TrustBIX Inc.

Interim Condensed Consolidated
Financial Statements
(Unaudited)
March 31, 2023

TrustBIX Inc.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
As at March 31, 2023

	March 31, 2023 $	September 30, 2022 $
Assets		
Current assets		
Cash	21,579	126,881
Accounts receivable	135,641	70,385
Share subscriptions receivable (note 12(a))	57,895	-
Inventory	67,553	74,811
Deposits and prepaid expenses	13,913	86,067
	296,581	358,144
Property and equipment (note 5)	28,867	32,424
Intangible assets (note 6)	1,176,923	1,475,615
Right-of-use assets (note 7)	26,254	32,389
Investment (note 8)	178,101	180,244
	1,706,726	2,078,816
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	974,163	655,325
Unearned revenue	323,858	390,170
Promissory notes (note 9)	-	251,250
Convertible debenture (note 10)	73,116	-
Loan payable – current portion (note 11)	24,000	121,568
Lease liability – current portion (note 7)	4,978	8,039
	1,400,115	1,426,352
Loan payable (note 11)	553,640	613,045
Lease liability (note 7)	23,417	26,017
	1,977,172	2,065,414
Shareholders' Equity (Deficiency)		
Share capital issued (note 12(a))	13,572,063	12,764,699
Warrants (note 12(b))	370,630	370,630
Contributed surplus	3,382,235	3,156,389
Deficit	(17,595,374)	(16,278,316)
	(270,446)	13,402
	1,706,726	2,078,816

Nature of operations and going concern (note 1)

Approved by the Board of Directors

(Signed) "Hubert Lau" Director (Signed) "Lap Shing (Andrew) Kao" Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

TrustBIX Inc.

Interim Condensed Consolidated Statements of Changes in (Deficiency) Equity

(Unaudited)

For the six-month periods ended March 31, 2023 and 2022

	Share capital $	Share capital committed $	Warrants $	Contributed surplus $	Deficit $	Total $
Balance – October 1, 2022	12,764,699	-	370,630	3,156,389	(16,278,316)	13,402
Net loss for the period	-	-	-	-	(1,317,058)	(1,317,058)
Common shares issued in private placement, net of share issue costs (note 12(a))	807,364	-	-	-	-	807,364
Issuance of convertible debenture (note 10)	-	-	-	10,170	-	10,170
Partial repayment of convertible debenture (note 10)	-	-	-	(5,085)	-	(5,085)
Stock-based compensation (note 12(c))	-	-	-	220,761	-	220,761
Balance – March 31, 2023	13,572,063	-	370,630	3,382,235	(17,595,374)	(270,446)
Balance – October 1, 2021	9,457,445	-	468,408	1,923,782	(12,061,545)	(211,910)
Net loss for the period	-	-	-	-	(1,648,673)	(1,648,673)
Common shares issued for asset acquisition, net of share issue costs (Note 4)	1,771,125	-	-	-	-	1,771,125
Common shares and warrants issued in private placement, net of share issue costs (note 12(a))	852,636	722,000	81,323	-	-	1,655,959
Common shares issued on exercise of options (note 12(a))	20,000	-	-	-	-	20,000
Expiration of warrants (note 12(b))	-	-	(468,408)	468,408	-	-
Stock-based compensation (note 12(c))	-	-	-	175,852	-	175,852
Balance – March 31, 2022	12,101,206	722,000	81,323	2,568,042	(13,710,218)	1,762,353

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

TrustBIX Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the three and six month periods ended March 31, 2023 and 2022

	Three months ended		Six months ended	
	March 31, 2023 $	**March 31, 2022 $**	**March 31, 2023 $**	**March 31, 2022 $**
Revenue				
Licence	54,614	12,657	128,012	56,721
Hardware and installation	288,950	114,711	368,583	188,267
Professional and development services	94,718	77,203	159,641	167,173
Maintenance	240,277	207,155	441,147	421,826
	678,559	411,726	1,097,383	833,987
Expenses				
Wages and benefits	369,254	572,613	902,593	984,903
Professional fees	184,996	382,755	324,835	523,644
Consulting fees	341,327	191,105	529,223	416,392
Amortization and depreciation	153,122	38,861	309,494	53,076
Office	87,556	82,423	169,294	171,088
Research and development	(64,947)	46,277	(37,019)	113,342
Hardware for resale and supplies	189,149	68,456	239,794	109,662
Travel, trade shows and conferences	48,450	18,059	67,260	23,583
Advertising and promotion	5,136	7,657	40,485	14,383
Foreign exchange loss	3,386	8,616	6,376	5,849
	1,317,429	1,416,822	2,552,335	2,415,922
Loss before other (expenses) income and income taxes	(638,870)	(1,005,096)	(1,454,952)	(1,581,935)
Other (expenses) income				
Foreign exchange remeasurement on investment	(661)	(3,660)	(2,804)	(6,935)
Interest income	734	-	1,145	1,013
Interest expense	(5,309)	(1,443)	(11,218)	(3,403)
Accretion expense	(20,192)	(29,348)	(53,748)	(57,413)
Gain on refinancing of loan payable (note 11)	-	-	204,519	-
	(25,428)	(34,451)	137,894	(66,738)
Loss before income taxes	(664,298)	(1,039,547)	(1,317,058)	(1,648,673)
Income taxes	-	-	-	-
Net loss and comprehensive loss for the period	(664,298)	(1,039,547)	(1,317,058)	(1,648,673)
Basic and diluted loss per share (note 13)	(0.01)	(0.02)	(0.02)	(0.04)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

TrustBIX Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the three and six month periods ended March 31, 2023 and 2022

	Three months ended		Six months ended	
	March 31, 2023 $	**March 31, 2022 $**	**March 31, 2023 $**	**March 31, 2022 $**
Cash provided by (used in)				
Operating activities				
Net loss for the period	(664,298)	(1,039,547)	(1,317,058)	(1,648,673)
Adjustments to reconcile net loss to cash flows from operating activities:				
Gain on refinancing of loan payable (note 11)	-	-	(204,519)	-
Stock-based compensation (note 12(c))	65,338	174,601	220,761	175,852
Amortization and depreciation	153,122	38,861	309,494	53,076
Accretion expense	20,192	29,348	53,748	57,413
Interest expense	(3,191)	1,443	2,720	3,403
Unrealized foreign exchange (gain) loss on investment	-	3,660	2,141	6,935
Interest income on investment	-	-	-	(899)
Cash used in operating activities before changes in items of working capital	(428,837)	(791,634)	(932,713)	(1,352,893)
Net change in items of non-cash working capital (note 16)	(166,780)	252,362	265,432	76,440
	(595,617)	(539,272)	(667,281)	(1,276,453)
Investing activities				
Purchase of property and equipment	(1,110)	-	(1,110)	(1,900)
Financing activities				
Proceeds from issuance of convertible debenture (note 10)	-	-	150,000	-
Partial repayment of convertible debenture (note 10)	(75,000)	-	(75,000)	-
Proceeds from issuance of common shares and warrants in private placement (note 12(a))	754,787	264,580	754,787	960,580
Proceeds from common shares and warrants in private placement committed to be issued (note 12(a))	-	722,000	-	722,000
Proceeds from exercise of options (note 12(a))	-	20,000	-	20,000
Repayment of promissory note (note 9)	(250,000)	-	(250,000)	-
Repayment of loan payable (note 11)	(3,000)	-	(3,000)	-
Share issue costs (note 12(a))	(5,318)	(45,087)	(5,318)	(65,496)
Lease payments (note 7)	(2,361)	(13,275)	(8,380)	(26,551)
	419,108	948,218	563,089	1,610,533
(Decrease) increase in cash during the period	(177,619)	408,946	(105,302)	332,180
Cash – Beginning of period	199,198	373,401	126,881	450,167
Cash – End of period	21,579	782,347	21,579	782,347

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1 Nature of operations and going concern

TrustBIX Inc.'s (the "Company" or "TrustBIX") business operations consist of information solutions for the agri-food industry including:

- the sale, installation and support of software and computer systems for auction markets and livestock dealers;
- the sale, installation and support of software for livestock feedlots;
- the sale, installation and support of data capture and carcass grading systems for pork plants;
- internet based applications that provide animal tracking and management;
- the sale, installation and support for Business InfoXchange ("BIX"); and
- the sale of solutions to track, protect and identify the movement of high-value moveable equipment

The Company and its wholly owned subsidiaries, ViewTrak Technologies Inc. ("ViewTrak") and Insight Global Technology Inc. ("Insight") are incorporated and domiciled in Canada. The Company and its subsidiaries' principal office is located at 2nd Floor, 10607 – 82 Street, Edmonton, Alberta, T6A 3N2.

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"), which contemplates the realization of assets and satisfaction of liabilities in the normal course of business as they come due.

As at March 31, 2023, the Company had a net working capital deficit of $1,103,534 (September 30, 2022 - $1,068,208). For the three and six-month periods ended March 31, 2023, the Company incurred a net loss of $664,298 and $1,317,058, respectively (2022 – $1,039,547 and $1,648,673, respectively), and net cash used in operating activities of $595,617 and $667,281, respectively (2022 – $539,272 and $1,276,453, respectively). As at March 31, 2023, the Company had an accumulated deficit of $17,595,374 (September 30, 2022– $16,278,316). In addition, the Company also has lease commitments in the amount of $40,257 as disclosed in note 7.

Current operations have been financed primarily from the issue of promissory notes totaling $250,000 (note 9), convertible debentures (note 10) and non-brokered private placements (note 12(a)).

Management is actively pursuing new business opportunities related to the BIX and BIX Location Services (formerly Insight) platforms.

1 Nature of operations and going concern (continued)

Going concern (continued)

Additionally, the Company continues to apply for provincial and/or federal government grant and funding programs. The Company also has a contribution agreement with Western Economic Diversification Canada (“WD”) for a repayable financial contribution under the Regional Relief and Recovery Fund (note 11).

The outcome of such efforts is dependent on a number of factors outside of the Company’s control. The nature of the technology sector, availability of government grants and current financial equity market conditions, including macroeconomic conditions, make the success of any future financing ventures and the other management strategies uncertain. There can be no assurance that management’s efforts will be successful. This uncertainty casts significant doubt upon the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to going concern.

These interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (the “IASB”). Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed and accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended September 30, 2022.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 24, 2023.

Basis of measurement

These interim condensed consolidated financial statements have been prepared in Canadian dollars, which is the Company’s and its subsidiaries’ presentation and functional currency, and are prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value.

2 Basis of presentation (continued)

Use of management critical judgment, estimates and assumptions

The preparation of condensed interim consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses recorded during the reporting period. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The critical accounting estimates and judgments made by management in applying the Company's accounting policies were the same as those described in note 5 to the Company's consolidated financial statements for the years ended September 30, 2022 and 2021 with the addition of the below.

i) Compound financial instruments

The fair value of a convertible debenture issued is allocated to each respective component on a relative fair value basis. The fair value of a convertible debenture is allocated between the liability and equity components with the fair value of the liability component determined first, based on a discounted cash flow approach using the interest rate estimated to be equal to the rate of interest of a similar debt instrument without a conversion feature, and with the residual value being assigned to the equity component.

3 Significant Accounting Policies

The significant accounting policies applied by the Company in these condensed interim consolidated financial statements are consistent with those applied by the Company in its annual consolidated financial statements for the years ended September 30, 2022 and 2021 with the addition of the below:

Compound Financial Instruments

Compound financial instruments issued by the Company comprise a convertible debenture that can be converted to common shares of the Company at the option of the holder, when the number of common shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured.

3 Significant Accounting Policies (continued)

Compound Financial Instruments (continued)

Interest related to the financial liability is recognized in the condensed interim consolidated statements of loss and comprehensive loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

New accounting pronouncements not yet adopted

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

i) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2024. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

4 Acquisition of Insight

On March 7, 2022, pursuant to the terms of the definitive agreement, the Company acquired 100% of the issued and outstanding shares of Insight for up to 30,000,000 common shares of the Company priced at $0.18 per share (Consideration Shares). The Insight shareholders received 10,000,000 Consideration Shares (subject to certain resale restrictions) on closing, and an additional amount of up to 20,000,000 Consideration Shares (subject to applicable escrow and resale restrictions) may have been issued by the Company based on the satisfaction of certain financial metrics over the twelve months after the closing of the transaction, as follows:

i) a further 5,000,000 Consideration Shares on Insight attaining Net Revenue of $500,000 and Target Profit of $150,000;

ii) a further 7,500,000 Consideration Shares on Insight attaining cumulative Net Revenue of $750,000 and cumulative Target Profit of $225,000; and

iii) a further 7,500,000 Consideration Shares on Insight attaining cumulative Net Revenue of $1,000,000, cumulative Target Profit of $300,000, and achieving a minimum of 50% recurring revenue (continuing subscriptions and rollover renewals of the Insight Solution).

4 Acquisition of Insight (continued)

Net Revenue includes the sales of Insight products and related services, net of returns, discounts, shipping, taxes, duties and other such amounts. Target Profit is defined as Net Revenue, minus cost of goods sold, including installation and support, and direct operating expenses, including all sales and technical activities. Net Revenue and Target Profit are calculated in accordance with the Company's accounting standards and corporate policies.

As of March 31, 2023, no Consideration Shares were released pursuant to the escrow agreement. The additional 20,000,000 Consideration Shares that were not released can be cancelled without recourse.

The Company applied the optional concentration test permitted under *IFRS 3 Business combinations* to the acquisition which resulted in the acquired assets being accounted for as an asset acquisition. The amounts recognized on the date of acquisition of the identifiable assets were as follows:

	$
Assets acquired:	
Inventory	9,450
Software	1,790,550
Assets acquired	1,800,000
Share consideration (30,000,000 common shares)	1,800,000

Software acquired is amortized over the useful life of three years on a straight-line basis (note 6).

5 Property and equipment

	Computer hardware $	Computer software $	Office furniture and equipment $	Total $
Cost				
Balance, September 30, 2022	109,304	19,708	15,086	144,098
Addition	1,110	-	-	1,110
Balance, March 31, 2023	110,414	19,708	15,086	145,208
Accumulated amortization				
Balance, September 30, 2022	(81,686)	(19,009)	(10,979)	(111,674)
Amortization	(3,987)	(284)	(396)	(4,667)
Balance, March 31, 2023	(85,673)	(19,293)	(11,375)	(116,341)
Net book value				
Balance, September 30, 2022	27,618	699	4,107	32,424
Balance, March 31, 2023	24,741	415	3,711	28,867

6 Intangible assets

	BIX software $	Trademarks $	Insight software $	Total $
Cost				
Balance, September 30, 2022 and March 31, 2023	244,959	8,092	1,790,550	2,043,601
Accumulated amortization				
Balance, September 30, 2022	(244,692)	-	(323,294)	(567,986)
Amortization	(267)	-	(298,425)	(298,692)
Balance, March 31, 2023	(244,959)	-	(621,719)	(866,78)
Net book value				
Balance, September 30, 2022	267	8,092	1,467,256	1,475,615
Balance, March 31, 2023	-	8,092	1,168,831	1,176,923

Trademarks are indefinite-lived intangible assets and are not amortized. Insight software was acquired as part of the purchase of Insight (note 4).

7 Leases and right-of-use asset

Right-of-use asset

Below is a summary of the activity related to the Company's right-of-use ("ROU") asset for the period ended March 31, 2023.

	$
ROU asset as at September 30, 2022	32,389
Depreciation	(6,135)
ROU asset as at March 31, 2023	26,254

Lease liability

The following is a summary of the activity related to the Company's lease liabilities for the period ended March 31, 2023:

	$
ROU lease liabilities as at September 30, 2022	34,056
Lease payments	(8,380)
Accretion of lease liabilities	2,719
ROU lease liabilities as at March 31, 2023	28,395
Of which are	
Current lease liabilities	4,978
Non-current lease liabilities	23,417
	28,395

The Company's estimated cash outflows related to the lease obligation for the 12 months ending are as follows:

	$
March 31, 2024	9,692
March 31, 2025	9,940
March 31, 2026	10,188
March 31, 2027	10,437
	40,257

8 Investment

On November 7, 2019, TrustBIX invested US$250,000 in a Calgary, Alberta-based company, Provision Analytics Inc. ("Provision Analytics"), through a convertible debenture offering maturing in 24 months. It accrued simple interest on an annual basis at the rate of 2.5% per annum.

The investment plus accrued interest was converted into non-marketable preferred shares on November 23, 2021 at the transaction price of US$262,997 (or Canadian $333,427). No significant changes were recorded to initial fair value measurement as at March 31, 2023 (note 14). As at March 31, 2023, the Company holds non-marketable equity securities in Provision Analytics carried at $178,101, after selling half of the investment during the year ended September 30, 2022.

The Company does not have control or significant influence over Provision Analytics and has no participation in its policy-making processes. Each preferred share is convertible, at the option of the holder, into common shares of Provision Analytics.

9 Promissory notes

On August 15, 2022 the Company issued a promissory note totaling $50,000 repayable in 60 days at an interest rate of 1% per month on the unpaid principal.

On September 15, 2022 the Company issued a promissory note totaling $200,000 repayable in 60 days at an interest rate of 0.5% per month on the unpaid principal.

During the three months ended March 31, 2023, the Company repaid the principal balance of the promissory notes of $250,000 and accrued interest, to the date of repayment, of $9,750.

10 Convertible debenture

	$
Proceeds from issuance of convertible debenture	**150,000**
Amount classified as equity for conversion feature	**(10,170)**
Convertible debenture at initial recognition	**139,830**
Partial repayment of convertible debenture	**(75,000)**
Amount classified as equity for conversion feature	**5,085**
	(69,915)
Interest accretion	**3,201**
	73,116

10 Convertible debenture (continued)

On January 27, 2023, the Company issued a convertible debenture with a principal balance of $150,000 at an interest rate of 10% per annum, with the interest to be paid only in cash, for a term of one (1) year. The convertible debenture is convertible into units of the Company, composed of one (1) common share and one half (1/2) warrant exercisable at a price of $0.05 per common share for a term of one (1) year, at a price of $0.05 per unit.

The liability component of the convertible debenture was initially recognized at the fair value of a similar liability that did not have an equity conversion option and using a discount rate of 18%. The equity component of the convertible debenture was recognized at the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component.

11 Loan payable

On July 27, 2020, the Company entered into a contribution agreement with WD for a repayable financial contribution under the Regional Relief and Recovery Fund. Under the contribution agreement, WD supported the Company with an investment of $1,000,000 for general working capital requirements (the “Contribution”). Repayment of the Contribution was to commence on January 31, 2023 and continue in equal monthly instalments until the Contribution was fully repaid by December 31, 2025. The Contribution is unsecured and non-interest bearing, unless repayment is not made as scheduled. Interest is calculated at an average bank rate plus 3%, compounded monthly, on repayments not made as scheduled. The interest calculation ends when repayments are back on schedule.

The loan payable was initially recognized at a fair value of $506,300. The initial carrying value of the loan payable was calculated using the effective interest rate method, discounting estimated cash flows using the Company’s effective interest rate of 18%.

On December 29, 2022, the repayment terms were revised, changing the amount of the monthly installment payments and extending the final installment payment to December 31, 2027. The original Contribution was derecognized from the interim condensed consolidated statements of financial position and a new loan payable was recognized at a fair value of $563,649, resulting in a gain on refinancing of loan payable of $204,519 in other income in the interim condensed consolidated statements of loss and comprehensive loss.

The short-term and long-term components of loan payable at March 31, 2023 are as follows:

	$
Current loan payable	24,000
Non-current loan payable	553,640
	577,640

During the three and six months ended March 31, 2022, the Company incurred $16,991 and $50,547, respectively, (2022 - $29,348 and $57,414) of interest accretion expense on the loan payable.

11 Loan payable (continued)

The Company's anticipated cash outflows related to the loan payable for the 12 months ending are as follows:

	$
March 31, 2024	24,000
March 31, 2025	122,334
March 31, 2026	309,336
March 31, 2027	309,336
March 31, 2028	231,994
	997,000

12 Share capital

Authorized
Unlimited common shares, with no par value
Unlimited preferred shares, voting, convertible, designated as Series 1 and Series 2

a) Common shares issued

	Number	$
Balance as at September 30, 2021	38,385,913	9,457,445
Issued pursuant to private placement (i)	4,406,250	684,591
Issued pursuant to exercise of options (note 12(c))	133,334	20,000
Issued pursuant to acquisition of Insight (ii)	30,000,000	1,771,125
Issued pursuant to private placement (iii)	1,475,445	168,045
Balance as at March 31, 2022	74,400,942	12,101,206
Balance as at September 30, 2022	79,649,831	12,764,699
Issued pursuant to private placement (iv)	23,219,499	807,364
Balance as at March 31, 2023	102,869,330	13,572,063

i) On December 31, 2021, the Company completed a non-brokered private placement, which consisted of the issuance of 4,406,250 common shares at a subscription price of $0.16 per common share for gross proceeds of $705,000. Share issue costs of $20,409 were netted against share capital issued.

ii) In connection with the acquisition of Insight, the Company issued 30,000,000 common shares, of which 20,000,000 common shares will be cancelled as the required milestones were not achieved (note 4). Share issue costs of $28,875 have been netted against share capital issued.

12 Share capital (continued)

a) Common shares issued (continued)

iii) On February 2, 2022, the Company announced a non-brokered private placement financing for up to 11,111,111 units ("Units") at a price of $0.18 per Unit for gross proceeds of up to $2,000,000. Each Unit consisted of one common share and one common share purchase warrant, which entitles the holder to purchase one common share at a price of $0.30 for a period of eighteen months from the date of closing, subject to certain acceleration provisions. On March 14, 2022, the Company partially closed on the non-brokered private placement and issued 1,475,445 Units at a subscription price of $0.18 per Unit for gross proceeds of $265,580. These gross proceeds were allocated between share capital and warrants in the amounts of $178,903 and $86,677 (note 12(b)), respectively. Share issue costs of $16,212 have been allocated between share capital and warrants in the amounts of $10,858 and $5,354, respectively.

iv) During the three months ended March 31, 2023, the Company completed a non-brokered private placement, in four tranches, which consisted of the issuance of 23,219,499 common shares at a subscription price of $0.035 per common share for gross proceeds of $812,682 of which $57,895 remained receivable at March 31, 2023. Share issue costs of $5,318 have been netted against share capital issued.

b) Warrants

	Number	$
Balance as at September 30, 2021	10,749,645	468,408
Issued (note 12(a)(iii))	1,475,445	81,323
Expired	(10,749,645)	(468,408)
Balance as at March 31, 2022	1,475,445	81,323
Balance as at September 30, 2022 and March 31, 2023	6,324,334	370,630

12 Share capital (continued)

b) Warrants (continued)

The expiration dates of warrants outstanding as at March 31, 2023 were as follows:

Expiration date	Warrants outstanding number	Exercise price $
September 13, 2023	1,475,445	0.30
October 4, 2023	4,848,889	0.30
	6,324,334	0.30

On March 14, 2022, the Company issued warrants in connection with a private placement (note 12(a)(iii)). The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: stock price of $0.18, exercise price of $0.30, volatility of 99.1%, an expected life of eighteen (18) months, a dividend yield of nil% and a risk-free interest rate of 1.6%.

c) Stock options and compensation expense

The Company has adopted a twenty percent (20%) fixed stock option plan (the “Stock Option Plan”) for directors, officers, employees, management company employees and consultants. In accordance with the Stock Option Plan, the Company can reserve up to a total of 15,849,996 common shares for issuance. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the TSX Venture Exchange. At the Annual General and Special Meeting of Shareholders on April 14, 2023, the number of common shares reserved for issuance was increased to 18,886,094.

12 Share capital (continued)

c) Stock options and compensation expense (continued)

A summary of the stock options outstanding as at March 31, 2023 and 2022 and changes during the periods ended on those dates is as follows:

	March 31, 2023		**March 31, 2022**	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of period	12,731,848	0.21	2,972,404	0.40
Granted	2,900,000	0.05	3,815,000	0.27
Exercised	-	-	(133,334)	0.15
Forfeited	(425,000)	0.12	(147,222)	0.46
Cancelled	(400,000)	0.11	-	-
Expired	(700,000)	0.20	-	-
Outstanding – End of period	14,106,848	0.19	6,506,848	0.33
Options exercisable – End of period	10,289,348	0.20	3,638,453	0.37

On November 11, 2022, the Company issued 2,900,000 options to directors, officers, employees and non-employees, exercisable at $0.05 and vested 100% immediately, and expiring on April 30, 2023. On April 30, 2023, all of the 2,900,000 options expired unexercised.

The fair value of the options granted to non-employees was measured at the value of services the Company received.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted to directors, officers, employees. The Company considered historical volatility of its common shares as well as industry benchmarking in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term, taking into account expected director, employee and non-employee exercise and expected post-vesting employment termination behaviour. The following assumptions were used to estimate the Black-Scholes fair value of the options granted during the six months ended March 31, 2023:

12 Share capital (continued)

c) Stock options and compensation expense (continued)

Annualized volatility	112.7%
Risk-free interest rate	4.3%
Expected life of options in years	0.5
Dividend rate	nil%
Exercise price	$0.05
Market price on date of grant	$0.065
Fair value	$0.027

Stock-based compensation expense for the three and six months ended March 31, 2023 was $65,338 and $220,761, respectively, (2022 – $174,601 and $175,852, respectively), with a corresponding increase in contributed surplus included in shareholders' equity (deficiency).

The following table summarizes information on stock options outstanding as at March 31, 2023:

Exercise price $	**Number outstanding**	**Weighted average remaining contractual life in years**	**Options exercisable**
0.05	2,900,000	0.08	2,900,000
0.10	5,875,000	4.14	2,937,500
0.15	801,663	1.07	801,663
0.30	2,640,000	3.84	1,760,000
0.50	1,590,000	1.07	1,590,000
0.60	300,185	2.50	300,185
	14,106,848	2.69	10,289,348

13 Loss per share

	Three months ended		Six months ended	
	March 31, 2023 $	**March 31, 2022 $**	**March 31, 2023 $**	**March 31, 2022 $**
Net loss	(644,298)	(1,039,547)	(1,317,058)	(1,648,673)
	#	**#**	**#**	**#**
Weighted average number of common shares outstanding – basic and diluted	67,351,358	45,799,747	63,458,279	44,279,430
	$	**$**	**$**	**$**
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.04)

For the three and six months ended March 31, 2023 and 2022, potential shares issuable in exchange for warrants, stock options and the convertible debenture have been excluded in the diluted loss per share calculation as their effects would have been anti-dilutive. Consideration Shares (note 4) that have not been released from escrow have also been excluded.

14 Financial instruments

For accounting recognition and measurement purposes, cash, accounts receivable, share subscription receivable, accounts payable and accrued liabilities, promissory notes, loan payable and convertible debenture are classified as amortized cost. The carrying value of cash, accounts receivable, share subscription receivable, accounts payable and accrued liabilities, promissory notes and convertible debenture approximates their fair value due to the immediate or short-term maturity of these financial instruments. The loan payable was measured using the estimated incremental borrowing rate and approximates fair value.

Financial instruments recognized on the interim condensed consolidated statements of financial position dates at fair value are classified in a hierarchy based on the significance of the estimates used in their measurement, as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

14 Financial instruments (continued)

The non-marketable equity securities in Provision Analytics (note 8) are an investment in a privately held company without readily determinable market values and is classified as Level 3.

During the six months ended March 31, 2023 and 2022, there have been no transfers between levels of the fair value hierarchy.

Financial risk management

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

a) Market risk

i) Currency risk

Some of the Company's transactions, assets and liabilities are denominated in US dollars and Chinese RMB and thus the Company is exposed to risk arising from changes in exchange rates.

The following table presents the Company's exposure in Canadian dollars to the US dollar and Chinese RMB as at March 31, 2023 and September 30, 2022:

	March 31, 2023 $	**September 30, 2022 $**
Cash – USD	18,689	9,048
Accounts receivable – USD	105,124	28,266
Accounts payable and accrued liabilities – USD	(66,757)	(35,909)
	57,056	1,405
Cash - RMB	4,865	-
Accounts receivable – RMB	-	19,715
	4,865	19,715

14 Financial instruments (continued)

Financial risk management (continued)

***a) Market risk** (continued)*

i) Currency risk (continued)

	March 31, 2023 $	September 30, 2022 $
CAD to USD	0.7389	0. 7296
CAD to RMB	0.1970	0. 1923

Based on the Company's foreign currency exposure noted above, varying the foreign exchange rates to reflect a 10% strengthening of the US dollar and Chinese RMB would have decreased net loss by approximately $6,000 and $nil, respectively, as at March 31, 2023 (September 30, 2022 – $nil and $2,000), assuming all other variables remained constant.

An assumed 10% weakening of the US dollar and China RMB would have had an equal but opposite effect to the amounts shown above, assuming all other variables remained constant.

ii) Market price risk

The Company is exposed to market price risk on its equity investment in Provision Analytics Inc. (note 8). Market price risk is the risk of loss arising from changes in the fair value of a financial instrument as a result of changes in market prices.

The sensitivity of the fair value of the investment to changes in market prices is monitored by the Company and it estimates that a 20% increase or decrease in the market price would result in an approximately $36,000 increase or decrease, respectively, in the fair value of the investment.

iii) Interest rate risk

The Company does not have any variable rate financial liabilities and is therefore management does not believe it is exposed to significant interest rate risk as at March 31, 2023 and September 30, 2022.

14 Financial instruments (continued)

Financial risk management (continued)

b) Credit risk

The Company, in the normal course of business, is exposed to credit risk from its customers. The allowance for doubtful accounts and past due receivables is reviewed by management at each consolidated statement of financial position reporting date. Accounts are considered past due when customers have failed to make the contractually required payment when due, which is generally within 60 days of the billing date.

The Company applied the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime ECL provision for trade receivables and contract assets without a significant financing component.

The following table presents a summary of the activity related to the allowance for doubtful accounts:

	March 31, 2023 $	September 30, 2022 $
Balance – Beginning of period	4,537	4,537
ECL provision	-	124
Accounts written off, net of recoveries	(321)	(124)
Balance – End of period	4,216	4,537

Management believes the risks associated with concentrations of credit risk with respect to accounts receivable are limited due to the nature of the customers and the generally short-term payment cycle. The Company has a portion of its unsecured accounts receivable balance due from customers in China and its ability to mitigate such risks may be limited.

The aging of the Company's trade accounts receivable is as follows:

	March 31, 2023		September 30, 2022	
	$	%	$	%
Current	63,383	47	48,523	88
31 – 60 days	41,706	31	3,485	6
61 – 90 days	29,734	22	531	1
Greater than 90 days	101	-	2,598	5
	134,924	100	55,137	100

14 Financial instruments (continued)

Financial risk management (continued)

c) Liquidity risk

As at March 31, 2023, the Company's liabilities have the following amounts that mature within one year:

	March 31, 2023 $	September 30, 2022 $
Accounts payable and accrued liabilities	974,163	655,325
Promissory notes	-	251,250
Loans payable	24,000	121,568
Convertible debenture	73,116	-
Lease liability	4,978	8,039

As at March 31, 2023, the Company's long-term liabilities include a loan payable for $553,640 (September 20, 2022 - $613,045) (note 11) and a lease liability for $23,417 (September 30, 2022 - $26,017) (note 7).

Liquidity risk is the risk the Company will encounter difficultly in meeting financial obligations as they come due. See note 1 for additional disclosure on the Company's financial condition. The Company manages its liquidity risk through the management of its capital structure and financial leverage. It also monitors its cash position to its actual cash position and timing of payments to suppliers, ensuring that sufficient funds are available when payments come due. The Board of Directors reviews and approves any material transactions out of the ordinary course of business.

15 Related party transactions and balances

During the three and six-month periods ended March 31, 2023 and 2022, the Company incurred the following amounts in the normal course of business and they have been valued at amounts that are considered established and agreed to by the related parties:

	Three months ended		Six months ended	
	March 31, 2023 $	**March 31, 2022 $**	**March 31, 2023 $**	**March 31, 2022 $**
Sublease rental income from a company controlled by a director	-	2,868	984	5,736
Exercise of options by a director and member of key management (notes 12(a) and 12(c))	-	20,000	-	20,000
Office and administrative services to companies presently and formerly controlled by a close family member of a director and member of key management	1,238	6,222	2,666	12,567
Project management services to a company controlled by a former member of key management	-	94,500	52,500	198,450

The compensation to key management, and their close family members, during the three and six-month periods ended March 31, 2023 and 2022 are as follows:

	Three months ended		Six months ended	
	March 31, 2023 $	**March 31, 2022 $**	**March 31, 2023 $**	**March 31, 2022 $**
Salaries and other short-term employee benefits	129,342	164,181	238,548	283,851
Stock-based compensation	52,971	84,371	134,355	84,371
Consulting fees	50,000	26,303	108,768	52,606
	232,313	274,855	481,671	420,828

During the six months ended March 31, 2023, the Company granted 1,320,000 stock options with a fair value of $35,266 to directors and members of key management, exercisable at $0.05 per option (note 12(c)).

15 Related party transactions and balances (continued)

Accounts payable

Accounts payable and accrued liabilities as at March 31, 2023 and September 30, 2022 include the following amounts due to:

	March 31, 2023 $	September 30 2022 $
Salaries and consulting fees due to members of key management	75,023	-
Company controlled by a former member of key management for project management services	-	78,750
Company controlled by a former member of key management for consulting fees	5,701	17,535
Companies presently and formerly controlled by a close family member of a director and member of key management for other services	2,937	2,516
	83,661	98,801

16 Supplementary cash flow information

Changes in items of non-cash working capital during the periods ended March 31, 2023 and 2022 are as follows:

	Three months ended		Six months ended	
	March 31, 2023 $	March 31, 2022 $	March 31, 2023 $	March 31, 2022 $
Accounts receivable	(100,430)	(122)	(65,256)	69,681
Inventory	112,591	1,390	7,258	(5,703)
Deposits and prepaid expenses	24,859	95,893	72,154	(207,119)
Accounts payable and accrued liabilities	34,781	74,013	317,588	211,521
Unearned revenue	(238,581)	81,188	(66,312)	8,060
	(166,780)	252,362	265,432	76,440

17 Government assistance

Government assistance consists of grants from PIC and IRAP. These grants are accounted for as a reduction of related expenditures and are recorded when there is reasonable assurance that the Company has complied with the terms and conditions of the approved grant program.

PIC

On March 31, 2021 the Company signed an agreement with PIC, Farmers Edge Inc., and OPIsystems Inc. to create a platform for Canada's plant-based food, feed and ingredient sector. The project is partially funded through PIC, up to a maximum of $334,057.

For the three and six months ended March 31, 2023, the Company recognized funding of $49,157 and $51,664, respectively, (2022 – $44,431 and $83,399, respectively) in research and development expenses.

IRAP

On April 1, 2021, the Company received approval of funding up to $300,000 from the IRAP, to develop traceability of products and sustainability metrics for poultry produced using Arden Biotechnology Ltd.'s natural feed supplement, Sustavian.

For the three and six months ended March 31, 2023, the Company recognized funding of $34,529 and $88,895, respectively, (2022 – $33,261 and $60,031, respectively) in research and development expenses.

Wage subsidy

For the three and six months ended March 31, 2023, the Company received $nil (2022 – $nil and $8,214, respectively) from the Canada Emergency Wage Subsidy, which is netted against wages and benefits on the interim condensed consolidated statements of loss and comprehensive loss.

18 Segment disclosures

Management has organized the Company under two reportable segments: ViewTrak, the development and sale of information solutions for the livestock industry and related services, and BIX, which leverages blockchain-derived technology and unique incentive solutions to deliver independent validation of food provenance and sustainable production practices within the agri-food supply chain.

	Three months ended March 31, 2023		
	ViewTrak $	**BIX** $	**Consolidated** $
Revenue from external customers	624,987	53,572	678,559
Expenses	(989,453)	(174,854)	(1,164,307)
Amortization and depreciation	(3,910)	(149,212)	(153,122)
Other income (expenses)	(25,428)	-	(25,428)
Net loss	(393,804)	(270,494)	(664,298)

For the three months ended March 31, 2023, BIX includes $149,213 (2022 - $24,869) of amortization and depreciation related to Insight software (note 6).

	Three months ended March 31, 2022		
	ViewTrak $	**BIX** $	**Consolidated** $
Revenue from external customers	343,216	68,510	411,726
Expenses	(1,075,410)	(302,551)	(1,377,961)
Amortization and depreciation	(13,463)	(25,398)	(38,861)
Other income (expenses)	(34,451)	-	(34,451)
Net loss	(780,108)	(259,439)	(1,039,547)

18 Segment disclosures (continued)

	Six months ended March 31, 2023		
	ViewTrak $	**BIX** $	**Consolidated** $
Revenue from external customers	977,461	119,922	1,097,383
Expenses	(1,789,396)	(453,445)	(2,242,841)
Amortization and depreciation	(10,802)	(298,692)	(309,494)
Other income (expenses)	137,894	-	137,894
Net loss	(684,843)	(632,215)	(1,317,058)

For the six months ended March 31, 2023, BIX includes $298,425 (2022 - $24,869) of amortization and depreciation related to Insight software (note 6).

	Six months ended March 31, 2022		
	ViewTrak $	**BIX** $	**Consolidated** $
Revenue from external customers	691,115	142,872	833,987
Expenses	(1,713,932)	(648,914)	(2,362,846)
Amortization and depreciation	(27,149)	(25,927)	(53,076)
Other income (expenses)	(66,738)	-	(66,738)
Net loss	(1,116,704)	(531,969)	(1,648,673)

Geographical segmentation

The Company's segments are managed on a worldwide basis. Substantially all of the Company's assets are located in Canada.

The following is a summary of revenue by geographic location in which the Company's customers are located for the three months ended:

	Three months ended		Six months ended	
	March 31, 2023 $	**March 31, 2022** $	**March 31, 2023** $	**March 31, 2022** $
Canada	278,185	218,936	567,265	440,863
United States	308,319	154,879	436,008	344,686
Other	92,055	37,911	94,110	48,438
	678,559	411,726	1,097,383	833,987