,167	9,912	25,863	25,403
Share-based compensation	(161,148)	108,361	103,901	150,955
	65,518	474,323	1,088,681	1,169,417

Included in general and administrative expenses is \$Nil (2018- \$1,000) of rental fees paid to a company controlled by a common director.

Included in due to related party (short term) are \$41,597 payable to the COO, and CFO, for reimbursements and consulting fees.

Included in due to related party is \$206,095 owed to broTECH, which is majority owned by the COO of the Company. The total balance owed to broTECH was subsequently paid from the proceeds of the transaction with FourKites (noted in Subsequent events in the Financial Statement).

In Q2, 2019, 350,000 stock options were granted to a new Board member for a fair value of \$108,800 as calculated by the Black Sholes valuation method.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Issued but Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

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

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

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 solution deployment to support the growing sales and marketing opportunities. 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 September 30, 2019.

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

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

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

- a) Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. The ability to do this relies on the Company raising equity or debt 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. In FYE September 30, 2018, The Company issued two separate promissory notes of \$1,300,000 each for a total issuance of \$2,600,000. The notes bear an interest rate of 10% per annum and mature on August 28, 2022. In August 2019, the Company issued a promissory note for \$397,191 with a 6% per annum interest rate and the note matures on July 31, 2020. The Company's sensitivity to interest rates is minimal since the interest rates on the notes are fixed for the term of the notes.
- 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.

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

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 September 30, 2019, the Company had an accumulated deficit of \$19,500,726. 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, 2019, 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 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 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.

On March 24, 2020, the Company completed a strategic transaction with FourKites®, a Chicago based creator of the predictive supply chain visibility category in which FourKites has acquired TrackX Yard Management business and related intellectual property. TrackX will receive up to US \$2.8M (C\$4.405M) in consideration from the transaction. This is comprised of: US \$1,900,000 (C\$2.75M) with US \$1,600,000 (C\$2.3M) in cash paid on closing and US \$300,000 (\$1.3M) in cash in 12 months, subject to retaining a certain amount of recurring revenue associated with TrackX Yard Management business. The Company and FourKites have also entered into a transition services agreement under which TrackX will receive an additional US \$100,000 (C\$1.3M) per month for 9 months for engineering services to assist with the transition of the Yard Management business to FourKites. Additionally, the two companies have established a strategic collaboration agreement under which TrackX will receive 30% of the first year SaaS revenue generated by FourKites on the existing opportunities in the TrackX pipeline. TrackX will also receive 15% of the first year SaaS revenue on customer opportunities that TrackX introduces FourKites into, and which result in revenue to FourKites. TrackX anticipates that it will further engage with FourKites for the delivery of services in support of both new and existing customer installations at blended hourly rate for these services.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2019, the Company had a net working capital deficit of (\$3,837,367) and as of September 30, 2018 had net working capital of \$804,574. The Company had an accumulated deficit of (\$19,500,726) at September 30, 2019. The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The continuation of the Company is dependent upon the financial support of creditors and stockholders, refinancing debts payable, obtaining additional long-term debt or equity financing, as well as achieving and maintaining a profitable level of operations. As previously noted, in March 2020 the Company received an infusion of cash of \$2.3M and is expected to receive an additional \$1.3M over the next twelve months.

Net cash used in operating activities for YE 2019 was (\$1,893,106) primarily due to the increased operating loss incurred for the YE 2019 as compared to the YE 2018. The increase in cash used in operating activities was largely the result a reduction in deferred revenue and an increase in inventory.

Net cash flows used in investing activities for the YE 2019 were \$585,315 (YE 2018 - \$389,822). The increase is a result of \$553,533 invested in the capitalized software development, \$31,782 for the purchase of equipment, and offset with the reduction of \$313,575 of payments for the acquisition in YE 2018.

Net cash flows generated for financing activities for YE 2018 were \$294,261 (YE 2018 - \$2,629,227). The decrease was a result of the Company receiving \$2,600,000 from the issuance of a promissory note for YE 2018. 2019 activities were primarily payments Due to Related parties of (\$153,632) and proceeds from Promissory notes of \$397,893.

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 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 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 audited consolidated financial statements for the period ended September 30, 2019. Additional information about the Company can also be found under the Company's profile at www.sedar.com.

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