TrackX Holdings Inc.

Interim Consolidated Financial Statements

For the Three Months Ended December 31, 2018 and 2017

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

Connecting Assets in a Connected World

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim condensed consolidated financial statements, they must be accompanied by a notice indicating that these condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TrackX Holdings Inc.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited and Expressed in Canadian Dollars)

	Note		December 31 2018		September 30 2018*
ASSETS					
Current					
Cash		$	899,539	$	2,210,553
Accounts receivable	8		1,253,865		884,963
Prepaid expenses and other assets	15		249,347		169,792
			2,402,751		3,265,308
Deposits			45,139		26,620
Fixed assets	9		86,577		76,931
Intangible assets	10		2,066,696		2,100,870
TOTAL ASSETS		$	4,601,163	$	5,469,729
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	1,670,336	$	1,520,131
Deferred revenue	11		838,911		697,965
Due to related party (short term)	20		310,964		242,638
Promissory notes (short term)	12		130,000		-
			2,950,211		2,460,734
Promissory notes (long term)	12		2,246,884		2,379,104
Due to related party (long term)	20		56,802		107,470
TOTAL LIABILITIES			5,253,897		4,947,308
SHAREHOLDERS' EQUITY					
Share capital	14		12,999,279		12,999,279
Reserves			3,002,247		2,851,058
Cumulative translation adjustment			(256,874)		(374,362)
Deficit			(16,397,386)		(14,953,554)
TOTAL SHAREHOLDERS' EQUITY			(652,734)		522,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	4,601,163	$	5,469,729

*The Company has initially applied IFRS 15 and IFRS 9 at October 1, 2018. Under the transition method chosen, comparative information is not restated (Note 4)

Approved by the Board of Directors:

"Tim Harvie"
Director

"Rick Kasch"
Director

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

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

	Note		Three Months Ended December 31 2018		Three Months Ended December 31 2017*
Revenues	15	$	2,187,925	$	1,027,456
Cost of Sales	16		1,309,988		600,645
Gross Margin			877,937		426,811
Expenses	16				
Amortization of intangible assets	10		296,949		285,345
Depreciation of equipment	9		11,274		8,277
Finance charges	12		61,178		-
Foreign exchange loss			3,842		5,644
General and administrative			955,828		743,649
Product enhancements and development			-		356,301
Sales and marketing			217,757		178,236
Share-based compensation	14		151,189		58,289
			1,698,017		1,635,741
Interest income			4,325		354
Write-off of accounts payable			-		272,581
Loss for the period			(815,755)		(935,995)
Foreign exchange translation adjustment			117,488		31,147
Comprehensive loss for the period		$	(698,267)	$	(904,848)
Basic and fully diluted loss per common share		$	(0.01)	$	(0.01)
Weighted average common shares outstanding			73,677,101		73,199,841

*The Company has initially applied IFRS 15 and IFRS 9 at October 1, 2018. Under the transition method chosen, comparative information is not restated (Note 4)

TrackX Holdings Inc.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited and Expressed in Canadian Dollars)

Cash Provided By (Used In):		Three Months Ended December 31 2018		Three Months Ended December 31 2017*
Operating activities:				
Loss for the period	$	(815,755)	$	(935,995)
Items not affecting cash:				
Amortization of intangible assets		296,949		285,345
Depreciation of equipment		11,274		8,277
Share-based compensation		151,189		58,289
Write-off of accounts payable		-		(272,581)
Change in non-cash working capital:				
Accounts receivable		(298,592)		160,411
Prepaid expenses and other assets		104,134		45,576
Accounts payable and accrued liabilities		18,878		231,772
Due to related parties		(13,481)		(551)
Deposit		(15,629)		(3,890)
Deferred revenue		(721,479)		(9,407)
		(1,282,512)		(432,754)
Investing activities:				
Acquisition of equipment		(16,297)		(62,694)
Acquisition of broTECH		-		(98,738)
Development expenses		(147,768)		-
		(164,065)		(161,432)
Net change in cash		(1,446,577)		(594,186)
Foreign exchange impact on cash		135,563		1,190
Cash - beginning of period		2,210,553		1,354,415
Cash - end of period	$	899,539	$	761,419
Supplemental non-cash financing information:				
Cumulative translation adjustment	$	(117,488)	$	(31,147)

*The Company has initially applied IFRS 15 and IFRS 9 at October 1, 2018. Under the transition method chosen, comparative information is not restated (Note 4)

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

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

	Number of shares	Share capital $	Reserve $	Contingently issuable shares $	Cumulative translation adjustment $	Deficit $	Total $
Balance, September 30, 2017	73,199,841	12,688,455	2,498,499	127,920	(597,913)	(11,501,370)	3,215,591
Share-based compensation	-	-	58,289	-	-	-	58,289
Comprehensive loss	-	-	-	-	31,147	(935,995)	(904,848)
Balance, December 31, 2017	73,199,841	12,688,455	2,556,788	127,920	(566,766)	(12,437,365)	2,369,032
Agent's warrants exercised	317,260	133,515	(54,200)	-	-	-	79,315
Stock options exercised	160,000	104,246	(64,246)	-	-	-	40,000
Warrants issued	-	-	148,811	-	-	-	148,811
Warrants expired	-	73,063	(73,063)	-	-	-	-
Share-based compensation	-	-	336,968	-	-	-	336,968
Contingently issuable shares	-	-	-	(127,920)	-	-	(127,920)
Comprehensive loss	-	-	-	-	192,404	(2,516,189)	(2,323,785)
Balance, September 30, 2018*	73,677,101	12,999,279	2,851,058	-	(374,362)	(14,953,554)	522,421
Adjustment to deficit – change in accounting policy	-	-	-	-	-	(628,077)	(628,077)
Share-based compensation	-	-	151,189	-	-	-	151,189
Comprehensive loss	-	-	-	-	117,488	(815,755)	(698,267)
Balance, December 31, 2018	73,677,101	12,999,279	3,002,247	-	(256,874)	(16,397,386)	(652,734)

*The Company has initially applied IFRS 15 and IFRS 9 at October 1, 2018. Under the transition method chosen, comparative information is not restated (Note 4)

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

1. Nature of Operations and Going Concern

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

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At December 31, 2018, the Company had not achieved profitable operations, had an accumulated deficit of $16,397,386 since inception and expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These unaudited interim condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

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

Reverse Takeover

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

On closing of the RTO, TrackX, Inc. became a wholly-owned subsidiary of the Company. As TrackX, Inc. is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations are included in the consolidated financial statements at their historical carrying value. TrackX Inc.'s operations were considered to be a continuance of the business and operations of TrackX, LLC. The Company's results of operations are those of TrackX Inc., with TrackX Holdings operations being included from May 26, 2016 onwards, the closing date. Please refer to RTO (Note 6) for more details.

2. Basis of Presentation

a) Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard ("**IAS**") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("**IASB**"). Accordingly, certain information normally included in annual financial statements prepared in accordance with International Financial Reporting Standard ("**IFRS**"), as issued by the IASB, has been omitted or condensed. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statement for the year ended September 30, 2018. However, selected explanator notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

This is the first fiscal year where IFRS 15 and IFRS 9 have been applied. Changes to use of critical judgment and estimates are described in Note 3 and significant accounting policies are described in Note 4.

b) Approval of the Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on February 28, 2019.

c) Functional and Presentation Currency

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

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

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

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

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

2. Basis of Presentation (cont'd…)

d) Basis of Consolidation

The interim unaudited condensed consolidated financial statements include, on a consolidated basis, assets, liabilities, revenues and expenses of the Company and TrackX, which carries out business in the United States of America. The financial statements of the subsidiary are included in the interim unaudited consolidated financial statements from the date that control commenced. All intercompany transactions and balances are eliminated on consolidation.

3. Use of Critical Judgment and Estimates

The critical accounting judgment and estimates used in the preparation of these unaudited condensed interim consolidated financial statements were the same as those described in the last annual financial statements, expect for new significant judgment and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described below. The critical accounting judgment and estimates used in the preparation of these unaudited condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year end September 30, 2018. The changes in critical accounting judgment and estimates will also be reflected in the Company's annual financial statements as of and for the year ending September 30, 2019.

IFRS 15 – Revenue from Contracts with Customers

Application of the accounting principles related to measurement and recognition of revenue requires the Company to make judgment and estimates. The Company uses judgments to assess if its goods and services are distinct, and should be accounted for as separate performance obligations, or together as a combined performance obligation. In arrangements with multiple performance obligations, estimates are required to determine the stand-alone selling price ("**SSP**") in order to allocate revenue to each performance obligation in the contract.

For professional services, the Company exercises judgment in determining the appropriate measure of progress for recognizing revenue over time. Estimates of proportional performance are required to recognize revenue including time spent to date versus the total expected time to deliver the service. When a percentage of completion estimate is used, estimates related to cost to complete are routinely revised based on changes in the facts relating to each contract.

4. Changes in Significant Accounting Policies

Except as described below, the accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended September 30, 2018. The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending September 30, 2019. A number of other new standards are effective from October 1, 2018 but they do not have a material effect on the Company's financial statements.

4. Changes in Significant Accounting Policies (cont'd…)

a) IFRS 15 – Revenue from Contracts with Customers

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

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

Sale of goods and services

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

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

i. Perpetual software license fees:

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

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

ii. SaaS, hosting, and maintenance fees:

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

4. Changes in Significant Accounting Policies (cont'd…)

a) IFRS 15 – Revenue from Contracts with Customers (cont'd…)

iii. Integration, implementation, and installation fees:

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

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

iv. Customization and enhancement fees:

Software customization and enhancement contracts are either on a fixed fee or time and material basis. The SSP for these services is determined based on the price at which the Company separately sells the service. These revenues are recognized based on the substance of the transaction. This can result in revenues recognized as services are performed or based on the circumstances deferred and recognized at a point of time upon completion of the integration into the customer application.

v. Hardware sales:

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

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

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

(Unaudited and Expressed in Canadian Dollars)

4. Changes in Significant Accounting Policies (cont'd…)

a) IFRS 15 – Revenue from Contracts with Customers (cont'd…)

The following table summarizes the impact of transition to IFRS 15 on the Company's opening deficit at October 1, 2018.

Impact of adoption of IFRS 15 – October 1, 2018	
Deficit – September 30, 2018	$ (14,953,554)
Change in recognition due to performance obligation identification	(678,194)
Sales commissions capitalized	50,117
Total adjustment	(628,077)
Deficit – December 31, 2018 under IFRS 15	**$ (15,581,631)**

The following table summarizes the impacts of adopting IFRS 15 on the Company's interim statement of financial position as of December 31, 2018.

	As Reported	**Adjustments**	**Balances without adoption of IFRS 15**
Prepaids expenses and other assets	$ 249,347	(55,547)	$ 193,800
Deficit	$ (16,397,386)	(64,211)	$ (16,461,597)

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

	As Reported	**Adjustments**	**Balances without adoption of IFRS 15**
Sales and marketing expense	$ 217,757	3,741	$ 221,498
Revenues	$ 2,187,925	(379,319)	$ 1,808,606
Comprehensive loss for the period	$ (698,267)	(383,060)	$ (1,081,327)

There was no material impact on the Company's interim statement of cash flows for the three month period ended December 31, 2018.

b) IFRS 9 – Financial Instruments

The Company adopted IFRS 9 Financial Instruments with a date of initial application of October 1, 2018. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

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

4. Changes in Significant Accounting Policies (cont'd…)

b) IFRS 9 – Financial Instruments (cont'd…)

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

5. New Standards and Interpretations not yet Adopted

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

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

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

6. Reverse Takeover Transaction

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

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

Beyond the initial issue of 13,500,000 common shares to the TrackX shareholders by the Company, contingently issuable shares (Note 13 and 20) of 7,650,000 additional common shares are payable, based on meeting performance targets as follows:

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

(Unaudited and Expressed in Canadian Dollars)

6. Reverse Takeover Transaction (cont'd…)

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

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

iv. 1,275,000 performance shares upon TrackX generating total revenues of not less than $18,000,000 on or before May 26, 2019 the Third Performance Date (the "**Third Performance Date**"); (management does not anticipate performance target will be met).

v. 1,275,000 performance shares upon TrackX achieving positive EBITDA of not less than $2,700,000 on or before Third Performance Date; (management does not anticipate performance target will be met).

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

7. Business Combination

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

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

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

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

8. Accounts Receivable

	December 31 2018	September 30 2018
Trade receivables	$ 780,198	$ 751,543
Unbilled revenues	463,422	128,954
Total receivables from contracts with customers	1,243,620	880,497
Other receivables	10,245	4,466
	$ 1,253,865	**$ 884,963**

The Company currently does not factor its accounts receivable and there has been no provision for doubtful accounts for the periods presented. For the three months ended December 31, 2018, five customers accounted for 94% of accounts receivable.

(Unaudited and Expressed in Canadian Dollars)

9. Fixed Assets

	Furniture and Fixtures	Leasehold Improvements	Computer Equipment	Total
Cost				
Balance at September 30, 2018	**$ 65,150**	**$ 13,162**	**$ 57,159**	**$ 135,471**
Additions / (disposals)	3,051	-	13,246	16,297
Cumulative translation adjustment	3,808	750	3,756	8,314
Balance at December 31, 2018	**$ 72,009**	**$ 13,912**	**$ 74,161**	**$ 160,082**
Depreciation				
Balance at September 30, 2018	**$ 23,659**	**$ 4,182**	**$ 30,699**	**$ 58,540**
Additions / (disposals)	5,374	1,124	4,776	11,274
Cumulative translation adjustment	1,516	274	1,901	3,691
Balance at December 31, 2018	**$ 30,549**	**$ 5,580**	**$ 37,376**	**$ 73,505**
Carrying Value as at September 30, 2018	**$ 41,491**	**$ 8,980**	**$ 26,461**	**$ 76,931**
Carrying Value as at December 31, 2018	**$ 41,460**	**$ 8,332**	**$ 36,785**	**$ 86,577**

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

10. Intangible Assets

	Intellectual Property	Development Costs	Total
Cost			
Balance at September 30, 2018	**$ 3,840,085**	**$ -**	**$ 3,840,085**
Additions/(disposals)	-	147,768	147,768
Cumulative translation adjustment	218,766	4,633	223,399
Balance at December 31, 2018	**$ 4,058,851**	**$ 152,401**	**$ 4,211,252**
Amortization			
Balance at September 30, 2018	**$ 1,739,215**	**$ -**	**$ 1,739,215**
Additions/(disposals)	296,949	-	296,949
Cumulative translation adjustment	108,392	-	108,392
Balance at December 31, 2018	**$ 2,144,556**	**-**	**$ 2,144,556**
Carrying Value as at September 30, 2018	**$ 2,100,870**	**$ -**	**$ 2,100,870**
Carrying Value as at December 31, 2018	**$ 1,914,294**	**$ 152,401**	**$ 2,066,696**

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

11. Deferred Revenue

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

(Unaudited and Expressed in Canadian Dollars)

12. Promissory Notes

The following table details the components of the promissory notes balance at December 31, 2018:

Closing Date of Promissory Notes	**August 28, 2018**
Proceeds from issuance of promissory notes	$ 2,600,000
Repayment	-
Transactions costs	(100,800)
Discount on the notes	(148,811)
Effective interest on note discount	26,495
Balance at December 31, 2018	**$ 2,376,884**

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

The estimated discount rate was 13.50% and is subject to estimation uncertainty. The discount to the promissory notes will be amortized over the term of the notes using the effective interest method. For the three months ending December 31, 2018, $61,178 in financing costs was recognized which comprises interest expense and amortization.

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

13. Contingent Consideration

As a result of the Transaction (Note 6), the Company issued 2,175,000 shares with a fair value of $543,750 to a company related by common directors to settle a contingent consideration obligation. Beyond the issuance of 2,175,000 common shares to the TrackX shareholders by the Company, a potential 1,350,000 contingently issuable shares could be issued, based on meeting the performance targets as follows:

i. 450,000 common shares upon TrackX generating total revenues of not less than $6,500,000 on or before the First Performance Date; (performance target not met resulting in the right to these 450,000 common shares expiring).

ii. 225,000 common shares upon TrackX generating total revenues of not less than $14,000,000 on or before May 26, 2018 the Second Performance Date; (performance target not met resulting in the right to these 225,000 common shares expiring).

iii. 225,000 common shares upon TrackX achieving positive EBITDA of not less than $2,100,000 on or before the Second Performance Date; (performance target not met resulting in the right to these 225,000 common shares expiring).

13. Contingent Consideration (cont'd…)

iv. 225,000 common shares upon TrackX generating total revenues of not less than $18,000,000 on or before May 26, 2019 the Third Performance Date; (management does not anticipate performance target will be met).

v. 225,000 common shares upon TrackX achieving positive EBITDA of not less than $2,700,000 on or before Third Performance Date; (management does not anticipate performance target will be met).

14. Shareholders' Equity

a) Authorized and Issued Share Capital

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

b) Share Capital Transactions

As at December 31, 2018, the Company had 73,677,101 of issued and outstanding common shares.

c) Stock Options

On May 26, 2016, the Company established a 10% fixed incentive stock option plan known as the TrackX Stock Option Plan ("**Stock Option Plan**"). Under the terms of the Agreements, the exercise price of each option is set, at a minimum, at the fair value of the common shares at the date of grant. Stock options granted to certain employees, directors and officers of the Company are subject to vesting terms as decided by the Board of Directors. All exercise prices are denominated in Canadian Dollars. Prior to the Stock Option Plan, the Company has Nil options outstanding. The total number of common shares approved to be issued under the Stock Option Plan is 6,500,000. As at December 31, 2018, 4,672,500 options have been granted with 1,827,500 options available for grant in future periods.

The following is a summary of the stock option transactions for the period ended December 31, 2018:

September 30 2018	Issued	Cancelled	Exercised	December 31 2018	Exercise Price	Expiry Date
3,452,500	-	(400,000)	-	3,052,500	$0.250	May 26, 2021
100,000	-	(100,000)	-	-	$0.500	July 8, 2021
160,000	-	-	-	160,000	$0.345	November 29, 2021
200,000	-	-	-	200,000	$0.360	January 11, 2020
200,000	-	-	-	200,000	$0.320	March 13, 2021
885,000	-	(25,000)	-	860,000	$0.285	May 16, 2023
200,000	-	-	-	200,000	$0.220	September 10, 2023
5,197,500	-	(525,000)	-	4,672,500	$0.266	
Exercisable				3,757,250		

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

Stock price volatility	171.88%
Risk-free interest rate	1.9%
Expected life of options	3.00 years

During the three months ended December 31, 2018, the Company recorded share-based compensation of $54,305 for options that vested during the current period.

(Unaudited and Expressed in Canadian Dollars)

14. Shareholders' Equity (cont'd…)

d) Restricted Share Units

During the year ended September 30, 2017, the Company established a restricted share unit plan known as the TrackX Restricted Share Unit Plan ("**RSU Plan**"). Under the terms of the RSU Plan, the exercise price of each restricted share unit is set, at a minimum, at the fair value of the common shares at the date of grant. Restricted share units granted to certain employees, directors and officers of the Company are subject to vesting terms as decided by the Board of Directors. As of December 31, 2018, 1,250,000 units have been granted with 750,000 units available for grant in future periods.

September 30, 2018	Issued	Cancelled	Exercised	December 31, 2018	Exercise Price	Expiry Date
950,000	-	-	-	950,000	$0.285	May 16, 2019
300,000	-	-	-	300,000	$0.285	September 10, 2019
1,250,000	-	-	-	1,250,000		

During the three months ended December 31, 2018, the Company recorded restricted share compensation of $96,884. Restricted share compensation to be recorded in future periods is $72,721 as of December 31, 2018.

e) Agent's Compensation Options

The following is a summary of the agent's options transactions for the period ended December 31, 2018:

September 30, 2018	Issued	Exercised	December 31, 2018	Exercise Price	Expiry Date
1,066,052	-	-	1,066,052	$0.380	May 10, 2019
1,066,052	-	-	1,066,052		

f) Warrants

The following is a summary of the warrant transactions for the period ended December 31, 2018:

September 30, 2018	Issued	Cancelled	Exercised	December 31, 2018	Exercise Price	Expiry Date
6,842,105	-	-	-	6,842,105	$0.550	May 10, 2019
800,000	-	-	-	800,000	$0.280	August 28, 2022
7,642,105	-	-	-	7,642,105	$0.520	

g) Contingently Issuable Shares

Pursuant to the Transaction (Note 6), the Company agreed to issue (on a contingent basis) to certain TrackX shareholders of up to 9,000,000 common shares being; 7,650,000 common shares in relation to the Transaction and 1,350,000 common shares were in relation to the royalty agreement settlement (Note 13).

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

(Unaudited and Expressed in Canadian Dollars)

14. Shareholders' Equity (cont'd…)

g) Contingently Issuable Shares (cont'd…)

These inputs include:

i. the estimated amount and timing of projected cash flows.

ii. the probability of achievement of the factor(s) on which the cash flows are based.

iii. the discount rate used to present value the probability-weighted cash flows.

iv. the inputs used in the Black Scholes Model to determine the expected market value of the underlying TrackX shares on settlement date.

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

15. Revenues

a) Disaggregation of revenues

The Company's revenue is primarily derived from contracts with customers. The nature and effect of initially applying IFRS 15 on the Company's unaudited interim condensed consolidated financial statements are disclosed in Note 4. In the following table, revenue is disaggregated by major product and service lines.

	December 31 2018	December 31 2017*
Perpetual software license fees	$ 208,146	$ -
Customization and enhancement fees	98,705	56,171
SaaS, hosting, and maintenance fees	569,832	433,360
Hardware sales	499,957	73,475
Integration and other fees	811,285	464,450
	$ 2,187,925	**$ 1,027,456**

For the three months ended December 31, 2018, four customers accounted for 85% of revenue.

b) Contract balances

The following table provides information about receivables, unbilled revenues, and deferred revenue from contract with customers.

	December 31 2018	September 30, 2018*
Trade receivables	$ 780,198	$ 751,543
Unbilled revenues	463,422	128,954
Deferred revenue	838,911	697,965

*The Company has initially applied IFRS 15 and IFRS 9 at October 1, 2018. Under the transition method chosen, comparative information is not restated, see Note 4.

(Unaudited and Expressed in Canadian Dollars)

15. Revenues (cont'd…)

b) Contract balances (cont'd…)

Unbilled revenue primarily relates to the Company's rights to consideration for work completed but not billed at the reporting date. Unbilled revenues are transferred to trade receivables once the Company issues an invoice to the customer. Deferred revenue consists of customer deposits received in advance of product installed or services performed.

c) Assets recognized from costs to obtain a contract with a customer

The Company recognizes an asset for incremental costs of obtaining a contract with a customer if the expected benefit of those costs is longer than one year. The Company determined that certain commissions paid to sales employees meet the requirement to be capitalized. Total capitalized costs included in prepaid and other assets to obtain contracts as of December 31, 2018 was $55,547 (2018 – $37,922).

16. Expenses by Nature

Total salaries and wages as well as other personnel related expenses included in Cost of Sales and Expenses for the three months ended during December 31, 2018 were $913,933 compared to $747,613 for the same period in 2018.

17. Segmented Information

The Company's operations are conducted primarily in the United States. Revenues are disclosed in Note 15. Capital assets are located primarily in the United States.

18. Capital Management

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

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

The Company is not subject to externally imposed capital requirements.

19. Contingencies and Commitments

The Company has a contingent obligation to issue common shares upon recipient of the contingent right meeting certain performance measurements (Note 13).

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

2019	$	163,175
2020		222,340
2021		118,473
2022		9,083
	$	**513,071**

(Unaudited and Expressed in Canadian Dollars)

20. Related Party Transactions

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

	December 31 2018	December 31 2017
Salaries and wages	$ 223,032	$ 254,775
Consulting	47,576	54,717
Automobile allowance	6,542	5,143
Share-based compensation	114,713	-
	$ 391,863	**$ 314,635**

Included in professional fees for the period ended December 31, 2018 are $44,325 (2018 – $11,429) for directors' fees and services charged by non-key management and therefore are not included in the amounts above. Included in share-based compensation for the period ended December 31, 2018 are $28,014 (2018 - $Nil) for directors and therefore are not included in the amounts above.

As of December 31, 2018, $42,013 (2018 – $8,700) is included in the due to related party (short term) for reimbursements and consulting fees to directors and officers of the Company.

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) is $268,951 (2018 – $261,482) along with the $56,802 (2018 – $247,664) due to related party (long term) is owed to the sellers of the assets of broTECH, which is majority owned by an officer of the Company, as indicated in Note 7.

Contingently issuable shares are due to a director and a company related by common ownership as indicated in Notes 6 and 13. The following balances remain at December 31, 2018:

- $Nil (2018 – $127,920) relating to the future grant of contingently issuable common shares included in share-based compensation.
- $Nil (2018 – $132,000) relating to the future payments for an incentive bonus and has been recorded as a current liability.

21. Financial Instruments

a) Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company is exposed to liquidity risk.

b) Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. Cash is held with major financial institutions in the United States and Canada and is subject to the Interest Rate Risk. Receivables are subject to standard credit terms.

c) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has promissory notes with a fixed 10% interest rate. The Company's sensitivity to interest rates is minimal.

21. Financial Instruments (cont'd…)

d) Foreign Currency Risk is the risk on fluctuation of currency related to monetary items with a settlement currency other than US dollars.

Based on the above net exposures and assuming that all other variables remain constant, a 10% increase or decrease in the Canadian dollar against the US dollar would result in a decrease or increase in the reported loss of approximately $60,000 in the period.

e) Fair Value Hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The fair value of cash is measured based on Level 1 inputs of the fair value hierarchy. The estimated fair value of accounts receivable, accounts payable and accrued liabilities are equal to their carrying values due to the short-term nature of these instruments.

22. Subsequent Events

On January 2, 2019, 1,454,940 of remaining shares held in escrow related to an Asset Purchase Agreement were released (Note 7).

On January 18, 2019, the Company made a $54,536 payment to the sellers of the assets of broTECH Solutions, LLC, which are officers of the Company (Note 7, Note 20).