

**TRUTRACE TECHNOLOGIES INC.**  
**(formerly BLOCKSTRAIN TECHNOLOGY CORP.)**

**Annual Information Form**  
**For the Year Ended April 30, 2019**

**Dated July 25, 2019**

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## ANNUAL INFORMATION FORM

In this Annual Information Form (this “AIF”), unless otherwise noted or the context indicates otherwise, references to the “Company”, the “Issuer”, “we”, “us” and “our” refer to TruTrace Technologies Inc.

All dollar amounts stated, unless otherwise stated, are expressed in Canadian dollars. The information contained herein is dated as of July 25, 2019, unless otherwise stated.

### 1. NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains certain information that may constitute forward-looking information and forward-looking statements as such terms are defined under applicable Canadian securities laws (collectively, the “Forward-Looking Statements”) which are based on management’s current internal expectations, estimates, projections, assumptions and beliefs. Forward-Looking Statements can be identified by the use of forward-looking terminology such as “expect”, “likely”, “may”, “will”, “should”, “intend”, “anticipate”, “potential”, “proposed”, “estimate”, and other similar words, including negative and grammatical variations thereof. The Forward-Looking Statements may include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance and other statements that are not statements of fact. The Forward-Looking Statements are made only as of the date of this AIF. The Forward-Looking Statements include, but are not limited to, statements with respect to:

- the legal global cannabis industry and its dependence on the regulatory environment;
- the continued development of our technological systems, including business systems and operational platforms;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interests; and
- other risks described in this AIF and described from time to time in our documents filed with Canadian securities regulatory authorities.

The Company has made certain assumptions with respect to the Forward-Looking Statements regarding, among other things:

- our business model and the continued market demand for our products and services;
- our expectations to obtain regulatory and certification approvals as required for newly developed products and services;
- our ability to meet current and future obligations;
- our expectations in relation to our future financial needs; and
- our ability to maintain and manage complex software implementation projects.

The actual results, performance or achievements of the Company could differ materially from those anticipated in the Forward-Looking Statements as a result of the risk factors set forth below and under the heading “*Risk Factors*”, including, but not limited to, risks related to:

- (a) the volatility of the Company’s stock price and market conditions;
- (b) the Company’s limited operating history upon which an evaluation of the Company and its prospects can be based;
- (c) reliance on third-party data center hosting facilities;
- (d) reliance on variety of technologies to secure the Company’s systems;
- (e) maintaining customer relationships;
- (f) the Company’s ability to estimate demand for its products and services;
- (g) trademark infringements or claims of infringement;
- (h) maintaining trade secrets in confidence;
- (i) network security;
- (j) key personnel;
- (k) competition;
- (l) market acceptance;
- (m) seasonality;
- (n) changes to the regulatory framework for cannabis;
- (o) regulatory compliance; and
- (p) global economy.

Readers are cautioned that these factors are difficult to predict and that the assumptions used in developing the Forward-Looking Statements may prove to be incorrect. Readers are also cautioned that the list of risk factors contained in this AIF is not exhaustive. Accordingly, readers are cautioned that the Company’s actual results may vary from the Forward-Looking Statements, and the variations may be material.

Although the Company believes that the expectations reflected in the Forward-Looking Statements are reasonable, it can give no assurance that such expectations will prove to be correct, and the Forward-Looking Statements are expressly qualified in their entirety by this cautionary statement. The purpose of the Forward-Looking Statements is to provide the reader with a description of management’s expectations, and the Forward-Looking Statements may not be appropriate for any other purpose. The reader should not place undue reliance on the Forward-Looking Statements. The Forward-Looking Statements are made as at the date hereof and the Company undertakes no

obligation to update or revise any of the Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws.

## 2. GLOSSARY OF TERMS

In addition to terms defined elsewhere in this AIF, the following terms, when used in this AIF, will have the following meanings (unless otherwise indicated):

“**2018 Circular**” means Company’s information circular dated November 19, 2018, a copy of which is available under the Company’s profile on SEDAR;

“**ACMPR**” means the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the CDSA;

“**Affiliate**” means a Company that is affiliated with another Company as described below. A Company is an Affiliate of another Company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same person. A Company is “controlled” by a person if (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that person, and (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the Company. A person beneficially owns securities that are beneficially owned by (a) a Company controlled by that person, or (b) an Affiliate of that person or an Affiliate of any Company controlled by that person;

“**Associate**” has the meaning ascribed to it in the *Securities Act* (British Columbia), as amended;

“**BCBCA**” means the *Business Corporations Act* (British Columbia) including the regulations thereunder, as amended;

“**Board**” means the board of directors of the Company;

“**Cannabis Act**” means the *Cannabis Act*, SC 2018 c 16;

“**CEO**” means an individual who acted as the Company’s chief executive officer, or acted in a similar capacity, for any part of the most recently completed financial year;

“**CDSA**” means the *Controlled Drugs and Substances Act* (Canada);

“**CFO**” means an individual who acted as the Company’s chief financial officer, or acted in a similar capacity, for any part of the most recently completed financial year;

“**Closing**” means the closing of the Transaction, which occurred on May 22, 2018;

“**Company Split**” means the split of the Shares that occurred on March 5, 2018, pursuant to which each pre-split Share was exchanged for two post-split Shares;

“**Concurrent Financing**” means the non-brokered private placement offering of Subscription Receipts pursuant to which the Company raised gross proceeds of \$10,500,000 through the issuance of 35,000,000 Subscription Receipts, on a post-Company Split basis, at price of \$0.30 per Subscription Receipt;

“**CPC**” means Capital Pool Company, being a company: (a) that has been incorporated or organized in a jurisdiction in Canada; (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and (c) in regard to which the completion of the Qualifying Transaction has not yet occurred;

“**CPC Escrow Agreement 1**” means the TSXV Form 2F *CPC Escrow Agreement* for Tier 2 issuers dated July 11, 2012, among the Company, the Transfer Agent and certain shareholders of the Company, pursuant to which 458,400 of the CPC Escrow Shares are currently held in escrow;

“**CPC Escrow Agreement 2**” means the TSXV Form 2F *CPC Escrow Agreement* for Tier 2 issuers dated January 26, 2017, among the Company, the Transfer Agent and certain shareholders of the Company, pursuant to which 96,000 of the CPC Escrow Shares are currently held in escrow;

“**CPC Escrow Agreements**” means CPC Escrow Agreement 1 and CPC Escrow Agreement 2;

“**CPC Escrow Shares**” means the 554,400 Shares currently held in escrow pursuant to the CPC Escrow Agreements;

“**CPC Policy**” means TSXV Policy 2.4 *Capital Pool Companies* in the TSXV Corporate Finance Manual;

“**CSA**” means the *Controlled Substances Act* (United States);

“**CSE**” means the Canadian Securities Exchange, operated by CNSX Markets Inc.;

“**CSE Approval**” means the final approval of the CSE in respect of the listing of the common shares of the Company on the CSE, as evidenced by the issuance of the final approval bulletin of the CSE in respect thereof;

“**DOJ**” means the U.S. Department of Justice;

“**Escrow Agent**” means the Transfer Agent, in its capacity as escrow agent for the Shares held in escrow under the CPC Escrow Agreements or the Value Security Escrow Agreement, as applicable;

“**FinCEN**” means the Financial Crimes Enforcement Network;

“**FinCEN Memorandum**” has the meaning ascribed thereto in Section 5 under the heading “*Risk Factors*”;

“**Heated Details**” means Heated Details, Inc., a company incorporated under the laws of the State of Washington;

“**Heated Details Master Services Agreement**” means the master services agreement and a statement of work between the Company and Heated Details whereby the parties agreed to develop the initial phases of the product development strategy necessary to launch the Company’s platform;

“**Licensed Producer**” means the holder of a licence issued under section 62 of the Cannabis Act or, if issued prior to October 17, 2018, under section 35 of the ACMPR;

“**Related Person**” has the meaning ascribed to it in CSE Policy 1;

“**Option Plan**” means the stock option plan of the Company;

“**Options**” means options to acquire Shares pursuant to the Option Plan;

“**Qualifying Transaction**” means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means;

“**Reporting Issuer**” has the meaning ascribed to it in the *Securities Act* (British Columbia), as amended;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval available on the Internet at [www.sedar.com](http://www.sedar.com);

“**Significant Assets**” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the initial listing requirements of the TSXV;

“**Shares**” means the common shares without par value of the Company;

“**Share Exchange Agreement**” means the share exchange agreement dated January 16, 2018 among the Company, TruTrace Subco and each of the TruTrace Subco Shareholders;

“**Spark**” means Spark Digital Technologies, Inc., a company incorporated under the laws of Canada;

“**Spark Assets**” means Spark’s IgnitePro™ software and other intellectual property;

“**Spark Loan**” means the loan by TruTrace Subco to Spark in the principal amount of \$100,000, which matured on December 29, 2018, and bears interest at the rate of 10% per annum, and is payable in full;

“**Spark Acquisition LOI**” means the letter of intent dated February 28, 2019 between Spark and TruTrace, as amended on April 29, 2019, to extend the deadlines to enter into the Spark Share Exchange Agreement and close the transactions contemplated therein;

“**Spark LOI**” means the letter of intent dated December 29, 2017 between Spark and TruTrace Subco;

“**Spark Master Services Agreement**” means the master services agreement and statement of work dated December 20, 2017 between Spark and TruTrace Subco with respect to certain preliminary creative work and infrastructure development that was completed in 2017, which is unrelated to the transactions contemplated by the Spark LOI;

“**Spark Share Exchange Agreement**” means the share exchange agreement contemplated by the Spark Acquisition LOI to be entered into among the Company, Spark and the shareholders of Spark;

“**StrainSecure™**” means the Company’s core technology platform, as further described in this AIF;



**“Subscription Receipts”** means the subscription receipts issued by the Company in connection with the Concurrent Financing;

**“Transaction”** means, collectively: (a) the acquisition by the Company of all of the TruTrace Subco Shares from the TruTrace Subco Shareholders, (b) the Concurrent Financing, and (c) all other transactions contemplated by the Share Exchange Agreement;

**“Transfer Agent”** means Computershare Investor Services Inc., the transfer agent of the Company;

**“TruTrace Subco”** means TruTrace Technology Group Inc., a company incorporated under the laws of the Province of British Columbia, which is a wholly-owned subsidiary of the Company;

**“TruTrace Subco Shareholders”** mean the registered holders of outstanding TruTrace Subco Shares immediately prior to the Closing;

**“TruTrace Subco Shares”** means common shares in the capital of TruTrace Subco immediately prior to the Closing;

**“TruTrace US Subco”** means TruTrace Technologies (USA), Inc., a company incorporated pursuant to the laws of the State of Delaware, which is a wholly-owned subsidiary of the Company that, as of the date of this AIF, is not material to the Company;

**“TSXV”** means the TSX Venture Exchange Inc., and includes the NEX board thereof, as applicable;

**“TSXV Approval”** means the final approval of the TSXV in respect of the voluntary de-listing of the Shares on the TSXV and the subsequent listing on the CSE;

**“U.S.”** or **“United States”** means the United States of America, its territories and possessions, and any state of the United States and the District of Columbia.

**“Value Escrow Shares”** means the 23,010,000 Shares deposited into escrow pursuant to the Value Security Escrow Agreement;

**“Value Security Escrow Agreement”** means the escrow agreement in TSXV Form 5D dated May 17, 2018 among the Escrow Agent, the Company and all of the former TruTrace Subco Shareholders;

**“WeedMD”** means WeedMD RX Inc., a company incorporated under the laws of Canada;

**“WeedMD Master Services Agreement”** means the master services agreement and a statement of work between the Company and WeedMD whereby the Company agreed to use the StrainSecure™ platform to provide full genome analysis, mapping and identification of certain strains of cannabis provided by WeedMD; and

### 3. CORPORATE STRUCTURE

#### **Name, Address and Incorporation**

The Company was incorporated under the BCBCA under the name “Scorpion Resources Inc.” on October 19, 2011. On May 17, 2018, the Company changed its name to “Blockstrain Technology Corp.” On April 24, 2019, the Company changed its name to “TruTrace Technologies Inc.”

On January 16, 2018, the Company entered into a Share Exchange Agreement with TruTrace Subco, pursuant to which the Company agreed to acquire all of the issued and outstanding TruTrace Subco Shares by way of a share exchange with the TruTrace Subco Shareholders. Upon completion of the Transaction, TruTrace Subco became a wholly-owned subsidiary of the Company. The Transaction represented a reverse takeover of the Company by TruTrace Subco and constituted the Company's Qualifying Transaction.

Pursuant to the terms of the Share Exchange Agreement, the Company agreed to: (i) complete the Company Split, which was completed on March 5, 2018; (ii) complete the Concurrent Financing, the first tranche of which closed on March 8, 2018 and the final tranche of which was completed on March 16, 2018; and adopt the 2018 Option Plan, which was adopted by the Board on May 10, 2018.

The Transaction was completed pursuant to available exemptions under applicable legislation. The Closing occurred on May 18, 2018. In connection with the completion of the Transaction, an aggregate of 38,350,000 Shares were issued to the TruTrace Subco Shareholders. Following the completion of the Transaction, the business of TruTrace Subco became the business of the Company.

On May 23, 2018, the Shares resumed trading as a Tier 2 Industrial Issuer on the TSXV under the symbol "DNAX". Following the completion of the Transaction, the Company changed its name to "Blockstrain Technology Corp." As a result of the completion of the Transaction, the Company's principal business activity became that of TruTrace Subco, and TruTrace Subco became a wholly-owned subsidiary of the Company. The Company is engaged in the business of developing a comprehensive, community-driven cannabis genetics registration and licensing archive platform.

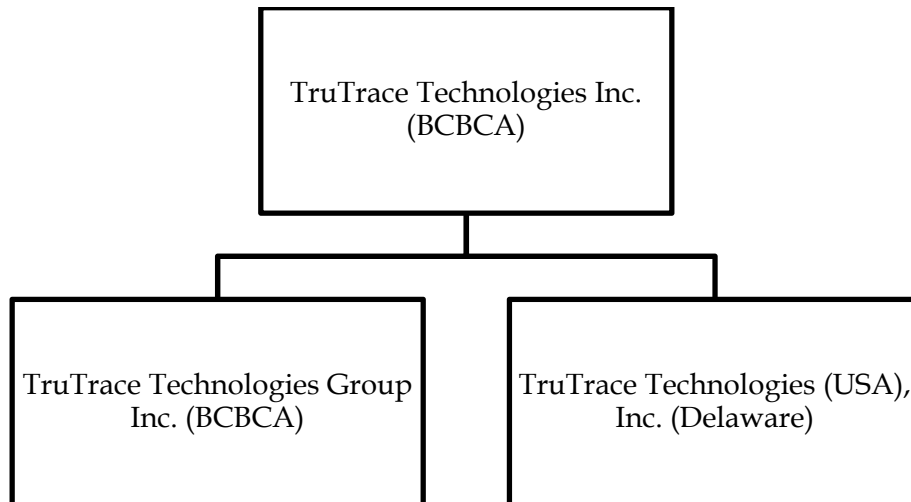
Effective on the close of business on June 13, 2019, the Shares were delisted from the TSXV at the request of the Company. On June 14, 2019, as at market open, the Shares began trading on the CSE under the symbol "TTT."

The Company's name is "TruTrace Technologies Inc." The Company's head office is located at 2303 4th Street SW, Calgary, AB T2S 2S7. The Company's registered and records office is located at 800 - 885 West Georgia Street, Vancouver, British Columbia V6C 3H1. The Company is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario.

### **Intercorporate Relationships**

The Company has two wholly-owned subsidiaries, TruTrace Subco and TruTrace US Subco.

The following diagram presents the organizational chart of the Company, as of the date of this AIF:



TruTrace Subco, a wholly-owned subsidiary of the Company, was incorporated under the BCBCA on November 22, 2017 as “Blockstrain Technology Group Inc.”, and on June 21, 2019, changed its name to “TruTrace Technologies Group Inc.” TruTrace Subco’s head office is located at 561 Indiana Court, Venice, California 90291. TruTrace Subco’s registered and records office is located at 800 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1. Following the completion of the Transaction, the business of TruTrace Subco became the business of the Company.

TruTrace US Subco, a wholly-owned subsidiary of the Company, was incorporated pursuant to the laws of the State of Delaware on December 14, 2018 as “Titan Collection USA, Inc.” and on June 19, 2019, changed its name to “TruTrace Technologies (USA), Inc.”. TruTrace US Subco’s head office is located at 1820 - 1055 West Hastings Street, Vancouver, British Columbia V6E 2E9. TruTrace US Subco has a registered agent in the United States, being The Corporation Trust Company, with the mailing address Corporation Trust Center 1209 Orange Street, Wilmington, Delaware 19801. As of the date of this AIF, TruTrace US Subco is not material to the Company.

#### 4. GENERAL DEVELOPMENT OF THE BUSINESS

##### Three Year History of the Company

###### Business Development

The Company was a Capital Pool Company (previously defined as “CPC”) and, until the Closing, did not carry on any operations. The sole business of the Company from its incorporation was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses so as to complete a Qualifying Transaction. Until the Closing, the Company did not operate a business or have any material assets other than cash. Following the Closing, the business of TruTrace Subco became the business of the Company. After completion of the Transaction, the Company is in the business of developing a comprehensive, community-driven cannabis genetics registration and licensing archive platform, as further described under the heading “*Narrative Description of the Business*”.

On September 9, 2014, the TSXV informed the Company that it had halted trading in the Shares for failure to complete a Qualifying Transaction prior to the suspension deadline of September 8, 2014. The halt was changed to a suspension effective September 11, 2014. The Company was placed on notice to delist from the TSXV, and to avoid delisting, the Company was required to either

complete a Qualifying Transaction or transfer to NEX prior to the delisting deadline of December 8, 2014.

On December 10, 2014, the Company announced that it had applied for a transfer of the listing of the Shares from the TSXV to the NEX board of the TSXV. The Company obtained the requisite shareholder approval for the transfer to NEX at the annual general meeting of the Company's shareholders held on September 12, 2014. In connection with the transfer to NEX, an aggregate of 250,000 CPC Escrow Shares held in escrow by certain non-arm's length parties were cancelled in accordance with TSXV policy. Effective February 3, 2017, the listing of the Shares was transferred to NEX and the trading symbol was changed to SR.H.

Effective January 16, 2018, the Company entered into the Share Exchange Agreement, a copy of which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com), pursuant to which the Company agreed to acquire all of the issued and outstanding TruTrace Subco Shares by way of a share exchange with the TruTrace Subco Shareholders. Upon completion of the Transaction, TruTrace Subco became a wholly-owned subsidiary of the Company. The Transaction represented a reverse takeover of the Company by TruTrace Subco and constituted the Company's Qualifying Transaction.

Pursuant to the terms of the Share Exchange Agreement, the Company agreed to: (i) complete the Company Split, which was completed on March 5, 2018; (ii) complete the Concurrent Financing, the first tranche of which closed on March 8, 2018 and the final tranche of which was completed on March 16, 2018; and adopt the 2018 Option Plan, which was adopted by the Board on May 10, 2018.

The Transaction was completed pursuant to available exemptions under applicable legislation. The Closing occurred on May 18, 2018. In connection with the completion of the Transaction, an aggregate of 38,350,000 Shares were issued to the TruTrace Subco Shareholders. Following the completion of the Transaction, the business of TruTrace Subco became the business of the Company.

In order to raise operating capital for the Company following the Transaction, the Company completed the Concurrent Financing, by way of a non-brokered private placement, which closed in two tranches on March 8, 2018 and March 16, 2018, pursuant to which the Company issued an aggregate of 35,000,000 Subscription Receipts at a price of \$0.30 per Subscription Receipt for gross proceeds of \$10,500,000, which proceeds were deposited into escrow with an escrow agent. Cash finder's fees in an amount equal to 6% of the gross proceeds raised were paid in connection with the Closing. Immediately prior to the Closing, each Subscription Receipt was, for no additional consideration, automatically exchanged into one Share (on a post-Company Split basis).

On May 23, 2018, the Shares resumed trading as a Tier 2 Industrial Issuer on the TSXV under the symbol "DNAX".

On May 29, 2018, the Company welcomed WeedMD Inc. to use its proprietary platform, making it one of the first federally Licensed Producers of medical cannabis to integrate blockchain technology into its ecosystem.

On June 5, 2018, the Company entered into a letter of intent (the "**Abattis LOI**") with Abattis Bioceuticals Corp. to integrate the Company's proprietary technology into Abattis's product and services ecosystem. Pursuant to the Abattis LOI, Abattis and the Company agreed to negotiate in

good faith the terms of a definitive technology development agreement respecting the terms of their partnership.

On July 16, 2018, the Company entered into a memorandum of understanding with Spire Secure Logistics Inc. ("**Spire**"), a wholly-owned subsidiary of Friday Night Inc. (CSE: TGIF), to introduce and implement the Company's proprietary platform to governments throughout Canada, as well as to procure software contracts and commercial agreements with regulatory bodies and Licensed Producers within the Canadian legal cannabis industry. The Company and Spire agreed to collaborate on the design and implementation of security programs and infrastructure for the legal distribution and sale of cannabis. This strategic partnership is being launched with the intent to integrate the benefits of the Company's platform into the regulatory framework for medical and adult-use cannabis in Canada.

On September 21, 2018, the Company entered into a Term Sheet that sets forth the terms and conditions of a technology partnership (the "**Lighthouse Agreement**") with Lighthouse Genomics Inc. (formerly Integral Genomics Inc. dba BC Better Genetics Corporation) ("**Lighthouse**"), which operates an advanced testing laboratory for DNA and Quality Assurance testing of cannabis products. Lighthouse provides cutting edge technology and scientific processes which will support the Company's registry of genetic profiles of cannabis strains, and will support the Company's initiative to provide quality assurance data to consumers and governmental regulators. As part of the Agreement, the Company agreed to invest up to \$750,000 in Lighthouse, subject to the completion of due diligence and the entering into of definitive agreements, as well as the successful completion of various benchmarks and milestones. The parties agreed that the investment would be made in the form of a convertible note at seven percent interest per annum, and would be convertible to Class A common shares of Lighthouse at the Company's option, at an agreed upon pre-money valuation of approximately \$1.7 million dollars. On November 6, 2018, the parties entered into a second amendment to the Lighthouse Agreement whereby the Company paid an additional \$40,000 deposit towards the subscription in a convertible note to increase the deposit from \$60,010 to \$100,010.

On October 24, 2018, the Company announced the formal launch of the Company's proprietary genome tracking software following the collection of WeedMD's cannabis plant DNA. Testing began in November 2018. Further to its relationship with WeedMD, the Company entered into the WeedMD Master Services Agreement.

On January 15, 2019, the Company announced that it and WeedMD had completed the 'first-of-its-kind' cannabis strain validation registration program - a testing and verification process that will confirm cannabis strains as purchased.

On January 10, 2019, the Company entered into a letter of intent with NXT Water LLC ("**NXT Water**"), a company in the Hemp-Derived Beverage category, to integrate the Company's technology into NXT's launch. The partnership will develop and launch AKESO Functional Fitness Water, a hemp-derived CBD beverage. The parties intend for the letter of intent to be superseded by a formal agreement and the transactions contemplated therein are subject to the all required regulatory approvals.

On January 19, 2018, the Company entered into the Heated Details Master Services Agreement and a statement of work to develop the initial phases of the product development strategy necessary to

launch the Company's platform. Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Executive Officer and a director and shareholder of Heated Details.

On February 28, 2019, the Company entered into the Spark Acquisition LOI, pursuant to which the Company intends to acquire all of the issued and outstanding securities of Spark in exchange for securities of the Company, on the terms and conditions set out in the Spark Acquisition LOI, to be superseded by the Spark Share Exchange Agreement. Robert Galarza, the Chief Executive Officer of the Company, is the Chief Executive Officer, a director and a shareholder of Spark and Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Strategic Officer, a director and a shareholder of Spark.

On April 24, 2019, the Company changed its name to "TruTrace Technologies Inc."

On April 30, 2019, the Company entered into a letter of intent with Strainprint Technologies Ltd. (the "**Strainprint LOI**"). Under the terms of the Strainprint LOI, the parties agreed to work together to explore development and integration opportunities to utilize their mutual technologies in order to bring greater transparency and visibility to the legal cannabis industry.

On June 3, 2019, the Company received the conditional approval of the CSE in connection with the Listing.

On June 11, 2019, the Company received the TSXV Approval.

On June 13, 2019, the Company received the CSE Approval.

On June 17, 2019, the Company and Shoppers Drug Mart ("**Shoppers**") agreed to develop and deploy a blockchain-secured pilot program intended to increase transparency, interoperability and product identification within the medical cannabis industry (the "**Pilot Program**"). The Pilot Program will use the Company's StrainSecure™ technology as a central hub for identity management, asset tracking, validation, and product authentication. StrainSecure™ will also serve as a master registry for standardized testing, product verification, and quality assurance. The Company announced that Phase 1 of the pilot program is expected to be completed by July 31, 2019, with full production and implementation targeted for late November 2019.

On June 25, 2019, the Company entered into a letter of intent with Shivom Ventures Limited ("**Shivom**"), a biotechnology data and analysis company, to establish a strategic working relationship. The companies will explore a partnership to utilize both Shivom and the Company's blockchain solutions in order to disrupt the global medicinal and recreational cannabis markets.

On June 27, 2019, Zenabis Global Inc. ("**Zenabis**"), a Canadian licensed cultivator of medical and recreational cannabis, agreed to employ the StrainSecure™ platform to collect, register, manage, track and publish verified testing data of its cannabis plant DNA and strains. In addition, Zenabis will join the Pilot Project.

### Significant Acquisitions

As described above, during the year ended April 30, 2019, the Company completed the Transaction.

## 5. DESCRIPTION OF THE BUSINESS

### General

The Company has developed a comprehensive, community-driven cannabis genetics registration and licensing archive platform, dedicated to making it safe and conformable for breeders and growers, large and small, to protect and release their genetics and strain varieties into the public domain, while also being compensated and rewarded. The Company intends to accomplish this by utilizing blockchain features to create an ecosystem that encourages contribution of genetics and intellectual property, coupled with the security, authenticity and verification that modern distributed ledger technology provides.

The Company combines traditional cannabis culture with modern blockchain-technology. By being open and available to everyone, the platform is expected to help shape the future adoption and authenticity of the cannabis industry. Through use of a secure Application Programming Interface network, the Company will make it easy for testing providers, grow facilities, app and software developers, research groups, and major supply chain platforms to build applications and solutions, thereby helping fuel technology and innovation for the cannabis industry as a whole.

With compliance and regulation being a critical priority for industry participants, the Company will be focused on ensuring that applicable regulatory standards are adhered to, while providing real-time visibility of industry operations directly to, and collaboration with, agencies assigned to enforce and regulate cannabis activity nationwide. The Company intends to use powerful supply chain and IoT technology to allow for the tracking of cannabis movement from genetics to sale, while providing for the scalability of what is expected to become a globally traded product.

### Narrative Description of the Business

The Company's technology is expected to:

- be built with the highest standard of blockchain or distributed ledger technology, on a trusted and tested blockchain, to ensure irrefutable, auditable, transparent, highly-secure and encrypted data and transaction processing for all parties within the Company's value chain;
- provide an industry-first "Genome to Sale™" platform, which will allow regulators, producers, growers, distributors and retailers to easily protect, review and manage the genetic backbone of inventory in order to ensure that safe and legal products are made available to customers and patients;
- provide a transparent system in alignment with IgnitePro™, a proven cloud-based logistics SaaS platform that provides 24/7 global visibility, as well as intelligent inventory management and collaboration of teams which has been built from the ground up to meet the specific needs of the cannabis industry; and
- utilize industry-leading sensor technology, which, when tied to the Company's platform, is expected to provide Licensed Producers with real-time insight and analytics into all aspects of their grow management, thereby enabling them to optimize their operations.

### *StrainSecure™ - Genetics Blockchain Verification Platform*

The StrainSecure™ platform is a highly-secure, transparent, genome-to-sale governance and provenance analytics platform that provides governments, regulators, geneticists, Licensed Producers and other participants in the cannabis value chain with accurate, real-time information.

### *IgnitePro™ - Cannabis Supply Chain Visibility and Collaboration Platform*

The Company has entered into the Spark LOI which contemplates the entering into of an exclusive definitive licensing agreement with Spark for the use of Spark's proprietary platform, IgnitePro™, which was built exclusively for the cannabis industry. The highlights of the IgnitePro™ platform include:

- intuitive, global track-and-trace software;
- secure infrastructure powered by Microsoft Azure;
- robust APIs and web services for integration;
- inventory management and IgnitePro™ Smart Serialization™;
- document management, regulation and compliance reporting;
- a mobile companion app for tracking and monitoring; and
- sophisticated machine learning & AI capability.

The IgnitePro™ technology is connected globally and will be able to travel with cannabis plants and products as they move from cultivation to distribution. IgnitePro™ will produce reports, store documentation and track transports, and, when combined with StrainSecure™, is expected to ensure regulation and compliance standards are being met and protected on the blockchain.

### *The Company's Principal Markets and Customers*

From a geographic perspective, the Company initially intends to target the Canadian marketplace. In the future, it plans to expand into other jurisdictions, including, but not limited to, the United States, South America, the United Kingdom and Europe.

The Company's principal customers are expected to be:

- regulators and law enforcement agencies, who will be able to access and collaborate through the Company's web and mobile platforms, which will support efforts to mandate and monitor adherence to their respective rules, regulations and statutes;
- licensed seed farmers and geneticists, who will be able to register their strains on the StrainSecure™ platform; and
- Licensed Producers, for which the Company has designed its real-time, highly scalable cloud-based, blockchain-powered platform to provide Licensed Producers with a best-in-breed experience, full regulatory compliance and end-to-end track and trace capabilities. As



of December 18, 2018, there were 134 Licensed Producers in Canada, so this is expected to represent a large potential customer base for the Company.

The Company plans to sell its products and services directly to potential customers by utilizing industry specific relationships throughout Canada. To date, the Company's management has been responsible for the sales and marketing of the proposed software.

### *Location of Services*

Over the next six to eight months, the Company will be formally developing and growing sales, marketing and business development teams in Vancouver, British Columbia and Toronto, Ontario. The Company also has teams in Seattle, Washington and Los Angeles, California. Additionally, the Company intends to build a development team in Calgary, Alberta for the implementation and optimization of its enterprise software solutions.

### *Competitive Conditions*

Although the Company has many potential competitors, from IBM through to technology start-ups, TruTrace's management believes it has several unique competitive differentiators, which will allow it to successfully compete against them. Specifically, TruTrace believes it is the only company that:

- is focused on tracking/tracing from genome through to sale, while all other direct competitors focus from seed to sale. While this difference may seem immaterial, TruTrace believes this differentiation is a key differentiator, as it will provide information regarding provenance to everyone in the cannabis supply chain with respect to the authenticity of strains, seeds and product lineage;
- has designed its platform from inception on the blockchain, which will make it highly secure, tamper-resistant, scalable, auditable, and visible to all in the trusted network; and
- will have a mobile and IoT-centric platform. Most of TruTrace's competitors still only offer on-site, web-based solutions, which result in higher operating costs.

TruTrace does not believe it will depend on one or a few major customers, due to the growing number of Licensed Producers and the vast amount of genetics strains and products in the developing cannabis industry.

For further information on competitive conditions, see Section 5 under the heading "*Risk Factors*".

### *Intellectual Property*

TruTrace does not currently have any patents pending or trademarks issued, nor has it entered into any franchise agreements or contracts relating to concessions, royalties or labor relations. TruTrace has entered into the Spark Acquisition LOI which contemplates the acquisition of Spark and its IgnitePro™ platform. As of the date of this AIF, the Spark Share Exchange Agreement has not been entered into.

### *Regulatory Environment*

At this time, TruTrace's products and service do not need government approval, however, TruTrace intends to comply and align itself with the regulatory environments in which its customers operate.

As a result of information derived from meetings with governmental authorities and potential customers, TruTrace believes that its platform will meet applicable regulatory requirements with regards to governance, transparency, auditability, communications, collaboration and security across the medical and, when legal, recreational use cannabis supply chain.

The legal global cannabis industry is still in its infancy, and is dependent on the government regulatory environment. In jurisdictions such as the United States, the conflict between federal and state legislation could have a material adverse impact on TruTrace's business.

In Canada, TruTrace and its customers will have to comply with any applicable federal, provincial and local legislation. In the event the Federal Government permits cannabis to be sold as a food product, TruTrace expects that it will need to adapt and provide customers with a Good Manufacturing Processes (GMP) operational platform in order to stay competitive.

TruTrace intends to serve customers from third-party data center hosting facilities located in British Columbia and Alberta. Any damage to, or failure of, TruTrace's systems could result in interruptions to TruTrace's service. As TruTrace continues to add data centers and add capacity in existing data centers, TruTrace may move or transfer its data and its customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of its services. Further, any damage to, or failure of, TruTrace's systems generally could result in interruptions in TruTrace's service. Interruptions in TruTrace's service may reduce revenue, cause TruTrace to issue credits or pay penalties, cause customers to terminate their subscriptions and materially adversely affect its renewal rates and ability to attract new customers.

It is also expected that TruTrace's business will be harmed if its customers believe its service is unreliable. TruTrace intends to replicate and back-up customer data as part of its disaster recovery plans. However, these plans may not be successful in all circumstances. TruTrace will not control the operation of any third party facilities it may use. All of the facilities it operates or utilizes are expected to be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close any facility without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in TruTrace's service. Even with the disaster recovery arrangements, TruTrace's service could be interrupted.

### *Specialized Skill and Knowledge*

The Company relies in part on its strategic relationships with Spark and Heated Details for specialized skill and knowledge. The available of this specialized skill and knowledge has been formalized through the Spark LOI and Heated Details Master Services Agreement and statement of work.

TruTrace has entered into the Spark Acquisition LOI which contemplates the acquisition of Spark and its IgnitePro™ platform. As of the date of this AIF, the Spark Share Exchange Agreement has not been entered into.

Pursuant to the Heated Details Master Services Agreement, Heated Details will provide strategy, design, and solution guidance, advice and input based on previous implementation experience and development best practices. The services will be provided with the goal of understanding and defining the past state, the current state and the long-term future state of legalized cannabis production, distribution and regulation in Canada, including traceability and deployment of a blockchain platform for supporting the verification and tracking of genetics and strains. The methodology used for this project will consist of preparation for, conducting of, and reporting on, a series of working sessions that will take place over the course of the project.

#### *Intangible Properties*

The Company does not currently have any patents pending or trademarks issued, nor has it entered into any franchise agreements or contracts relating to concessions, royalties or labor relations. In regards to license agreements, TruTrace has entered into the Spark Acquisition LOI which contemplates the acquisition of Spark and its IgnitePro™ platform. As of the date of this AIF, the Spark Share Exchange Agreement has not been entered into.

We plan to continue utilizing both internal and external teams as we continue to build out our platform. All intellectual property associated with the build that is not licensed through a licensing agreement will remain the property of TruTrace.

#### *Cycles*

The business of the Company generally is not affected by seasonality.

#### *Changes to Contracts*

The Company does not expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts.

#### *Effect of Environmental Protection Requirements*

The Company does not expect our capital expenditures, earnings and competitive position to be materially affected by environmental protection requirements in the current financial year, or in future years.

#### *Employees*

As at April 30, 2019, we have three executive officers, Robert Galarza, who is our President and Chief Executive Officer; Swapan Kakumanu who is our Chief Financial Officer and Tommy Stephenson who is our Chief Technology Officer. Our management oversees all responsibilities in the areas of corporate administration, business development, and research. We also employ consultants on an as-needed-basis to provide specific expertise in areas of product design and development and other business functions including marketing and accounting. We intend to expand our current management to retain skilled directors, officers, and employees with experience relevant to our business focus.

### *Foreign Operations*

TruTrace has been developing and growing sales, marketing and business development teams in Vancouver, British Columbia, Toronto, Ontario. The Company also has teams in Seattle, Washington and Los Angeles, California. Additionally, TruTrace intends to build a development team in Calgary, Alberta for the implementation and optimization of its enterprise software solutions.

If the Company expands its operations outside of Canada with increased global sales, it is expected that it may be necessary to transact sales in foreign currencies other than Canadian dollars, thus exposing the Company to foreign currency risk. A portion of the revenues of the Company could be collected in US dollars and the fluctuation of value of the US dollar could impact the success of the business of the Company and its financial results.

### *Economic Dependence*

TruTrace does not believe it will depend on one or a few major customers, due to the growing number of Licensed Producers and the vast amount of genetics strains and products in the developing Canadian cannabis industry.

For further information on competitive conditions, see Section 5 under the heading “*Risk Factors*”

### *Lending*

The Company and TruTrace Subco may from time to time advance loans to third parties subject to approval of the Board. Pursuant to the Spark Loan, TruTrace Subco made an advance to Spark in the principal amount of \$100,000, which matured on December 29, 2018, and bears interest at the rate of 10% per annum, and is payable in full.

### *Bankruptcy and Similar Proceedings*

The Company and TruTrace Subco have not been subject to any voluntary or involuntary bankruptcy, receivership or similar proceedings.

### *Reorganizations*

See Section 4 under the headings “*General Development of the Business*” and “*Significant Acquisitions*” for more information.

### *Social or Environmental Policies*

The Company has not implemented any social or environmental policies that are fundamental to its operations.

## **Risk Factors**

The following are certain factors relating to the Company’s business which prospective investors should carefully consider before deciding whether to purchase common shares in the Company’s authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones

we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

### *Forward Looking Information*

Certain information set out in this AIF includes or is based upon expectations, estimates, projections or other “forward looking information”. Such forward looking information includes projections or estimates made by us about our future business operations. While such forward looking statements and the assumptions underlying them are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost certainly vary (sometimes materially) from any estimates, predictions, projections, assumptions or other type of performance suggested here.

There are inherent risks in the business of the Company. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. The business of the Company is subject to risks and hazards, some of which will be beyond its control. Such risk factors include, but are not limited to: regulatory risks; changes in laws, regulations and guidelines; limited operating history; reliance on management; factors which may prevent realization of growth targets; the fact that TruTrace may not achieve or maintain profitability; need for additional financing in the future; competition; risks inherent in an agricultural business; vulnerability to rising energy costs; transportation disruption risks; risks associated with unfavourable publicity or consumer perception; product liability risks; risks related to product recalls; reliance on key inputs; dependence on suppliers and skilled labour; difficulty in forecasting; operating risk and insurance coverage; conflicts of interest; litigation; the fact that the market price of the Shares may be subject to wide price fluctuation; the fact that the Company does not anticipate paying any dividends on the Shares in the foreseeable future; risks associated with ongoing legal challenge(s) to the medical cannabis regulatory regime in Canada; the limited market for the Shares; and risks associated with environmental and employee health and safety regulations.

### **Limited Operating History and History of Losses**

The Company has not commenced commercial operations and has no assets other than cash. TruTrace has no history of earnings and has not yet generated any revenue. As such, it is subject to many of the risks common to early-stage enterprises, including: under-capitalization; cash shortages; limitations with respect to personnel, financial, and other resources; and lack of revenue. Although TruTrace anticipates generating revenue in the future, it is also incurring substantial expenses in the establishment of its business. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the future expansion of the business will be sufficient to raise the required funds to continue the development of its business. There is no assurance that the Company will be successful in achieving a return on shareholders’ investment, and the likelihood of success must be considered in light of the early stage of its operations.

### **Service Interruptions**

TruTrace intends to serve customers from third-party data center hosting facilities located in British Columbia and Alberta. Any damage to, or failure of, TruTrace’s systems could result in interruptions to its service. As TruTrace continues to add data centers and add capacity in

existing data centers, it may move or transfer its data and its customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of its services. Further, any damage to, or failure of, TruTrace's systems generally could result in interruptions in its service. Interruptions in TruTrace's service may reduce revenue, cause it to issue credits or pay penalties, cause customers to terminate their subscriptions and materially adversely affect its renewal rates and ability to attract new customers.

It is also expected that TruTrace's business might be harmed if its customers believe its service is unreliable. TruTrace intends to replicate and back-up customer data as part of its disaster recovery plans. However, these plans may not be successful in all circumstances. The Company will not control the operation of any third party facilities it may use. All of the facilities it operates or utilizes would be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close any facility without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in TruTrace's service. Even with its disaster recovery arrangements, TruTrace's service could be interrupted and its business and financial condition could be materially adversely affected.

### **Need for Continued Development of Technology**

The success of TruTrace's platform will be dependent on the accuracy, proper use and continuing development of its technological systems, including its business systems and operational platforms. Its ability to effectively use the information generated by its information technology systems, as well as its success in implementing new systems and upgrades, may affect its ability to: conduct business with its clients, including delivering services and solutions; manage its inventory and accounts receivable; purchase, sell, ship and invoice its products and services efficiently and on a timely basis; and maintain its cost-efficient operating model while expanding its business in revenue and in scale.

### **Ability to Generate Profits**

There can be no assurance that TruTrace will generate net profits in future periods. Further, there can be no assurance that it will be cash flow positive in future periods. In the event that TruTrace fails to achieve profitability, the value of its shares may decline. In addition, if TruTrace is unable to achieve or maintain positive cash flows, it will be required to seek additional funding, which may not be available on favourable terms, or at all.

### **Regulatory Uncertainty - Canada and the United States**

The legal global cannabis industry is still in its infancy and is dependent on the regulatory environment, including federal, state, provincial and local laws. TruTrace's business and achievement of its business objectives will be dependent, in part, on compliance with regulatory requirements enacted by governmental authorities for the collection and tracking of data related to the cannabis sector. An assumption in TruTrace's business plan was that the Federal Government would proceed with legalization of adult use cannabis in late summer/early fall of 2018. While TruTrace expects that its business model will be perceived to be viable and compliant with applicable regulatory requirements, there is no guarantee that its platform will be

adopted or utilized. To the extent that there are changes to existing regulations, the adoption and use of TruTrace's platform may be adversely affected.

Further, even within Canada, different provinces and local governmental authorities will have different regulatory requirements and it is possible that TruTrace's platform may not be compatible with those requirements. This variability may be difficult and/or ineffective to manage from both a technological and cost standpoint. There can be no assurance that the regulatory environment will remain favourable to the conduct of TruTrace's business. In the event that TruTrace's business is determined to be non-compliant with certain applicable regulatory requirements, its business and financial condition could be materially adversely affected.

### **Inconsistent Regulation in the United States**

The Company's business may involve developing relationships with entities that are expected to directly or indirectly derive a portion of their revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. As a result of these relationships, TruTrace may be considered to have ancillary involvement in the cannabis industry in the United States where local state law permits such activities. Currently, TruTrace is not directly engaged in the manufacturing, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in either Canada or the United States, nor is TruTrace directly engaged in the manufacturing, importation, possession, use, sale or distribution of cannabis in the medical cannabis marketplace in the United States or Canada.

Many U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on THC, while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the trend towards a permissive regulatory environment of cannabis at the state level in certain states, cannabis continues to be categorized as a controlled substance under the CSA in the United States and as such, may be in violation of federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, involvement in cannabis businesses in the United States is subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business of TruTrace in the United States. As such, there are a number of risks associated with TruTrace's existing and future business in the United States.

Violations of any federal regulations and laws could result in administrative sanctions, penalties, fines, criminal charges and convictions which may result in diminished profit, cessation of business activities or divestiture losses. These violations can also have a material adverse effect on TruTrace, including its brand, reputation and ability to conduct business, financial position, ability to raise additional capital, operating results, profitability or liquidity. It is difficult for TruTrace to estimate the resources and time needed for the investigation of any such matters or its final resolution.

For the reasons set forth above, TruTrace's intended business in the United States cannabis market, and future business, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

## **Anti-money Laundering Laws and Regulations**

TruTrace may be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Bank Secrecy Act*, as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (commonly referred to as the “PATRIOT Act”), Sections 1956 and 1957 of U.S.C. Title 18 (the *Money Laundering Control Act*), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder, the *Criminal Code (Canada)* and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Banks often refuse to provide banking services to businesses involved in the marijuana industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses in the marijuana industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

The FinCEN guidance provides instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN guidance states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. While the FinCEN guidance has not been rescinded by the DOJ at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the *Bank Secrecy Act*, that occur in any state, including in states that have legalized the applicable conduct and the DOJ’s current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the United States Attorney General. A change in the DOJ’s enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted.

In the event that any of TruTrace’s operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of TruTrace to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, in the event that a determination was made that TruTrace’s proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, TruTrace may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

## **Service Providers**

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse



change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to TruTrace could suspend or withdraw their services, which may have a material adverse effect on TruTrace's business, revenues, operating results, financial condition or prospects.

### **Unfavourable Publicity or Consumer Perception**

Management of TruTrace believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the products and services of entities with which TruTrace has material relationships may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the marijuana market or any particular product, or consistent with earlier publicity. The Company's indirect dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on TruTrace, the demand for TruTrace's products and services, and the business, results of operations, financial condition and cash flows of TruTrace.

### **Liability, Enforcement and Complaints**

TruTrace's participation in the marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, state, or local governmental authorities. Litigation, complaints, and enforcement actions could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on TruTrace's future cash flows, earnings, results of operations and financial condition.

### **The Marijuana Industry Faces Significant Opposition**

It is believed by many that large well-funded businesses may have strong economic opposition to the marijuana industry. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the marijuana industry. Any inroads the pharmaceutical industry could make in halting or impeding the marijuana industry could have a material adverse effect on TruTrace.

### **Blockchain Related Risks**

The use of blockchain technology for enterprise applications is in its early stages. While numerous use cases have been developed to demonstrate the efficiency, security and viability of blockchain technology, it is still largely unproven. There are risks that the underlying blockchain protocols and methodologies will not be scalable or sustainable in industry-wide applications. As a new and largely unregulated industry, changes in or more aggressive enforcement of laws and regulations around blockchain could adversely impact companies involved in the industry. Failure or delays in obtaining necessary approvals, or changes in government regulations and policies and practices could have an adverse impact on TruTrace's future cash flows, earnings, results of operations and financial condition. Further, governmental agencies could shut down or

restrict the use of blockchain platforms or blockchain based technologies. This could lead to a loss or interruption in business for TruTrace.

### **Intellectual Property Risk**

TruTrace's activities may infringe on patents, trademarks or other intellectual property rights owned by others. If TruTrace is required to defend itself against intellectual property rights claims, it may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If TruTrace is found to have infringed on the patents, trademarks or other intellectual property rights of others, it may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on its operations. Such litigation or claims and the consequences that could follow could distract management of TruTrace from the ordinary operation of its business and could increase costs of doing business, resulting in a negative impact on the business, financial condition, or results of operations of the Company.

### **Evolving Business Model**

As digital assets and blockchain technologies become more widely available, management expects the services and products associated with them to evolve. As a result, to stay current with the industry, TruTrace's business model may need to evolve as well. From time to time, TruTrace may modify aspects of its business model relating to its product mix and service offerings. It cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. TruTrace may not be able to manage growth effectively, which could damage its reputation, limit its growth and negatively affect its operating results. Such circumstances would have a material adverse effect on the Company's ability to continue as a going concern, which would have a material adverse effect on its business, prospects and operations, and harm TruTrace's investors.

### **Network Security Risks**

TruTrace expects to obtain, transmit and store confidential user information in connection with its services. These activities are subject to the laws and regulations of Canada and other jurisdictions. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions where TruTrace intends to offer services, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. TruTrace expects to rely on a variety of technologies to secure its systems. Despite the implementation of network security measures, its infrastructure will potentially be vulnerable to computer break-ins and similar disruptive problems. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures that the Company uses to protect its systems. TruTrace could also suffer from an internal security breach.

Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to TruTrace users. If internal TruTrace personnel or a third party were to misappropriate, misplace or lose corporate information, including financial and account information, customers' personal information, or source code, its business may be harmed. TruTrace may be required to expend significant capital and other resources to protect against these security breaches or losses or to alleviate problems caused by these breaches or losses. If third parties gain improper access to TruTrace's systems or

databases or those of its partners or contractors, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose TruTrace to monetary liability, and lead to inquiries, fines, or penalties.

### **Reliance on Key Personnel**

TruTrace's success depends in large measure on certain key personnel and the contributions of these individuals to its immediate operations are likely to be of central importance. The loss of the services of such key personnel could have a material adverse effect on the Company. In addition, the competition for qualified personnel in the blockchain industry is intense and there can be no assurance that TruTrace will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of TruTrace's management.

### **Management of Complex Software Implementation Projects**

The successful deployment of TruTrace's software will depend on managing complex implementation projects. A variety of factors may result in complex deployments being delayed, cancelled or failing, including: the inherent complexity of modern software; difficulty staffing the project with qualified personnel; difficulty managing a project in which the customer and multiple vendors must work together effectively; unrealistic deadlines; inability to realistically limit the scope of the project; problems with third party systems, software or services; inaccurate or faulty data; and insufficient time and investment spent in the planning and design phases of the project. As a result, TruTrace may not be able to successfully manage deployments of its software which could harm its reputation, be costly to correct, delay revenues, and expose it to litigation.

### **Conflicts of Interest**

Certain of the directors and officers of TruTrace are also directors and officers of other companies. In addition, they may devote time to other outside business interests, so long as such activities do not materially or adversely conflict with their duties to the Company. The interests of these persons could conflict with those of TruTrace. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of any such matter. In accordance with applicable laws, the directors of TruTrace will be required to act honestly, in good faith, and in the best interests of TruTrace.

### **Competition**

TruTrace expects to compete with other blockchain platforms focused on the cannabis sector. Market and financial conditions, and other conditions beyond TruTrace's control, may make it more attractive to invest in other financial vehicles which could limit the market for TruTrace's shares.

### **Companies with Asset-backed Securities Outstanding**

Neither the Company nor any of its subsidiaries has any asset-backed securities.

### **Companies with Mineral Projects**

Neither the Company nor any of its subsidiaries has any mineral projects.

### **Companies with Oil and Gas Activities**

Neither the Company nor any of its subsidiaries has oil and gas operations.

## **6. DIVIDENDS AND DISTRIBUTIONS**

Neither the Company nor any of its subsidiaries has a dividend policy. Dividends are not paid to shareholders or owners of membership interests in any of the entities.

## **7. DESCRIPTION OF CAPITAL STRUCTURE**

### **General Description of Capital Structure**

The authorized capital of the Company consists of an unlimited number of Shares without par value, and without any special rights or restrictions. As at July 25, 2019, 80,204,382 Shares were issued and outstanding.

The Company may issue share purchase warrants, options and rights at the discretion of the directors of the Company, and in conjunction with promissory notes, debentures, debenture stock, bonds, shares or other securities. As at July 25, 2019, 13,283,334 Options were issued and outstanding.

### **Constraints**

There are no constraints on the ownership of securities of the Company.

### **Ratings**

Neither the Company, nor any of its subsidiaries, has received any ratings.

## **8. MARKET FOR SECURITIES**

### **Trading Price and Volume**

The Shares are currently listed on the CSE under the symbol "TTT". The following table sets out the high, low and closing trading prices and total trading volume of the Shares on a monthly basis during the Company's most recently completed financial year ended April 30, 2019:

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume Traded</b>
Month ended April 30, 2019	\$0.385	\$0.255	\$0.27	7,944,057
Month ended March 31, 2019	\$0.45	\$0.255	\$0.305	10,618,137
Month ended February 28, 2019	\$0.495	\$0.215	\$0.42	13,564,765

Period	High	Low	Close	Volume Traded
Month ended January 31, 2019	\$0.25	\$0.13	\$0.215	417,376
Month ended December 31, 2018	\$0.175	\$0.105	\$0.13	3,191,400
Month ended November 30, 2018	\$0.265	\$0.135	\$0.16	4,805,524
Month ended October 31, 2018	\$0.375	\$0.205	\$0.265	6,494,866
Month ended September 30, 2018	\$0.465	\$0.21	\$0.33	19,046,231
Month ended August 31, 2018	\$0.28	\$0.175	\$0.22	5,246,859
Month ended July 31, 2018	\$0.31	\$0.16	\$0.19	13,264,041
Month ended June 30, 2018	\$0.90	\$0.275	\$0.28	12,598,746
Month ended May 31, 2018	\$1.20	\$0.74	\$0.79	1,971,879

### Prior Sales

On May 17, 2018 the Transaction was completed and the Company acquired, on a one for one basis, all of the TruTrace Subco Shares in exchange for the issuance of 38,350,000 Shares to the TruTrace Subco Shareholders at a deemed price of \$0.30 per Share.

On May 17, 2018, concurrent to the Transaction, the Company issued 35,000,000 Shares for gross proceeds of \$10,500,000 pursuant to the Concurrent Financing at a price of \$0.30 per Share.

On May 18, 2018, the Company granted 12,600,000 options to purchase up to 12,600,000 Shares. Each option is exercisable at \$0.30 per Share.

On September 28, 2018, the Company granted 700,000 options to purchase up to 700,000 Shares. Each option is exercisable at \$0.30 per Share.

On April 11, 2019, the Company granted 500,000 options to purchase up to 500,000 Shares. Each option is exercisable at \$0.36 per Share.

### 9. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

#### *CPC Escrow Shares*

The following table sets out the number and percentage of Shares held in escrow under the CPC Escrow Agreements:

Designation of class held in escrow	Number of Securities Held in Escrow	Percentage of class
Shares	554,400	0.69%

The CPC Escrow Shares are currently held in escrow pursuant to the CPC Escrow Agreements. The Transfer Agent is the escrow agent for the purposes of the CPC Escrow Agreements. There are 554,400 CPC Escrow Shares currently in escrow.

The CPC Escrow Shares are currently subject to the release schedule set out in Schedule B(1) to the CPC Escrow Agreements. Pursuant to Schedule B(1) of the CPC Escrow Agreements, 10% of the CPC Escrow Shares were released on May 18, 2018 and an additional 15% of the CPC Escrow Shares are to be released every 6 months thereafter until all CPC Escrow Shares have been released (36 months following May 18, 2018).

#### *Value Escrow Shares*

The following table sets out the number and percentage of Shares held in escrow under the Value Security Escrow Agreement based on TSXV Form 5D:

Designation of class held in escrow	Number of Securities Held in Escrow	Percentage of class
Shares	23,010,000 <sup>(1)</sup>	28.69%

<sup>(1)</sup> 4,230,000 Shares of which are held by principals of the Company. See Section 10 under the heading “*Directors and Officers*” for additional information.

The Value Escrow Shares are subject to the release schedule set out in Schedule B(2) to the Value Security Escrow Agreement. Pursuant to Schedule B(2) of the Value Security Escrow Agreement, 10% of the Value Escrow Shares were released on May 18, 2018 and an additional 15% of the Value Escrow Shares are to be released every 6 months thereafter, until all Value Escrow Shares have been released (36 months following May 18, 2018).

## 10. DIRECTORS AND OFFICERS

### **Name, Occupation and Security Holding**

The following table sets out the name, residence and principle occupation of each director and executive officer of the Company. In addition, the table shows the date on which each individual first became a director and/or officer and the number of Shares that each individual beneficially owns, or exercises control over, directly or indirectly, as of the date of this AIF. The information as to shares owned beneficially, not being within the knowledge of the Company, has been forwarded by the directors and officers individually.

Name, Place of Residence and Position(s) with the Company	Principal Occupation, Business or Employment for Last Five Years <sup>(1)</sup>	Director Since	Number of Shares Owned <sup>(1)</sup>
Robert Galarza <sup>(3)</sup> British Columbia, Canada  <i>Chief Executive Officer and Director</i>	Mr. Galarza is the co-founder and chief executive officer of Spark Digital Technologies, Inc., a software company specializing in revolutionary enterprise technology, since 2016. Senior Vice-President of Digital Development for Heated Details from September 2015 to February 2016. Self-employed attorney from January 2015 to September 2015. Consulting attorney for Attlesey Storm LLP from June 2014 to January 2015. Festival Director for AMFM Fest / Film for Change LLC from December 2013 to June 2014. Self-employed attorney from March 2011 to December 2013.	May 17, 2018	2,500,000 <sup>(5)</sup>
Swapan Kakumanu <sup>(2)</sup> Alberta, Canada  <i>Chief Financial Officer, Secretary and Director</i>	Partner, controller and chief financial officer of Red to Black Inc., a private company, from December 2012 to present. Mr. Kakumanu has been the chief financial officer of ICOX Innovations Inc., a technology company listed on the TSXV since December 2018. Mr. Kakumanu has been the chief financial officer of Pounce Technologies Inc., a technology company listed on the NEX board of the TSXV since July 2016. Mr. Kakumanu was the chief financial officer of Vogogo Inc., a cryptocurrency mining company listed on the Canadian Securities Exchange, from August 2017 to April 2018 and the chief financial officer of Intercept Energy Services Inc., a junior industrial company listed on the NEX board of the TSXV, from June 2014 to September 21, 2018.	September 28, 2018	300,000 <sup>(6)</sup>
Cameron Chell <sup>(3)(4)</sup> California, United States  <i>Director</i>	Mr. Chell has been the chief executive officer of Business Instincts Group Inc., a venture creation firm focused on high-tech start-ups since November 2009. He has been the chairman and a director of ICOX Innovations Inc., a company providing services for blockchain and cryptocurrency technologies, since August 21, 2017. Mr. Chell has also been a director and secretary of RYDE Holding Inc., a private blockchain and cryptocurrency company, from December 2017 and the chairman from February 2018.	May 17, 2018	2,388,000 <sup>(7)</sup>
Michael Kraft <sup>(2)(4)</sup> Ontario, Canada  <i>Director</i>	Founder, president and chief executive officer of Lingo Media Corporation, an online and print-based English language learning company listed on the TSXV, since 1996. He has been the chairman and a director of WeedMD Inc., a cannabis company listed on the TSXV that he co-founded in 2013, since April 2017.	May 17, 2018	125,000 <sup>(8)</sup>
James Carter <sup>(2)(3)(4)</sup> British Columbia, Canada  <i>Director</i>	Mr. Carter was a Vice President of MFC Bancorp Ltd., a merchant banking company listed on the New York Stock Exchange, from January 1998 to February 2017. He has been a director of Aloro Mining Corp., a mining company listed on the TSXV, since April 2, 2018. He is currently retired.	July 12, 2018	Nil <sup>(9)</sup>
Thomas Stephenson Washington, United States  <i>Chief Technology Officer</i>	Co-founder of Spark in 2016. Founder and CEO of Heated Details since September 1998.	n/a	2,500,000 <sup>(10)</sup>

(1) Information has been furnished by the respective officers/directors individually.

(2) Member of the Audit Committee.

(3) Member of Corporate Governance and Nominating Committee.

(4) Member of Compensation Committee.

(5) This number includes 2,000,000 Shares (1,200,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this AIF) held indirectly through Ignite Holdings Ltd. and 500,000 Shares (300,000 of

which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this AIF) held indirectly through Vancouver Esports Marketing Ltd. Does not include Options to acquire 800,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023.

- (6) This number includes 300,000 Shares (180,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this AIF) held by Red to Black Inc., a company controlled by Mr. Kakumanu. Does not include Options to acquire 150,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023 and 300,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until September 28, 2023.
- (7) This number includes: (i) 750,000 Shares (450,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this AIF) held directly and (ii) 1,000,000 Shares (600,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this AIF) held by Blockchain Merchant Group Inc. (iii) 638,000 Shares held by Business Instincts Group Inc. Does not include Options to acquire 800,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023.
- (8) Does not include Options to acquire 800,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023.
- (9) Does not include Options to acquire 300,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until September 28, 2023.
- (10) Shares (1,500,000 of which are held in escrow pursuant to the Value Security Escrow Agreement as of the date of this AIF) registered to Ember Technology Partners Ltd., a company controlled by Mr. Stephenson. Does not include Options to acquire 800,000 Shares, each of which is exercisable into one Share at a price of \$0.30 per Share until May 18, 2023.

The board of directors of the Company consists of Robert Galarza, Swapan Kakumanu, Cameron Chell, Michael Kraft and James Carter. Robert Galarza serves as Chief Executive Officer Swapan Kakumanu serves as Chief Financial Officer and Secretary, and Thomas Stephenson serves as Chief Technology Officer. As of the date of this AIF, the directors and executive officers of the Company beneficially own, directly or indirectly, as a group 7,813,000 Shares representing approximately 9.74% of all outstanding Shares on a non-dilutive basis.

The Company has three committees of the Board: the audit committee (the “**Audit Committee**”), the corporate governance and nominating committee (the “**Corporate Governance and Nominating Committee**”) and the compensation committee (the “**Compensation Committee**”). The Audit Committee is comprised of three directors consisting of Swapan Kakumanu, Michael Kraft and James Carter (Chair). The Corporate Governance and Nominating Committee is comprised of Robert Galarza, Cameron Chell and James Carter. The Compensation Committee’s members are: James Carter (Chair), Cameron Chell and Michael Kraft. Please refer to the 2018 Circular, a copy of which is available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com), for additional information on the Audit Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and corporate governance.

## **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

### Corporate Cease Trade Orders or Bankruptcies

Except as set forth below, to the knowledge of the Company, no director, officer or promoter of the Company, or a securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been, within 10 years before the date of this AIF, a director, officer or promoter of any person or company that, while that person was acting in that capacity:



- (a) was the subject of a cease trade or similar order, or an order that denied the issuer access to any exemptions under applicable Securities Laws, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael Kraft was a nominee director to represent Lingo Media Corporation's interest in A+ Child Development (Canada) Ltd. ("A+"), a 70.33% subsidiary of Lingo Media Corporation. On December 23, 2008, A+ filed a Notice of Intent to Make a Proposal under the Bankruptcy and Insolvency Act (Canada). On April 23, 2009, the proposal filed under the Bankruptcy and Insolvency Act (Canada) by A+ was approved by the Superior Court of Justice (Ontario) and the Company received the Certificate of Full Performance of Proposal.

James Carter was a director of ScotOil Petroleum Limited, a company listed on the TSXV at the relevant time, at the time it was subject to cease trade orders issued by the British Columbia Securities Commission (the "BCSC") on March 3, 2010, the Alberta Securities Commission (the "ASC") on March 2, 2010 and the Ontario Securities Commission (the "OSC") on March 12, 2010, for failure to file annual audited financial statements, related management's discussion and analyses and certifications and an annual information form for its financial year ended December 31, 2008 and for its interim financial periods ended March 31, 2009, June 30, 2009 and September 30, 2009 and related management's discussion and analyses and certifications. The cease trade orders were revoked by the BCSC and the ASC on June 8, 2011 and the OSC on June 9, 2011.

#### Personal Bankruptcies

Except as disclosed below, to the knowledge of the Company, no proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons, has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

On November 6, 2006, Cameron Chell filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act (Canada). RSM Richter Inc. was appointed as Mr. Chell's trustee. Mr. Chell was absolutely discharged from bankruptcy on May 18, 2010. Mr. Chell's bankruptcy related to the calling of a \$3 million personal guarantee Mr. Chell made to HSBC with respect to an operating line of credit granted by HSBC to Logicorp Data Systems, Ltd. ("Logicorp"). HSBC had initially granted Logicorp the line of credit without requiring a personal guarantee. However, Logicorp subsequently became subject to a number of reseller rebate claims that adversely affected its financial position and, once this became known to HSBC, HSBC attempted to reduce the operating level amount available upon which Logicorp could draw under the line of credit. At the time, Mr. Chell was a significant shareholder of Logicorp's parent company, Chell Group Corporation, as well as a director and officer of Logicorp. In negotiations with HSBC, it was agreed that Mr. Chell would provide a personal guarantee to HSBC in order to maintain the previous operating level under the line of credit. Ultimately, Logicorp defaulted on the line of credit and HSBC called on Mr. Chell's personal guarantee.

### Penalties and Sanctions

Except as disclosed below, to the knowledge of the Company, no proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, has

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Transaction.

Pursuant to a settlement agreement (the "**Settlement Agreement**") dated November 6, 1998 that Cameron Chell signed with the Alberta Stock Exchange (the "**ASE**"), Mr. Chell agreed to the following sanctions:

- prohibition against ASE Approval (as defined in the General By-law of the ASE) in any capacity for a period of five years commencing November 6, 1998;
- a fine in the sum of \$25,000;
- strict supervision for a period of two years following re-registration in any capacity; and
- close supervision for a period of one year following the period of strict supervision described above.

The matters respecting the Settlement Agreement are as set forth in an ASE Notice to Members dated November 12, 1998, which provides that:

- representations were made by the promoter of a company to one of Mr. Chell's clients that he would only be permitted to purchase securities in the initial public offering of that company if he would agree to purchase additional securities in the secondary market following the listing on the Alberta Stock Exchange and, in or around March or April, 1996, Mr. Chell disclosed confidential information to the promoter of that company concerning a client's account with respect to a cheque returned non-sufficient funds to Mr. Chell's employer;
- the investment objectives for two of Mr. Chell's clients were amended without prior knowledge or consent of such clients and purchases and sales of securities were subsequently executed in the accounts of such clients which were unsuitable for the clients given the stated investment objectives for the accounts prior to the amendment of such investment objectives;
- Mr. Chell executed a total of 21 transactions in the accounts of two of Mr. Chell's clients without prior knowledge or authorization of such clients;
- the signature on the new client account form for one of Mr. Chell's clients, which purported to be that of the client was not in fact the signature of the client nor did such client have any knowledge of any changes made to the investment objectives for his account(s);

- on or about June 10, 1996, the address for the account of one of Mr. Chell's clients was changed to Mr. Chell's local post office box address without such client's knowledge and while the client was resident in Ontario. As a result, during the period of June 10 to and including September, 1996, the client did not receive any trade confirmations or accounts statements with respect to her accounts with Mr. Chell;
- on or about March 19, 1996, Mr. Chell permitted one of his clients to acquire approximately 4% of the total initial public offering by a company, contrary to the rules of the Alberta Stock Exchange;
- on or about October 19, 1996, Mr. Chell purchased securities of a company in the account of one of his clients without disclosing the involvement of his brother as president of that company;
- on or about June 23, 1996, the private placement questionnaire & undertaking completed in connection with the purchase by one of Mr. Chell's clients and filed with the Alberta Stock Exchange disclosed that Mr. Chell's client was a resident of Alberta when in fact such client was a resident of Ontario. Mr. Chell knew or ought to have known that it contained a misstatement of fact in that regard;
- during the period of the summer 1996 to and including May 1997, Mr. Chell's day to day involvement as the president and chairman of Coffee.Com Interactive Café Corp. ("Coffee.Com") as well as being a shareholder was not disclosed to Mr. Chell's employer. Further, Mr. Chell purchased securities offerings via private placement by Coffee.Com for certain of his clients without fully disclosing his involvement with that company to such clients;
- on or about March 18 and June 19, 1996, Mr. Chell executed purchase of securities for Ontario residents. At the time of such purchases, Mr. Chell knew or ought to have known that he was not registered in the province of Ontario;
- during the summer of 1996, Mr. Chell represented to the Alberta Stock Exchange that certain purchasers of securities offered via private placement were close friends and business associates when he knew or ought to have known that such representations were untrue; and
- during the period of June 19, 1996 and to and including May 1, 1997, Mr. Chell failed to obtain the prior approval of his employer for advertisements and sales literature distributed by Mr. Chell regarding Coffee.Com.

Mr. Chell was the President, Chief Executive Officer and Chairman of the board of directors of the Chell Group Corporation (the "**Chell Group**") at the time the Chell Group was de-listed from the Nasdaq Stock Market Inc. ("**Nasdaq**"). On December 5, 2001, Nasdaq notified the Chell Group that it did not comply with either of the Nasdaq's \$2,000,000 net tangible assets or minimum \$2,500,000 stockholders' equity requirements for continued listing. Subsequently the Chell Group made a request to continue its listing on the Nasdaq SmallCap Market, which request was denied. The Chell Group appealed the Nasdaq's determination to deny the listing on the Nasdaq SmallCap Market, which appeal was also denied. Effective June 27, 2002, the Chell Group was de-listed from the Nasdaq.

## **Conflicts of Interest**

The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interests with they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, that director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Except as described below, to the knowledge of the Company, there are no known existing or potential conflicts of interest among the Company and its promoters, directors, officers or other members of management, as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promotes and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

The Company has entered into the Heated Details Master Services Agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the Company's platform. Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Executive Officer and a director and shareholder of Heated Details.

The Company has entered into the Spark Acquisition LOI, pursuant to which the Company intends to acquire all of the issued and outstanding securities of Spark in exchange for securities of the Company, on the terms and conditions set out in the Spark Acquisition LOI, to be superseded by the Spark Share Exchange Agreement. Robert Galarza, the Chief Executive Officer of the Company, is the Chief Executive Officer, a director and a shareholder of Spark and Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Strategic Officer, a director and a shareholder of Spark.

## **11. PROMOTERS**

Mr. Chell is a promoter of the Company in that he took the initiative in founding and organizing TruTrace Subco and was instrumental in facilitating the Transaction. Mr. Chell beneficially owns, directly or indirectly, or exercise control or direction over, an aggregate of 1,750,000 Shares, on an undiluted basis, being 2.18% of the outstanding Shares, as more particularly described elsewhere in this AIF. See "*Directors and Officers*" for additional information.

## **12. LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no material legal proceedings or regulatory actions that the Company is or was a party to, or that any of its property is or was the subject of, during the year ended April 30, 2019, and no such proceedings are known by the Company to be contemplated. From time to time, however, the Company may be subject to various claims and legal actions arising in the course of its business.

The Company is not aware of any settlement agreements, penalties or sanctions the Company has entered into before a court relating to securities legislation or with a securities regulatory authority or that would be material to a reasonable investor in making an investment decision.

### **13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as described below, no director, executive officer or principal shareholder of the Company, or an associate or affiliate of a director, executive officer or principal shareholder of the Company, has any material interest, direct or indirect, in any transaction which has occurred within the three years before the date of this AIF, or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

The Company has entered into the Heated Details Master Services Agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the Company's platform. Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Executive Officer and a director and shareholder of Heated Details.

The Company has entered into the Spark Acquisition LOI, pursuant to which the Company intends to acquire all of the issued and outstanding securities of Spark in exchange for securities of the Company, on the terms and conditions set out in the Spark Acquisition LOI, to be superseded by the Spark Share Exchange Agreement. Robert Galarza, the Chief Executive Officer of the Company, is the Chief Executive Officer, a director and a shareholder of Spark and Thomas Stephenson, the Chief Technology Officer of the Company, is the Chief Strategic Officer, a director and a shareholder of Spark.

### **14. TRANSFER AGENT AND REGISTRAR**

The Company's registrar and transfer agent is Computershare Trust Company of Canada, at its Vancouver office, located at 510 Burrard Street, 3rd Floor, Vancouver, BC V6C 3A8. Transfers may be recorded in Toronto, Ontario or Vancouver, British Columbia.

### **15. MATERIAL CONTRACTS**

Except as described herein, the Company has not entered into any material contracts within the two years before the date of this AIF, other than contracts entered into in the ordinary course of business:

- (a) the CPC Escrow Agreement 1, as described elsewhere in this AIF;
- (b) the CPC Escrow Agreement 2, as described elsewhere in this AIF;
- (c) the Share Exchange Agreement, as described elsewhere in this AIF;
- (d) the Spark Master Services Agreement and supporting statement of work, as described elsewhere in this AIF;
- (e) the Spark LOI, as described elsewhere in this AIF;
- (f) the Spark Acquisition LOI, as described elsewhere in this AIF;
- (g) the Spark Share Exchange Agreement, as described elsewhere in this AIF;
- (h) the WeedMD Master Services Agreement and supporting statement of work, as described elsewhere in this AIF;

- (i) the Heated Details Master Services Agreement, as described elsewhere in this AIF; and
- (j) the Strainprint LOI, as described elsewhere in this AIF.

## **16. INTERESTS OF EXPERTS**

No person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds any beneficial interest, direct or indirect, in any securities or property of the Company or of an Associate or Affiliate of the Company and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an Associate or Affiliate of the Company and no such person is a promoter of the Company or an Associate or Affiliate of the Company.

Dale Matheson Carr-Hilton Labonte LLP audited the financial statements of the Company for the year ended March 31, 2018.

Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants is independent of the Company in accordance with the rules of professional conduct of the Chartered Professional Accountants of British Columbia.

## **17. ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Company's audited financial statements and MD&A for the year ended March 31, 2018 and other previous financial years are also available under the Company's SEDAR profile.