



TRU•TRACETM

Technologies

**Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023**

(Expressed in Canadian dollars)

Unaudited



CONTENTS:	PAGE
Condensed Interim Consolidated Financial Statements	
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	5
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency	6
Condensed Interim Consolidated Statements of Cash Flows	7
Notes to the Condensed Interim Consolidated Financial Statements	8-26

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 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.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian dollars- unaudited as at	Note	January 31, 2023	April 30, 2022
Assets			
Current Assets			
Cash	5	\$ 4,206	\$ 4,041
Sales taxes receivable	6	66,281	54,849
Subscriptions receivable	13	50,000	50,000
		\$ 120,487	\$ 108,890
Non-Current Assets			
Equipment		-	8,519
Total assets		\$ 120,487	\$ 117,409
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	9,15	\$ 2,111,100	1,952,133
Loans payable	10,15	632,139	552,139
Convertible debentures	11,15	480,386	87,595
		\$ 3,223,625	\$ 2,591,867
Non-Current Liabilities			
Loans payable	10,15	-	40,000
Convertible debentures	11,15	-	5,300
		\$ 3,223,625	\$ 2,637,167
Shareholders' deficiency			
Share capital	12	16,107,089	16,107,089
Equity reserves	12	5,268,701	5,268,701
Deficit		(24,478,928)	(23,895,548)
Total shareholders' deficiency		(3,103,138)	(2,519,758)
Total liabilities and shareholders' deficiency		\$ 120,487	\$ 117,409

Nature of operations and going concern (note 1)

On behalf of the Board of Directors:

"Robert Galarza"
Director

"Cesare Fazari"
Director

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

	Note	For the three months ended January 31, 2022		For the nine months ended January 31, 2022	
		2023	2022	2023	2022
Revenues					
Service revenue	18	\$ 25,585	\$ 54,548	\$ 101,828	\$ 104,110
		25,585	54,548	101,828	104,110
Expenses					
Salaries, subcontractors, and benefits	13	100,286	178,050	371,022	531,067
General and administrative costs		50,599	85,885	183,406	246,668
Product development costs		-	53,465	-	140,045
Amortization of intangible assets		-	8,649	-	25,947
Depreciation		-	752	1,240	2,445
Stock-Based compensation	12	\$ -	\$ -	\$ -	\$ 10,723
		(150,885)	(326,801)	(555,668)	(956,895)
Other expense					
Foreign exchange		(234)	(2,510)	(2,429)	(7,319)
Impairment		(7,279)	-	(71,262)	-
Finance expense	14	(14,975)	(3,147)	(55,849)	(9,949)
		(22,488)	(5,657)	(129,540)	(17,268)
Net and Comprehensive loss		\$ (147,788)	\$ (277,910)	\$ (583,380)	\$ (870,053)
Loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		152,693,781	152,693,781	152,693,781	152,693,781

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREOLDERS' DEFICIENCY

Expressed in Canadian dollars	Number of Common Shares	Share Capital	Equity Reserves	Deficit	Total Shareholders' Deficiency
Balance at April 30, 2021	152,693,781	\$ 16,107,089	\$ 4,960,978	\$ (21,561,044)	\$ (492,977)
Stock-based compensation	-	-	10,723	-	10,723
Net loss	-	-	-	(870,053)	(870,053)
Balance at January 31, 2022	152,693,781	\$ 16,107,089	\$ 4,972,531	\$ (22,431,097)	\$ (1,352,307)
Balance at April 30, 2022	152,693,781	\$ 16,107,089	\$ 5,268,701	\$ (23,895,548)	\$ (2,519,758)
Net loss	-	-	-	(583,380)	(583,380)
Balance at January 31, 2023	152,693,781	\$ 16,107,089	\$ 5,268,701	\$ (24,478,928)	\$ (3,103,138)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars – unaudited

For the nine months ended

	January 31, 2023	January 31, 2022
Operating activities		
Net loss	\$ (583,380)	\$ (870,053)
Adjustments for:		
Finance expense	37,491	10,754
Amortization of intangible assets	-	25,947
Depreciation	1,240	2,445
Stock-based compensation	-	10,723
Impairment of loans and advances	63,983	-
Impairment of equipment	7,279	-
	<u>(473,387)</u>	<u>(820,184)</u>
Net changes in non-cash working capital items:		
Increase in sales taxes receivable	(11,431)	(15,066)
Decrease in prepaid assets	-	5,000
Increase in accounts payable and accrued liabilities	158,966	85,781
	<u>136,535</u>	<u>(4,285)</u>
Cash used in operating activities	<u>\$ (322,502)</u>	<u>\$ (744,469)</u>
Investing activities		
Increase in loans and advances	(63,983)	-
Cash used in investing activities	<u>\$ (63,983)</u>	<u>\$ -</u>
Financing activities		
Net proceeds from loan payable	40,000	-
Proceeds from debentures	350,000	-
Cash provided by financing activities	<u>\$ 390,000</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	165	(744,469)
Cash beginning of period	4,041	1,013,772
Cash end of period	<u>\$ 4,206</u>	<u>\$ 269,303</u>

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



**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

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.

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 January 31, 2023, the Company had a working capital deficit of \$3,103,138 and an accumulated deficit of \$24,478,928. 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 condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on March 27, 2023.

(b) Basis of Measurement

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

(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 consolidated financial statements are disclosed in note 4.

**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Leases (Continued)

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.

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.

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

**Notes to The Condensed Interim Consolidated Financial Statements
 For the three and nine months ended January 31, 2023 and 2022
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of Intangible assets (Continued)

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.

(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.

**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Functional Currency (Continued)

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.

(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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(j) 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 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 net loss and comprehensive loss.

(j) Convertible Debentures

The components of the compound financial instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and/or 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.

**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Convertible Debentures (Continued)

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 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 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:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 12.

(b) 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.

(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, 2023, 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



**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Research and Development Expenditure (Continued)

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

	January 31, 2023	April 30, 2022
Cash held in bank	\$ 4,206	\$ 4,041
Total cash	\$ 4,206	\$ 4,041

6. SALES TAXES RECEIVABLE

	January 31, 2023	April 30, 2022
HST receivable	\$ 66,281	\$ 54,849
Total sales taxes receivables	\$ 66,281	\$ 54,849

During the year ended April 30, 2022, the Company received notices of reassessment relating to prior year GST refunds in the amount of \$73,565. The Company expects it will be able to reverse these reassessments without a net payment and therefore, no provision has been made.

7. LOANS AND ADVANCES

As set out in the table below, the Company provided working capital to a company in contemplation of entering into a share subscription agreement. These advances bear no interest and have no specified repayment terms or security, During the first quarter ended July 31, 2023, the Company had impaired the full amount advanced as it deemed these amounts as uncollectible.

	January 31, 2023	April 30, 2022
Opening Balance	\$ -	\$ -
Amounts advanced	63,983	639,604
Adjustment for foreign exchange fluctuations	-	1,285
Impairment	(63,893)	(640,889)
Total	\$ -	\$ -



**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

8. 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 \$380,410. The agreement also has a continuing license fee of \$500 per month.

At the year ended April 30, 2022, management determined that the recoverable amount of this intangible asset was lower than carrying value. Management considered the nature of the license, expected use and considered the fair market value less price to sell and the asset’s value in use. The Company recorded a full impairment charge of \$241,063 based on value in use.

	January 31, 2023	April 30, 2022
Opening Balance	\$ -	\$ 317,145
Additions	-	-
Amortization	-	(76,082)
Impairment	-	(241,063)
Closing Balance	\$ -	\$ -

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2023	April 30, 2022
Accounts payable	\$ 2,015,804	\$ 1,921,337
Accrued liabilities	95,296	30,796
Total accounts payable and liabilities	\$ 2,111,100	\$ 1,952,133

10. LOANS

On May 13, 2022 and May 31, 2022, the Company received advances of \$10,000 and \$50,000 some of which was from Fortunate Sons, Ltd., a company controlled by a relative of a director of the Company. As of October 1, 2022, \$10,000 has been repaid. The remaining amounts are repayable on demand and have no stated interest rate.

During the year ended April 30, 2022, the Company received advances of \$552,139 some of which was from Fortunate Sons, Ltd., a company controlled by a relative of a director of the Company. These loans are repayable on demand and have no stated interest rates.

During the year ended April 30, 2021, 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 the Company has 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%.



**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

11. CONVERTIBLE DEBENTURES

		January 31, 2023		April 30, 2022
Opening balance	\$	92,895	\$	80,977
Issuance of convertible debentures		350,000		-
Issuance costs		-		-
Allocation of equity component		-		-
Accretion		3,075		5,318
Accrued interest		34,418		6,600
Interest paid		-		-
Converted into common share units		-		-
Closing balance	\$	480,386	\$	92,895

The following summarizes the Company's unsecured convertible debentures ("Debentures") at face value as at January 31, 2023:

	Issuance Date	Maturity Date	Face Rate	Principal	Accrued interest	Total
Debenture 2	31-10-2019	31-10-2022	8.25%	\$25,000	\$6,707	\$31,707
Debenture 3	31-10-2019	31-10-2022	8.25%	\$25,000	\$6,707	\$31,707
Debenture 4	31-10-2019	31-10-2022	8.25%	\$25,000	\$6,707	\$31,707
Debenture 11	02-09-2020	02-09-2023	8.25%	\$ 2,500	\$ 499	\$ 2,999
Debenture 12	02-09-2020	02-09-2023	8.25%	\$ 2,500	\$ 499	\$ 2,999
Debenture 15	25-05-2022	25-05-2023	15.00%	\$100,000	\$ 10,315	\$110,315
Debenture 16	29-07-2022	29-07-2023	15.00%	\$250,000	\$ 19,109	\$269,109
Total				\$430,000	\$50,543	\$480,553

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, where there is one, 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.



**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

11. CONVERTIBLE DEBENTURES (CONTINUED)

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 May 31, 2022, the Company entered into a convertible note agreement for \$100,000. This loan bears interest at 15% per annum, has a term of 1 year from issuance and is convertible into common shares of the Company at the option of the holder. This debenture is not convertible on a fixed basis and therefore has no equity component.

On July 29, 2022, the Company entered into a convertible note agreement for \$250,000. This loan bears interest at 15% per annum, has a term of 1 year from issuance and is convertible into common shares of the Company at the option of the holder. This debenture is not convertible on a fixed basis and therefore has no equity component.

12. SHARE CAPITAL

Authorized share capital

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

Common shares issued

Period ended January 31, 2023

There were no common shares issued during the period.

Year ended April 30, 2022

There were no common shares issued during the year.

12. SHARE CAPITAL (CONTINUED)

Warrants

The following is the summary of the Company's warrant activity as at January 31, 2023:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, April 30, 2021 and April 30, 2022	39,573,843	\$	0.07
Expired	(7,950,063)		(0.14)
Outstanding, January 31, 2023	31,623,780	\$	0.05

As at January 31, 2023, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price	Number of warrants outstanding
February 12, 2021	February 12, 2023	\$ 0.05	30,384,000
March 9, 2021	March 9, 2023	\$ 0.05	1,239,780
			31,623,780

The weighted average life of warrants outstanding as of January 31, 2023, was 0.04 years.

Options

On February 23, 2022, the company hosted its annual general meeting at which the Companies Omnibus Equity Incentive Plan "the Plan" was approved. The Plan permits the grant of options, restricted shares, restricted share units, preferred share units, performance shares, performance units and share based awards. The number of shares reserved for issuance to participants under the plan or any other share compensation arrangements is unlimited however shall not exceed 10% of the total number of common shares outstanding from time to time.

Under the terms of the 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.



**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

12. SHARE CAPITAL (CONTINUED)

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

	January 31, 2023		January 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening Balance	14,900,000	0.14	12,850,000	0.28
Forfeited	-	-	(33,333)	0.30
Expired	-	-	(5,366,667)	0.155
Ending Balance	14,900,000	0.14	7,450,000	0.28

On February 4, 2022, the Company granted 2,000,000 stock options with an exercise price of \$0.04 and an expiry date of February 4, 2027. The options vested immediately upon grant. The grant date fair value which was estimated using the Black Scholes option pricing model was \$72,000.

On February 7, 2022, the Company granted 3,500,000 stock options with an exercise price of \$0.04 and an expiry date of February 4, 2027. The options vested immediately upon grant. The grant date fair value, using the Black Scholes option pricing model was \$126,000.

On February 7, 2022, the Company granted 2,750,000 stock options with an exercise price of \$0.04 and an expiry date of February 7, 2027. The options vested immediately upon grant. The grant date fair value, using the Black Scholes option pricing model was \$99,000.

For the period ended January 31, 2023, the Company recorded \$nil (January 31, 2022 -\$10,723) in stock-based compensation in connection with stock options vested.

As at January 31, 2023, 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	0.55	4,300,000	4,300,000
May 7, 2024	\$ 0.26	1.52	500,000	500,000
May 10, 2024	\$ 0.245	1.53	150,000	150,000
July 30, 2024	\$ 0.25	1.75	1,100,000	1,100,000
February 23, 2026	\$ 0.155	3.32	600,000	600,000
February 4, 2027	\$ 0.04	4.27	5,500,000	5,500,000
February 7, 2027	\$ 0.04	4.27	2,750,000	2,750,000
			14,900,000	14,900,000



**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

13. 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, 2023, and 2022 was as follows:

	For the three months ended January 31,		For the nine months ended January 31,	
	2023	2022	2023	2022
Director fees	\$ 9,000	9,000	\$ 27,000	42,000
Salaries, subcontractors, and benefits	102,000	87,000	306,000	257,000
Stock-based compensation	-	-	-	4,498
	\$ 111,000	96,000	\$ 333,000	303,498

Software License fees

During the period ended January 31, 2023, the Company incurred \$4,500 (January 31, 2022 - \$3,000) of recurring software license fees (note 8) to a company controlled by an officer of the Company.

Balances due to related parties

As at January 31, 2023, the Company was indebted to companies with a common officer in the amount of \$394,089 (April 30, 2022 - \$360,329) which was included in accounts payable and accrued liabilities. The Company is also indebted to certain officers and directors in the amount of \$372,410 (April 30, 2022 - \$256,038).

Subscription receivable

As at January 31, 2023, the Company has \$50,000 outstanding from officers / directors related to the February 12, 2021, private placement.

Professional fees

During the period \$81,000 (January 31, 2022 - \$77,000), of professional fees were incurred by the Company to a company that is controlled by one of its officers.

Loans

Refer to note 10.

14. FINANCE EXPENSE

During the period ended January 31, 2023 and 2022 the Company incurred finance expenses as follows:

	For the nine months ended January 31,		2023		2022	
Finance Costs	\$	55,849	\$	10,754		
Other Income		-		(805)		
	\$	55,849	\$	9,949		

**Notes to The Condensed Interim Consolidated Financial Statements
 For the three and nine months ended January 31, 2023 and 2022
 Expressed in Canadian Dollars -unaudited**

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, loans and advances and subscription receivables. The carrying amount of financial assets represents the maximum credit exposure. All cash is held at a Canadian Chartered Bank.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. If future cash flows are uncertain, the liquidity risk increases.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing financial liabilities. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, convertible debentures, and loans payable. A portion of liabilities may 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.

	Payments due by Period			Total
	< 1 year	>1 and < 2 years	2 - 3 years	
Accounts payable and accrued liabilities	\$ 2,111,100	\$ -	\$ -	\$ 2,111,100
Convertible debentures	480,386	-	-	480,386
Loans payable	632,139	-	-	632,139
	\$ 3,223,625	\$ -	-	\$ 3,223,625

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.



**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Exchange Rate Risk

Exchange rate risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company incurs certain expenses in US dollars and is exposed to foreign exchange rate fluctuation. As at January 31, 2023, the Company has accounts payable of approximately \$445,000 denominated in US dollars. Based on the Company's net exposure as at January 31, 2023, 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 \$69,205 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;
- 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, 2023, the Company's financial instruments principally consist of cash and accounts payable and accrued liabilities. 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 99% of its revenue from one customer during the period ended January 31, 2023, and approximately 60% from one customer for the comparative period in 2022. Sales to these customers may fluctuate significantly from time to time depending on the timing and level of services provided. Significant transactions from such customers may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results.



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**Notes to The Condensed Interim Consolidated Financial Statements
For the three and nine months ended January 31, 2023 and 2022
Expressed in Canadian Dollars -unaudited**

19. SUBSEQUENT EVENT

During the year ended April 30, 2022, the Company received notices of reassessment relating to certain prior year GST refunds. The Company has responded to and the CRA has issued a final reassessment notice. As a result, \$12,625 of claims were rejected due to inferior third-party supplier documentation. The amount receivable for HST and GST claims will be adjusted in the following quarter to reflect the results of the CRA final reassessment.