



TRU • TRACETM

Technologies

Condensed Consolidated Interim Financial Statements

For the three months ended July 31, 2019

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

(Expressed in Canadian dollars)



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TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

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TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

| As at | Note | July 31, 2019 | April 30, 2019 |
|--|------|---------------------|---------------------|
| Expressed in Canadian dollars | | | |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | \$ 97,671 | \$ 1,163,219 |
| Trade receivables | | 197,569 | 11,200 |
| GST receivable | | 54,093 | 52,448 |
| Prepays and deposits | 5 | 130,191 | 115,474 |
| | | <u>479,524</u> | <u>1,342,341</u> |
| Non-Current Assets | | | |
| Equipment | 6 | 20,087 | 21,730 |
| | | <u>\$ 499,611</u> | <u>\$ 1,364,071</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 7 | \$ 781,721 | \$ 634,619 |
| Deferred revenue | 8 | 126,840 | - |
| | | <u>908,561</u> | <u>634,619</u> |
| Shareholders' Equity | | | |
| Share capital | 9 | 12,784,066 | 12,784,066 |
| Contributed surplus | 9 | 3,613,885 | 3,246,353 |
| Obligation to issue shares | | 235,000 | - |
| Deficit | | <u>(17,041,901)</u> | <u>(15,300,967)</u> |
| | | <u>(408,950)</u> | <u>729,452</u> |
| | | <u>\$ 499,611</u> | <u>\$ 1,364,071</u> |

Subsequent Events (Note 12)

"Robert Galarza"

Chief Executive Officer

"Jim Carter"

Director

(See Notes to the Condensed Consolidated Interim Financial Statements)



TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

| CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (unaudited) | | For the three months ended July 31, | |
|---|------|--|-----------------------|
| Expressed in Canadian dollars | Note | 2019 | 2018 |
| Revenues | | | |
| Service revenue | | \$ 48,000 | \$ - |
| Expenses | | | |
| Corporate development costs | | 262,410 | 2,922,316 |
| Depreciation | 6 | 1,643 | - |
| General and administrative costs | | 295,503 | 299,354 |
| Operating costs | | 5,000 | - |
| Product development costs | | 576,304 | 408,512 |
| Salaries, subcontractors, and benefits | 10 | 270,931 | 540,146 |
| Stock-based compensation | 9 | 367,532 | 2,496,562 |
| | | (1,779,323) | (6,666,890) |
| Other income (expense) | | | |
| Foreign exchange | | (9,008) | (12,656) |
| Interest and other income | | (603) | 2,204 |
| Listing expense | 4 | - | (2,321,019) |
| | | (9,611) | (2,331,471) |
| Net loss and comprehensive loss | | \$ (1,740,934) | \$ (8,998,361) |
| Loss per share | | | |
| Basic/Diluted | | \$ (0.02) | \$ (0.12) |
| Weighted average number of common shares outstanding | | 80,204,382 | 72,470,420 |

(See Notes to the Condensed Consolidated Interim Financial Statements)



TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

| Expressed in Canadian dollars | Number of Common Shares | Share Capital | Contributed Surplus | Obligation to Issue Shares | Deficit | Total Equity |
|---|-------------------------------|----------------------|------------------------|----------------------------------|------------------------|---------------------|
| Balance at April 30, 2018 | 38,350,000 | \$ 575,250 | \$ - | \$ - | \$ (527,798) | \$ 47,452 |
| Share issued for acquisition of the Company | 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) |
| Stock-based compensation | - | - | 2,496,562 | - | - | 2,496,562 |
| Net loss | - | - | - | - | (8,998,361) | (8,998,361) |
| Balance at July 31, 2018 | 80,204,382 | \$ 12,788,566 | \$ 2,496,562 | \$ - | \$ (9,526,159) | \$ 5,758,969 |
| Balance at April 30, 2019 | 80,204,382 | \$ 12,784,066 | \$ 3,246,353 | \$ - | \$ (15,300,967) | \$ 729,452 |
| Shares to be issued on private placement | - | - | - | 235,000 | - | 235,000 |
| Stock-based compensation | - | - | 367,532 | - | - | 367,532 |
| Net loss | - | - | - | - | (1,740,934) | (1,740,934) |
| Balance at July 31, 2019 | 80,204,382 | \$ 12,784,066 | \$ 3,613,885 | \$ 235,000 | \$ (17,041,901) | \$ (408,950) |

(See Notes to the Condensed Consolidated Interim Financial Statements)

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

| CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited) | For the three months ended | |
|---|-----------------------------------|--------------------------|
| Expressed in Canadian dollars | 2019 | July 31, 2018 |
| Operating activities | | |
| Net loss for the period | \$ (1,740,934) | \$ (8,998,361) |
| Adjustments for: | | |
| Depreciation | 1,643 | - |
| Interest on note receivable | - | (2,471) |
| Listing expense | - | 2,321,019 |
| Stock-based compensation | 367,532 | 2,496,562 |
| | <u>(1,371,759)</u> | <u>(4,183,251)</u> |
| Net changes in non-cash working capital items: | | |
| Increase in accounts receivable | (186,369) | (64,560) |
| Increase in other receivables | (1,645) | - |
| Increase in prepaid expenses | (14,717) | (418,622) |
| Increase in accounts payable | 147,102 | 58,988 |
| Increase in deferred revenue | 126,840 | - |
| Funds used in operating activities | <u>(1,300,548)</u> | <u>(4,607,445)</u> |
| Investing activities | | |
| Bank indebtedness assumed from the RTO | - | (21,270) |
| Funds used in investing activities | <u>-</u> | <u>(21,270)</u> |
| Financing activities | | |
| Obligation to issue shares | 235,000 | - |
| Proceeds from issuance of common shares | - | 10,157,001 |
| Proceeds from loan payable | - | 4,165 |
| Funds provided by financing activities | <u>235,000</u> | <u>10,161,166</u> |
| Net increase (decrease) in cash | (1,065,548) | 5,532,451 |
| Cash, beginning of period | 1,163,219 | 25,109 |
| Cash, end of period | \$ 97,671 | \$ 5,557,560 |
| Cash and cash equivalents consist of the following: | | |
| Cash held in banks | \$ 68,725 | \$ 25,109 |
| Guaranteed investment certificate | 28,946 | - |
| | <u>\$ 97,671</u> | <u>\$ 25,109</u> |

(See Notes to the Condensed Consolidated Interim Financial Statements)



TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTHS ENDED JULY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

1. NATURE OF OPERATIONS

TruTrace Technologies Inc. (formerly “BLOCKStrain Technology Corp.”) (the “Company” 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 “TTT”. 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 Company completed its Qualifying Transaction (“the Transaction”) (Note 4), 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 Company changed its name from “BLOCKStrain Technology Corp.” to “TruTrace Technologies Inc.” on April 26, 2019.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. As of July 31, 2019, the Company has incurred losses and generated negative cash flows from operations. The Company’s ability to continue as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company 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 Company to continue as a going concern. These condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since PrivCo’s last fiscal year end and they do not include all of the information required in PrivCo’s most recent annual financial statements. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as PrivCo’s annual financial statements and should be read in conjunction with PrivCo’s annual financial statements for the year ended April 30, 2019, which were prepared in accordance with IFRS as issued by IASB. There have been no changes in judgment or estimates from those disclosed in the consolidated financial statements for the year ended April 30, 2019 except for the adoption of IFRS 16.



TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTHS ENDED JULY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

2. BASIS OF PRESENTATION (CONT'D)

Statement of Compliance (cont'd)

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

Basis of Measurement

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

Presentation Currency

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

Use of Estimates and Judgements

The preparation of condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgements in applying the Company's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standard IFRS 16 *Leases*

The Company has adopted the new IFRS pronouncement as at May 1, 2019 in accordance with the transitional provisions of the standard and as described below. The adoption of this new IFRS pronouncement has not resulted in any adjustments to previously reported figures.

On January 13, 2016, the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 - Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. At May 1, 2019, the Company adopted this standard and there was no material impact on the Company's condensed interim financial statements as the Company has no material lease contracts that fall under IFRS 16.



TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTHS ENDED JULY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

4. REVERSE TAKEOVER

On May 17, 2018, the Company 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 Company, with PrivCo becoming a wholly-owned subsidiary of the Company.

The Transaction constituted a reverse takeover of the Company 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 Company and the net asset value of the Company 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 Company 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) |
| | | <u>(264,704)</u> |
| Listing expense | \$ | <u>2,321,019</u> |

5. PREPAIDS AND DEPOSITS

| | July 31, 2019 | April 30, 2019 |
|-----------------------------|----------------------|-----------------------|
| Prepays | \$ 82,054 | \$ 67,337 |
| Deposits | 48,137 | 48,137 |
| Total prepaids and deposits | \$ 130,191 | \$ 115,474 |

Prepays consist of \$47,840 of prepaid consulting services, \$31,991 of prepaid insurance expense, and \$2,223 of other prepaid expenses.

During the year ended April 30, 2019, the Company 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.



TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTHS ENDED JULY 31, 2019
EXPRESSED IN CANADIAN DOLLARS**

6. EQUIPMENT

| | July 31, 2019 | April 30, 2019 |
|--------------------|---------------|----------------|
| Equipment | \$ 26,563 | \$ 26,563 |
| Depreciation | (6,476) | (4,833) |
| Net carrying value | \$ 20,087 | \$ 21,730 |

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | July 31, 2019 | April 30, 2019 |
|--|---------------|----------------|
| Accounts payable | \$ 760,229 | \$ 596,552 |
| Accrued liabilities | 21,492 | 38,067 |
| Total accounts payable and accrued liabilities | \$ 781,721 | \$ 634,619 |

8. DEFERRED REVENUE

As at July 31, 2019, the Company had deferred revenue of \$126,840. This deferred revenue is in relation to work done to create infrastructure and integrate existing systems with those of the Company for a customer. This revenue will be recognized upon the completion of the lab work that was included in the service agreement.

9. SHARE CAPITAL

Authorized share capital

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

Common shares issued

| | Number of Common Shares | Amount |
|--|----------------------------|----------------------|
| Balance at April 30, 2018 | 38,350,000 | \$ 575,250 |
| Shares issued for acquisition of the Company ⁽¹⁾ | 6,854,382 | 2,056,315 |
| Shares issued for cash, less share issuance costs ⁽²⁾ | 35,000,000 | 10,152,501 |
| Balance at April 30, 2019 | 80,204,382 | 12,784,066 |
| Balance at July 31, 2019 | 80,204,382 | \$ 12,784,066 |

1. On May 17, 2018, the Transaction (Note 4) was completed and the Company issued 6,854,382 shares
2. On May 17, 2018, concurrent with the Transaction, the Company issued 35,000,000 common shares for proceeds of \$10,500,000. The Company incurred \$512,964 in share issuance costs and a subscription receivable of \$4,500 was cancelled.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
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EXPRESSED IN CANADIAN DOLLARS**

9. SHARE CAPITAL (CONT'D)

Contributed Surplus

| | Amount |
|---|---------------------|
| Balance at April 30, 2018 | \$ - |
| Stock-based compensation expense | 3,246,353 |
| Balance at April 30, 2019 | 3,246,353 |
| Stock-based compensation expense | 367,532 |
| Balance at July 31, 2019 | \$ 3,613,885 |

Options

The Company 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 Company; and (ii) employees, officers, directors, and consultants of an affiliate of the Company.

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 July 31, 2019 the Company 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 | 3.80 | 11,650,000 | 11,650,000 |
| September 28, 2023 | 0.30 | 4.16 | 600,000 | 200,000 |
| April 11, 2024 | 0.36 | 4.70 | 500,000 | - |
| May 7, 2024 | 0.26 | 4.77 | 500,000 | 500,000 |
| May 10, 2024 | 0.245 | 4.78 | 150,000 | 150,000 |
| July 30, 2024 | \$ 0.25 | 5.00 | 1,500,000 | 500,004 |
| | | | 14,900,000 | 13,000,004 |

On May 18, 2018, the Company issued 12,750,000 stock options to employees and directors of the Company. 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, 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 Company issued 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.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTHS ENDED JULY 31, 2019
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9. SHARE CAPITAL (CONT'D)

Options (cont'd)

On April 11, 2019, the Company issued 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.

On May 7, 2019, the Company issued 500,000 stock options to an employee. These 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 Company issued 150,000 stock options to an employee. These options vested upon grant. The exercise price of these options is \$0.245, and they expire on May 10, 2024.

On July 30, 2019, the Company issued 1,500,000 stock options to employees and directors of the Company. 500,004 of these options vested upon grant, with another 499,998 vesting on the first anniversary of the grant, and the remaining 499,998 vesting on the second anniversary of the grant. The exercise price of these options is \$0.25, and they expire on July 30, 2024.

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

| | Number of Options | Weighted Average Exercise Price |
|-------------------------------------|----------------------|---------------------------------------|
| Outstanding at April 30, 2018 | - | \$ - |
| Granted | 13,950,000 | 0.30 |
| Forfeited | (1,166,666) | 0.30 |
| Outstanding at April 30, 2019 | 12,783,334 | 0.30 |
| Granted | 2,150,000 | 0.25 |
| Forfeited | (33,334) | 0.30 |
| Outstanding at July 31, 2019 | 14,900,000 | \$ 0.30 |
| Exercisable at July 31, 2019 | 13,000,004 | \$ 0.30 |

During the three months ended July 31, 2019, 33,334 options were forfeited.

During the three months ended July 31, 2019, the Company recorded \$367,532 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:

| For the three months ended July 31, | 2019 | 2018 |
|--|------------------------|-----------------|
| Risk free interest rate | 1.47%-1.62% | 1.59%-2.30% |
| Expected volatility | 112.73%-119.08% | 118.84%-123.65% |
| Expected life | 5 years | 5 years |
| Expected dividend yield | 0% | 0% |
| Exercise price | \$ 0.245-0.26 | \$ 0.30-0.36 |



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE MONTHS ENDED JULY 31, 2019
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9. SHARE CAPITAL (CONT'D)

Escrowed Securities

As part of the Transaction (Note 4), common shares of the Company were subject to voluntary escrow and regulatory resale restrictions. As at July 31, 2019, there were 23,010,000 (April 30, 2019 – 28,762,500) common shares held in escrow.

10. 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 Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three months ended July 31, 2019 is set out below:

| For the three months ended July 31, | 2019 | 2018 |
|--|------------|------------|
| Director fees | \$ 9,000 | \$ - |
| Salaries, subcontractors, and benefits | 114,000 | 125,923 |
| Stock-based compensation | 69,328 | 808,610 |
| | \$ 192,328 | \$ 934,533 |

Corporate Development Costs

On June 1, 2018, the Company 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 three months ended July 31, 2019, the Company incurred fees of \$37,500 (July 31, 2018 – \$246,305). As at July 31, 2019, the Company was indebted to this company in the amount of \$16,547 (April 30, 2019 - \$Nil) which was included in accounts payable and accrued liabilities.

Product Development Costs

On January 19, 2018, the Company 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 Company shares an officer with the service provider. For the three months ended July 31, 2019, the Company incurred fees of \$576,304 (July 31, 2018 - \$408,512). As at July 31, 2019, the Company was indebted to the service provider by \$95,119 (April 30, 2019 - \$97,683).

Other

As at July 31, 2019, \$Nil (April 30, 2019 - \$9,345) of expense reimbursements were due to a former director of the Company. As at April 30, 2019, it was included in accounts payable and accrued liabilities.

As at July 31, 2019, a note receivable of \$113,178 (April 30, 2019 - \$113,178) was due from a company controlled by a director of the Company. As at April 30, 2019, the Company impaired the balance of \$113,178.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
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EXPRESSED IN CANADIAN DOLLARS**

10. RELATED PARTY TRANSACTIONS (CONT'D)

Executive and Board Compensation

Key management includes the executive officers of the Company.

The following summary table indicates the compensation earned during the three months ended July 31, 2019 and 2018 by the CEO, CFO, and CTO, excluding payments to the accounting firm for accounting services which include a portion of the CFO compensation, disclosed above. Not included in compensation expense are amounts paid to persons previously filling executive roles through consulting arrangements.

| | Number of Options Granted | Share-Based Payment Expense | Salary | Total |
|-------------|--|--|------------------|-------------------|
| 2018 | 1,600,000 | \$ 237,850 | \$ 125,923 | \$ 363,773 |
| 2019 | 450,000 | \$ 30,123 | \$ 90,000 | \$ 120,123 |

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company's cash and cash equivalents are classified as Level 1 whereas trade receivables are classified as Level 2.

The Company's accounts payable and accrued liabilities are classified as Level 2.

The fair value of cash, trade receivables, and accounts payable and accrued liabilities approximate fair value due to the short-term nature of the financial instruments.



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12. SUBSEQUENT EVENTS

On August 22, 2019, the Company 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 Company at a price of \$0.25 per Unit for gross proceeds of \$510,000, which includes the advance of \$235,000 received on July 29, 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.

On September 13, 2019, the Company closed a second tranche (the “Second Tranche”) of the Financing. The Second Tranche consisted of 840,950 units (each, a “Unit”) of the Company at a price of \$0.25 per Unit for gross proceeds of \$210,237.50. Each Unit consists of one common share and one non-transferable 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.