TRU·TRACE™

Technologies

Consolidated Financial Statements

For the years ended April 30, 2020 and 2019

TRU•TRACE Technologies

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the shareholders of TruTrace Technologies Inc.

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, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, changes in shareholders' (deficiency) equity and cash flows for the years then ended, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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 describes events or conditions that 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Goertz.

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

October 10, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

TRU•TRACE Technologies

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at April 30, 2020 and 2019
Expressed in Canadian dollars

	Note		2020		2019
Assets					
Current Assets					
Cash		**$**	**12,536**	$	1,163,219
Receivables	6		**29,396**		63,648
Prepaids and deposits	8		**31,991**		115,474
			73,923		1,342,341
Non-Current Assets					
Equipment			**15,894**		21,730
Total assets		**$**	**89,817**	$	1,364,071
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	9, 12	**$**	**2,416,837**	$	634,619
			2,416,837		634,619
Non-Current Liabilities					
Convertible debenture	10		**242,197**		-
			2,659,034		634,619
Shareholders' (deficiency) equity					
Share capital	11		**13,511,366**		12,784,066
Equity reserves	11		**3,859,566**		3,246,353
Deficit			**(19,940,149)**		(15,300,967)
Total shareholder’s deficiency			**(2,569,217)**		729,452
Total liabilities and shareholders’ (deficiency) equity		**$**	**89,817**	$	1,364,071

Nature of operations and going concern (note 1)
Subsequent events (note 18)

On behalf of the Board of Directors:

“Robert Galarza”
Chief Executive Officer

“Jim Carter”
Director

The accompanying notes are an integral part of these consolidated financial statements

TRU•TRACE
Technologies

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For Years ended April 30, 2020 and 2019

Expressed in Canadian dollars	Note		**2020**		**2019**
Revenues					
Service revenue	16	**$**	**402,679**	$	10,000
			402,679		10,000
Expenses					
Corporate development costs	12		**628,301**		4,323,139
Depreciation and amortization			**5,836**		4,834
General and administrative costs			**749,865**		1,082,231
Operating costs			**5,000**		64,842
Product development costs	12		**2,075,822**		2,159,940
Salaries, subcontractors, and benefits	12		**814,485**		1,391,512
Stock-based compensation	11,12		**567,111**		3,246,353
			(4,846,420)		(12,272,851)
Other income (expense)					
Foreign exchange			**(74,162)**		(36,134)
Impairment	7,8		**(95,977)**		(165,051)
Interest and other (expense) income			**(25,301)**		11,886
Listing expense	5		**-**		(2,321,019)
			(195,440)		(2,510,318)
Net loss and comprehensive loss		**$**	**(4,639,182)**	$	(14,773,169)
Loss per share		**$**	**(0.06)**	$	(0.19)
Weighted average number of common shares outstanding – basic and diluted			**82,272,881**		78,255,000

TRU•TRACE Technologies

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY

Expressed in Canadian dollars	**Number of Common Shares**	**Share Capital**	**Equity Reserves**	**Deficit**	**Total (deficiency) equity**
Balance at April 30, 2018	38,350,000	$ 575,250	$ -	$ (527,798)	$ 47,452
Fair Value of Shares issued for acquisition of the Company	6,854,382	2,056,315	-	-	2,056,315
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
Private placement	**2,880,950**	**716,033**	**4,205**	**-**	**720,238**
Share issue costs	**26,400**	**(18,733)**	**4,277**	**-**	**(14,456)**
Shares issued for debt settlement	**250,000**	**30,000**	**-**	**-**	**30,000**
Issuance of convertible debentures	**-**	**-**	**37,620**	**-**	**37,620**
Stock-based compensation	**-**	**-**	**567,111**	**-**	**567,111**
Net loss	**-**	**-**	**-**	**(4,639,182)**	**(4,639,182)**
Balance at April 30, 2020	**83,361,732**	**$ 13,511,366**	**$ 3,859,566**	**$ (19, 940,149)**	**$ (2,569,217)**

CONSOLIDATED STATEMENTS OF CASH FLOWS
For Years ended April 30, 2020 and 2019
Expressed in Canadian dollars

	2020	2019
Operating activities		
Net loss	$ **(4,639,182)**	$ (14,773,169)
Adjustments for:		
Accretion	**7,158**	-
Depreciation and amortization	**5,836**	4,834
Impairment	**95,977**	165,051
Interest on convertible notes	**11,609**	-
Interest on note receivable	**-**	(10,000)
Listing expense	**-**	2,321,019
Stock-based compensation	**567,111**	3,246,353
	(3,951,491)	(9,045,912)
Net changes in non-cash working capital items:		
Receivables	**34,252**	(59,912)
Prepaid expenses and deposits	**(12,494)**	(104,534)
Accounts payable	**1,812,219**	243,801
Funds used in operating activities	**(2,117,514)**	(8,966,557)
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 and units less share issue costs	**705,782**	10,157,001
Cancellation of subscription receivable	-	(4,500)
Proceeds from issuance of convertible debentures less debt issue costs	**261,049**	**-**
Funds provided by financing activities	**966,831**	10,152,501
Net change in cash	**(1,150,683)**	1,138,110
Cash, beginning of year	**1,163,219**	25,109
Cash, end of year	$ **12,536**	$ 1,163,219

1. NATURE OF OPERATIONS AND GOING CONCERN

TruTrace Technologies Inc. (the "Company"), is a full-service technology company that has developed a fully integrated software platform, secured on a blockchain infrastructure that gives clients the ability to store, manage, share and immediately access quality assurance and testing details, Certificates of Authenticity ("CoA"), as well as motion and movement intelligence on inventory from batches and lots to serialized items. The Company's initial focus was in the legal cannabis industry with the deployment of their platform under the branded name StrainSecure™ which was designed to register and track cannabis intellectual property ("IP") from genome to sale. StrainSecure™ records are proprietary, immutable, and cryptographically secure, thereby establishing, in a single source, an accurate, validated, and permanent account for cannabis strains from ownership to market.

On May 17, 2018, the Company 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 under the laws of British Columbia.

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

The Company's operations has been significantly adversely affected by the effects of the global outbreak of the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the ultimate impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, the health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

These consolidated 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 April 30, 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 consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. STATEMENT OF COMPLIANCE AND BASIC OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements of the Company 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").

These consolidated financial statements were authorized for issuance by the Board of Directors as of October 10, 2020.

2. STATEMENT OF COMPLIANCE AND BASIC OF PRESENTATION (CONTINUED)

(a) Basis of Measurement

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

(b) Presentation Currency

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

(c) 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 Company'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

(a) New standard IFRS 16 *Leases*

The Company has adopted IFRS 16 *Leases* 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 the consolidated financial statements.

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.

(b) Basis of Consolidation

These consolidated financial statements incorporate the accounts of the Company and its controlled entities. 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 entities.

All subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date such control ceases. Details of controlled entities are as follows:

Entity	Country of Incorporation	Ownership interest
TruTrace Technologies Group Inc. ("TruTrace Group")	Canada	100%
TruTrace Technologies (USA), Inc. ("TruTrace USA")	USA	100%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Functional Currency

The functional currency of the Company and TruTrace Group is the Canadian dollar. The functional currency of TruTrace USA is the US dollar.

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 the 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 financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

(d) Share Capital

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

(e) Equity-Settled Stock-Based Compensation Transactions

The Company 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 equity 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

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 Company reassesses unrecognized deferred tax assets. The Company 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.

(g) Loss per Share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company 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 year.

(h) Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company 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.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL. Trade receivables and note receivable are measured at amortized cost.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies that requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account, and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and convertible debentures carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Convertible Debentures

The components of the compound financial instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument. At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar nonconvertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible debentures will be transferred to share capital. No profit or gain is recognized to the conversion or expiration of the conversion option.

Transaction costs related to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying value of the liability component and amortized over the estimated useful life of the debentures using the effective interest rate method.

(j) Revenue recognition

The Company records revenues from contracts with customers in accordance with the five steps in IFRS 15 Contracts with Customers as follows:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price, which is the total consideration provided by the customer;
4) Allocate the transaction price among the performance obligations in the contract based on their relative fair value; and
5) Recognize revenues when the revenue criteria are met for each performance obligation.

The Company earns revenue through the provision of services to ideate, architect, design, develop and deploying a software platform for the customers that aims at bringing validation, verification and quality assurance of various cannabis strains. Service revenue is measured at the amount of transaction price that is allocated to a performance obligation. The transaction price that is allocated to each performance obligation is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer. Service revenue is recognized according the completion of the milestones, which are determined when the services have been provided and accepted by the customers and no significant obligations from the Company remain for a specific milestone.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company 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 incomprehensive loss in the year of the change. Information about critical accounting estimates and judgements in applying accounting policies are discussed below:

(a) Equity-settled Stock-Based Compensation Transactions

The Company 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 11.

Significant judgement is also required when determining if consultants that provide services to the Company should be considered as employees or non-employees when they are granted stock-based compensation. In making this determination, the Company 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.

(b) Income Taxes

The Company 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 Company has not recognized any deferred tax assets.

(c) Revenue recognition

Services revenue – the Company applies estimates when calculating professional services revenue from certain consulting contracts as it relates to delivery of multiple milestones to complete the contract. Estimates are continually and routinely revised as new information becomes available.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) 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, 2020, the Company had not recognized any internally-generated intangible assets.

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

Going concern of operations

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

Determination of functional currency

The Company determines the functional currency through the analysis of several indicators such as expenses and cash flow, financing activities, and frequency of transactions with the reporting entity.

5. REVERSE TAKEOVER

On May 17, 2018, the Company completed the 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 Transaction is as follows:

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

6. RECEIVABLES

		2020		2019
Trade receivables	**$**	**-**	$	11,200
HST receivable		**29,396**		52,448
Total receivables	**$**	**29,396**	$	63,648

7. NOTE RECEIVABLE

In conjunction with a letter of intent ("LOI") executed on January 4, 2018, the Company advanced $100,000 to Spark Digital Technologies ("Spark") for one year. The advance bore interest at 10% per annum. At the option of the Company, the advance was 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. As at April 30, 2019, the Company fully impaired the balance of $113,178.

8. PREPAIDS AND DEPOSITS

		2020		2019
Prepaids	$	**31,991**	$	67,337
Deposits		**-**		48,137
Total prepaids and deposits	$	**31,991**	$	115,474

As at April 30, 2020, prepaids consist of $47,840 of prepaid consulting services (April 30, 2019-$57,865) and $31,991 of prepaid insurance expense (April 30, 2019-$9,472). During the year ended April 30, 2020, the Company impaired deposits of $95,177 (2019 - $51,873).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2020		2019
Accounts payable	**$**	**2,416,041**	$	596,552
Accrued liabilities		**796**		38,067
Total accrued payable and liabilities	**$**	**2,416,837**	$	634,619

10. CONVERTIBLE DEBENTURES

		2020		2019
Opening balance	**$**	**-**	$	-
Issuance of convertible debentures		**275,000**		-
Issuance costs		**(13,950)**		-
Allocation of equity component		**(37,620)**		-
Accretion		**7,158**		-
Accrued interest		**11,609**		-
	$	**242,197**	$	-

The following summarizes the Company's unsecured convertible debentures ("Debentures") at face value as at April 30, 2020:

	Issuance Date	Maturity Date	Face Rate	Principal	Accrued interest	Total
Debenture 1	24-10-2019	24-10-2022	8.25%	$200,000	$8,528	$208,528
Debenture 2	31-10-2019	31-10-2022	8.25%	$25,000	$1,027	$26,027
Debenture 3	31-10-2019	31-10-2022	8.25%	$25,000	$1,027	$26,027
Debenture 4	31-10-2019	31-10-2022	8.25%	$25,000	$1,027	$26,027
Total				$275,000	$11,609	$286,609

The Company estimates 15% to be the market interest rate for a similar debt instrument without a conversion option. The initial liability component of the Debentures was calculated at the present value of interest payments and expected return using a discount rate of 15%. The equity component was determined using the residual method whereby, the fair value of the equity component is arrived at by deducting the amount determined separately for the liability from the face value of the instrument. Using this method, the Company determined that the fair value of the conversion feature was $37,620 which was recorded in the Company's equity reserve.

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.

11. SHARE CAPITAL

Authorized share capital

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

Common shares issued

Year ended April 30, 2020:

In August 2019, the Company closed the first tranche of a private placement financing consisting of 2,040,000 units at $0.25 per unit for proceeds of $510,000. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to purchase one additional common share of the Company at $0.30 per share for a period of three years. The fair value of the warrants was determined to be $nil using the residual method.

In September 2019, the Company closed the second tranche of a private placement financing consisting of 840,950 units at $0.25 per unit for proceeds of $210,238. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to purchase one additional common share of the Company at $0.30 per share for a period of three years. The fair value of the warrants was determined to be $4,205 using the residual method.

In connection with the aforementioned private placements, the Company paid transaction costs of $14,456 in cash, issued 26,800 shares to the agent valued at $6,600, and issued 26,800 agent warrants valued at $4,277. The agent warrants were estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.53%, an expected life of three years, an expected volatility of 134% and no expected dividends.

On November 8, 2019 the Company issued 250,000 common shares with a fair value of $30,000 to settle vendor debt.

Year ended April 30, 2019:

On May 17, 2018, the Transaction (note 5) was completed and 6,854,382 shares were issued.

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 $342,999 in share issuance costs and a subscription receivable of $4,500 was cancelled.

Warrants

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

	Number of Warrants		Weighted Average Exercise Price
Outstanding, April 30, 2019 and 2018	-	$	-
Granted	**2,907,350**		**0.30**
Outstanding, April 30, 2020	**2,907,350**	**$**	**0.30**

11. SHARE CAPITAL (CONTINUED)

Warrants (continued)

As at April 30, 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 weighted average life of warrants outstanding as of April 30, 2020 was 2.33 years.

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.

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

	2020		2019	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Opening Balance	**12,783,334**	**0.30**	-	-
Granted	**2,150,000**	**0.25**	13,950,000	0.30
Forfeited	**(33,334)**	**0.30**	(1,166,666)	0.30
Ending Balance	**14,900,000**	**0.30**	12,783,334	0.30

On May 18, 2018, the Company granted 12,750,000 stock options to employees and directors of the Company exercisable at $0.30 per share with an expiry date of May 22, 2023. 9,850,000 of these options vested on September 19, 2018, 2,750,000 vested on January 19, 2019 and the remaining 150,000 options vested over a twelve month from the date of the grant. The grant date fair value of these options was $3,176,025 estimated using the Black-Scholes option pricing model.

11. SHARE CAPITAL (CONTINUED)

Options (continued)

On September 28, 2018, the Company granted 700,000 stock options to employees exercisable at $0.30 expiring on September 28, 2023. 233,334 of these options vested upon grant, 233,333 vest on September 28, 2019 and 233,333 vest on September 28, 2020. The fair value of these options is $177,100 estimated using the Black-Scholes option pricing model.

On April 11, 2019, the Company granted 500,000 stock options to employees exercisable at $0.36 expiring on April 11, 2024. The options fully vested on August 12, 2019. The grant date fair value of these options was $148,000 estimated using the Black Scholes option pricing model.

On May 7, 2019, the Company granted 500,000 stock options to an employee exercisable at $0.26 expiring on May 7, 2024. These options vested immediately upon grant. The grant date fair value of these options was $107,000 estimated using the Black Scholes option pricing model.

On May 10, 2019, the Company granted 150,000 stock options to an employee exercisable at $0.245 per share with an expiry date of May 10, 2024. These options vested immediately upon grant. The fair value of these options was $30,300 estimated using the Black Scholes option pricing model.

On July 30, 2019, the Company granted 1,500,000 stock options to employees and directors with an exercise price of $0.25 with an expiry date of July 30, 2024. Of the options issued, 250,004 of these options vested upon grant, with another 249,998 vesting on the first anniversary of the grant, and the remaining 249,998 vesting on the second anniversary. The remaining 750,000 options vest on specific performance of milestones set out and agreed to. As of April 30, 2020, 90% of these options have vested. The remaining 10% options will vest upon the achievements towards the remaining performance milestones. The fair value of these options was $300,000 estimated using the Black-Scholes option pricing model.

For the year ended April 30, 2020, the Company recorded $567,111 (April 30, 2019- $3,246,353) in stock-based compensation in connection with stock options vested.

The fair value of the options were estimated using the Black-Scholes option pricing model with the following assumptions:

		2020		2019
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

11. SHARE CAPITAL (CONTINUED)

Options (continued)
As at April 30, 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	2.71	11,650,000	11,650,000
September 28, 2023		0.30	1.83	600,000	400,000
April 11, 2024		0.36	0.83	500,000	500,000
May 7, 2024		0.26	4.02	500,000	500,000
May 10, 2024		0.245	4.03	150,000	150,000
July 30, 2024	$	0.25	4.02	1,500,000	925,004
				14,900,000	14,125,004

Escrowed Securities
As part of the Transaction (Note 5), common shares of the Company were subject to voluntary escrow and regulatory release restrictions. As at April 30, 2020, there are 17,673,300 (2019 – 28,762,500) common shares held in escrow.

12. 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 for the years ended April 30, 2020 and April 30, 2019 was as follows:

		2020		2019
General and administrative - Director fees	$	126,500	$	30,919
Salaries, subcontractors, and benefits	$	359,187	$	441,923
Stock-based compensation	$	158,463	$	1,128,845

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 year ended April 30, 2020, the Company incurred fees of $132,980 (April 30, 2019-$354,000).

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 year ended April 30, 2020, the Company incurred fees of $2,164,821 (April 30, 2019 - $2,159,940).

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Balances due to related parties
As at April 30, 2020, the Company was indebted to a company controlled by a director in the amount of $85,671 (April 30, 2019 - $Nil) which was included in accounts payable and accrued liabilities. As at April 30, 2020, the Company was indebted to a company with a common officer in the amount of $ 1,060,959 (April 30, 2019 - $ 97,683).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company'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.

General Objectives, Policies and Processes:
The Board of Directors has overall responsibility for the determination of the Company'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 Company'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 Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit Risk
Credit risk is the risk of financial loss to the Company 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 Company 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.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company'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 Company's reputation. If future cash flows are uncertain, the liquidity risk increases.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing financial liabilities. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, and loan payable. The Company 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 Company, thereby mitigating liquidity risk. However, there is no assurance that the Company will have sufficient cash flow to be able to discharge its future financial liabilities.

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 Company considers this risk to be immaterial.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 Company's operations and financial results. The Company incurs certain expenses in US dollars and is exposed to foreign exchange rate fluctuation. As at April 30, 2020 the Company has accounts payable of $1,072,457 denominated in US dollars. Based on the Company's net exposure as at April 30, 2020, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of approximately $107,000 in the Company's net loss.

14. CAPITAL MANAGEMENT

The Company'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 Company defines capital as total shareholders' deficit. To fund its activities, the Company has followed an approach that relies almost exclusively on the issuance of common equity. Since inception, the Company has financed its liquidity needs primarily through share issuances. The Company is not subject to any capital requirements imposed by external parties

15. 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.

As of April 30, 2020, the Company's financial instruments consist of receivables and accounts payable. Cash is measured at fair value with level 1 inputs. The fair values of receivables, and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity nature.

The carrying value of the convertible debentures approximates fair value as the liability component was discounted using an estimated market rate.

16. ECONOMIC DEPENDENCE

Major customer
The Company derived approximately 88% (2019 - nil%) of its revenue from one customer. Sales to this customer may fluctuate significantly from time to time depending on the timing and level of services provided. Significant transactions from such a customer may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results.

17. 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,	2020	2019
Net loss	**$ (4,639,182)**	$ (14,773,169)
Statutory tax rate	**27%**	27%
Expected income tax recovery at the statutory tax rate	**(1,253,000)**	(3,989,000)
Non-deductible items and other	**165,000**	1,503,000
Foreign exchange and other	**10,000**	(103,000)
Change in valuation allowance	**1,078,000**	2,589,000
Income tax recovery	**$ -**	$ -

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

As at April 30,	2020	2019
Non-capital loss carry-forwards	**$ 3,932,000**	$ 2,882,000
Exploration and evaluation assets	**69,000**	69,000
Property, plant, and equipment	**35,000**	7,000
Share issue costs	**78,000**	78,000
	4,114,000	3,036,000
Less: valuation allowance	**(4,114,000)**	(3,036,000)
Net deferred income tax asset	**$ -**	$ -

18. SUBSEQUENT EVENTS

a) In June 2020, the Company settled $950,000 of accounts payable with issuance of 9,500,000 common shares.

b) In July 2020, the Company entered into a software license agreement (the "License Agreement") with OrionOne Global, Inc., a company controlled by an officer of the Company, and agrees to pay an initial license fee of $385,000 by issuing 7,700,000 common shares. The initial term of the License Agreement is five years, renewable for consecutive five year terms with the license being perpetual in nature. In addition, the Company agrees to pay a fee of US$25,000 at the earlier of 30 days of the closing of the Company's next equity financing or six months from the date of the License Agreement. The Company also agreed to pay a nominal annual license fee in lieu of royalty payments.

c) In September 2020, the Company closed a financing of subordinated secured convertible debentures in the amount of $360,000. The debentures mature three years from the date of issuance and bear interest of 8.25% per annum. The principal amount of a debenture, together with all accrued and unpaid interest, is convertible into units, at the option of the holder, at $0.05 per Debenture Unit (the "Conversion Price"). Each Debenture Unit comprises of one common share and one warrant with each warrant exercisable into one common share at $0.05 per share for a period of two years.

18. SUBSEQUENT EVENTS (CONTINUED)

d) In September 2020, Debenture 1 of $213,538 was converted into 4,273,160 common shares. Upon conversion, the Company agreed to amend the conversion price from $0.25 per unit to $0.05 per share.

e) Subsequent to April 30, 2020, the Company received $40,000 in the form of a Canada Emergency Business Account ("CEBA") loan. During the period from receipt of the CEBA loan to December 31, 2022 (the "Initial Term"), no interest is charged on the amount outstanding and should at least $30,000 be repaid on or before the end of the Initial Term with the remaining $10,000 of principal to be forgiven. If at the end of the Initial Term the loan is not repaid, the Company has the right to exercise the option to convert the CEBA loan into a three- year term loan bearing interest at 5% per annum.