



TRU•TRACETM

Technologies

Condensed Consolidated Interim Financial Statements

For the three and nine months ended January 31, 2020

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

(Expressed in Canadian dollars)



TRU•TRACE
Technologies

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		January 31,	April 30,
Expressed in Canadian dollars	Note	2020	2019
Assets			
Current Assets			
Cash and cash equivalents		\$ 12,176	\$ 1,163,219
Trade receivables	5	1,032	11,200
GST receivable		29,680	52,448
Prepays and deposits	6	127,968	115,474
		<u>170,856</u>	<u>1,342,341</u>
Non-Current Assets			
Equipment	7	17,164	21,730
		<u>\$ 188,020</u>	<u>\$ 1,364,071</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	8	\$ 1,809,737	\$ 634,619
		<u>1,809,737</u>	<u>634,619</u>
Non-Current Liabilities			
Convertible debentures	9	227,075	-
Accrued interest on convertible debentures	9	6,030	-
		<u>2,042,842</u>	<u>634,619</u>
Shareholders' Equity			
Share capital	10	13,511,366	12,784,066
Shared based payment reserve	10	3,724,684	3,246,353
Equity reserve	9,10	46,102	-
Deficit		(19,136,974)	(15,300,967)
		<u>(1,854,822)</u>	<u>729,452</u>
		<u>\$ 188,020</u>	<u>\$ 1,364,071</u>

Subsequent Events (Note 13)

"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	Note	For the three months ended		For the nine months ended	
		2020	January 31, 2019	2020	January 31, 2019
Expressed in Canadian dollars – unaudited					
Revenues					
Service revenue		\$ 300,000	\$ -	\$ 651,520	\$ -
Expenses					
Corporate development costs	11	268,021	396,995	716,249	3,784,737
Depreciation	7	1,404	1,918	4,566	3,119
General and administrative costs		147,920	216,907	609,277	788,988
Note interest		5,714	-	6,030	-
Operating costs		224,522	58,655	229,522	61,342
Product development costs	11	577,013	603,703	1,729,404	1,579,708
Salaries, subcontractors, and benefits	11	182,867	281,852	664,987	1,102,504
Stock-based compensation	10	44,090	28,691	478,331	3,224,657
		(1,451,551)	(1,588,721)	(4,438,366)	(10,545,055)
Other income (expense)					
Accretion expense		(3,455)	-	(3,646)	-
Foreign exchange		(25,537)	(12,337)	(43,259)	(33,384)
Interest and other income		(2,881)	3,465	(5,259)	8,260
Liability write-off		3,003	-	3,003	-
Listing expense	4	-	-	-	(2,321,019)
		(28,870)	(8,872)	(49,161)	(2,346,143)
Loss and comprehensive loss		\$ (1,180,421)	\$ (1,597,593)	\$ (3,836,007)	\$ (12,891,198)
Loss per share					
Basic/Diluted		\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ (0.17)
Weighted average number of common shares outstanding		83,339,993	80,204,382	81,917,820	77,626,395

(See Notes to the Condensed Consolidated Interim Financial Statements)

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

Expressed in Canadian dollars	Number of Common Shares	Share Capital	Share Based Payment Reserve	Equity Reserve	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	-	-	3,224,657	-	-	3,224,657
Net loss	-	-	-	-	(12,891,198)	(12,891,198)
Balance at January 31, 2019	80,204,382	\$ 12,788,566	\$ 3,224,657	\$ -	\$ (13,418,996)	\$ 2,594,227
Balance at April 30, 2019	80,204,382	\$ 12,784,066	\$ 3,246,353	\$ -	\$ (15,300,967)	\$ 729,452
Shares and warrants issued on private placement	2,880,950	716,033	-	4,205	-	720,238
Share issue costs	26,400	(18,733)	-	4,277	-	(14,456)
Share issue for debt settlement	250,000	30,000	-	-	-	30,000
Issuance of convertible debentures	-	-	-	37,620	-	37,620
Stock-based compensation	-	-	478,331	-	-	478,331
Net loss	-	-	-	-	(3,836,007)	(3,836,007)
Balance at January 31, 2020	83,361,732	\$ 13,511,366	\$ 3,724,684	\$ 46,102	\$ (19,136,974)	\$ (1,854,822)

(See Notes to the Condensed Consolidated Interim Financial Statements)

TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW	For the nine months ended January 31,	
Expressed in Canadian dollars – unaudited	2020	2019
Operating activities		
Net loss for the period	\$ (3,836,007)	\$ (12,891,198)
Adjustments for:		
Accretion expense	3,646	-
Depreciation	4,566	3,119
Interest on convertible notes	6,030	-
Interest on note receivable	-	(7,562)
Listing expense	-	2,321,019
Stock-based compensation	478,331	3,224,657
	(3,343,434)	(7,349,965)
Net changes in non-cash working capital items:		
Change in trade receivables	10,168	-
Change in GST receivable	22,768	(132,884)
Change in prepaids and deposits	(12,494)	(241,173)
Change in accounts payable and accrued liabilities	1,175,118	111,897
Change in contract liability	-	-
Funds used in operating activities	(2,147,874)	(7,612,125)
Investing activities		
Purchase of property and equipment	-	(26,564)
Bank indebtedness assumed from the RTO	-	(21,270)
Funds used in investing activities	-	(47,834)
Financing activities		
Proceeds from issuance of common shares less share issue costs	705,781	10,157,001
Share issued for settlement of debt	30,000	-
Proceeds from issuance of convertible debentures less share issue costs	261,050	-
Proceeds from loan payable	-	4,165
Funds provided by financing activities	996,831	10,161,166
Net increase (decrease) in cash	(1,151,043)	2,501,207
Cash, beginning of period	1,163,219	25,109
Cash, end of period	\$ 12,176	\$ 2,526,316
Cash and cash equivalents consist of the following:		
Cash held in banks	\$ 12,176	\$ 1,593,394
Guaranteed investment certificate	-	932,992
	\$ 12,176	\$ 2,526,386

(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 AND NINE MONTHS ENDED January 31, 2020
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 January 31, 2020, 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 AND NINE MONTHS ENDED January 31, 2020
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 March 27, 2020.

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 replaced IAS 17 - Leases ("IAS 17"). This standard introduced 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.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
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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. TRADE RECEIVABLES

	January 31, 2020	April 30, 2019
Trade receivables	\$ 1,032	\$ 11,200

6. PREPAIDS AND DEPOSITS

	January 31, 2020	April 30, 2019
Prepays	\$ 79,831	\$ 67,337
Deposits	48,137	48,137
Total prepaids and deposits	\$ 127,968	\$ 115,474

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



TruTrace Technologies Inc. (formerly BLOCKStrain Technology Corp.)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
FOR THE THREE AND NINE MONTHS ENDED January 31, 2020
EXPRESSED IN CANADIAN DOLLARS**

7. EQUIPMENT

	January 31, 2020	April 30, 2019
Equipment	\$ 26,563	\$ 26,563
Depreciation	(9,399)	(4,833)
Net carrying value	\$ 17,164	\$ 21,730

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2020	April 30, 2019
Accounts payable	\$ 1,676,572	\$ 596,552
Accrued liabilities	133,165	38,067
Total accounts payable and accrued liabilities	\$ 1,809,737	\$ 634,619

9. CONVERTIBLE DEBENTURES

	October 24, 2019	October 31, 2019	Total
Cost			
Balance at May 1, 2018	\$ -	\$ -	\$ -
Balance at April 30, 2019	\$ -	\$ -	\$ -
Issuance	162,536	60,894	223,430
Accretion	2,702	943	3,645
Balance at January 31, 2020	\$ 165,238	\$ 61,837	\$ 227,075

The Company's convertible debentures ("Debentures") outstanding as at January 31, 2020 are as follows:

	Start Date	Maturity Date	Rate	Initial Liability Component	Accretion of Equity Component	Total
Debenture 1	2019-10-24	2022-10-24	8.25%	\$ 162,536	\$ 2,702	\$ 165,238
Debenture 2	2019-10-31	2022-10-31	8.25%	20,298	314	20,612
Debenture 3	2019-10-31	2022-10-31	8.25%	20,298	314	20,612
Debenture 4	2019-10-31	2022-10-31	8.25%	20,298	315	20,613
Total				\$ 223,430	\$ 3,645	\$ 227,075

On October 24, 2019, the Company issued Debenture 1 for gross proceeds of \$200,000, less issue costs of \$10,100. This Debenture is unsecured, matures three years from the date of issuance, and bears interest of 8.25% per annum.

On October 31, 2019, the Company issued Debentures 2 through 4 for gross proceeds of \$25,000 each for a total of \$75,000, less issue costs of \$3,850. These Debenture are unsecured, mature three years from the date of issuance, and bear interest of 8.25% per annum.



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9. CONVERTIBLE DEBENTURES (CONT'D)

The initial liability component of the convertible debentures was calculated at the present value of interest payments and expected return at a rate of 15%, representing the interest rate that would have been charged for a nonconvertible debenture. The equity component was measured based on the residual value of the instrument taken as a whole after deducting the amount determined separately for the liability component.

The Company estimates 15% to be the market interest rate for a similar debt instrument without a conversion option of these convertible debentures and applied this rate to obtain the fair value (\$235,369) of the convertible debentures at inception. The Company applied the residual method to record the fair value of the conversion option of (\$39,631) to the Company's equity reserve. As at January 31, 2020, these convertible debentures had a carrying value of \$227,075 with accrued interest of \$6,030, totaling \$233,105.

The holders of the Debentures are entitled to convert the unpaid principal and interest into units of the Company (each, a "Debenture Unit") at a conversion price of \$0.25 per Debenture Unit, with each Debenture Unit comprised of one common share of the Company and one transferable share purchase warrant (each, a "Debenture Warrant"), with each Debenture Warrant exercisable into one additional common share at an exercise price of \$0.30 per Debenture Warrant for a period equal to the later of: (i) ninety days from the date of conversion, or (ii) three years from the date of issue.

The Company shall have the right to require the holders to convert any principal and interest amount outstanding if, for any 10 consecutive trading days commencing on the date that is four months plus one day following the grant date and prior to the maturity date, the closing price of the common shares of the Company is greater than \$0.50, subject to adjustment as provided for in the certificate representing the Debenture.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
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10. 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
Shares and warrants issued for cash, less share issuance costs ⁽³⁾	2,907,350	697,300
Share issued for debt settlement ⁽⁴⁾	250,000	30,000
Balance at January 31, 2020	83,361,732	\$ 13,511,366

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.
3. On August 22, 2019, the Company issued 2,040,000 common shares and 2,040,000 warrants for proceeds of \$510,000. The Company incurred \$14,457 in share issuance costs. On September 13, 2019, the Company issued 840,950 common shares and 840,950 warrants for proceeds of \$210,238. The Company issued an additional 26,400 common shares and 26,400 warrants for \$6,600 in share issuance costs.
4. On November 8, 2019, the Company issued 250,000 common shares at a deemed price of \$0.12 per share to settle \$30,000 in vendor debt. Of the issued shares, 125,000 were held in voluntary escrow and were released throughout the month of November 2019.

Warrants

The following is the summary of the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, April 30, 2019	-	\$ -
Granted	2,907,350	0.30
Outstanding, January 31, 2020	2,907,350	\$ 0.30



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
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10. SHARE CAPITAL (CONT'D)

Warrants (cont'd)

As at January 31, 2020, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price	Number of warrants outstanding
August 22, 2019	August 22, 2022	\$ 0.30	2,040,000
September 13, 2019	September 13, 2022	0.30	840,950
September 13, 2019	September 13, 2022	\$ 0.30	26,400
			2,907,350

The warrants were granted to subscribers of the private placements that closed on August 22, 2019 and September 13, 2019, and as a finder's fee for the private placement that closed on September 13, 2019. The subscriptions converted into units of the Company where each unit consisted 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 private placement.

The weighted average remaining contractual life of warrants outstanding as of January 31, 2020 was 2.58 years.

Share Based Payment Reserve

	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	478,331
Balance at January 31, 2020	\$ 3,724,684

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.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
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10. SHARE CAPITAL (CONT'D)

Options (cont'd)

As at January 31, 2020 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	3.30	11,650,000	11,650,000
September 28, 2023	0.30	3.66	600,000	400,000
April 11, 2024	0.36	4.20	500,000	500,000
May 7, 2024	0.26	4.27	500,000	500,000
May 10, 2024	0.245	4.28	150,000	150,000
July 30, 2024	\$ 0.25	4.50	1,500,000	500,004
			14,900,000	13,700,004

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.

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.



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

10. SHARE CAPITAL (CONT'D)

Options (cont'd)

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 January 31, 2020	14,900,000	\$ 0.30
Exercisable at January 31, 2020	13,700,004	\$ 0.30

During the nine months ended January 31, 2020, 33,334 options were forfeited.

During the nine months ended January 31, 2020, the Company recorded \$478,331 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 nine months ended January 31,	2020	2019
Risk free interest rate	1.47%-1.62%	2.24%-2.30%
Expected volatility	112.73%-119.08%	120.05%-123.65%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Exercise price	\$ 0.245-0.26	\$ 0.30

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 October 31, 2019, there were 17,257,500 (April 30, 2019 – 28,762,500) common shares held in escrow.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
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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 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 and nine months ended January 31, 2020 is set out below:

	For the three months ended		For the nine months ended	
	January 31,		January 31,	
	2020	2019	2020	2019
Director fees	\$ 6,000	\$ 4,500	\$ 24,000	\$ 9,919
Salaries, subcontractors, and benefits	109,000	114,000	337,000	327,923
Stock-based compensation	25,230	12,913	127,966	1,110,346
	\$ 140,230	\$ 131,413	\$ 488,966	\$ 1,448,188

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 and nine months ended January 31, 2020, the Company incurred fees of \$40,500 and \$118,500, respectively, compared to the three and nine months ended January 31, 2019 amounts of \$36,000 and \$350,354, respectively. As at January 31, 2020, the Company was indebted to this company in the amount of \$26,000 (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. All work entered into between the Company and service provider since that time has related specifically to the development and design of the StrainSecure™ platform. For the three and nine months ended January 31, 2020, the Company incurred fees of \$577,012 and \$1,729,404, respectively, compared to the three and nine months ended January 31, 2019 amounts of \$603,703 and \$1,579,708, respectively. As at January 31, 2020, the Company was indebted to the service provider for \$391,250 (April 30, 2019 - \$97,683).

Other

As at January 31, 2020, \$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 January 31, 2020, a note receivable of \$Nil (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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11. 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 nine months ended January 31, 2020 and 2019 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
2019	1,900,000	\$	427,290	\$	205,923	\$	633,213
2020	450,000	\$	72,776	\$	265,000	\$	337,776

12. 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 and GST 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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13. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the company, to date, the Company has not experienced the effects of the outbreak. Our ability to raise funds make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.