

51-102F3  
MATERIAL CHANGE REPORT

**Item 1 Name and Address of Company**

TruTrace Technologies Inc. (the “**Company**”)  
L120, 2303 4 Street SW  
Calgary, AB T2S 2S7

**Item 2 Date of Material Change**

September 2, 2020

**Item 3 News Release**

The news release dated September 2, 2020 was disseminated through Stockwatch and Market News on September 2, 2020.

**Item 4 Summary of Material Change**

On September 2, 2020, the Company closed a non-brokered private placement financing (the “**Financing**”) of subordinated secured convertible debentures (each, a “**Debenture**”) pursuant to which the Company issued Debentures in the aggregate principal amount of \$360,000 (the “**Principal Amount**”) to subscribers to the Financing.

The terms of the Debentures include:

- a maturity date of three years from the date of issuance (the “**Maturity Date**”) and the principal amount of a Debenture, together with any accrued and unpaid interest, will be payable on the Maturity Date, unless earlier converted in accordance with its terms;
- each Debenture bears interest (the “**Interest**”) at the rate of 8.25% per annum, which Interest will be payable monthly in arrears, unless earlier converted;
- the principal amount of a Debenture, together with all accrued and unpaid interest thereon, is convertible into units of the Company (each, a “**Debenture Unit**”), at the option of the holder, at a conversion price of \$0.05 per Debenture Unit (the “**Conversion Price**”), with each Debenture Unit comprised of one common share of the Company (each, a “**Debenture Share**”) and one transferable share purchase warrant (each, a “**Debenture Warrant**”), with each Debenture Warrant exercisable into one additional Debenture Share (each, a “**Debenture Warrant Share**”) at an exercise price of \$0.05 per Debenture Warrant Share for a period of two years from the date of issue; and
- the Company has the right, at its sole option and, at any time prior to the Maturity Date, to require the holder to convert all or any portion of the outstanding Principal Amount and any accrued but unpaid Interest thereon into Debenture Units at the Conversion Price if the daily volume-weighted average price of the common shares of the Company on the Canadian Securities Exchange (or such other stock exchange on which the common shares may be traded at such time) for any 10 day consecutive trading day period is greater than \$0.20, subject to adjustment as provided for in the certificate representing the Debenture.

Repayment by the Company of the amount owing under the Debenture is secured by a charge over all of the assets of the Company. The subscribers to the Financing entered into an agency and inter-lender agreement with the Company, pursuant to which the subscribers have appointed an agent to act on behalf of all subscribers to the Financing as to certain matters relating to the Debentures, including with respect to enforcement of the subordinated security interest.

All securities issued in the Financing are subject to a statutory hold period expiring four months and one day from the date of issue.

The Company also announces that a holder of a debenture issued in October 2019 has agreed to convert an outstanding debenture with an amount owing of \$213,538 into 4,273,160 common shares in the capital of the Company, at a revised conversion price of \$0.05 per share, in full settlement of the amount owing under the debenture. The debenture had been previously convertible into a conversion unit at a price of \$0.25 per conversion unit, with each such conversion unit comprised of a common share and a share purchase warrant exercisable at \$0.30 per share. For more information regarding this debenture, please see the Company's news release dated October 24, 2019.

None of the securities issued in connection with the Financing or the debenture conversion will be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), and none of them may be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the 1933 Act. This news release shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the securities in any state where such offer, solicitation, or sale would be unlawful.

The subscription by Cameron Chell, a director of the Company, in the Financing and the debenture conversion with CESFJS Holdings Inc., a company controlled by Cesare Fazari, a director of the Company (together, the "**Director Transactions**") were "related party transactions" within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("**MI 61-101**"). The Director Transactions were exempt from the valuation requirement of MI 61-101 by virtue of the exemptions contained in section 5.5(b) of MI 61-101 as the Company's shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(1)(a) of MI 61-101 in that the fair market value of the Director Transactions did not exceed 25% of the Company's market capitalization. As the material change report disclosing the Director Transactions is being filed less than 21 days before the transaction, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company it was necessary to immediately close the Director Transactions and therefore, such shorter period was reasonable and necessary in the circumstances to improve the Company's financial position.

## **Item 5 Full Description of Material Change**

### *5.1 Full Description of Material Change*

A full description of the material change is described in Item 4 above and in the attached news release which was filed on SEDAR.

**Disclosure Required by MI 61-101**

Pursuant to MI 61-101, the Offering constituted a “related party transaction” as insiders of the Company participated in the Director Transactions.

The following supplementary information is provided in accordance with Section 5.2 of MI 61-101.

(a) *a description of the transaction and its material terms:*

See Item 4 above for a description of the Director Transactions.

(b) *the purpose and business reasons for the transaction:*

The purpose of the Financing is for general working capital. The purpose of the debenture conversion was to remove a debt obligation.

(c) *the anticipated effect of the transaction on the issuer’s business and affairs:*

The Company does not anticipate any material effect on the Company’s business and affairs.

(d) *a description of:*

(i) *the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:*

Cameron Chell, a director of the Company, was issued a \$2,500 Debenture.

CESFJS Holdings Inc., a company controlled by Cesare Fazari, a director of the Company, was issued 4,273,160 common shares upon conversion of a debenture issued in October 2019.

(ii) *the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:*

The following table sets out the effect of the Director Transactions on the percentage of securities of the Company beneficially owned or controlled by Cameron Chell and CESFJS Holdings Inc.:

Name and Position	Dollar Amount of Shares Purchased	Number of Shares Issued	No. of Securities Held prior to Closing of the Offering	Percentage of Issued and Outstanding Securities prior to Closing of the Offering	No. of Securities Held After Closing of the Offering	Percentage of Issued and Outstanding Securities After Closing of the Offering
Cameron Chell Director	\$2,500	\$2,500 Debenture	Undiluted: 1,750,000 <sup>(1)</sup>  Diluted: 2,650,000 <sup>(2)</sup>	Undiluted: 1.59% <sup>(3)</sup>  Diluted: 2.39% <sup>(4)</sup>	Undiluted: 1,750,000 <sup>(1)</sup>  Diluted: 2,750,000 <sup>(5)</sup>	Undiluted: 1.53% <sup>(6)</sup>  Diluted: 2.38% <sup>(7)</sup>
Cesare Fazari Director	\$213,538	4,273,160 common shares	Undiluted: 0  Diluted: 0	Undiluted: 0%  Diluted: 0%	Undiluted: 4,273,160 <sup>(8)</sup>  Diluted: 4,273,160	Undiluted: 3.88% <sup>(6)</sup>  Diluted: 3.74% <sup>(6)</sup>

<sup>(1)</sup> Consists of: (i) 750,000 common shares held directly and (ii) 1,000,000 common shares held indirectly through Blockchain Merchant Group.

<sup>(2)</sup> Comprised of: (i) 750,000 common shares held directly, (ii) 1,000,000 common shares held indirectly through Blockchain Merchant Group, and (iii) 900,000 options held directly, each of which is exercisable into one common share, of which 800,000 are exercisable at an exercise price of \$0.30 per common share until September 18, 2020 and 100,000 are exercisable at an exercise price of \$0.25 per common share until July 30, 2024.

<sup>(3)</sup> Based on 110,061,732 common shares outstanding prior to the completion of the Director Transactions.

<sup>(4)</sup> Based on 110,961,732 common shares outstanding on a partially diluted-basis prior to the completion of the Director Transactions, comprised of: (i) 110,061,732 common shares outstanding prior to the completion of the Director Transactions and (ii) 900,000 common shares that may be issuable on exercise of options held directly.

<sup>(5)</sup> Comprised of: (i) 750,000 common shares held directly, (ii) 1,000,000 common shares held indirectly through Blockchain Merchant Group, (iii) 900,000 options held directly, each of which is exercisable into one common share, of which 800,000 are exercisable at an exercise price of \$0.30 per common share until September 18, 2020 and 100,000 are exercisable at an exercise price of \$0.25 per common share until July 30, 2024, (iv) 50,000 common shares that may be issued on conversion of the Debenture in the principal amount of \$2,500, at a deemed conversion price of \$0.05 per common share, and (v) 50,000 common shares that may be issued on exercise of the Debenture Warrants at an exercise price of \$0.05 per common share until September 2, 2023.

<sup>(6)</sup> Based on 114,334,892 common shares outstanding following the completion of the Director Transactions.

<sup>(7)</sup> Based on 115,334,892 common shares outstanding on a partially diluted-basis following the completion of the Director Transactions, comprised of: (i) 114,334,892 common shares outstanding following the completion of the Director Transactions, (ii) 900,000 common shares that may be issuable on exercise of options, (iii) 50,000 common shares that may be issued on conversion of the Debenture and (iv) 50,000 common shares that may be issued on exercise of the Debenture Warrants.

<sup>(8)</sup> These shares are held by CESFJS Holdings Inc., a company controlled by Cesare Fazari.

*(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:*

The board of directors of the Company approved the Director Transactions by Directors Resolution dated September 2, 2020. A special committee was not established in connection with the approval of the Director Transactions, and no materially contrary view or abstention was expressed or made by any director.

*(f) a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:*

Not applicable.

(g) *disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that related to the subject matter of or is otherwise relevant to the transaction:*

(i) *that has been made in the 24 months before the date of the material change report:*

Not applicable.

(ii) *the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:*

Not applicable.

(h) *the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:*

The Company entered into a private placement subscription agreement with Cameron Chell, pursuant to which Mr. Chell acquired a \$2,500 Debenture.

(i) *disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:*

Each of the Director Transactions is exempt from the valuation and minority shareholder approval requirements of MI 61-101 by virtue of the exemptions contained in Sections 5.5(b) as the Company's shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(12)(a) of MI 61-101 in that the fair market value of the Director Transactions did not exceed 25% of the Company's market capitalization.

As the material change report disclosing the Director Transactions is being filed less than 21 days before the transaction, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company it was necessary to immediately close the Director Transactions and therefore, such shorter period was reasonable and necessary in the circumstances to improve the Company's financial position.

#### 5.1 *Disclosure for Restructuring Transactions*

N/A

#### **Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

N/A

#### **Item 7 Omitted Information**

None

#### **Item 8 Executive Officer**

Robert Galarza, Chief Executive Officer, 1-844-656-3629

**Item 9 Date of Report**

September 4, 2020



[www.trutrace.co](http://www.trutrace.co)

## TruTrace Technologies Closes Subordinated Secured Convertible Debenture Financing

Toronto, Canada – September 2, 2020 - TruTrace Technologies Inc. (CSE: TTT; OTCQB: TTTSF) (“TruTrace” or the “Company”), developer of a fully-integrated blockchain platform for the legal cannabis, food and pharmaceutical industries, is pleased to announce that it has closed a non-brokered private placement financing (the “Financing”) of subordinated secured convertible debentures (each, a “Debenture”) pursuant to which the Company issued Debentures in the aggregate principal amount of \$360,000 (the “Principal Amount”) to subscribers to the Financing.

The terms of the Debentures include:

- a maturity date of three years from the date of issuance (the “Maturity Date”) and the principal amount of a Debenture, together with any accrued and unpaid interest, will be payable on the Maturity Date, unless earlier converted in accordance with its terms;
- each Debenture bears interest (the “Interest”) at the rate of 8.25% per annum, which Interest will be payable monthly in arrears, unless earlier converted;
- the principal amount of a Debenture, together with all accrued and unpaid interest thereon, is convertible into units of the Company (each, a “Debenture Unit”), at the option of the holder, at a conversion price of \$0.05 per Debenture Unit (the “Conversion Price”), with each Debenture Unit comprised of one common share of the Company (each, a “Debenture Share”) and one transferable share purchase warrant (each, a “Debenture Warrant”), with each Debenture Warrant exercisable into one additional Debenture Share (each, a “Debenture Warrant Share”) at an exercise price of \$0.05 per Debenture Warrant Share for a period of two years from the date of issue; and
- the Company has the right, at its sole option and, at any time prior to the Maturity Date, to require the holder to convert all or any portion of the outstanding Principal Amount and any accrued but unpaid Interest thereon into Debenture Units at the Conversion Price if the daily volume-weighted average price of the common shares of the Company on the Canadian Securities Exchange (or such other stock exchange on which the common shares may be traded at such time) for any 10 day consecutive trading day period is greater than \$0.20, subject to adjustment as provided for in the certificate representing the Debenture.

Repayment by the Company of the amount owing under the Debenture is secured by a charge over all of the assets of the Company. The subscribers to the Financing entered into an agency and inter-lender agreement with the Company, pursuant to which the subscribers have appointed an agent to act on behalf of all subscribers to the Financing as to certain matters relating to the Debentures, including with respect to enforcement of the subordinated security interest.

All securities issued in the Financing are subject to a statutory hold period expiring four months and one day from the date of issue.

The Company also announces that a holder of a debenture issued in October 2019 has agreed to convert an outstanding debenture with an amount owing of \$213,538 into 4,273,160 common shares in the capital of the Company, at a revised conversion price of \$0.05 per share, in full settlement of the amount owing under the debenture. The debenture had been previously convertible into a conversion unit at a price of \$0.25 per conversion unit, with each such conversion unit comprised of a common share and a share purchase warrant exercisable at \$0.30 per share. For more information regarding this debenture, please see the Company's news release dated October 24, 2019.

None of the securities issued in connection with the Financing or the debenture conversion will be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and none of them may be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the 1933 Act. This news release shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the securities in any state where such offer, solicitation, or sale would be unlawful.

The subscription by Cameron Chell, a director of the Company, in the Financing and the debenture conversion with CESFJS Holdings Inc., a company controlled by Cesare Fazari, a director of the Company (together, the "**Director Transactions**") were "related party transactions" within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("**MI 61-101**"). The Director Transactions were exempt from the valuation requirement of MI 61-101 by virtue of the exemptions contained in section 5.5(b) of MI 61-101 as the Company's shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(1)(a) of MI 61-101 in that the fair market value of the Director Transactions did not exceed 25% of the Company's market capitalization. As the material change report disclosing the Director Transactions is being filed less than 21 days before the transaction, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company it was necessary to immediately close the Director Transactions and therefore, such shorter period was reasonable and necessary in the circumstances to improve the Company's financial position.



**About TruTrace Technologies Inc. (CSE: TTT; OTCQB: TTTSF):**

TruTrace Technologies is the developer of a fully integrated software platform, secured on the blockchain, offering clients the ability to store, manage, share and immediately access quality assurance and testing details, COAs, as well as motion and movement intelligence on inventory. The platform was specifically designed to power the traceability of testing standards within the legal cannabis, nutraceutical, food and pharmaceutical space with a focus on the authentication of source materials or ingredients used in formulation.

**On behalf of the Board of Directors:  
Robert Galarza, Chief Executive Officer and Director**

**For More Information:  
Robert Galarza, CEO  
Tel: 888-775-4888  
Email: [info@trutrace.co](mailto:info@trutrace.co)**

**Disclaimer for Forward-Looking Information**

*This news release contains forward-looking information that involves various risks and uncertainties regarding future events. Such forward-looking information can include without limitation statements based on current expectations involving a number of risks and uncertainties and are not guarantees of future performance of the Company, such as statements regarding the future business plans of the Company. There are numerous risks and uncertainties that could cause actual results and the Company's plans and objectives to differ materially from those expressed in the forward-looking information, including: adverse market conditions. Actual results and future events could differ materially from those anticipated in such information. These and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.*