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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, 2021 and 2020, 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, 2021 and 2020, 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

August 25, 2021



**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Expressed in Canadian dollars

**As at April 30,**

	Note	2021	2020
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	5	\$ 1,013,772	\$ 12,536
Sales taxes receivable		31,110	29,396
Subscriptions receivable	10	50,000	-
Prepaid assets		5,000	31,991
		<b>1,099,882</b>	<b>73,923</b>
Non-Current Assets			
Equipment		11,636	15,894
Intangible asset	6	317,145	-
<b>Total assets</b>		<b>\$ 1,428,663</b>	<b>\$ 89,817</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable and accrued liabilities	7, 11	\$ 1,800,663	\$ 2,416,837
		<b>1,800,663</b>	<b>2,416,837</b>
Non-Current Liabilities			
Loans payable	8	40,000	-
Convertible debenture	9	80,977	242,197
		<b>1,921,640</b>	<b>2,659,034</b>
<b>Shareholders' deficiency</b>			
Share capital	10	16,107,089	13,511,366
Equity reserves	10	4,960,978	3,859,566
Deficit		(21,561,044)	(19,940,149)
Total shareholder's deficiency		<b>(492,977)</b>	<b>(2,569,217)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 1,428,663</b>	<b>\$ 89,817</b>

Nature of operations and going concern (note 1)

On behalf of the Board of Directors:

"Robert Galarza"  
 Chief Executive Officer

"Michael Kraft"  
 Director

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

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

Expressed in Canadian dollars

For Years ended April 30,

	Note	2021	2020
<b>Revenues</b>			
Service revenue	17	\$ 162,500	\$ 402,679
		<b>162,500</b>	402,679
<b>Expenses</b>			
General and administrative costs	11	<b>569,054</b>	754,865
Salaries, subcontractors, and benefits	11	<b>501,010</b>	814,485
Product development costs	11	<b>370,969</b>	2,075,822
Stock-based compensation	10,11	<b>188,693</b>	567,111
Amortization on intangible assets	6	<b>63,265</b>	-
Depreciation		<b>4,258</b>	5,836
Corporate development costs	11	<b>884</b>	628,301
		<b>(1,698,133)</b>	(4,846,420)
<b>Other (expense) income</b>			
Finance expense	12	<b>(45,062)</b>	(25,301)
Foreign exchange		<b>20,426</b>	(74,162)
Impairment of deposits		-	(95,977)
Gain on settlement of debt	7,8,13	<b>178,671</b>	-
Debt term modification	9	<b>(239,297)</b>	-
		<b>(85,262)</b>	(195,440)
<b>Net loss and comprehensive loss</b>		<b>\$ (1,620,895)</b>	\$ (4,639,182)
<b>Loss per share</b>			
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>\$ (0.01)</b>	\$ (0.06)
		<b>114,500,815</b>	82,272,881

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**

Expressed in Canadian dollars	Number of Common Shares	Share Capital	Equity Reserves	Deficit	Total deficit
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)
<b>Private placement</b>	<b>30,000,000</b>	<b>811,567</b>	<b>688,433</b>	-	<b>1,500,000</b>
<b>Share issue costs</b>	-	<b>(89,688)</b>	<b>60,588</b>	-	<b>(29,100)</b>
<b>Shares issued for debt settlement</b>	<b>19,000,000</b>	<b>855,000</b>	-	-	<b>855,000</b>
<b>Shares issued for software license fee</b>	<b>7,700,000</b>	<b>346,500</b>	-	-	<b>346,500</b>
<b>Issuance of convertible debentures</b>	-	-	<b>50,293</b>	-	<b>50,293</b>
<b>Conversion of convertible debentures</b>	<b>11,593,851</b>	<b>596,928</b>	<b>136,911</b>	-	<b>733,839</b>
<b>Warrants exercised</b>	<b>1,038,198</b>	<b>75,416</b>	<b>(23,506)</b>	-	<b>51,910</b>
<b>Stock-based compensation</b>	-	-	<b>188,693</b>	-	<b>188,693</b>
<b>Net loss</b>	-	-	-	<b>(1,620,895)</b>	<b>(1,620,895)</b>
<b>Balance at April 30, 2021</b>	<b>152,693,781</b>	<b>\$ 16,107,089</b>	<b>\$ 4,960,978</b>	<b>\$ (21,561,044)</b>	<b>\$ (492,977)</b>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Expressed in Canadian Dollars**  
**For Years Ended April 30,**

	2021	2020
<b>Operating activities</b>		
Net loss	\$ (1,620,895)	\$ (4,639,182)
Adjustments for:		
Finance expense	38,469	18,767
Amortization	63,265	-
Depreciation	4,258	5,836
Impairment	-	95,977
Gain on debt settlement	(178,671)	-
Debt term modification	239,297	-
Stock-based compensation	188,693	567,111
	<u>(1,265,584)</u>	<u>(3,951,491)</u>
Net changes in non-cash working capital items:		
(Increase) decrease in sales taxes receivable	(1,714)	34,252
Decrease (increase) in prepaid assets	26,991	(12,494)
Increase in Accounts payable and accrued liabilities	414,558	1,812,219
<b>Funds used in operating activities</b>	<u>(825,749)</u>	<u>(2,117,514)</u>
<b>Financing activities</b>		
Proceeds from issuance of units net	1,420,900	705,782
Proceeds from issuance of convertible debentures less net	294,175	261,049
Proceeds from exercise of warrants	51,910	-
Proceeds from loan payable	60,000	-
<b>Funds provided by financing activities</b>	<u>1,826,985</u>	<u>966,831</u>
Net change in cash and cash equivalents	1,001,236	(1,150,683)
Cash and cash equivalents, beginning of year	12,536	1,163,219
Cash and cash equivalents, end of year	<u>\$ 1,013,772</u>	<u>\$ 12,536</u>

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





**Notes to The Consolidated Financial Statements  
Years Ended April 30, 2021 and 2020  
Expressed in Canadian Dollars**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

TruTrace Technologies Inc. (the “Company”), is a technology company that has developed a 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 was incorporated under the British Columbia Business Companies Act on October 19, 2011 and is publicly listed on the Canadian Securities Exchange “CSE” under the trading symbol “TTT”. The head office and the records and registered office is located at 61 Regal Road, Toronto, ON, M6H 2J6.

The Company cannot accurately predict the ultimate impact the global pandemic otherwise known as 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 the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has incurred losses and may incur further losses in the development of its business. As at April 30, 2021, the Company had a working capital deficit of \$700,781 and an accumulated deficit of \$21,561,044. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability 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 August 25, 2021.

**(b) Basis of Measurement**

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

**(c) Presentation Currency**

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

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

### **(d) 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 judgment 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) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

#### **(i) As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Leases (Continued)

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (b) Intangible assets

An intangible asset is an identifiable asset without physical substance. An asset is identifiable if it is separable, or arises from contractual or legal rights, regardless of whether those rights are transferrable or separable from the Company or from other rights and obligations. Intangible assets include scientific or technical knowledge, design and implementation of new processes or systems, licences, and intellectual property.

An intangible asset is an identifiable asset without physical substance. An asset is identifiable if it is separable, or arises from contractual or legal rights, regardless of whether those rights are transferrable or separable from the Company or from other rights and obligations. Intangible assets include scientific or technical knowledge, design and implementation of new processes or systems, licences, and intellectual property.

Finite-lived intangible assets acquired externally or internally generated and available for use are measured at cost less accumulated amortization and impairment losses. The amortization is recognized straight-line over their estimated useful lives from the date they are available for use. The cost of a group of intangible assets acquired externally is allocated to the individual intangible asset based on relative fair values. The cost of intangible assets acquired externally comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

The amortization period of the Company's intangible asset is as follows:

<b>Type</b>	<b>Amortization period</b>
License	5 years

Intangible assets with infinite lives are not amortized and are therefore subject to annual impairment testing.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Impairment of Intangible assets**

The carrying amounts of non-financial assets, intangible assets and equipment, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually.

Impairment exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. A change in any of the significant assumptions or estimates used to evaluate the underlying assets could result in a material change to the carrying amount of the asset and/or its recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment had been recognized. Write-downs, as a result of impairment, are recognized in the consolidated statements of operations and comprehensive loss.

The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model and estimated fair value less cost to sell. The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit ("CGU") being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less cost of disposal.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) 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%

#### (e) 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.



**Notes to The Consolidated Financial Statements**  
**Years Ended April 30, 2021 and 2020**  
**Expressed in Canadian Dollars**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) 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.

The allocation of unit proceeds from financings may be determined using the relative fair method approach under which the estimated fair value of warrants is determined using the Black-Scholes option pricing model. This determined value is then added to the quoted market price of common shares of the Company and taken as a ratio of the total and applied to the unit offering to arrive at the relative fair value of each equity component issued as part of the unit.

**(g) 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.

**(h) 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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Income Taxes (Continued)**

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.

**(i) Loss per Share**

Basic loss 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 loss 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 loss 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.

**(j) Financial Instruments**

**Financial assets**

Non-derivative financial assets are classified as “financial assets at fair value” (either through FVOCI or through FVPL), and “financial assets at amortized cost” as appropriate. The Company determines the classification of its financial assets at initial recognition based on the Company’s business model and contractual terms of cash flows.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Where the fair values of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

**Financial assets at FVPL**

Financial assets measured at FVPL include financial assets management intends to sell and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in finance expense in the consolidated statements of net loss and comprehensive loss.

**Financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(j) Financial Instruments (Continued)**

gains or losses recognized in other comprehensive income or loss in the consolidated statements of net loss and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

#### **De-recognition**

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in finance expense in the consolidated statements of net loss and comprehensive loss.

#### **Impairment of financial assets**

The impairment model is applicable to financial assets measured at amortized cost where any expected credit losses (ECL) are provided for, irrespective of whether a loss event has occurred as at the reporting date. The Company's only financial assets subject to ECL are accounts receivable which are measured at amortized cost. The Company applies the simplified approach to estimating ECL as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized. The Company has measured the lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to debtors and other relevant factors.

#### **Financial liabilities**

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, secured promissory notes and convertible notes which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

#### **Financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance expense in the consolidated statements of net loss and comprehensive loss.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(j) Financial Instruments (Continued)**

##### **De-recognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in finance expense in the consolidated statements of net loss and comprehensive loss.

#### **(k) 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.

#### **(l) Revenue recognition**

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

- i. Identify the contract with a customer;
- ii. Identify the performance obligations in the contract;
- iii. Determine the transaction price, which is the total consideration provided by the customer;
- iv. Allocate the transaction price among the performance obligations in the contract based on their relative fair value; and
- v. 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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(l) Revenue recognition (Continued)**

revenue is recognized according to 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 in comprehensive 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 assumptions and models used for estimating fair value for stock-based compensation transactions are disclosed in note 10.

#### **(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, at this time has not recognized any deferred tax assets.

#### **(c) Revenue recognition**

For 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.

#### **(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;

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**(d) Research and Development Expenditure (Continued)**

- 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, 2021, 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 judgements. 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.



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**5. CASH AND CASH EQUIVALENTS**

	<b>2021</b>		2020	
Cash held in bank	\$	<b>513,546</b>	\$	12,536
Cashable guaranteed investment certificates [GIC]-(i)		<b>500,226</b>		-
Total cash and cash equivalents	\$	<b>1,013,772</b>	\$	12,536

(i) On February 24, 2021, the Company invested \$500,000 in a cashable GIC at the interest rate of 0.25% per annum, which matures on February 24, 2022.

**6. INTANGIBLE ASSET**

In July 2020, the Company signed a software license agreement with OrionOne Global, Inc. ("OrionOne"), a global supply chain provider delivering best-in-class technology which serves as a logistics and tracking smart-hub for navigating shipments and logistics worldwide. The licensing cost consisted of an initial fee of \$385,000 to be settled by the issuance of 7,700,000 common shares valued at \$346,500 and \$25,000 USD. The agreement also has a continuing license fee of \$500 per month. The Company's license is being amortized using the straight-line method over its useful life of 5 years.

<b>Balance April 30, 2020 and 2019</b>	\$	-
Additions		<b>380,410</b>
Amortization		<b>(63,265)</b>
<b>Balance, April 30, 2021</b>	\$	<b>317,145</b>

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2021</b>		2020	
Accounts payable	\$	<b>1,759,940</b>	\$	2,416,041
Accrued liabilities		<b>40,723</b>		796
Total accounts payable and liabilities	\$	<b>1,800,663</b>	\$	2,416,837

During the year ended April 30, 2021, the Company recognized \$63,671 in gain on settlement of debt.

**8. LOANS**

The Company received \$60,000 under the Canadian Emergency Business Account Program. The interest rate is 0% until the termination date of December 31, 2022. Repayments made before this date will enable the Company to become eligible for a forgiveness benefit of at least \$20,000 which the Company has recognized into income. If repayment is not made by December 31, 2022, then the loan will automatically extend for three years at an interest rate of 5%.



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**9. CONVERTIBLE DEBENTURES**

		2021		2020
<b>Opening balance</b>	<b>\$</b>	<b>242,197</b>	<b>\$</b>	-
Issuance of convertible debentures		<b>360,000</b>		275,000
Issuance costs		<b>(10,000)</b>		(13,950)
Allocation of equity component		<b>(50,293)</b>		(37,620)
Accretion		<b>11,006</b>		7,158
Accrued interest		<b>23,436</b>		11,609
Interest paid		<b>(827)</b>		-
Converted into common share units		<b>(494,542)</b>		-
<b>Closing balance</b>	<b>\$</b>	<b>80,977</b>	<b>\$</b>	242,197

The following summarizes the Company's unsecured convertible debentures ("Debentures") at face value as at April 30, 2021:

	Issuance Date	Maturity Date	Face Rate	Principal	Accrued interest	Total
Debenture 2	31-10-2019	31-10-2022	8.25%	\$25,000	\$2,059	\$27,059
Debenture 3	31-10-2019	31-10-2022	8.25%	\$25,000	\$2,059	\$27,059
Debenture 4	31-10-2019	31-10-2022	8.25%	\$25,000	\$2,059	\$27,059
Debenture 11	02-09-2020	02-09-2023	8.25%	\$ 2,500	\$ 136	\$ 2,636
Debenture 12	02-09-2020	02-09-2023	8.25%	\$ 2,500	\$ 136	\$ 2,636
<b>Total</b>				<b>\$80,000</b>	<b>\$6,449</b>	<b>\$86,449</b>

The following summarizes the Company's 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
<b>Total</b>				<b>\$275,000</b>	<b>\$11,609</b>	<b>\$286,609</b>

The Company estimates 15% to be the market interest rate for a similar debt instruments 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.



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**9. CONVERTIBLE DEBENTURES (CONTINUED)**

The holders of Debentures issued on October 31, 2019 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 holders of Debentures issued on September 2, 2020 are entitled to convert the unpaid principal and interest into Debenture Units at a conversion price of \$0.05 per Debenture Unit, with each Debenture Unit comprising of a Debenture Warrant and where each Debenture Warrant is exercisable into one common share at a price of \$0.05 per Debenture Warrant for a period of two years from the closing date, subject to adjustment as provided for in the debenture certificate.

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 (for October 31, 2019 issue) or \$0.20 (for September 2, 2020 issue), subject to adjustment as provided for in the certificate representing the Debenture.

On August 14, 2020, the Company converted Debentures of \$184,165 consisting of \$170,507 of principal and \$13,658 of interest into 4,273,160 common shares. Upon conversion the Company recognized a charge of \$239,297 in the statement of operations and comprehensive loss as a result of the modification of certain terms on certain Debentures.

On January 18, 2021, the Company converted Debentures of \$43,512 consisting of \$41,986 of principal and \$1,526 of interest into 1,030,513 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated to warrants and common shares for \$18,600 and \$24,912 respectively.

On January 28, 2021, the Company converted Debentures of \$169,360 consisting of \$163,750 of principal and \$5,610 of interest into 4,012,200 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated to warrants and common shares for \$74,158 and \$95,202 respectively.

On March 9, 2021, the Company converted Debentures of \$97,506 consisting of \$93,607 of principal and \$3,899 of interest into 2,277,978 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated to warrants and common shares for \$44,154 and \$53,352 respectively.



**Notes to The Consolidated Financial Statements**  
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**10. SHARE CAPITAL**

**Authorized share capital**

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

**Common shares issued**

Year ended April 30, 2021

On June 24, 2020, the Company settled \$950,000 of indebtedness previously owed to its primary vendor responsible for software development, design and maintenance of the Company's proprietary StrainSecure™ platform by issuing 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 has recognized a gain of \$95,000 on settlement.

On July 2, 2020, the Company issued 7,700,000 common shares with an estimated value of \$346,500 to an officer of the Company in exchange for a software license (note 6).

On August 14, 2020, the Company converted Debentures of \$184,165 consisting of \$170,507 of principal and \$13,658 of interest into 4,273,160 common shares. Upon conversion the Company recognized a charge of \$239,297 in the statement of operations and comprehensive loss as a result of the modification of certain terms on certain Debentures (note 9).

On January 18, 2021, the Company converted Debentures of \$43,512 consisting of \$41,986 of principal and \$1,526 of interest into 1,030,513 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated to common shares for \$24,912 (note 9).

On January 28, 2021, the Company converted Debentures of \$169,360 consisting of \$163,750 of principal and \$5,610 of interest into 4,012,200 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated to common shares for \$95,202 (note 9).

On February 12, 2021, the Company closed a private placement financing consisting of 30,000,000 units at \$0.05 per unit for proceeds of \$1,500,000 (which includes transactions with related parties for 2,300,000 units) and of which \$50,000 is included in subscription receivable on the April 30, 2021 statement of financial position. 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 \$0.05 per share for a period of two years. Out of the \$1,500,000 and using the relative fair value approach, \$811,567 was allocated to common shares.

In connection with the aforementioned private placements, the Company paid transaction costs of \$29,100 in cash and issued 384,000 agent warrants valued at \$47,232. The agent warrants were estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.17%, an expected life of two years, an expected volatility of 154% and no expected dividends.

On March 9, 2021, the Company converted Debentures of \$97,506 consisting of \$93,607 of principal and \$3,899 of interest into 2,277,978 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated common shares for \$53,352 (note 9).



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**10. SHARE CAPITAL (CONTINUED)**

On March 18, 2021, 1,038,198 warrants were exercised into common shares at \$0.05 per unit.

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.

**Warrants**

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

	Number of Warrants	Weighted Average Exercise Price
<b>Outstanding, April 30, 2019</b>	-	\$ -
<b>Granted</b>	2,907,350	0.30
<b>Outstanding, April 30, 2020</b>	2,907,350	\$ 0.30
<b>Granted</b>	37,704,691	0.05
<b>Less: Exercised</b>	(1,038,198)	(0.05)
<b>Outstanding, April 30, 2021</b>	39,573,843	\$ 0.07



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**10. SHARE CAPITAL (CONTINUED)**

**Warrants (Continued)**

As at April 30, 2021, the Company had the following warrants outstanding:

<b>Date issued</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number of warrants outstanding</b>
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
January 18, 2021 (i)	September 2, 2022	\$ 0.05	1,030,513
January 28, 2021 (ii)	September 2, 2022	\$ 0.05	4,012,200
February 12, 2021 (iii)	February 12, 2023	\$ 0.05	30,384,000
March 9, 2021 (iv)	September 2, 2022	\$ 0.05	1,239,780
			<b>39,573,843</b>

The weighted average life of warrants outstanding as of April 30, 2021 was 1.68 years.

(i) On January 18, 2021, the Company converted Debentures of \$43,512 consisting of \$41,986 of principal and \$1,526 of interest into 1,030,513 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated to warrants for \$18,600.

(ii) On January 28, 2021, the Company converted Debentures of \$169,360 consisting of \$163,750 of principal and \$5,610 of interest into 4,012,200 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated to warrants for \$74,158.

(iii) On February 12, 2021, the Company closed the second tranche of a private placement financing consisting of 30,000,000 units at \$0.05 per unit for proceeds of \$1,500,000 (which includes transaction with related parties for 2,300,000 units). 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 \$0.05 per share for a period of two years. Out of \$1,500,000; relative fair value for \$688,433 was allocated to warrants.

In connection with the aforementioned private placements, the Company paid transaction costs of \$29,100 in cash and issued 384,000 agent warrants valued at \$47,232. The agent warrants were estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.17%, an expected life of two years, an expected volatility of 154% and no expected dividends.

(iv) On March 9, 2021, the Company converted Debentures of \$97,506 consisting of \$93,607 of principal and \$3,899 of interest into 2,277,978 Debenture Units. Each equity component of the unit, which consisted of common shares and warrants were ascribed fair value using the relative fair value approach. Fair value was allocated to warrants for \$44,154.



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**10. SHARE CAPITAL (CONTINUED)**

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

	<b>2021</b>	2020
Risk free interest rate	<b>0.14-0.28%</b>	1.37-1.53%
Expected volatility	<b>154.12-165.42%</b>	133.36-133.63%
Expected life	<b>1.48-2 years</b>	3 years
Expected dividend yield	<b>0%</b>	0%
Exercise price	<b>\$ 0.05</b>	\$ 0.225-0.245

**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 may 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:

	<b>2021</b>		2020	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
<b>Opening Balance</b>	<b>14,900,000</b>	<b>0.30</b>	12,783,334	0.30
<b>Granted</b>	<b>1,000,000</b>	<b>0.28</b>	2,150,000	0.25
<b>Forfeited</b>	<b>(3,050,000)</b>	<b>0.30</b>	(33,334)	0.30
<b>Ending Balance</b>	<b>12,850,000</b>	<b>0.28</b>	14,900,000	0.30

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.



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**10. SHARE CAPITAL (CONTINUED)**

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. Using the Black-Scholes option pricing model, the fair value of these options was determined to be \$300,000.

On February 23, 2021, the Company granted 1,000,000 stock options to its directors with an exercise price of \$0.05 with an expiry date of February 23, 2026. Of the options issued, 875,000 of these options vested upon grant and the remaining 125,000 options will be vested on May 6, 2021. As of April 30, 2021, 88% of these options have vested. The remaining 12% options will vest upon the achievements towards the remaining performance milestones. Using the Black-Scholes option pricing model, the fair value of these options was determined to be \$153,000.

For the year ended April 30, 2021, the Company recorded \$188,693 (April 30, 2020 -\$567,111) 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:

	<b>2021</b>	2020
Risk free interest rate	<b>0.54%</b>	1.47%-1.62%
Expected volatility	<b>144.37%</b>	112.73%-119.08%
Expected life	<b>5 years</b>	5 years
Expected dividend yield	<b>0%</b>	0%
Exercise price	<b>\$ 0.155</b>	\$ 0.245-0.26

As at April 30, 2021 the Company had the following options outstanding and exercisable:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>
May 18, 2023	\$ 0.30	2.05	9,900,000	9,900,000
May 7, 2024	0.26	3.02	500,000	500,000
May 10, 2024	0.245	3.03	150,000	150,000
July 30, 2024	0.25	3.25	1,300,000	900,001
February 23, 2026	\$ 0.155	4.82	1,000,000	875,000
			<b>12,850,000</b>	<b>12,325,001</b>

**Escrowed Securities**

As at April 30, 2021, there are 5,752,500 (2020-17,673,300) common shares held in voluntary escrow.



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**11. RELATED PARTY TRANSACTIONS**

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, 2021 and April 30, 2020 was as follows:

	<b>2021</b>	<b>2020</b>
General and administrative - Director fees	\$ 62,700	\$ 126,500
Salaries, subcontractors, and benefits	\$ 300,000	\$ 359,187
Stock-based compensation	\$ 184,903	\$ 158,463

**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, 2021, the Company incurred fees of \$nil (April 30, 2020-\$132,980).

**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, 2021, the Company incurred fees of \$370,969 (April 30, 2020-\$2,075,822).

**Software License fees**

The Company incurred \$385,410 of software license fees paid or payable to an officer of the Company.

**Balances due to related parties**

As at April 30, 2021, the Company was indebted to a company with a common officer in the amount of \$ 361,963 (April 30, 2020 - \$1,060,959) which was included in accounts payable and accrued liabilities.

**Subscription receivable**

As at April 30, 2021, the Company has \$50,000 outstanding from related party related to the February 12, 2021 private placement.

**12. FINANCE EXPENSE**

During the year ended April 30, 2021 and April 30, 2020 the Company incurred finance expenses as follows:

	<b>2021</b>	<b>2020</b>
Finance Costs	\$ 45,288	\$ 18,766
Other Income	(226)	6,535
	\$ 45,062	\$ 25,301

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**13. OTHER INCOME**

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 recognized a gain of \$95,000 on the settlement.

**14. 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 consists primarily of cash and cash equivalents. 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.

Notes to The Consolidated Financial Statements  
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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

	Payments due by Period			Total
	< 1 year	>1 and < 2 years	2 - 3 years	
Accounts payable and accrued liabilities	\$1,800,663	\$ -	\$ -	\$1,800,663
Convertible debentures	-	75,826	5,151	80,977
Loans payable	-	40,000	-	40,000
	<b>\$1,800,663</b>	<b>\$115,826</b>	<b>\$5,151</b>	<b>\$1,921,640</b>

**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.

**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, 2021 the Company has accounts payable of \$585,822 denominated in US dollars. Based on the Company's net exposure as at April 30, 2021, 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 \$76,000 in the Company's net loss.

**15. 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.

**16. 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:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b. 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
- c. Level 3 inputs are unobservable inputs for the asset or liability.



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**16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

As of April 30, 2021, 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.

**17. ECONOMIC DEPENDENCE**

**Major customer**

The Company derived approximately 99% (2020- 88%) of its revenue from one customer during the year. 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.

**18. 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:

<b>Year ended April 30,</b>	<b>2021</b>	<b>2020</b>
Net loss	\$ (1,620,895)	\$ (4,639,182)
Statutory tax rate	27.5%	27%
Expected income tax recovery at the statutory tax rate	(438,000)	(1,253,000)
Non-deductible items and other	50,000	165,000
Foreign exchange and other	(45,000)	10,000
Change in valuation allowance	433,000	1,078,000
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.

<b>As at April 30,</b>	<b>2021</b>	<b>2020</b>
Non-capital loss carry-forwards	\$ 4,337,000	\$ 3,932,000
Exploration and evaluation assets	69,000	69,000
Property, plant, and equipment	39,000	35,000
Share issue costs	102,000	78,000
	4,547,000	4,114,000
Less: valuation allowance	(4,547,000)	(4,114,000)
Net deferred income tax asset	\$ -	\$ -