

# TRU•TRACE<sup>TM</sup>

Technologies

## **Management Discussion & Analysis**

For the year ended April 30, 2020

TruTrace Technologies Inc.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The following management discussion and analysis (MD&A) of the financial condition and results of operations is intended to help the reader understand the current and prospective financial position and operating results of TruTrace Technologies Inc. (the “Company” or “TruTrace”). The MD&A discusses the operating and financial results for the year ended April 30, 2020. The MD&A is dated October 10, 2020 and takes into consideration information available up to that date.

The MD&A should be read in conjunction with the annual consolidated financial statements and related notes for the year ended April 30, 2020, prepared in accordance with International Financial Reporting Standards (IFRS). All amounts are denominated in Canadian dollars (CDN\$) unless otherwise identified.

Additional information is available on TruTrace’s website ([trutrace.co](http://trutrace.co)) and all previous public filings are available through SEDAR ([www.sedar.com](http://www.sedar.com)).

## **FORWARD-LOOKING STATEMENTS**

The MD&A contains certain forward-looking statements relating to the Company’s plans, strategies, objectives, expectations and intentions. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, “confident”, “might” and similar expressions are intended to identify forward - looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates, and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A may contain forward-looking information and statements pertaining to the fluctuations in the demand for the Company’s services; the ability for the Company to attract and retain qualified personnel; the existence of competitors; technological changes and developments; assumptions regarding foreign currency exchange rates and interest rates; the existence of regulatory and legislative uncertainties; the possibility of changes in tax laws and general economic conditions including the capital and credit markets; assumptions made about future performance and operations. The Company cautions that the foregoing list of assumptions, risks, and uncertainties is not exhaustive. The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A and the Company assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

## **NON-IFRS FINANCIAL MEASURES**

Throughout this document, reference is made to “working capital”, and “adjusted EBITDA”, which are all non-IFRS measures. Management believes that working capital, defined as current assets less current liabilities, is an indicator of the Company’s liquidity and its ability to meet its current obligations. Management believes that Adjusted EBITDA, which normalize earnings to exclude certain amounts, is a useful measure for comparing results from one period to another. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards (“IFRS”).

## MARKET PROFILE AND INFORMATION

TruTrace Technologies Inc., headquartered in Calgary, AB, Canada, 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.

As global business continues to expand, the complexity throughout the supply chain has created unique challenges and opportunities for companies that can better support a safe, consistent and transparent product ecosystem.

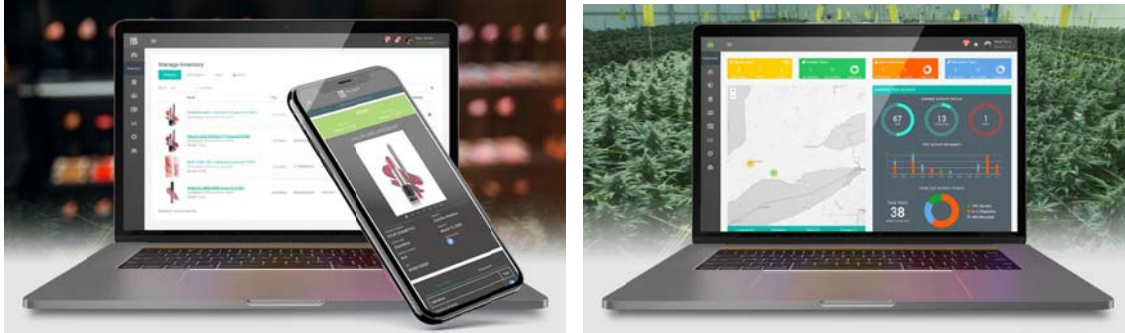
As products are cultivated, processed, manufactured, packaged and brought to retail shelves, stakeholders are looking at new methods to power dynamic and collaborative product testing, quality assurance and tracking to ensure safety and authenticity.

TruTrace specifically addresses these unique challenges, including:

- **Quality Testing:** TruTrace’s software platform, in collaboration with the Company’s network of laboratory partners, provides an efficient and streamlined process for both mandatory and cGMP (Current Good Manufacturing Practice) based testing, including cutting the administrative burdens associated with contaminant/microbial, chemistry and pesticide testing in order to help get products safely to market faster;
- **DNA Based Product Validation and Actionable Quality Assurance:** The underlying blockchain technology creates a genetic based registry and corresponding genetic fingerprint for electronic product identification, validation, and quality assurance to enable any participant on the platform, from regulators, producers, participants throughout the entire supply chain (if desired or required), to patients and consumers, with the ability to view and track the product from Genome to Sale™; and
- **Intellectual Property Registration and Support:** Third, the TruTrace Software as a Service (SaaS) platforms protect the unique intellectual property of growers, breeders and manufacturers. For instance, currently there is a limited legal framework for the issuance of patent protection of unique cannabis strains in either Canada or the United States. However, some form of intellectual property protection is important for the industry’s growth as products evolve and develop. Through the implementation of StrainSecure™, TruTrace aims to help provide this protection. For example, if a craft grower creates a popular strain with unique characteristics, the platform will enable intellectual property protection through simple registration of the strain’s genome within StrainSecure™, thereby locking that data into an immutable decentralized ledger. The resulting permanent record will be readily accessible in the event of future disputes, thus bringing a level of trust to the industry and ensuring associated fees are paid to all applicable parties in the market.

TruTrace’s leadership team combines decades of extensive experience across multiple industries, with specific expertise across corporate management, business development, advertising, information technology, including custom enterprise-based software, supply chain, legal and finance. The team’s extensive combined experience, specific expertise in the blockchain sector and its development of the most comprehensive, secure

and community-driven product archival platform positions TruTrace for growing opportunities in a number of industry verticals.



## **CORPORATE PROFILE**

### **Organization**

TruTrace was incorporated under the British Columbia Business Companies Act on October 19, 2011 and is listed on the Canadian Securities Exchange “CSE”, 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 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 item.

On May 17, 2018, the Company completed its Qualifying Transaction, 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.

### **Operations**

TruTrace initial commercial deployment was StrainSecure™, a fully integrated blockchain platform which registers and tracks intellectual property and mandatory testing data for the cannabis industry, and is dedicated to making it safe and conformable for breeders and growers, large and small, to protect and release their genetics, strain varieties, and validated testing results into the public domain. TruTrace’s StrainSecure™ technology tracks the product at every testing point, from Genome to Sale™, so customers can make much more informed decisions about the products they choose, medical practitioners and patients can rely on standardized and verified medicine and suppliers can implement actionable quality assurance. The TruTrace registry and verification system gives producers, regulators, patients and customers everything they need to know, helping support safe and informed choices about all of the cannabis products placed into the supply chain.

TruTrace combines traditional cannabis culture with modern blockchain-technology. By being open and available to everyone, the platform is expected to help shape the future adoption and authenticity of the cannabis industry. Through use of a secure API network, TruTrace will make it easy for testing providers, grow facilities, app and software developers, medical practitioners, pharmacies, research groups, and major supply

chain platforms to build applications and solutions, thereby helping fuel technology and innovation for the cannabis industry as a whole.

With compliance and regulation being a critical priority for industry participants, TruTrace is also focused on implementing StrainSecure™ as a method to ensure that applicable regulatory standards are adhered to, while providing real-time visibility of industry operations directly to, and collaboration with, agencies assigned to enforce and regulate cannabis activity nationwide. TruTrace uses powerful supply chain and IoT ("Internet of Things") technology to allow for the tracking of cannabis movement from genetics to sale, while providing for the scalability of what is expected to become a globally traded product.

On May 7, 2019, TruTrace entered into a letter of intent with Strainprint™ Technologies Ltd. ("Strainprint") under which the parties would work together to explore development and integration opportunities to utilize their mutual technologies in order to bring greater transparency and visibility to the legal cannabis industry. This initial engagement was followed up by an expanded plan between the Company and Strainprint to establish a joint venture ("JV") in February 2020. However, all steps in the finalization of this commercial relationship were delayed by the COVID-19 (Coronavirus) global pandemic. Nevertheless, Management is still in talks with the Strainprint will continue to work to finalize mutually beneficial terms, and believes that such integration in third-party systems such as this could have a positive impact on the value that the Company provides to end clients.

On May 9, 2019, TruTrace entered into a letter of intent with Molecular Science Corp. ("MSC") under which the parties would work together to explore opportunities to combine the blockchain-secured technology of TruTrace with the analytical expertise of MSC in order to deliver greater transparency and visibility around the quality of products being offered in the legal cannabis industry. Management began working with a number of other laboratories within the framework of a Proof of Concept with Shoppers Drug Mart in 2019 but has plans to reengage MSC as a partner facility in the near future. Management believes that cooperative partnerships with analytical testing facilities, such as MSC could have a positive financial impact on the Company.

On May 16, 2019, TruTrace announced a working relationship with Nonnie's Nectar, LLC, a Los Angeles based hemp extract company that produces premium full-spectrum hemp-based products grown in the U.S.A. using organic farming practices, whereby Nonnie's Nectar will begin employing the StrainSecure™ platform to collect, register, manage, track and publish verified testing data of several of their products in market. In early 2020, Nonnie's Nectar ceased operations; however, the expected revenue from this client was nominal and therefore management sees no negative impact arising as a result.

On June 4, 2019, senior management of TruTrace took part in a formal presentation before an international audience at the 2019 Deloitte Greenhouse™ Cannabis Summit in Toronto to discuss innovations and initiatives which are designed to bring greater transparency and collaboration to the cannabis industry. The invitation-only event took place following the release of Deloitte's third annual report on the impact of cannabis legalization on the Canadian economy: Nurturing new growth: Canada gets ready for Cannabis 2.

On June 11, 2019, TruTrace appointed Deepak Anand, CEO and Co-Founder of Materia Ventures, as an advisor to the Company. Mr. Anand brought significant experience having worked closely with senior government officials, politicians, policy makers, health professional organizations, clinical practitioners, educators and investors. Management believes the addition of established and talented individuals, such as Mr. Anand could have a positive financial impact on the Company.

On June 14, 2019, TruTrace began trading on the Canadian Securities Exchange ("CSE") under the symbol "TTT." Effective at the close of business on Thursday, June 13, 2019, the common shares were delisted from TSX Venture Exchange at the request of the Company. The listing on the CSE is expected to provide TruTrace with increased visibility with prospective global investors, improved liquidity and a more diversified shareholder base.

On June 17, 2019, Shoppers Drug Mart (“Shoppers”) announced at the second annual World Cannabis Congress, a new Pilot Program (“Pilot”) built on TruTrace’s proprietary StrainSecure™ platform, which focuses on testing and verification to confirm the origin, authenticity and quality assurance of cannabis products. We’re delighted to announce that Phase 1 is now complete. TruTrace’s software is being used as a central hub for identity management, asset tracking, validation, and product authentication for Shoppers medical cannabis products. Shoppers has also announced the commissioning of TruTrace and Deloitte to execute Phase 2 of the pilot, with full production and implementation of TruTrace’s StrainSecure™ platform, slated to begin in November 2019. This Pilot is aimed at not only providing detailed inventory data to Shoppers as a part of their Medical Cannabis initiative, but also to bring a detailed level of transparency and trust to medical practitioners throughout Canada. Management believes that this implementation of StrainSecure™ will have a significant financial impact on the company as the platform will serve as a fundamental layer in the distribution of medical cannabis.

Although the estimated size of the medical cannabis market is significant, management believes there is an even greater opportunity to grow the market, due to the small number of medical practitioners who actively prescribe cannabis without product validation. “There is a clear consensus within the cannabis industry that the source and quality of medical cannabis must be transparent and identifiable in order to meet the expectations of patients and health care practitioners,” said Ken Weisbrod, Vice President of Business Development, Shoppers Drug Mart. As of April 30, 2020 the Company began implementing Phase 3 of the pilot with Shoppers. Management believes that the implementation of the Company’s technology within the ecosystem of Shoppers Drug Mart and Loblaws, Inc. could have a positive financial impact of the Company and provide additional commercial opportunities.

On June 25, 2019, TruTrace and Shivom Ventures Limited (“Shivom”), a biotechnology data and analysis company optimising the way DNA is shared, secured and analysed through blockchain and AI technology, announced that the two companies entered into a letter of intent (“LOI”) to establish a strategic working relationship. The partnership is aimed at utilizing both Shivom and TruTrace’s blockchain solutions in order to substantially enhance the global medicinal and recreational cannabis markets. Although Management has not finalized a definitive agreement with Shivom, there are still discussions underway around how to best to integrate these technologies. Management believes that the integration of the Company’s technology into these types of third-party systems could have a positive financial impact.

On July 9, 2019, TruTrace announced that A&L Canada Laboratories Inc. would serve as one of the inaugural testing facilities in the Shoppers and TruTrace medical cannabis verification Pilot. A&L is an innovative, research driven technology company focused on sustainable development. For Food & Pharma, A&L provides analytical services for plant tissue, water, media and finished products. A&L’s services for cannabis and hemp also include disease diagnostics, genetic analysis, production recommendations, Plant Monitoring Program and Health Canada required testing. The company operates two world class analytical Laboratories serving clients throughout Canada, the U.S., and Internationally. Management began working with a number of other laboratories within the framework of a Proof of Concept with Shoppers Drug Mart in 2019 but has plans to reengage A&L as a partner facility in the near future. Management believes that cooperative partnerships with analytical testing facilities, such as A&L could have a positive financial impact on the Company.

On July 30, 2019, TruTrace announced that its common shares have commenced trading on the OTCQB® Venture Market, under the symbol TTTSF. The Company believes that trading on the OTCQB, along with the DTC eligibility it secured earlier this year, provides additional liquidity and exposure amongst U.S. investors.

On July 31, 2019, TruTrace and The Flowr Corporation (TSX.V: FLWR; OTC: FLWPF) jointly announced that Flowr joined the Shoppers medical cannabis verification Pilot. “Our medical cannabis products in Canada are available through Shoppers as we believe the pharmacy model offers significant benefits to patients. We fully support the objectives of this pilot program and look forward to working with our partners to ensure patients have access to medicinal cannabis they can trust,” said Dr. Lyle Oberg, Flowr’s Chief Medical and Policy Officer.

"Medical cannabis patients expect that their medication is safe, standardized and of high quality, and we believe this formal traceability program can play an important part of the overall process of building that trust." Flowr has a supply agreement with Shoppers to supply its FlowrRx brand of medical cannabis products. Management believes the utilization of StrainSecure™ in the validation and distribution of medical and recreational cannabis by Flowr could have a positive financial impact on TruTrace.

On August 14, 2019, TruTrace announced the completion of Phase 1 of the Shoppers Pilot Program. The Pilot Program is specifically designed to increase transparency, interoperability and product identification within the medical cannabis industry. Shoppers has also engaged TruTrace and Deloitte Canada LLP ("Deloitte") to execute Phase 2 of the Pilot Program, with full production and implementation of TruTrace's StrainSecure platform targeted for late November 2019.

"We have been encouraged by the response to this traceability initiative. There is a clear consensus within the cannabis industry that the source and quality of medical cannabis must be transparent and identifiable in order to meet the expectations of patients and health care practitioners," said Ken Weisbrod, Vice President of Business Development, Shoppers Drug Mart. "It is more important than ever to be able to assure all stakeholders, from regulators to health care practitioners, that the medical industry is taking the necessary steps to establish the infrastructure required to deliver standardized, consistent medication to our patients. Shoppers has turned to two trusted leaders, TruTrace and Deloitte Canada LLP, to assist us in the second phase of the project." Management believes that the Company's ability to deliver this solution on-time and under budget for a client as significant as Shoppers Drug Mart is a clear indication of success, and Management expects this will lead to additional opportunities not only with this client, but with similarly situated clients, leading to a positive financial impact on the Company.

On August 20, 2019, TruTrace announced that it signed a letter of intent to establish a strategic working relationship with Anandia Laboratories Inc. ("Anandia"). Anandia is considered an industry leader in science, genetics, and independent cannabis product testing. Pursuant to the LOI, Anandia will serve as a primary analytical and genetic testing partner in the TruTrace ecosystem. The parties will also explore ways to work together on rapidly expediting and optimizing the testing processes under the Cannabis Act (Canada) as set forth by Health Canada, as well as evolving genetic testing practices in the cannabis industry. Already the industry leader, Anandia is the largest dedicated cannabis testing lab in Canada. Headquartered among Vancouver's burgeoning tech community, Anandia's new state-of-the-art facility was custom-designed for cannabis testing. Between the company's Vancouver and Toronto labs, Anandia provides 19 different tests and services. These include the full suite of testing services required by Health Canada, plus other value-add tests such as full cannabinoid, terpene, and flavonoid profiling; genetic-based testing; predictive profiling; and genetics archiving services. While operating independently, Anandia is a wholly owned subsidiary of Aurora Cannabis Inc. (NYSE: ACB) (TSX: ACB) (Frankfurt: 21P; WKN: A1C4WM). Management believes this type of relationship is an indication of the Company's value in the market and could have a positive financial impact on the Company.

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

On August 28, 2019, TruTrace and Segra International Corp. ("Segra"), an agriculture technology company, announced that the two companies entered into a letter of intent ("LOI") to establish Segra as primary genetics' verification provider for TruTrace. Although Segra was considered to be a lead genetics partner in the Shoppers and TruTrace Pilot Program, after extensive feedback and consideration, Management determined

that additional providers were better suited to fit the needs of the initiative. Management sees no negative impact arising as a result of this change.

On September 4, 2019, TruTrace and Deloitte announced a strategic alliance to deliver blockchain product traceability solutions to the cannabis industry. Deloitte has been a leading voice in cannabis intelligence and research and has advised and consulted clients at every level of the cannabis supply chain. Their annual Cannabis Report is a fundamental resource about the current and future state of the young industry. The alliance will improve clients' ability to build trusted brands, ensure medical and recreational distributors and retailers receive accurate shipments, and provide consumers with confidence they are buying verified products from credible sources. Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights and service to address clients' most complex business challenges. Since the date of this strategic alliance, the Company and Deloitte have been in continuous discussions regarding the development and deployment of mutually beneficial solutions for the market. Management believes this relationship will be mutually profitable, as the two companies look to grow and exploit the opportunities provided in the global cannabis industry, and this could have a positive financial impact on the Company.

On September 5, 2019, Aphria Inc. ("Aphria") (TSX: APHA and NYSE: APHA) and TruTrace announced that Aphria joined Phase 2 of the Shoppers medical cannabis verification Pilot Program. "We are thrilled to partner with Shoppers Drug Mart and TruTrace Technologies to increase transparency within the medical cannabis industry," said Irwin D. Simon. "At Aphria Inc., we take responsibility to heart and recognize the importance of standardized testing and quality assurance. This program reflects our ongoing commitment to protecting the health and safety of our patients." Aphria Inc. is a leading global cannabis company driven by an unrelenting commitment to our people, the planet, product quality and innovation. Headquartered in Leamington, Ontario – the greenhouse capital of Canada – Aphria Inc. has been a leader in low-cost production of high-quality cannabis at scale, grown in natural conditions. Focusing on untapped opportunities and backed by the latest technologies, Aphria Inc. is committed to bringing breakthrough innovation to the global cannabis market. The Company's portfolio of brands is grounded in expertly-researched consumer insights designed to meet the needs of every consumer segment. Aphria Inc. drives sustainable long-term shareholder value through a diversified approach to innovation, strategic partnerships and global expansion, with a presence in more than 10 countries across 5 continents. Management believes the utilization of StrainSecure™ in the validation and distribution of medical and recreational cannabis by Aphria could have a positive financial impact on TruTrace.

On September 11, 2019, TruTrace announced that Tilray Canada Ltd. ("Tilray Canada"), a subsidiary of Tilray, Inc. (NASDAQ: TLRY), a global pioneer in cannabis research, cultivation, production and distribution, joined the Shoppers Drug Mart medical cannabis verification Pilot Program. Tilray is a global pioneer in the research, cultivation, production and distribution of cannabis and cannabinoids currently serving tens of thousands of patients and consumers in 13 countries spanning five continents. Management believes the utilization of StrainSecure™ in the validation and distribution of medical and recreational cannabis by Tilray could have a positive financial impact on TruTrace.

On September 13, 2019, the Company closed a second tranche (the "Second Tranche") of the Financing. The Second Tranche consisted of 840,950 units (each, a "Unit") of the Company at a price of \$0.25 per Unit for gross proceeds of \$210,237. Each Unit consists of one common share and one non-transferable Warrant. Each Warrant entitles the holder to purchase one additional common share at a price of \$0.30 per common share for a period of three years from the closing of the Financing.

On October 16, 2019, the Company and AdvancedCare, a leading clinical research, clinical and telemedicine platform used by medical professionals around the world, announced the entry of a letter of intent to begin a strategic working relationship to integrate their technologies to bring innovative solutions to the medical



industry. Under the terms of the agreement, AdvancedCare will begin integrating the StrainSecure technology into its proprietary platform with the objective of providing product data directly to medical professionals, patients and researchers to ensure medication has been verified and is safe to consume. Furthermore, it is expected that the combined system will be utilized in care plans and clinical research trials in the global medical industry. Management believes the utilization of StrainSecure™ in broader medical opportunities could have a positive financial impact on the Company. Although AdvancedCare was considered to be a partner that could bring value to the business of the Company, Management decided to go in a different direction. Management sees no negative impact arising as a result of this change.

On October 24, 2019, TruTrace closed a first tranche of a non-brokered private placement financing of secured convertible debentures (each a “Debenture”). The Company issued Debentures in the aggregate principal amount of \$200,000.

On November 6, 2019, TruTrace closed a second tranche of a non-brokered private placement financing of secured convertible debentures (each a “Debenture”). The Company issued Debentures in the aggregate principal amount of \$75,000.

On November 19, 2019, TruTrace announced that Clever Leaves (“Clever Leaves”), a leading vertically integrated global company and fully licensed producer of pharmaceutical-grade medical cannabis and hemp extracts, joined TruTrace’s StrainSecure™ platform to bring standardization and product validation into its international distribution strategy. Clever Leaves is a leading vertically integrated producer of medical cannabis and hemp extracts and is currently cultivating over 1.5 million square feet of greenhouses under Good Agricultural and Collection Practices (GACP) in Colombia, with expected expansion to 2.3 million square feet by the end of 2019 and the goal of reaching 10 million square feet by 2021. Although Clever Leaves has not been operating in Canada as of yet, Management believes the future utilization of StrainSecure™ in the validation and distribution of legal cannabis by Clever Leaves could have a positive financial impact on TruTrace.

On February 4, 2020, TruTrace and Strainprint® announced plans to establish a joint venture (“JV”) to develop new tools and systems designed to improve the overall experience of cannabis patients and consumers by connecting validated product data with authenticated patient data. Management has not taken additional steps forward to accelerate this initiative, in part due to the COVID-19 Global pandemic. Management sees no negative impact arising as a result.

On March 10, 2020, TruTrace appointed Cesare Fazari to its Board of Directors, effective March 9, 2020. Mr. Fazari is a founding partner of Northwood Developments and has been active in the company for over 30 years. He specializes in commercial retail rollout, having completed thousands of turnkey projects for major commercial franchises such as Shoppers Drug Mart, Marshalls, Trade Secrets and Public Mobile to name a few. With his entrepreneurial vision, Mr. Fazari has been the seed Venture Capital investor in many successful public companies such as Hydropothacary Corp., Ianthus, Drone Delivery Services and others. Mr. Fazari also previously sat on the board of the public merchant bank, Fountain Asset Corporation and is currently on the advisory board of several public and private companies. Management is confident that the addition of Mr. Fazari could have a positive financial impact on the Company.

#### **FINANCIAL AND OPERATION HIGHLIGHTS**

		Year ended April 30, 2020	Year ended April 30, 2019
Revenue	\$	402,679	\$ 10,000
Adjusted EBITDA <sup>(1)</sup>		(4,040,934)	(9,218,414)
EBITDA <sup>(1)</sup>		(4,608,045)	(14,785,786)
Net loss		(4,639,182)	(14,773,169)
Comprehensive loss	\$	(4,639,182)	\$ (14,773,169)

## Revenue

- The Company's proprietary software was built to enable TruTrace to serve as a full-service software provider with a fully integrated blockchain platform that registers and tracks the quality of products throughout the supply chain, including within the legal cannabis industry from genome to sale. The product-based registry is proprietary, immutable, and cryptographically secure, thereby establishing, in a single source, an accurate, validated, and permanent account from ownership to market.
- Monetization of TruTrace's suite of products includes, but is not limited to:
  - ❖ Monthly SaaS Usage Fees
  - ❖ Product Verification Fees
  - ❖ Standardized Test Verification Fees
  - ❖ Traceability Fees
  - ❖ Custom Development
- Third Party Publishing Licensing Fees
- The Company began generating revenue in the later part of the year ended April 30, 2019.

## Earnings and net earnings <sup>(1)</sup>

The Company's loss was \$4,639,182 for the year ended April 30, 2020 compared to \$14,773,169 for the period ended April 30, 2019. The larger loss in 2019 compared to 2020 was a result of high start-up costs not subsequently incurred.

## REVERSE TAKEOVER

On May 17, 2018, the Company completed its Qualifying Transaction (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.

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

## OUTLOOK AND GUIDANCE

This Outlook and Guidance contains forward-looking statements that the Company does not intend, and does not assume any obligation, to update, except as required by law. The forward-looking information and statements include:

- The current economic climate and its effect on the Company's client base business;
- The Company's ability to successfully acquire new customers;
- The Company's ability to successfully implement its technology; and

- Management's assumptions regarding the sustainability of recurring revenue streams and the Company's expected profitability.

## **Business Overview**

With the launch of our StrainSecure™ platform, TruTrace offers an easily integrated blockchain solution that tracks cannabis from Genome to Sale™ through the supply chain and provides actionable quality assurance and real-time testing data to the cannabis industry. In addition, the Company also released their TruTrace Enterprise™ SaaS platform, which was specifically designed to power the traceability of testing standards within the nutraceutical, food and pharmaceutical space with a focus on the authentication of source materials or ingredients used in formulation.

The Company's StrainSecure™ platform will play a key role in the cannabis industry, servicing both licensed producers and micro cultivators alike. This will be done through the continued development of the Company's technology, as well as through strategic partnerships with key players in the marketplace and how they will work with TruTrace moving forward.

TruTrace has developed a comprehensive verification system for required tests including: contaminant/microbial, chemistry and pesticide, and genetics tests for product verification, as well as a supply chain management platform that ensures transparency and quality assurance between all stakeholders. We want to empower producers, manufacturers, distributors, medical practitioners, regulators and consumers with information regarding what truly is in their product.

The Company has been able to mirror its technology on the front end from an automation point of view, embedding it within laboratories that are conducting contaminant/microbial, chemistry, pesticide and genetic testing. As such, we have essentially digitized all aspects of the testing process, a crucial point for the integrity of the cannabis industry.

TruTrace's goal within the legal cannabis industry is to build a framework for licensed producers ("LPs") as well as micro cultivators that are entering the newly legalized ecosystem, helping them to easily and inexpensively move their products through testing procedures. We then place that testing data on the blockchain for immutability and intellectual property protection and feed that information through the ecosystem for full visibility into the supply chain. The resulting outcome is a trustworthy source of product and inventory data that can be used to support anything from clinical trials to medical efficacy studies, as well as providing regulators, medical practitioners, patients and even retail consumers a much-desired level of actionable intelligence. With TruTrace, all parties can see whether a product is clean, safe, pesticide-free and truly is what it claims to be.

## **RESULTS OF OPERATIONS**

### **Revenue**

TruTrace generates revenue in three principal areas:

**Software as a Service ("SaaS") / Licensed Cultivator** – The StrainSecure™ and TruTrace Enterprise™ platforms are SaaS offerings for provincially and federally licensed businesses, as well as manufacturers or distributors with an aim to provide collaborative and transparent data on the quality of their products. The StrainSecure™ platform is a blockchain enabled quality assurance, testing and inventory management system that integrates into third party ERP (Enterprise Resource Planning) compliance systems within the legal cannabis industry and serves as an interoperable smart-hub relating to the provenance and quality of cannabis. The system has modules specifically designed for various members of the value chain in cannabis and although it was designed for cannabis, has applications in several other industries. Similarly, TruTrace Enterprise™ platform is a blockchain enabled quality assurance, testing and inventory management system that integrates into third

party ERP compliance systems within traditional industries to and serve as an interoperable smart-hub regarding the standardization and quality of products throughout the supply chain.

**Software as a Service / Laboratories** – The StrainSecure™ and TruTrace Enterprise™ platforms also serve as complementary SaaS systems for analytical and genetic laboratories and testing bodies. These platforms empower current processes and systems, such as a partner’s LIMS (Laboratory Information Management Systems) and other internal operations.

**Software Development and Professional Service Fees** – TruTrace also provides custom development and consulting services to industry stakeholders with an aim to support an open and collaborative infrastructure of companies required to provide a transparent and reliable supply chain. Our team works with clients to determine administrative inefficiencies and designs custom tools to fit their needs. Our management team and key personnel have broad experience in enterprise software development. We provide project-specific services to clients based upon their needs.

**Transactional Verification and Traceability** – The verification, validation and traceability of inventory within each platform are offered on a batch-by-batch basis as we secure and manage product data through a robust blockchain enabled system and serve as an interoperable layer in the testing and validation of product.

#### FINANCIAL RESULTS OF OPERATIONS

The following table highlights the expenses for the year end April 30, 2020 as compared to the last year April 30, 2019.

	Year ended April 30, 2020	Year ended April 30, 2019
<b>Corporate development costs</b>	\$ 628,301	\$ 4,323,139
<b>Depreciation</b>	5,836	4,834
<b>General and administrative costs</b>	749,865	1,082,231
<b>Operating costs</b>	5,000	64,842
<b>Product development costs</b>	2,075,822	2,159,940
<b>Salaries, subcontractors, and benefits</b>	814,485	1,391,512
<b>Stock-based compensation</b>	567,111	3,246,353
<b>Total operating expenses</b>	\$ 4,846,420	\$ 12,272,851

For the year ended April 30, 2020, total operating expenses were \$4,846,420 compared to the \$12,272,851 for the period ended April 30, 2019. Key differences year over year are outlined in more detail below.

Operating costs which consists of materials and supplies, and lab testing costs for the Company’s operations were \$5,000 for the year ended April 30, 2020 compared to \$64,842 during the prior comparative period. The change is attributed to the level of operations the Company was in this year versus the start-up stage the Company was in during the prior year.

Depreciation was \$5,836 for the year ended April 30, 2020. This expense is related to the equipment purchased by the Company for laboratory integration purposes and is a non-cash expense. Overall, the change year over year is not significant.

Stock-based compensation expense was \$567,111 for the year ended April 30, 2020 compared to \$3,246,353 in the prior year. This expense is driven by the timing of the, issuance, the variables used for the calculation of the Black Scholes pricing model and the vesting of stock options and is a non-cash expense.

Corporate development costs went from \$4,323,139 for the year ended April 30, 2019 to \$628,301 for the current year. The change is attributed to the stage of the company shifting from start-up to operational which commenced during the last three months of the prior year.

General and administrative costs declined from \$1,082,231 to \$749,865 in the current year. The decline is a result of greater focus on efficiencies year on year and the change from a start-up company to an operational one.

Salaries, subcontractors and benefits declined year on year from \$1,391,512 to \$814,485. The decline is attributed to the company incurring less development costs year on year and hence less headcount year on year.

#### PRODUCT DEVELOPMENT

On January 19, 2018, the Company entered into a master services agreement and a statement of work with Heated Details, Inc. ("Heated Details") to develop the initial phases of the product development strategy necessary to launch the TruTrace platform. All work entered into between the Company and Heated Details since that time has related to development and design work for StrainSecure™ within the emerging cannabis industry and TruTrace Enterprise™ within more traditional industries, such as food and cosmetics. During the year ended April 30, 2020, the Company paid \$2,164,821 to Heated Details to carry out this assignment.

#### FOREIGN EXCHANGE

	Year ended April 30, 2020	Year ended April 30, 2019
Foreign exchange loss	\$ (74,162)	\$ (36,134)

Foreign exchange gains and losses are the result of foreign currency fluctuations during the period and the timing of when items are settled. Foreign exchange gains and losses fluctuate annually in relation to changes in the US/Canadian and Euro/Canadian exchange rate.

#### NET EARNINGS, TOTAL COMPREHENSIVE LOSS AND CASH FLOWS

	Year ended April 30, 2020	Year ended April 30, 2019
Adjusted EBITDA <sup>(1)</sup>	\$ (4,040,934)	\$ (9,218,414)
EBITDA <sup>(1)</sup>	(4,668,045)	(14,785,786)
Comprehensive loss	(4,639,182)	(14,773,169)
Funds used in operations before working capital changes <sup>(1)</sup>	(3,951,491)	(9,045,912)
Funds used in operations	\$ (2,117,514)	\$ (8,966,557)

The Company's comprehensive loss was \$4,639,182 for the year ended April 30, 2020. Compared to the prior year's loss of \$14,773,169. The variance year on year is due to the Company incurring significant corporate development costs in 2019 as compared to 2020 and charging less for stock-based compensation and for the reasons noted under financial results of operations.

For the year ended April 30, 2020, adjusted EBITDA was a negative \$4,040,934. The larger loss in 2019 compared to 2020 was a result of high corporate development costs.

The Company's funds used in operations were \$2,117,514 the year ended April 30, 2020, and mainly covered marketing campaigns and product development. In the prior year the major contributing expenses to use of funds from operations were corporate development costs and stock-based compensation charges.

#### FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Revenue	\$ (248,841)	\$ 300,000	\$ 303,520	\$ 48,000
Adjusted EBITDA <sup>(1)</sup>	(686,545)	(1,134,933)	(846,514)	(1,372,942)
EBITDA <sup>(1)</sup>	(835,325)	(1,179,023)	(913,223)	(1,740,474)

Net loss		<b>(803,175)</b>	(1,180,421)	(914,652)	(1,740,934)
Comprehensive loss	\$	<b>(803,175)</b>	\$ (1,180,421)	\$ (914,652)	\$ (1,740,934)

		2019	2019	2019	2019
		Q4	Q3	Q2	Q1
Revenue	\$	<b>10,000</b>	\$ -	\$ -	-
Adjusted EBITDA <sup>(1)</sup>		<b>(1,864,327)</b>	(1,572,311)	(1,598,525)	(4,167,857)
EBITDA <sup>(1)</sup>		<b>(1,886,023)</b>	(1,601,002)	(2,297,929)	(9,000,832)
Net loss		<b>(1,881,971)</b>	(1,597,593)	(2,295,244)	(8,998,361)
Comprehensive loss	\$	<b>(1,881,871)</b>	\$ (1,597,593)	\$ (2,295,244)	\$ (8,998,361)

## LIQUIDITY AND CAPITAL RESOURCES

### Working capital

“Working capital” is used by management and the investment community to analyze the operating liquidity available to the Company. Working capital is defined as current assets less current liabilities.

Working capital is derived from the consolidated statements of financial position and is calculated as follows:

As at		April 30, 2020	April 30, 2019	Increase (decrease) in Working capital
Current Assets				
Cash and cash equivalents	\$	<b>12,536</b>	\$ 1,163,219	\$ (1,150,683)
Accounts receivable		<b>29,396</b>	63,648	(34,252)
Prepaid and deposits		<b>31,991</b>	115,474	(83,483)
	\$	<b>73,923</b>	\$ 1,342,341	\$ (1,268,418)
Current Liabilities				
Accounts payable and accrued liabilities	\$	<b>2,416,837</b>	\$ 634,619	\$ 1,787,218
	\$	<b>2,416,837</b>	\$ 634,619	\$ 1,787,218
Working capital <sup>(1)</sup>	\$	<b>(2,342,914)</b>	\$ 707,722	\$ (2,903,610)

The key driver of the change in working capital was the decrease in cash of \$1,150,683 year on year as this cash was used in operations. This is offset by the increase in accounts payable due to the timing of payments. Prepaids and accounts receivable offset each other but changed year over year due to changes in the business.

### Liquidity

At April 30, 2020, the Company had \$12,536 (April 30, 2019: \$1,163,219) of cash on hand. The Company has convertible debentures which can be converted into equity at the option of the holder. The Company shall have the right to require the convertible debenture 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. Therefore, liquidity risk relates to its accounts payable and accrued liabilities and debentures, as the Company may encounter difficulty discharging its obligations.

While the Company has been able to demonstrate the ability to raise capital to fund its operations to date, it has not yet been able to generate the sales volumes required to create positive cash flows from operations. Whether and when the Company will generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to April 30, 2020 is uncertain.

The Company considers the items included in capital to include shareholders’ equity. The Company manages its capital structure and makes adjustments to it in light of changes in economic and business conditions, the

financing environment and the risk characteristics of its underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, new debt, or scale back the size and nature of its operations. The Company is not subject to externally imposed capital requirements.

Management intends to regularly review its ongoing level of cash flow from operations, as well as its level of capital resources, and actively manage its affairs. This review will consider factors such as the current economic environment, changes in demand for the Company's services, capital spending requirements, foreign exchange rates, working capital needs, and profitability of the Company's operations, any of which could materially affect the Company's ability to meet its obligations.

Additional financing may be necessary in a variety of circumstances, including the requirement of working capital to ramp up operations required by strong growth, the occurrence of adverse circumstances, fluctuations in foreign currency translation, or the decision to expand geographically into new markets or by acquisition. It is anticipated that the required financing may be raised by bank debt, other forms of debt, or the issue of equity. It is possible that such financing will not be available, or not available on favorable terms.

#### **SUBSEQUENT EVENTS**

- a) In June 2020, the Company settled \$950,000 of indebtedness (the "Indebtedness") previously owed to its primary vendor responsible for software development, design and maintenance of the Company's proprietary StrainSecure™ platform. Pursuant to the settlement of the Indebtedness, the Company issued 9,500,000 common shares of the Company to an assignee and 9,500,000 common shares to an officer of the Company who was a second assignee of the vendor. The Company will recognize a gain of \$332,500 on the settlement.
- b) During July 2020, the Company signed a software license agreement (the "License Agreement") with OrionOne Global, Inc. ("OrionOne"), a global supply chain provider. Under the License Agreement, the Company agreed to pay OrionOne, a company controlled by an officer of the Company, an initial license fee of CAD \$385,000 which was paid through the issuance of 7,700,000 common shares of the Company at a deemed price of \$0.05 per common share to OrionOne. 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 agreed to pay OrionOne a fee of US\$25,000 within 30 days of the closing of the Company's next equity financing, or six months from the date of the License Agreement, whichever is sooner. The Company also agreed to pay OrionOne a nominal annual license fee in lieu of royalty payments.
- c) On July 9, 2020, University Health Network (UHN), a leading health research organization announced the launch of a first-of-its-kind real world evidence study led by Dr. Hance Clarke, Director of Pain Services, Toronto General Hospital, and a recognized leader in educating Canadians about chronic pain management and the risk factors of continued opioid use. The study would be in collaboration with Medical Cannabis by Shoppers and supported by the Company's StrainSecure™ platform.
- d) On July 16, 2020, MediPharm Labs Corp., a global leader in specialized, research-driven pharmaceutical-quality cannabis extraction, distillation and derivative products announced its participation in a ground-breaking collaboration between UHN and Medical Cannabis by Shoppers that will use the Company's blockchain technology to track medical cannabis products from seed to sale.
- e) On August 18, 2020, Organigram Holdings Inc., the parent company of Organigram Inc., a leading licensed producer of cannabis, announced it partnered with Medical Cannabis by Shoppers on Phase 2 of Shoppers' Pilot Program powered by the Company.
- f) On August 19, 2020, the Company announced that it had teamed with Riviera & West One Logistics to ensure the highest quality for its line of products including Hygen-X hand and surface sanitizer products. Riviera is a leading provider of bottled products in North America and overseas from an FDA-licensed

facility in Southern California. This marked the first implementation of the Company's proprietary TruTrace Enterprise™ SaaS platform in sectors outside of the medical cannabis sector.

- g) On August 24, 2020, Avicanna Inc., a biopharmaceutical company focused on the development, manufacturing and commercialization of plant-derived cannabinoid-based products announced that through its majority owned subsidiary, Santa Marta Golden Hemp S.A.S. ("SMGH"), Avicanna had completed exports of CBG and CBD isolates into the United States, CBD isolate into Germany and the commencement of a pilot tracking system for the export of its active pharmaceutical ingredient ("API") products in partnership with the Company.
- h) On August 26, 2020, the Company announced that medical distributor, Safe Company, had selected the TruTrace Enterprise™ SaaS platform to manage inventory and quality assurance processes for its medical and protective consumables, hospital supplies and air purification solutions.
- i) In September 2020, the Company closed a non-brokered private placement financing of subordinated secured convertible debentures in the aggregate principal 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 any accrued and unpaid interest, will be payable on the maturity date, unless earlier converted in accordance with its terms. 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 a debenture 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.
- j) In September 2020, a holder of a debenture issued in October 2019 agreed to convert an outstanding debenture with an amount owing of \$213,538 into 4,273,160 common shares 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.
- k) The Company applied for the Canadian Emergency Business Loan for \$40,000. The Company was approved and received the funds subsequent to year end. The loan has to be repaid by the Company by December 31, 2022 to receive loan forgiveness of \$10,000.

#### OUTSTANDING SHARE DATA

Issued share capital includes the following as at

April 30, 2020	October 10, 2020
<ul style="list-style-type: none"> <li>• 83,361,732 Common Shares issued and outstanding</li> <li>• 14,900,000 Stock options</li> <li>• 2,907,350 Share purchase warrants</li> </ul>	<ul style="list-style-type: none"> <li>• 114,334,892 Common Shares issued and outstanding</li> <li>• 14,350,000 Stock options</li> <li>• 2,907,350 Share purchase warrants</li> </ul>



## SHAREHOLDERS' EQUITY

### Authorized share capital

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

### Common shares issued

1. On May 17, 2018, the Transaction was completed and 36,854,382 shares were issued.
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 with a fair value of \$30,000 in vendor debt.

The contributed surplus reserve included in the Shareholders' Deficiency section of the Statement of Financial Position comprises all unexercised stock options.

	Number of Common Shares		Share Capital
<b>Balance at April 30, 2018</b>	<b>38,350,000</b>	<b>\$</b>	<b>575,250</b>
Shares issued for acquisition of the Company	6,854,382		2,056,315
Shares issued on private placement	35,000,000		10,500,000
Share issue costs	-		(342,999)
Cancellation of subscription receivable	-		(4,500)
<b>Balance at April 30, 2019</b>	<b>80,204,382</b>	<b>\$</b>	<b>12,784,066</b>
Shares and warrants issued on private placement	2,880,950		716,033
Share issue costs	26,400		(18,733)
Share issue for debt settlement	250,000		30,000
<b>Balance at April 30, 2020</b>	<b>83,361,732</b>	<b>\$</b>	<b>13,511,366</b>

### 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 (5%) of the issued and outstanding common shares, and the number of common shares reserved for issuance to all technical consultants will not exceed two percent of the issued and outstanding common shares.

As at April 30, 2020, the Company had the following options outstanding and exercisable:

Expiry Date	Exercise Price	Remaining	Number of	Number of
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			<b>Contractual Life (years)</b>	<b>Options Outstanding</b>	<b>Options Exercisable</b>
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, 2019		0.36	0.83	500,000	500,000
May 7, 2024		0.26	4.02	500,000	500,000
May 10, 2024		0.25	4.03	150,000	150,000
July 30, 2024	\$	0.25	4.02	1,500,000	925,004
				<b>14,900,000</b>	<b>14,125,004</b>

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

	<b>Number of options</b>	<b>Weighted Average Exercise Price</b>
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
<b>Outstanding at April 30, 2020</b>	<b>14,900,000</b>	<b>\$ 0.30</b>
<b>Exercisable at April 30, 2020</b>	<b>14,125,004</b>	<b>\$ 0.30</b>

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

On September 28, 2018, the Company issued 700,000 stock options to employees. 233,334 of these options vested upon grant, 233,333 will vest on September 28, 2019 and 233,333 will 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. 500,000 of these options will vest on August 12, 2019. The exercise price of these options is \$0.36, and they expire on April 11, 2024.

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

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. During the six months ended October 31, 2019, 33,334 options were forfeited.

For the year ended April 30, 2020, the Company recorded \$527,279 (April 30, 2019- \$3,246,353) in stock-based compensation, based on the fair values of stock options granted which were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>Year ended April 30, 2020</b>	<b>Year ended April 30, 2019</b>
Risk free interest rate	<b>1.47% - 1.62%</b>	<b>1.59%-2.30%</b>
Expected volatility	<b>112.73% - 119.08%</b>	<b>118.84%-123.65%</b>
Expected life	<b>5 years</b>	<b>5 years</b>
Expected dividend yield	<b>0%</b>	<b>0%</b>
Exercise price	<b>\$ 0.245 – 0.26</b>	<b>\$ 0.30-0.36</b>

## COMMITMENTS AND CONTINGENCIES

### Operating lease

The corporation has no commitments as on April 30, 2020.

## 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 years ended April 30, 2019 and 2018 are set out below:

	<b>Year ended April 30, 2020</b>	<b>Year ended April 30, 2019</b>
General and administrative - Director fees	<b>\$ 126,500</b>	<b>\$ 30,919</b>
Salaries, subcontractors, and benefits	<b>359,187</b>	<b>441,923</b>
Stock-based compensation	<b>158,463</b>	<b>1,128,845</b>
	<b>\$ 644,150</b>	<b>\$ 1,601,687</b>

### 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 Corporation incurred fees of \$132,980 (April 30, 2019 - \$3,54,000). As at April 30, 2020, the Corporation was indebted to this company in the amount of \$85,671 (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 Corporation shares an officer with the service provider. For the year ended April 30, 2020 the Company incurred fees of \$2,164,281 (April 30, 2019 - \$2,159,940). As at the year end the Corporation was indebted by \$1,241,120 (April 30, 2019 - \$ 97,683).

## Other

As at April 30, 2020 expense reimbursements of \$6,425 (April 30, 2019 \$9,345) is due to a former director of the Company and included in accounts payable & accrued liabilities.

## NON-IFRS FINANCIAL MEASURES

This MD&A contains references to certain financial measures and associated per share data that do not have any standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures are computed on a consistent basis for each reporting period and include EBITDA, Adjusted EBITDA, Adjusted net earnings, and working capital.

These non-GAAP measures are identified and defined as follows:

“**EBITDA**” is a measure of the Company’s operating profitability. EBITDA provides an indication of the results generated by the Company’s principal business activities prior to how these activities are financed, assets are depreciated and amortized or how the results are taxed in various jurisdictions.

EBITDA is derived from the condensed consolidated statements of operations and comprehensive income (loss) and is calculated as follows:

	2020	2019
Net loss	\$ (4,639,182)	\$ (14,773,169)
Depreciation	5,836	4,834
Interest income	(25,301)	(17,451)
<b>EBITDA</b>	<b>\$ (4,658,645)</b>	<b>\$ (14,785,786)</b>

“**Adjusted EBITDA**” is used by management and investors to analyze EBITDA (as defined above) prior to the effect of foreign exchange, other income and expenses, and share-based payment expense. Adjusted EBITDA is not intended to represent net earnings as calculated in accordance with IFRS. Adjusted EBITDA provides an indication of the results generated by the Company’s principal business activities prior to how these activities are financed, assets are depreciated, amortized and impaired, the impact of foreign exchange, how the results are taxed in various jurisdictions, effects of share-based payment expenses, and normalized other expenses not recurring in nature.

Adjusted EBITDA is calculated as follows:

	Year ended April 30, 2020	Year ended April 30, 2019
EBITDA	\$ (4,658,645)	\$ (14,785,786)
Plus:		
Stock-based compensation	567,111,	3,246,353
Listing expense	-	2,321,019
<b>Adjusted EBITDA</b>	<b>\$ (4,091,534)</b>	<b>\$ (9,218,414)</b>

## ADDITIONAL GAAP MEASURES DEFINITIONS

“**Funds provided by operations**” is used by management and investors to analyze the funds generated by the Company’s principal business activities prior to consideration of working capital, which is primarily made up of highly liquid balances. This balance is reported in the Condensed Consolidated Statements of Cash Flows and is included in the cash provided by operating activities section.

## 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.

**a) 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 trade receivables.

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

**b) Liquidity Risk**

Liquidity risk is the risk that the 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.

**c) Interest Rate Risk**

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

**d) Exchange Rate Risk**

Exchange rate risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company incurs certain

expenses in US dollars and is exposed to foreign exchange rate fluctuation. These expenses are subject to exchange rate risk.

#### **CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES**

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.

#### **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. On May 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed consolidated interim financial statements as the Company has no material lease contracts that fall under IFRS 16.

#### **BUSINESS RISKS**

You should carefully consider the following risks and uncertainties in addition to other information in TruTrace's filing statement dated May 10, 2018 with respect to the Transaction in evaluating the Company and its business. The market in which the Company competes is very competitive and changes rapidly. New risks may emerge from time to time and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those expected. References to "TruTrace" below refer to the Company and its affiliates as at the date hereof.

- **Limited Operating History and History of Losses**

TruTrace has only recently commenced commercial operations and has cash, accounts receivable, a note receivable, sales tax receivable, prepaids and deposits, and property and equipment as assets. TruTrace has no history of earnings and has not yet generated any revenue. As such, it is subject to many of the risks common to early-stage enterprises, including: under-capitalization; cash shortages; limitations with respect to personnel, financial, and other resources; and lack of revenue. Although TruTrace anticipates generating revenue in the future, it is also incurring substantial expenses in the establishment of its business. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the future expansion of the business will be sufficient to raise the required funds to continue the development of its business. There is no assurance that the Company will be successful in achieving a return

on shareholders' investment, and the likelihood of success must be considered in light of the early stage of its operations.

- **Service Interruptions**

TruTrace intends to serve customers from third-party data center hosting facilities located in Ontario and Quebec. Any damage to, or failure of, TruTrace's systems could result in interruptions to its service. As TruTrace continues to add data centers and add capacity in existing data centers, it may move or transfer its data and its customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of its services. Further, any damage to, or failure of, TruTrace's systems generally could result in interruptions in its service. Interruptions in TruTrace's service may reduce revenue, cause it to issue credits or pay penalties, cause customers to terminate their subscriptions and materially adversely affect its renewal rates and ability to attract new customers.

It is also expected that TruTrace's business might be harmed if its customers believe its service is unreliable. TruTrace intends to replicate and back-up customer data as part of its disaster recovery plans. However, these plans may not be successful in all circumstances. The Company will not control the operation of any third party facilities it may use. All of the facilities it operates or utilizes would be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close any facility without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in TruTrace's service. Even with its disaster recovery arrangements, TruTrace's service could be interrupted and its business and financial condition could be materially adversely affected.

- **Need for Continued Development of Technology**

The success of TruTrace's platform will be dependent on the accuracy, proper use and continuing development of its technological systems, including its business systems and operational platforms. Its ability to effectively use the information generated by its information technology systems, as well as its success in implementing new systems and upgrades, may affect its ability to: conduct business with its clients, including delivering services and solutions; manage its inventory and accounts receivable; purchase, sell, ship and invoice its products and services efficiently and on a timely basis; and maintain its cost-efficient operating model while expanding its business in revenue and in scale.

- **Ability to Generate Profits**

There can be no assurance that TruTrace will generate net profits in future periods. Further, there can be no assurance that it will be cash flow positive in future periods. In the event that TruTrace fails to achieve profitability, the value of its shares may decline. In addition, if TruTrace is unable to achieve or maintain positive cash flows, it will be required to seek additional funding, which may not be available on favourable terms, or at all.

- **Regulatory Uncertainty**

The legal global cannabis industry is still in its infancy and is dependent on the regulatory environment, including federal, state and local laws. Part of TruTrace's business and achievement of its business objectives within this sector will be dependent, in part, on compliance with regulatory requirements enacted by governmental authorities for the collection and tracking of data related to the cannabis sector. While TruTrace expects that its business model will be perceived to be viable and compliant with applicable regulatory requirements, there is no guarantee that its platform will be adopted or utilized. To the extent that there are changes to existing regulations, the adoption and use of TruTrace's platform may be adversely affected.

In addition to the above, in jurisdictions such as the United States, the conflict between federal and state

legislation could have a material adverse impact on TruTrace’s business. TruTrace’s management has determined that, at this time, it will only enter regulated markets where there is an alignment between all levels of government and if Canadian Securities Exchange (the “CSE”) has approved it conducting operations. However, there can be no assurance that the regulatory environment will remain favourable to the conduct of TruTrace’s business. Further, even within Canada, different provinces and local governmental authorities will have different regulatory requirements and it is possible that TruTrace’s platform may not be compatible with those requirements. This variability may be difficult and/or ineffective to manage from both a technological and cost standpoint. In the event that TruTrace’s business is determined to be non-compliant with certain applicable regulatory requirements, its business and financial condition could be materially adversely affected.

- **Blockchain Related Risks**

The use of blockchain technology for enterprise applications is in its early stages. While numerous use cases have been developed to demonstrate the efficiency, security and viability of blockchain technology, it is still largely unproven. There are risks that the underlying blockchain protocols and methodologies will not be scalable or sustainable in industry-wide applications. As a new and largely unregulated industry, changes in or more aggressive enforcement of laws and regulations around blockchain could adversely impact companies involved in the industry. Failure or delays in obtaining necessary approvals, or changes in government regulations and policies and practices could have an adverse impact on TruTrace’s future cash flows, earnings, results of operations and financial condition. Further, governmental agencies could shut down or restrict the use of blockchain platforms or blockchain based technologies. This could lead to a loss or interruption in business for TruTrace.

- **Intellectual Property Risk**

TruTrace’s activities may infringe on patents, trademarks or other intellectual property rights owned by others. If TruTrace is required to defend itself against intellectual property rights claims, it may spend significant time and effort and incur significant litigation costs, regardless of whether such claims have merit. If TruTrace is found to have infringed on the patents, trademarks or other intellectual property rights of others, it may also be subject to substantial claims for damages or a requirement to cease the use of such disputed intellectual property, which could have an adverse effect on its operations. Such litigation or claims and the consequences that could follow could distract management of TruTrace from the ordinary operation of its business and could increase costs of doing business, resulting in a negative impact on the business, financial condition, or results of operations of the Company.

- **Evolving Business Model**

As digital assets and blockchain technologies become more widely available, management expects the services and products associated with them to evolve. As a result, to stay current with the industry, TruTrace’s business model may need to evolve as well. From time to time, TruTrace may modify aspects of its business model relating to its product mix and service offerings. It cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. TruTrace may not be able to manage growth effectively, which could damage its reputation, limit its growth and negatively affect its operating results. Such circumstances would have a material adverse effect on the Company’s ability to continue as a going concern, which would have a material adverse effect on its business, prospects and operations, and harm TruTrace’s investors.

- **Network Security Risks**

TruTrace expects to obtain, transmit and store confidential user information in connection with its services. These activities are subject to the laws and regulations of Canada and other jurisdictions. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions where TruTrace intends to offer services, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. TruTrace expects to rely on a variety of technologies to



secure its systems. Despite the implementation of network security measures, its infrastructure will potentially be vulnerable to computer break-ins and similar disruptive problems. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures that the Company uses to protect its systems. TruTrace could also suffer from an internal security breach.

Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to TruTrace users. If internal TruTrace personnel or a third party were to misappropriate, misplace or lose corporate information, including financial and account information, customers' personal information, or source code, its business may be harmed. TruTrace may be required to expend significant capital and other resources to protect against these security breaches or losses or to alleviate problems caused by these breaches or losses. If third parties gain improper access to TruTrace's systems or databases or those of its partners or contractors, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose TruTrace to monetary liability, and lead to inquiries, fines, or penalties.

- **Reliance on Key Personnel**

TruTrace's success depends in large measure on certain key personnel and the contributions of these individuals to its immediate operations are likely to be of central importance. The loss of the services of such key personnel could have a material adverse effect on the Company. In addition, the competition for qualified personnel in the technology industry is intense and there can be no assurance that TruTrace will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of TruTrace's management.

- **Management of Complex Software Implementation Projects**

The successful deployment of TruTrace's software will depend on managing complex implementation projects. A variety of factors may result in complex deployments being delayed, cancelled or failing, including: the inherent complexity of modern software; difficulty staffing the project with qualified personnel; difficulty managing a project in which the customer and multiple vendors must work together effectively; unrealistic deadlines; inability to realistically limit the scope of the project; problems with third party systems, software or services; inaccurate or faulty data; and insufficient time and investment spent in the planning and design phases of the project. As a result, TruTrace may not be able to successfully manage deployments of its software which could harm its reputation, be costly to correct, delay revenues, and expose it to litigation.

- **Conflicts of Interest**

Certain directors and officers of TruTrace are also directors and officers of other companies. In addition, they may devote time to other outside business interests, so long as such activities do not materially or adversely conflict with their duties to the Company. The interests of these persons could conflict with those of TruTrace. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of TruTrace board of directors, a director who has such a conflict will abstain from voting for or against the approval of any such matter. In accordance with applicable laws, the directors of TruTrace will be required to act honestly, in good faith, and in the best interests of TruTrace.

- **Competition**

TruTrace expects to compete with other technology platforms focused on the supply chain, as well as the global cannabis sector. Market and financial conditions, and other conditions beyond TruTrace's control, may

make it more attractive to invest in other financial vehicles which could limit the market for TruTrace's shares.

- **Risks Relating to COVID-19**

The recent outbreak of COVID-19 (Coronavirus) pandemic could impact the Company's operations by negatively impacting the supply chain including both manufacturing and delivery of products to customers, create shortages of qualified staff, reduce consumption of product and reduce the availability of both equity and or debt in the marketplace. Such an outbreak, could have a material adverse effect on our business, financial condition, results of operations and our ability to raise capital either through equity or debt.

**Other Information**

Additional information about the Company is available under TruTrace's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**Approval**

This MD&A is authorized for issue by the Board on October 10, 2020.