TRU·TRACE™

Technologies

Condensed Interim Consolidated Financial Statements

For the three and nine months ended January 31, 2022

(Expressed in Canadian dollars)

Unaudited

TRU•TRACE Technologies

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TRU•TRACE
Technologies

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TRU•TRACE Technologies

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian dollars - unaudited as at	Note		January 31, 2022		April 30, 2021
Assets					
Current Assets					
Cash and cash equivalents	5	**$**	**269,303**	$	1,013,772
Accounts receivable	6		**46,176**		31,110
Subscriptions receivable	12		**50,000**		50,000
Prepaid assets			**-**		5,000
			365,479		1,099,882
Non-Current Assets					
Equipment			**9,191**		11,636
Intangible asset	7		**291,198**		317,145
Total assets		**$**	**665,868**	$	1,428,663
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	8,12,15	**$**	**1,888,266**	$	1,800,663
			1,888,266		1,800,663
Non-Current Liabilities					
Loans payable	9 ,15		**40,000**		40,000
Convertible debentures	10,15		**89,909**		80,977
		$	**2,018,175**	$	1,921,640
Shareholders' deficiency					
Share capital	11		**16,107,089**		16,107,089
Equity reserves	11		**4,971,701**		4,960,978
Deficit			**(22,431,097)**		(21,561,044)
Total shareholder's deficiency			**(1,352,307)**		(492,977)
Total liabilities and shareholders' deficiency		**$**	**665,868**	$	1,428,663

Nature of operations and going concern (note 1)
Subsequent event (note 20)

On behalf of the Board of Directors:

"Robert Galarza"
Director

"Allan O' Dette"
Director

TRU•TRACE Technologies

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
Expressed in Canadian dollars - unaudited

	Note	For the three months ended January 31, 2022	2021	For the nine months ended January 31, 2022	2021
Revenues					
Service revenue	18	$ **54,548**	$ -	$ **104,110**	$ 162,000
		54,548	-	**104,110**	162,000
Expenses					
Salaries, subcontractors, and benefits	12	**140,550**	133,849	**418,567**	377,143
General and administrative costs		**123,385**	141,702	**359,168**	405,812
Product development costs	12	**53,465**	65,021	**140,045**	333,250
Amortization of intangible assets	7	**8,649**	19,021	**25,947**	44,244
Depreciation		**752**	1,027	**2,445**	3,340
Stock-based compensation	11,12	**-**	5,563	**10,723**	32,687
Corporate development costs		$ **-**	$ -	$ **-**	$ 600
		(326,801)	(366,183)	**(956,895)**	(1,197,076)
Other (expense) income					
Foreign exchange		**(2,510)**	669	**(7,319)**	9,336
Finance expense	13	**(3,147)**	(52,458)	**(9,949)**	(105,882)
Gain on settlement of debt	14	-	-	-	95,000
Debt term modification	10,11	-	-	-	(239,297)
		(5,657)	(51,789)	**(17,268)**	(240,843)
Net and Comprehensive loss		$ **(277,910)**	$ (417,972)	$ **(870,053)**	$ (1,275,919)
Loss per share		$ **(0.00)**	$ (0.00)	$ **(0.01)**	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		**152,693,781**	114,611,341	**152,693,781**	103,994,060

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGE IN SHAREOLDERS' DEFICIENCY

Expressed in Canadian dollars - Unaudited	Number of Common Shares	Share Capital	Equity Reserves	Deficit	Shareholders' Deficiency
Balance at April 30, 2020	**83,361,732**	**$ 13,511,366**	**$ 3,859,566**	**$ (19,940,148)**	**$ (2,569,216)**
Net loss	-	-	-	(1,275,919)	(1,275,919)
Shares for software license fee	7,700,000	385,000	-	-	385,000
Shares for debt settlement	19,000,000	855,000	-	-	855,000
Issue of shares	9,315,873	333,772	92,758	-	426,530
Share issue costs	-	-	50,317	-	50,317
Stock-based compensation	-	-	27,124	-	27,124
Balance at January 31, 2021	**119,377,605**	**$ 15,085,138**	**$ 4,029,765**	**$ (21,216,067)**	**$ (2,101,164)**
Balance at April 30, 2021	**152,693,781**	**$ 16,107,089**	**$ 4,960,978**	**$ (21,561,044)**	**$ (492,977)**
Net loss	-	-	-	**(870,053)**	**(870,053)**
Stock-based compensation	-	-	**10,723**	-	**10,723**
Balance at January 31, 2022	**152,693,781**	**$ 16,107,089**	**$ 4,971,701**	**$ (22,431,097)**	**$ (1,352,307)**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian dollars – unaudited

For the nine months ended	January 31, 2022	January 31, 2021
Operating activities		
Net loss for the period	**$ (870,053)**	$ (1,275,919)
Adjustments for:		
Finance expense	**10,754**	102,233
Depreciation	**2,445**	3,340
Amortization on intangible asset	**25,947**	44,244
Gain on debt settlement	**-**	(95,000)
Debt term modification	**-**	239,297
Stock-based compensation	**10,723**	32,687
	(820,184)	(949,118)
Net changes in non-cash working capital items:		
Increase in accounts receivable	**(15,066)**	(6,373)
Decrease in prepaid expenses	**5,000**	10,591
Increase in accounts payable	**85,781**	574,793
Funds used in operating activities	**$ (744,469)**	$ (370,107)
Financing activities		
Advance from private placement	**-**	125,000
Proceeds from issuance of convertible debentures	**-**	295,000
Proceeds from loan payable	**-**	60,000
Funds provided by financing activities	**-**	480,000
Net (decrease) increase in cash and cash equivalents	**(744,469)**	109,893
Cash and cash equivalents, beginning of period	**1,013,772**	12,536
Cash and cash equivalents, end of period	**$ 269,303**	$ 122,429

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

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, Ontario, 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 condensed interim 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 January 31, 2022, the Company had a working capital deficit of $1,522,787 and an accumulated deficit of $22,431,097. 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2022.

(b) Basis of Measurement

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

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

(c) Presentation Currency

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

(d) Use of Estimates and Judgements

The preparation of condensed interim 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 condensed interim 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Leases (Continued)

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.

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 amortized 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 recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets (Continued)

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:

Type	Amortization period
License	10 years

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

(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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of Intangible assets (Continued)

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.

(d) Basis of consolidation

These condensed interim 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Functional Currency (Continued)

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 profit or loss in the period in which the operation is disposed.

(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) 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 ofoptions, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 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 condensed interim consolidated statements of operations and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Instruments (Continued)

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 condensed interim consolidated statements of net loss and comprehensive loss.

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 operations and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) Revenue recognition

The Company records revenues from contracts with customers in accordance with the five steps in IFRS 15 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 licensing and the provision of services to ideate, architect, design, develop and/ or deploy a software platform for the customers that aims at bringing validation, verification and quality assurance. Service revenue is measured at the amount of transaction price that is allocated to a performance obligation. The transaction price that is allocated to each performance obligation is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer. Service revenue is recognized according 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 11.

(b) Revenue recognition

For service 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.

(c) Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally- generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. As at January 31, 2022, the Company had not recognized any internally-generated intangible assets.

Expressed in Canadian Dollars - unaudited

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Research and development expenditure (Continued)

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.

5. CASH AND CASH EQUIVALENTS

	January 31, 2022	April 30, 2021
Cash	**$ 68,834**	$ 513,546
Cashable guaranteed investment certificates [GIC]-(i)	**200,469**	500,226
Total cash and cash equivalents	**$ 269,303**	$ 1,013,772

(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. On September 28, 2021, $100,148 was withdrawn which consisted of $100,000 principal and accrued interest of $148. On November 23, 2021, $100,186 was withdrawn which consisted of $100,000 principal and accrued interest of $186 and again on January 24, 2022, $100,229 was withdrawn which consisted of $100,000 principal and accrued interest of $229.

Expressed in Canadian Dollars - unaudited

6. ACCOUNTS RECEIVABLE

	January 31, 2022	April30, 2021
HST receivable	**$ 46,176**	$ 31,110
Total accounts receivable	**$ 46,176**	$ 31,110

7. 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 10 years.

	January 31, 2022	April 30, 2021
Opening Balance	**$ 380,410**	$ -
Additions	-	380,410
Accumulated amortization	**(89,212)**	$ (63,265)
Closing Balance	**$ 291,198**	$ 317,145

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2022	April 30, 2021
Accounts payable	**$ 1,864,970**	$ 1,759,940
Accrued liabilities	**23,296**	$ 40,723
Total accounts payable and liabilities	**$ 1,888,266**	$ 1,800,663

During the three and nine months ended January 31, 2022, the Company recognized $nil (January 31, 2021- $95,000) for gain on settlement of debt.

9. LOANS PAYABLE

The Company received $60,000 under the Canadian Emergency Business Account Program. The interest rate is 0% until the termination date of December 31, 2023. Repayments made before this date will enable the Company to become eligible for a forgiveness benefit of at least $20,000 which during the fiscal year ended April 30, 2021, the Company recognized into income. If repayment is not made by December 31, 2023, then the loan will automatically extend for three years at an interest rate of 5%.

Expressed in Canadian Dollars - unaudited

10. CONVERTIBLE DEBENTURES

		January 31, 2022		April 30, 2021
Opening balance	**$**	**80,977**	$	242,197
Issuance of convertible debentures		-		360,000
Issuance costs		-		(10,000)
Allocation of equity component		-		(50,293)
Accretion		**3,941**		11,006
Accrued interest		**4,991**		23,436
Interest paid		-		(827)
Converted into common share units		-		(494,542)
Closing balance	**$**	**89,909**	$	80,977

The following summarizes the Company's unsecured convertible debentures ("Debentures") at face value as at January 31, 2022:

	Issuance Date	Maturity Date	Face Rate	Principal	Accrued Interest	Total
Debenture 2	31-10-2019	31-10-2022	8.25%	$25,000	$ 4,645	$29,645
Debenture 3	31-10-2019	31-10-2022	8.25%	$25,000	$ 4,645	$29,645
Debenture 4	31-10-2019	31-10-2022	8.25%	$25,000	$ 4,645	$29,645
Debenture 11	02-09-2020	02-09-2023	8.25%	$ 2,500	$ 291	$ 2,791
Debenture 12	02-09-2020	02-09-2023	8.25%	$ 2,500	$ 291	$ 2,791
Total				**$80,000**	**$14,517**	**$94,517**

The following summarizes the Company's 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
Total				$80,000	$6,449	$86,449

10. CONVERTIBLE DEBENTURES (CONTINUED)

The Company estimates 15% to be the market interest rate for 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.

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 any10 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.

11. SHARE CAPITAL

Authorized share capital

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

Common shares issued

Period ended January 31, 2022

There were no common shares issued during this period.

Period ended January 31, 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 7).

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 10).

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.

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.

Expressed in Canadian Dollars - unaudited

11. SHARE CAPITAL (CONTINUED)

Warrants

The following is the summary of the Company's warrant activity as at January 31, 2022:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, April 30, 2020	2,907,350	$	0.30
Granted	37,704,691		0.05
Less: Exercised	(1,038,198)		(0.05)
Outstanding, April 30, 2021	**39,573,843**	**$**	**0.07**
Granted	**-**		**-**
Less: Exercised	**-**		**-**
Outstanding, January 31, 2022	**39,573,843**	**$**	**0.07**

As at January 31, 2022, the Company had the following warrants outstanding:

Date issued	Expiry date		Exercise price	Number of warrants outstanding
August 22, 2019	August 22, 2022	$	0.30	2,040,000
September 13, 2019	September 13, 2022	$	0.30	840,950
September 13, 2019	September 13, 2022	$	0.30	26,400
January 18,2021	September 2,2022	$	0.05	1,030,513
January 28, 2021	September 2,2022	$	0.05	4,012,200
February 12,2021	February 12, 2023	$	0.05	30,384,000
March 9, 2021	September 2, 2022	$	0.05	1,239,780
				39,573,843

The weighted average life of warrants outstanding as of January 31, 2022, was 0.93 years.

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.

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.

Expressed in Canadian Dollars - unaudited

11. SHARE CAPITAL (CONTINUED)

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:

		January 31, 2022		January 31, 2021
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Opening Balance	**12,850,000**	**0.28**	14,900,000	0.30
Granted	**-**	**-**	-	-
Forfeited	**(33,333)**	**0.30**	(550,000)	0.29
Expired	**(5,366,667)**	**0.155**	-	-
Closing Balance	**7,450,000**	**0.28**	14,350,000	0.30
Exercisable at period end	**7,450,000**	**0.28**	13,916,668	0.30

During the three- and nine-months period ended January 31, 2022, the Company recorded $10,723 (January 31, 2021 -$5,563 and $32,687 respectively) in stock-based compensation in connection with stock options which vested.

As at January 31, 2022, the Company had the following options outstanding and exercisable:

Expiry Date		**Exercise Price**	**Remaining Contractual Life (years)**	**Number of Options Outstanding**	**Number of Options Exercisable**
May 18, 2023	$	0.30	1.10	5,100,000	5,100,000
May 7, 2024		0.26	2.27	500,000	500,000
May 10, 2024		0.245	2.27	150,000	150,000
July 30, 2024		0.25	2.50	1,100,000	1,100,000
February 23, 2026	$	0.155	4.07	600,000	600,000
				7,450,000	**7,450,000**

Expressed in Canadian Dollars - unaudited

12. 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 period ended January 31, 2022, and 2021 was as follows:

	For the three months ended January 31,		For the nine months ended January 31,	
	2022	2021	**2022**	2021
Director fees	**$ 9,000**	31,200	**$ 42,000**	58,200
Salaries, subcontractors, and benefits	**87,000**	75,000	**257,000**	225,000
Stock-based compensation	**-**	4,615	**4,498**	29,844
	$ 96,000	110,815	**$ 303,498**	313,044

Software License fees

For the nine months ended January 31, 2022, the Company incurred $4,500 (January'2021- $382,410) of software license fees paid or payable to a company controlled by an officer of the Company.

Subscription receivable

As at January 31, 2022, the Company has $50,000 (January 31, 2021- $nil) outstanding from related parties related to the February 12, 2021 private placement.

Balances due to related parties

As at January 31, 2022, the Company was indebted to a company with a common officer in the amount of $355,344 (January 31, 2021 - $438,312) which was included in accounts payable and accrued liabilities.

13. FINANCE EXPENSE

During the period ended January 31, 2022, and 2021 the Company incurred finance expenses as follows:

For the nine months ended January 31,	**2022**	2021
Finance Costs	**$ 10,754**	$ 105,882
Other Income	**(805)**	-
	$ 9,949	$ 105,882

14. 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.

15. 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 potentials 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	Payments due by Period			
	< 1 year	**>1 and < 2 years**	**2 - 3 years**	**Total**
Accounts payable and accrued liabilities	$ 1,888,266	$ -	$ -	$ 1,888,266
Convertible debentures	84,778	5,131	-	89,909
Loans payable	-	40,000	-	40,000
	$ 1,973,044	**$ 45,131**	**$ -**	**$ 2,018,175**

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 of January 31, 2022, the Company has accounts payable of $581,256 denominated in US dollars. Based on the Company's net exposure as at January 31, 2022, 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 $73,903 in the Company's net loss.

16. 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.

17. 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;

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

As of January 31, 2022, 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.

18. ECONOMIC DEPENDENCE

Major Customer

The Company derived approximately 60% (January 31, 2021- 100%) of its revenue from one customer during the period ended January 31, 2022. 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.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassed to conform to current period presentation.

20. SUBSEQUENT EVENT

On February 7, 2022, the Company, granted an aggregate of 8,250,000 options to purchase up to 8,250,000 common shares of the Company to certain directors and officers of the Company. The options vest immediately upon grant. The options are exercisable for a period of 5 years from the date of grant at a price of $0.04 per common share.