TRU·TRACE™
Technologies

Consolidated Financial Statements

For the year ended April 30, 2019 and the period from November 22, 2017 (inception) to April 30, 2018

Management's Responsibility

To the Shareholders of TruTrace Technologies Inc. (Formerly BLOCKStrain Technology Corp.) (the "Corporation")

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the Management Discussion & Analysis is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors and the Audit Committee include some Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Dale Matheson Carr-Hilton Labonte LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

"Robert Galarza"

Robert Galarza

Chief Executive Officer

August 23, 2019

"Swapan Kakumanu"

Swapan Kakumanu

Chief Financial Officer

August 23, 2019

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

Opinion

We have audited the consolidated financial statements of TruTrace Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the year ended April 30, 2019 and for the period from November 22, 2017 (inception) to April 30, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and 2018, and its financial performance and its cash flows for the year ended April 30, 2019 and for the period from November 22, 2017 (inception) to April 30, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred losses and negative operating cash flows since inception and the Company's ability to continue its operations is dependent on its ability to raise additional financing to continue operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David J. Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

August 23, 2019

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

CONTENTS:	**PAGE**
Consolidated Financial Statements	
Consolidated Statements of Financial Position	6
Consolidated Statements of Operations and Comprehensive Loss	7
Consolidated Statement of Changes in Equity	8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10-25

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at April 30,

Expressed in Canadian dollars	Note		**2019**		2018
Assets					
Current Assets					
Cash and cash equivalents		**$**	**1,163,219**	$	25,109
Trade receivables			**11,200**		-
Note receivable	6		**-**		103,178
GST receivable			**52,448**		3,736
Prepaids and deposits	7		**115,474**		30,063
			1,342,341		162,086
Non-Current Assets					
Equipment	8		**21,730**		-
		$	**1,364,071**	$	162,086
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	9	**$**	**634,619**	$	114,634
Shareholders' Equity					
Share capital	10		**12,784,066**		575,250
Contributed surplus	10		**3,246,353**		-
Deficit			**(15,300,967)**		(527,798)
			729,452		47,452
		$	**1,364,071**	$	162,086

Subsequent Events (Note 16)

On behalf of the Board of Directors:

"Robert Galarza"
Chief Executive Officer

"Jim Carter"
Director

(See Notes to the Consolidated Financial Statements)

TRU•TRACE Technologies

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Expressed in Canadian dollars	Note	**Year ended April 30, 2019**	Period from November 22, 2017 (inception) to April 30, 2018
Revenues			
Service revenue		**$ 10,000**	$ -
Expenses			
Corporate development costs	11	**4,323,139**	89,739
Depreciation	8	**4,834**	-
General and administrative costs		**1,082,231**	58,403
Operating costs		**64,842**	-
Product development costs	11	**2,159,940**	376,184
Salaries, subcontractors, and benefits	11	**1,391,512**	-
Stock-based compensation	10,11	**3,246,353**	-
		(12,272,851)	(524,326)
Other income (expense)			
Foreign exchange		**(36,134)**	(6,650)
Impairment loss	6,7	**(165,051)**	-
Interest and other income		**11,886**	3,178
Listing expense	5	**(2,321,019)**	-
		(2,510,318)	(3,472)
Net loss and comprehensive loss		**$ (14,773,169)**	$ (527,798)
Loss per share			
Basic/Diluted		**$ (0.19)**	$ (0.02)
Weighted average number of common shares outstanding		**78,255,000**	31,512,413

(See Notes to the Consolidated Financial Statements)

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Expressed in Canadian dollars	**Number of Common Shares**	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance at November 22, 2017 (inception)	-	$ -	$ -	$ -	$ -
Shares issued for cash	**38,350,000**	**575,250**	-	-	**575,250**
Net loss	-	-	-	**(527,798)**	**(527,798)**
Balance at April 30, 2018	**38,350,000**	**575,250**	-	**(527,798)**	**47,452**
Fair value of shares issued for acquisition of the Corporation	**6,854,382**	**2,056,315**	-	-	**2,056,315**
Shares issued on private placement	**35,000,000**	**10,500,000**	-	-	**10,500,000**
Share issue costs	-	**(342,999)**	-	-	**(342,999)**
Cancellation of subscription receivable	-	**(4,500)**	-	-	**(4,500)**
Stock-based compensation	-	-	**3,246,353**	-	**3,246,353**
Net loss	-	-	-	**(14,773,169)**	**(14,773,169)**
Balance at April 30, 2019	**80,204,382**	**$ 12,784,066**	**$ 3,246,353**	**$ (15,300,967)**	**$ 729,452**

(See Notes to the Consolidated Financial Statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars	Year ended April 30, 2019	Period from November 22, 2017 (Inception) to April 30, 2018
Operating activities		
Net loss	$ (14,773,169)	$ (527,798)
Adjustments for:		
Depreciation	4,834	-
Impairment	165,051	-
Interest on note receivable	(10,000)	(3,178)
Listing expense	2,321,019	-
Stock-based compensation	3,246,353	-
	(9,045,912)	(530,976)
Net changes in non-cash working capital items:		
Increase in trade receivable	(11,200)	(3,736)
Increase in GST receivables	(48,712)	-
Increase in prepaid expenses	(104,534)	(30,063)
Increase in accounts payable and accrued liabilities	243,801	114,634
Funds used in operating activities	(8,966,557)	(450,141)
Investing activities		
Purchase of property and equipment	(26,564)	-
Loan to Spark Digital	-	(100,000)
Bank indebtedness assumed from the RTO	(21,270)	-
Funds used in investing activities	(47,834)	(100,000)
Financing activities		
Proceeds from issuance of common shares, net of issuance costs	10,157,001	575,250
Cancellation of subscription receivable	(4,500)	-
Funds provided by financing activities	10,152,501	575,250
Net increase in cash	1,138,110	25,109
Cash and cash equivalents, beginning	25,109	-
Cash and cash equivalents, ending	$ 1,163,219	$ 25,109
Cash and cash equivalents consist of the following:		
Cash held in banks	$ 478,985	$ 25,109
Guaranteed investment certificate	684,234	-
	$ 1,163,219	$ 25,109

(See Notes to the Consolidated Financial Statements)

1. NATURE OF OPERATIONS

TruTrace Technologies Inc. (formerly "BLOCKStrain Technology Corp.") (the "Corporation" or "TruTrace") was incorporated under the British Columbia Business Corporations Act on October 19, 2011 and is listed on the TSX Venture Exchange "TSXV", under the trading symbol "DNAX''. The head office and the records and registered office is located at L120, 2303 – 4th St SW, Calgary, AB, T2S 2S7.

TruTrace Technologies Inc. is a full-service software company that has developed the first integrated blockchain platform that registers and tracks cannabis intellectual property ("IP") from genome to sale. It is proprietary, immutable, and cryptographically secure, thereby establishing, in a single source, an accurate, validated, and permanent accounts for cannabis strains from ownership to market.

On May 17, 2018, the Corporation completed its Qualifying Transaction ("the Transaction") (Note 5), pursuant to which it acquired all of the issued and outstanding shares of BLOCKStrain Technology Group Inc. ("PrivCo"), a private company incorporated on November 22, 2017, under the laws of British Columbia.

The Corporation changed its name from "BLOCKStrain Technology Corp." to "TruTrace Technologies Inc." on April 26, 2019.

On December 14, 2018, the Corporation created a US subsidiary named "Titan Collection USA, Inc.". On June 19, 2019, this subsidiary's name was changed to "TruTrace Technologies (USA), Inc."

These consolidated financial statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. As of April 30, 2019, the Corporation has incurred losses since inception and generated negative cash flows from operations. The Corporation's ability to continue as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Corporation to obtain necessary financing to continue operations, and ultimately the attainment of profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Corporation to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Corporation is unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PRESENTATION (CONT'D)

These consolidated financial statements were authorized for issuance by the Board of Directors as of August 23, 2019.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis; modified where applicable.

Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is also the Corporation's functional currency.

Use of Estimates and Judgements

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgements in applying the Corporation's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standard IFRS 15 *Revenue from Contracts with Customers*

The Corporation adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") effective May 1, 2018 using the modified retrospective method. IFRS 15 supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. As a result of applying the requirements of IFRS 15, including the application of certain practical expedients, no changes or adjustments to the Corporation's comparative consolidated financial statements were required.

The Corporation plans to derive its revenues from three sources: Lab testing, DNA Based Product Validation and Actionable Quality Assurance, and the registration of Intellectual Property.

Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Corporation expects to receive in exchange for those products or services.

The Corporation determines the amount of revenue to be recognized through application of the following steps:

a. Identification of the contract, or contracts with a customer;
b. Identification of the performance obligations in the contract;
c. Determination of the transaction price;
d. Allocation of the transaction price to the performance obligations in the contract; and
e. Recognition of revenue when or as the Corporation satisfies the performance obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New standard IFRS 15 *Revenue from Contracts with Customers* (cont'd)

i. Lab testing revenues usually consist of testing cannabis samples to retrieve their genomic structures. The Corporation typically invoices its customers when the testing process is complete.
ii. Product validation and quality assurance revenues consist of the confirmation of a product's source and genetics as it travels from farm to shelf. Revenue from these services is typically recognized when each step of the validation process is complete.
iii. Revenue from the registration of Intellectual Property consists of registering the genomic structures of a product in the Corporation's database for reference for product validation. Revenue from this service is generally recognized when the Intellectual Property is registered, and the client has received the certificate of registration.

New standard IFRS 9 *Financial Instruments*

The Corporation adopted all of the requirements of IFRS 9 Financial Instruments effective May 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Corporation's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Corporation determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Corporation has opted to measure them at FVTPL.

The Corporation completed a detailed assessment of its financial assets and liabilities as at May 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Trade receivables	Amortized cost	Amortized cost
Note receivable	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on May 1, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New standard IFRS 9 *Financial Instruments* (cont'd)

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Corporation measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Corporation measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Corporation shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New standard IFRS 9 *Financial Instruments* (cont'd)

Financial liabilities

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Corporation also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash

flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.
The Corporation has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Corporation's financial assets and financial liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation (its subsidiaries). Control is achieved when it is exposed to, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its powers over the investee.

All subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date such control ceases.

Subsidiaries

In preparing the consolidated financial statements, transactions, balances and unrealized gains on transactions between group entities are eliminated. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation.

Functional Currency

The Corporation's functional currency is the Canadian dollar and transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at reporting period rate of exchange. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses denominated in a foreign currency are translated at the monthly average exchange rate (except for depreciation and amortization which is translated at historical exchange rates). Gains and losses resulting from the translation adjustments are included in income.

The functional currency for each subsidiary is as follows:

BLOCKStrain Technology Group Inc.	Canadian Dollar
TruTrace Technologies (USA), Inc.	U.S. Dollar

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional Currency (cont'd)

Financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars as follows: all asset and liability accounts are translated at the year-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as exchange differences on translating foreign operations in accumulated other comprehensive income ("AOCI").

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted balances on deposit with financial institutions which are cashable on demand.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation's common shares are classified as share capital.

Incremental costs directly attributable to the issue of new shares, warrants or options are shown in equity as a deduction, net of tax, from the proceeds.

Equity-Settled Stock-Based Compensation Transactions

The Corporation operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes (cont'd)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Corporation reassesses unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Loss per Share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options and warrants. The dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Corporation makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change. Information about critical judgements in applying accounting policies are discussed below:

Equity-settled Stock-Based Compensation Transactions

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, share price, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock-based compensation transactions are disclosed in Note 10.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Equity-settled Stock-Based Compensation Transactions (cont'd)

Significant judgement is also required when determining if consultants that provide services to the Corporation should be considered as employees or non-employees when they are granted stock-based compensation. In making this determination, the Corporation considers that individuals who render personal services to the entity are regarded as employees for legal or tax purposes, individuals that work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes, and individuals whose services rendered are similar to those rendered by employees are considered as employees for stock-based compensation valuation purposes.

Income Taxes

The Corporation recognizes deferred tax assets relating to deductible temporary differences carried forward to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability to satisfy certain tests at the time the losses are recouped. It is not more likely than not that a future taxable profit will allow deferred tax assets to be recognized. Therefore, the Corporation has not recognized any deferred tax assets.

Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.
As at April 30, 2019, the Corporation had not recognized any internally-generated intangible assets.

EXPRESSED IN CANADIAN DOLLARS

5. REVERSE TAKEOVER

On May 17, 2018, the Corporation completed its Qualifying Transaction whereby each outstanding share of PrivCo was exchanged, on a one for one basis, for the issued and outstanding common shares of the Corporation, with PrivCo becoming a wholly-owned subsidiary of the Corporation.

The Transaction constituted a reverse takeover of the Corporation by the shareholders of PrivCo but did not meet the definition of a business combination as defined under IFRS 3. As such, the Transaction is accounted under IFRS 2, where the difference between the consideration given to acquire the Corporation and the net asset value of the Corporation is recorded as a listing expense. Since PrivCo is deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of PrivCo up to the date of the Transaction.

The fair value of the consideration issued for the net assets of the Corporation is as follows:

Fair value of shares issued (6,854,382 @ $0.30)	$	2,056,315
Fair value of net liabilities		
Prepaid deposits		32,750
Bank indebtedness		(21,270)
Accounts payable		(276,184)
		(264,704)
Listing expense	$	2,321,019

6. NOTE RECEIVABLE

In conjunction with the BLOCKStrain Technology Group Inc. letter of intent (“LOI”) executed on January 4, 2018, the Corporation advanced $100,000 to Spark Digital Technologies (“Spark”) for one year. The advance bears interest at 10% per annum. At the option of the Corporation, the advance is convertible into equity securities of Spark or may be set off against the amount payable before the initial license fee as contemplated by the LOI. During the year ended April 30, 2019, the Corporation recorded $10,000 in interest income, included in other income. As no interest payments have been received and the note is past due, as at April 30, 2019, the Corporation impaired the balance of $113,178.

7. PREPAIDS AND DEPOSITS

		April 30, 2019		April 30, 2018
Prepaids	**$**	**67,337**	$	30,063
Deposits		**48,137**		-
Total prepaids and deposits	**$**	**115,474**	$	30,063

Prepaids consist of $55,197 of prepaid rent, $9,472 of prepaid insurance expense, and $2,668 of other prepaid expenses.

During the year ended April 30, 2019, the Corporation paid a $100,010 deposit towards a subscription agreement with Integral Genomics Inc. (formerly “BC Better Genetics Corporation”). As at April 30, 2019, the agreement had expired, and the deposit paid is considered a (pre)payment for expenses incurred. As at April 30, 2019, the deposit balance was impaired to the balance outstanding and owing to Integral Genomics Inc. in accounts payable.

EXPRESSED IN CANADIAN DOLLARS

8. EQUIPMENT

		April 30, 2019		April 30, 2018
Equipment	**$**	**26,564**	$	-
Depreciation		**(4,834)**		-
Net carrying value	**$**	**21,730**	$	-

During the year ended April 30, 2019, the Corporation purchased equipment to perform genetic testing for cannabis.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		April 30, 2019		April 30, 2018
Accounts payable	**$**	**596,552**	$	106,364
Accrued liabilities		**38,067**		8,270
Total accounts payable and accrued liabilities	**$**	**634,619**	$	114,634

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares and preferred shares without par value.

Common shares issued

	Number of Shares		**Amount**
Balance at November 22, 2017	-	$	-
Shares issued for cash (i)	38,350,000		575,250
Balance at April 30, 2018	38,350,000		575,250
Shares issued for acquisition of the Corporation (ii)	6,854,382		2,056,315
Shares issued for cash, less share issuance costs (iii)	35,000,000		10,152,501
Balance at April 30, 2019	**80,204,382**	**$**	**12,784,066**

i. On January 30, 2018, the Corporation issued 38,350,000 common shares at $0.015 for gross proceeds of $575,250.
ii. On May 17, 2018, the Transaction (Note 5) was completed and the Corporation issued 6,854,382 shares.
iii. On May 17, 2018, concurrent with the Transaction, the Corporation issued 35,000,000 common shares for proceeds of $10,500,000. The Corporation incurred $342,999 in share issuance costs and a subscription receivable of $4,500 was cancelled.

Contributed Surplus

		Amount
Balance at April 30, 2018 and November 22, 2017	$	-
Stock-based compensation expense		3,246,353
Balance at April 30, 2019	**$**	**3,246,353**

EXPRESSED IN CANADIAN DOLLARS

10. SHARE CAPITAL (CONT'D)

Options

The Corporation has adopted a stock option plan where it may issue a maximum of 16,000,000 options. Under the terms of the stock option plan, options may be granted only to: (i) employees, officers, directors, and consultants of the Corporation; and (ii) employees, officers, directors, and consultants of an affiliate of the Corporation.

Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent of the issued and outstanding common shares.

As at April 30, 2019 the Corporation had the following options outstanding and exercisable:

Expiry Date		Exercise Price	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Exercisable
May 18, 2023	$	0.30	4.05	11,650,000	11,650,000
September 28, 2023		0.30	4.42	633,334	233,334
April 11, 2024	$	0.36	4.95	500,000	-
				12,783,334	11,883,334

On May 18, 2018, the Corporation granted 12,750,000 stock options to employees and directors of the Corporation. 12,600,000 of these options vested on September 19, 2018, with another 150,000 vesting over a twelve month from the date of the grant. The exercise price of these options is $0.30, and they expire on May 18, 2023. On September 18, 2018, 2,750,000 options that were set to vest on September 19, 2018 were extended to vest on January 19, 2019.

On September 28, 2018, the Corporation granted 700,000 stock options to employees. 233,334 of these options vested upon grant, 233,333 vest on September 28, 2019 and 233,333 vest on September 28, 2020. The exercise price of these options is $0.30, and they expire on September 28, 2023.

On April 11, 2019, the Corporation granted 500,000 stock options to employees. These options vest on August 12, 2019. The exercise price of these options is $0.36, and they expire on April 11, 2024.

EXPRESSED IN CANADIAN DOLLARS

10. SHARE CAPITAL (CONT'D)

Options (cont'd)

The following is a summary of the Corporation's stock option activity:

	Number of Options		Weighted Average Exercise Price
Outstanding at April 30, 2017 and 2018	-	$	-
Granted	13,950,000		0.30
Forfeited	(1,166,666)		0.30
Outstanding at April 30, 2019	**12,783,334**	**$**	**0.30**
Exercisable at April 30, 2019	**11,883,334**	**$**	**0.30**

During the year ended April 30, 2019, 1,166,666 options were forfeited.

During the year ended April 30, 2019, the Corporation recorded $3,246,353 in stock-based compensation, based on the fair values of stock options granted which were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

		Year ended April 30, 2019		Period from November 22, 2017 (inception) to April 30, 2018
Risk free interest rate		**1.59%-2.30%**		N/A
Expected volatility		**118.84%-123.65%**		N/A
Expected life		**5 years**		N/A
Expected dividend yield		**0%**		N/A
Exercise price	**$**	**0.30-0.36**	$	N/A

The weighted average grant date fair value of options granted during the year ended April 30, 2019 was $0.251 per option.

Escrowed Securities

As part of the Transaction (Note 5), common shares of the Corporation were subject to voluntary escrow and regulatory resale restrictions. As at April 30, 2019, there were 28,762,500 (2018 – 24,000) common shares held in escrow.

11. RELATED PARTY TRANSACTIONS

Summary of key management personnel compensation:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation has determined that key management personnel consist of members of the Corporation's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the years ended April 30, 2019 and 2018 are set out below:

EXPRESSED IN CANADIAN DOLLARS

11. RELATED PARTY TRANSACTIONS (CONT'D)

		Year ended April 30, 2019		Period from November 22, 2017 (inception) to April 30, 2018
Director fees	$	30,919	$	-
Salaries, subcontractors, and benefits		441,923		-
Stock-based compensation		1,128,845		-
	$	1,601,687	$	-

Corporate Development Costs

On June 1, 2018, the Corporation entered into a master services agreement with a company controlled by a director to provide marketing, web development, planning, patent work, administrative services, and facilitation and negotiation services. For the year ended April 30, 2019, the Corporation incurred fees of $354,000. As at April 30, 2019, the Corporation was indebted to this company in the amount of $Nil (April 30, 2018 - $14,644) which was included in accounts payable and accrued liabilities.

For the year ending April 30, 2019, the Corporation had incurred fees of $35,000 with a company in which the former CFO is a partner. As at April 30, 2019, the Corporation was indebted to this company in the amount of $Nil (April 30, 2018 - $Nil).

Product Development Costs

On January 19, 2018, the Corporation entered into a master services agreement and a statement of work to develop the initial phases of the product development strategy necessary to launch the TruTrace platform. The Corporation shares an officer with the service provider. For the year ended April 30, 2019, the Corporation incurred fees of $2,159,940 (April 30, 2017 - $376,184). As at April 30, 2019, the Corporation was indebted by $97,683 (April 30, 2018 - $Nil).

Other

As at April 30, 2019, $9,345 (April 30, 2018 - $Nil) of expense reimbursements was due to a former director of the Corporation and was included in accounts payable and accrued liabilities.

As at April 30, 2019, a note receivable (Note 6) of $113,178 (April 30, 2018 - $103,178) was due from a company controlled by directors of the Corporation. As at April 30, 2019, the Corporation impaired the balance of $113,178.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation is exposed to risks that arise from its use of financial instruments. This note describes the Corporation's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed consolidated interim financial statements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Corporation's risk management objectives and policies and retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Corporation's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Corporation's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Corporation consist primarily of cash and cash equivalents and trade receivables.

The carrying amount of financial assets represents the maximum credit exposure. All cash is held at a Canadian Chartered Bank.

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. If future cash flows are uncertain, the liquidity risk increases.

The Corporation monitors its risk of shortage of funds by monitoring the maturity dates of existing financial liabilities. The Corporation's financial liabilities are comprised of accounts payable and accrued liabilities, and loan payable. The Corporation anticipates it will have adequate liquidity to fund its financial liabilities through its existing working capital and equity issues. Furthermore, a portion of liabilities are expected to be settled in common shares of the Corporation, thereby mitigating liquidity risk. However, there is no assurance that the Corporation will have sufficient cash flow to be able to discharge its future financial liabilities.

c) Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Corporation considers this risk to be immaterial. There is no interest payable on the loan payable and is, therefore, not subject to cash flow interest rate risk.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

d) Exchange Rate Risk

Exchange rate risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Corporation's operations and financial results. The Corporation incurs certain expenses in US dollars and is exposed to foreign exchange rate fluctuation. These expenses are subject to exchange rate risk. This risk has been deemed not material.

13. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, general and administrative expenses, working capital and overall capital expenditures. The Corporation defines capital as total shareholders' deficit. To fund its activities, the Corporation has followed an approach that relies almost exclusively on the issuance of common equity. Since inception, the Corporation has financed its liquidity needs primarily through share issuances. The Corporation is not subject to any capital requirements imposed by external parties.

14. COMMITMENT

Operating lease

On June 4, 2018, the Corporation signed an operating lease for its corporate office space as follows. This lease expires in 2023. On March 27, 2019, the Corporation signed an assignment of lease agreement to transfer the ownership of the lease to a third-party effective July 1, 2019. The Corporation will lose its prepaid rent and deposit of $47,840 and, as at April 30, 2019, has a commitment of $11,572 to the lessor.

15. INCOME TAX

A reconciliation of the expected income tax recovery, based on Canadian federal and provincial tax rates, to the actual income tax recovery is as follows:

		Year ended April 30, 2019		Period from November 22, 2017 (inception) to April 30, 2018
Net loss	**$**	**(14,773,169)**	$	(527,798)
Statutory tax rate		**27%**		26%
Expected income tax recovery at the statutory tax rate		**(3,989,000)**		(137,000)
Non-deductible items and other		**1,503,000**		-
Foreign exchange and other		**(103,000)**		1,000
Change in valuation allowance		**2,589,000**		136,000
Income tax recovery	**$**	**-**	$	-

The Corporation has the following taxable temporary timing differences. No deferred tax assets have been recognized with respect to these tax affected temporary timing differences.

EXPRESSED IN CANADIAN DOLLARS

15. INCOME TAX (CONT'D)

As at April 30,		**2019**		2018
Non-capital loss carry-forwards	**$**	**2,882,000**	$	136,000
Exploration and evaluation assets		**69,000**		-
Property, plant, and equipment		**7,000**		-
Share issue costs		**78,000**		-
		3,036,000		136,000
Less: valuation allowance		**(3,036,000)**		(136,000)
Net deferred income tax asset	**$**	**-**	$	-

As at April 30, 2019, the Company had a total of $10,675,000 in non-capital loss carryforwards expiring from 2032 to 2039.

16. SUBSEQUENT EVENTS

On May 7, 2019, the Corporation issued 500,000 stock options to an employee. These stock options vested upon grant. The exercise price of these options is $0.26, and they expire on May 7, 2024.

On May 10, 2019, the Corporation issued 150,000 stock options to an advisor. These stock options vested upon grant. The exercise price of these options is $0.245, and they expire on May 10, 2024.

On July 29, 2019, the Corporation received $235,000 as an advance for a planned private placement.

On July 30, 2019, the Corporation issued 1,500,000 stock options to certain directors and officers of the Corporation, and a consultant. The exercise price of these options is $0.25, and they expire on July 30, 2024. The stock options granted to directors and officers vest as follows:

- 1/3 on the date of grant;
- 1/3 on the first anniversary of the grant; and
- 1/3 on the second anniversary of the grant.

The stock options granted to the consultant vest upon the completion of various milestones.

On August 16, 2019, the Corporation received $125,000 as an advance for a planned private placement.

On August 22, 2019, the Corporation closed a first tranche (the "First Tranche") of the non-brokered private placement (the "Financing"). The First Tranche consisted of 2,040,000 units (each, a "Unit") of the Corporation at a price of $0.25 per Unit for gross proceeds of $510,000, which includes the advances of $235,000 received on July 29, 2019 and the $125,000 received on August 16, 2019. Each Unit consists of one common share and one non-transferable common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one additional common share at a price of $0.30 per common share for a period of three years from the closing of the Financing.