

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the Fiscal Year Ended April 30, 2020

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 000-54851

DEFENSE TECHNOLOGIES INTERNATIONAL CORP.

(Exact name of registrant as specified in its charter)

| | |
|--|---|
| Delaware (State or other jurisdiction of incorporation or organization) | 99-0363802 (I.R.S. Employer Identification No.) |
|--|---|

2683 Via De La Valle, Suite G418, Del Mar CA 92014
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(800) 520-9485**

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.0001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

| | |
|---|---|
| Large accelerated filer <input type="checkbox"/> | Accelerated filer <input type="checkbox"/> |
| Non-accelerated filer <input checked="" type="checkbox"/> | Smaller reporting company <input checked="" type="checkbox"/> |
| Emerging Growth Company <input checked="" type="checkbox"/> | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the Company's \$.0001 Par Value Common Stock as of August 7, 2020 was 19,629,147. The aggregate number of shares of the voting stock held by non-affiliates on October 31, 2019 was 6,681,284 with a market value of \$1,336,925. For the purposes of the foregoing calculation only, all directors and executive officers of the registrant have been deemed affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

A description of "Documents Incorporated by Reference" is contained in Part IV, Item 15.

DEFENSE TECHNOLOGIES INTERNATIONAL CORP.
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As used in this report, unless otherwise indicated, “we”, “us”, “our”, “DTII” and the “Company” refer to Defense Technologies International Corp.

PART I

Item 1. Business

Defense Technologies International Corp. (the "Company") was incorporated in the State of Delaware on May 27, 1998. Effective June 15, 2016, the Company changed its name from Canyon Gold Corp. to Defense Technologies International Corp. to represent the Company's expansion goals more fully into the advanced technology sector.

Our principal executive office is located at 2683 Via De La Ville Suite G418, Del Mar CA 92014 147, telephone (1-800) 520-9485. Additional office space is subleased from EMAC at 641 West 3rd Street, North Vancouver BC, Canada.

Our website address is <http://www.defensetechnologiesintl.com>.

Development of Scanner Technology Business

Defense Technologies International Corp.'s (the "Company") subsidiary PSSI acquired the world-wide exclusive rights to the Passive Security Scan™ a 'next generation, walk-through personnel scanning system. This patented product (US Patent: 7408461) is an advanced passive scanning technology for detection and identifying concealed threats to be used for the security of schools and other public venues. PSSI has the exclusive World-Wide license to manufacture and sell the *Passive Scanning Technology*™.

We added a Camera for the detection of Elevated Body Temperatures (EBT), our first products are:

Passive Portal™, *Passive Portal*™ EBT, *Passive EBT Station*

On October 19, 2016, the Company entered into a Definitive Agreement with Controlled Capture Systems, LLC ("CCS"), representing the inventor of the technology and assets that included a new exclusive Patent License Agreement and Independent Contractor agreement. Under the license agreement with CCS, the Company acquired the world-wide exclusive rights and privileges to the CCS security technology, patents, products and improvements. The term of the License Agreement shall be from October 19, 2016 until the expiration of the last to expire of the licensed issued patents or patents to be issued.

The Company agreed to pay CCS an initial licensing fee of \$25,000 and to pay ongoing royalties at the end of each six-month period at the rate of the greater of 5% of gross sales used or sold, or the minimum royalty payment of \$25,000. The Company also agreed to compensate investors that have provided funding for the development of CCS's technology with 2,667 shares of the Company's common stock. Additionally, CCS will be entitled to receive 167 shares of the Company's common stock upon completed sales of 1,000 passive scanner units based on the CCS technology. On December 14, 2017, the Company issued 20,000 shares of Series B preferred stock to Controlled Capture Systems, LLC to extend the exclusive rights to the Passive Security Scan to March 15, 2018.

On May 30, 2018, the Company and Control Capture Systems, LLC amended their license agreement as follows:

1. Royalty payments of 5% of gross sale from the license agreement will be calculated and paid quarterly with a minimum of \$12,500 paid each quarter.
2. All payment will be in US dollars or stock of the Company and or its subsidiary. The value of the stock will be a discount to market of 25% of the average trading price for the 10 days prior to conversion. The number of shares received by Control Capture prior to any reverse split are anti-dilutive.
3. Invoices for parts and materials will be billed separate of the license fees noted above.

The Company capitalized the costs to acquire the License Agreement, including the \$25,000 initial licensing fee and the estimated value of \$353,600 of the 2,667 shares of the Company's common stock issued on November 10, 2016 to the CCS investors, which value was based on the closing market price of the Company's common stock on the date of the Definitive Agreement. The Company recorded a current liability of \$36,000 for the remaining obligation in its consolidated balance sheet as of April 30, 2019. Once sales of products based on the CCS technology begin, the Company will amortize the capitalized costs over

the estimated life of the license agreement as determined by the legal life of patents issued. To date no sales of the product have been completed. The Company reviewed the valuation of the license agreement and determined to impair the asset of \$378,600.

Effective January 12, 2017, Passive Security Scan, Inc. ("PSSI") was incorporated in the state of Utah as a wholly owned subsidiary. The Company merged its wholly-owned subsidiary, Long Canyon Gold Resources Corp. ("Long Canyon"), into PSSI, with PSSI the surviving entity. The Company transferred to PSSI its exclusive world-wide license to the defense, detection and protection security products previously acquired by the Company. The Company currently owns 76.28% of PSSI with 23.72% acquired by several individuals and entities. With the merger of Long Canyon into PSSI, the Company discontinued its mineral exploration business. The Company concluded the initial development of the technology and will proceed to put the system through the required Beta Test at a high-school near Austin Tx. All sales and marketing activities will be executed through PSSI.

The security products licensed from CCS as developed by the Company are designed for personal and collateral protection. The proposed detection technology is intended to provide passive security scanning units for either walk-through or hand-held use to improve security for schools and other public facilities. The units use electromagnets and do not emit anything (such as x-rays) through the subject. The Company, in consultation with CCS, recently completed a prototype with optional "Digital Imaging" which will give the user of the scanner the ability to recall the entire traffic passing through the scanner at any time thereafter. The prototype scanner unit has successfully passed elaborate lab testing and is ready for deployment and demonstration.

Competition

We believe we have the only known passive scanner technology based on earth magnetic technology that does not cause any harm to the subject passing through the scanner. Our scanners are therefore uniquely suited for school systems and other public venues. Our competitors' technology is based on X-Ray, microwave or radio signals, all of which are harmful over time. We believe this provides an advantage to our scanners over those developed by our competition.

Sales and Marketing

Through our Marketing Director, Mr. Web Barth of Privateer Marketing Force and Mrs. Brook Greenwald of Cornerstone Communications, we have made contact with schools, synagogues schools as well as other venue holders that have expressed interest in having the Passive Security Scan Unit presented at the school for demonstration and evaluation. Furthermore, as funding permits, we plan to install a demonstration unit in every state free of charge via the state's Governor's Office. We expect major exposure through this program.

We have signed three Distributorship Agreements. A distributor will get a 20% discount on Gross Sales, but is required to purchase a minimum of 25 units at time of signing for a distributorship. General referrals will earn a 10% discount.

With the completion of requisite funding, we expect to place the first units during the fall of 2020 and commence a major marketing campaign at the same time. We believe that we will start production and sales within the coming three to six months.

With the start of initial sales, we believe that we will be able to raise major funding through more conventional sources for our production.

Production

We acquired the necessary machinery and equipment to manufacture and assemble up to 500 Passive Portals per month at our Rexburg production facility.

To date we are manufacturing and assembling the first thirteen units which will mainly be used for demonstrations and donations to valuable future customers.

Trademarks and Copyrights

We acquired the world-wide exclusive rights and privileges to the CCS security technology, patents, products and improvements. The term of the License Agreement shall be from October 19, 2016 until the expiration of the last to expire of the licensed issued patents or patents to be issued. CCS currently owns 3 patents and 2 patents pending related to the technology.

Employees

We presently have four full and part-time Consultants and do not anticipate adding additional employees until our business operations and financial resources so warrant. The Independent Contractor Agreement between the Company and CCS provides that CCS will provide support for the development of the security technology and products. The management of our Company is provided through a series of service agreements with our officers and directors and key consultants.

Facilities

We presently rent office facilities at 2683 Via De La Ville Suite G418, Del Mar CA 92014 that serve as our principal executive offices. The facilities are rented on a month-to-month basis.

Employee Stock Plan

We have not adopted any kind of stock or stock option plan for employees at this time.

Industry Segments

No information is presented regarding industry segments. We are presently an emerging company seeking business opportunities in one segment, the defense, detection and protection products industry.

Item 1A. Risk Factors.

The occurrence of an uncontrollable event such as the COVID-19 pandemic may negatively affect our operations. A pandemic typically results in social distancing, travel bans, and quarantine. This may limit access to our suppliers, management, support staff and professional advisors. As the Company's operations, are primarily virtual and depends on numerous third party consultants, we cannot measure the impact on our operations or financial condition at this point in time.

Item 1B. Unresolved Staff Comments.

This item is not required for a smaller reporting company.

Item 2. Properties.

We do not presently own any property.

Item 3. Legal Proceedings.

There are no material pending legal proceedings to which the Company or its subsidiary is a party, or to which any property is subject and, to the best of our knowledge, no such action against us is contemplated or threatened.

Item 4. Mine Safety Disclosures.

This item is not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common shares are quoted on the OTCQB under the symbol "DTII". Set forth in the table below are the quarterly high and low prices of our common stock as obtained from the OTCQB for the past two fiscal years ended April 30, 2020.

| | <u>High</u> | <u>Low</u> |
|---|-------------|------------|
| <i>Fiscal year ended April 30, 2019</i> | | |
| First Quarter | \$ 1.80 | \$ 0.33 |
| Second Quarter | \$ 1.00 | \$ 0.29 |
| Third Quarter | \$ 0.85 | \$ 0.25 |
| Fourth Quarter | \$ 0.48 | \$ 0.15 |
| <i>Fiscal year ended April 30, 2020</i> | | |
| First Quarter | \$ 0.46 | \$ 0.06 |
| Second Quarter | \$ 0.42 | \$ 0.11 |
| Third Quarter | \$ 0.46 | \$ 0.08 |
| Fourth Quarter | \$ 0.34 | \$ 0.06 |

As of July 31, 2020, there were approximately 136 stockholders of record of our common stock, which does not take into account those shareholders whose certificates are held in the name of broker-dealers or other nominee accounts.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

We did not purchase any of our shares of common stock or other securities during our fiscal year ended April 30, 2020

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

During the year ended April 30, 2020 the Company issued 3,258,322 shares of common stock with a value of \$232,419 for debt.

During the year ended April 30, 2020 the Company issued 386,091 shares of common stock with a value of \$90,245 for accounts payable.

During the year ended April 30, 2020, the Company issued 798,200 shares of its common stock for service with a value of \$166,717.

During the year ended April 30, 2020, the Company cancelled 408,333 shares of its common stock for service with a value of \$96,517. The shares were cancelled as they had been authorized by the Company but never issued by the transfer agent thus the Company elected to cancel the shares. The cancellation resulted in a gain on cancellation of shares of \$96,517.

Dividends Policy

We have never declared cash dividends on our preferred or common stock, nor do we anticipate paying any dividends on our common stock in the foreseeable future.

A summary of the Company's stock options and warrants as of April 30, 2020, and changes during the two years then ended is as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contract Term (Years) | Aggregate Intrinsic Value |
|---|----------------|---------------------------------------|---|---------------------------------|
| Outstanding and exercisable at April 30, 2018 | 833 | 1.50 | .06 | \$ 83 |
| Granted | 850,000 | 1.14 | 2.75 | -- |
| Exercised | -- | -- | -- | -- |
| Forfeited or expired | (833) | 1.50 | -- | -- |
| Outstanding and exercisable at April 30, 2019 | 850,000 | 1.14 | 2.75 | \$816,000 |
| Granted | -- | -- | -- | -- |
| Exercised | -- | -- | -- | -- |
| Forfeited or expired | -- | -- | -- | -- |
| Outstanding and exercisable at April 30, 2020 | <u>850,000</u> | 1.14 | 1.75 | \$ 882,300 |

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on our closing stock price of \$0.102 as of April 30, 2020, which would have been received by the holders of in-the-money options had the option holders exercised their options as of that date.

Item 6. Selected Financial Data.

This item is not required for a smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Form 10-K.

The consolidated financial statements included in this annual report include the financial statements of the Company and those of Passive Security Scan, Inc. ("PSSI"), a consolidated subsidiary.

Effective January 12, 2017, PSSI was incorporated in the state of Utah as a wholly owned subsidiary. The Company merged its wholly owned subsidiary, Long Canyon Gold Resources Corp. ("Long Canyon"), into PSSI, with PSSI the surviving entity. The Company transferred to PSSI its exclusive world-wide license to the defense, detection and protection security products previously acquired by the Company. The Company currently owns 76.28% of PSSI with 23.72% acquired by four other individuals and entities. With the merger of Long Canyon into PSSI, the Company discontinued its mineral exploration business. The Company plans to continue the development of the technology and conduct all sales and marketing activities in PSSI.

Forward Looking and Cautionary Statements

This report contains forward-looking statements relating to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will" "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," or similar terms, variations of such terms or the negative of such terms. These statements are only predictions and involve known and unknown risks, uncertainties and other factors. Although forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment, actual results could differ materially from those anticipated in such statements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Going Concern

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States applicable to a going concern. Through April 30, 2020, the Company has no revenues, has accumulated deficit of \$10,193,808 since inception on June 19, 2008 and had a working capital deficit of \$4,097,486 and expects to incur further losses in the development of its

business, all of which cast substantial doubt about the Company's ability to continue as a going concern. Management plans to continue to provide for the capital needs during the year ending April 30, 2021 by issuing debt and equity securities and by the continued support of its related parties. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. There is no assurance that funding will be available to continue the Company's business operations.

Results of Operations

We currently have no sources of operating revenues. Accordingly, no revenues were recorded for the years ended April 30, 2019 and 2020.

Our total operating expenses increased to \$863,775 in the year ended April 30, 2019 from \$903,440 in the year ended April 30, 2020. The increases are due primarily to an increase in stock based compensation, and the issuance of shares to investor relations consultants. We also incurred an increase in professional fees and costs.

Our interest expense decreased from \$196,233 in the year ended April 30, 2019 to \$146,299 in the year ended April 30, 2020. The decrease in interest expense is due primarily to lower interest-bearing debt issued to institutional investors, related extension and early payment penalties, and to the amortization of debt discount to interest expense in the current year. A portion of our interest expense is incurred to related parties.

We recognized a gain on derivative liability of \$2,008,512 compared to a gain of \$2,307,215 in the years ended April 30, 2019 and 2020, respectively. We estimate the fair value of the derivative for the conversion feature of our convertible notes payable using the American Option Binomial pricing model at the inception of the debt, at the date of conversions to equity, cash payments and at each reporting date, recording a derivative liability, debt discount and a gain or loss on change in derivative liability as applicable. These estimates are based on multiple inputs, including the market price of our stock, interest rates, our stock price volatility, and variable conversion prices based on market prices as defined in the respective loan agreements. These inputs are subject to significant changes from period to period; therefore, the estimated fair value of the derivative liability and associated gain or loss on derivative liability will fluctuate from period to period and the fluctuation may be material.

We recognized a loss on extinguishment of debt of \$10,000 and a gain of \$204,906 in the years ended April 30, 2019 and 2020, respectively. The gain on extinguishment of debt resulted primarily from the elimination of derivative liabilities upon debt extinguishment. This gain will fluctuate from period to period depending on the number of debt conversions and the associated balance of derivative liabilities, and the fluctuation may be material. In addition we had a loss on notes payable of \$ 10,243 in 2019 and \$2,178,519 in 2020 and finance and interest cost on notes of \$193,941 in 2019 and \$341,098 in 2020.

As of April 30, 2019 after an impairment analysis the Company decided to impair the license agreement with a value of \$378,600 reducing it to zero.

As a result, we recognized a net gain of \$355,720 and net loss of \$917,726 on the years ended April 30, 2019 and 2020, respectively.

Because we own 76.28% of PSSI as of April 30, 2019, we include 76.28% of the net loss of PSSI for the year ended April 30, 2019 in our consolidated net loss and have reported non-controlling interest of 23.72% of the net loss of PSSI, or \$31,653, for the year ended April 30, 2020 and \$114,008 for the same period in 2019.

Liquidity and Capital Resources

At April 30, 2020, we had total current assets of \$111,784, consisting of cash of \$70,416 and inventory of \$21,368 and prepaid of \$20,000. Current liabilities at April 30, 2020 were \$4,209,270 resulting in a working capital deficit of \$4,097,486. Included in our current liabilities and working capital deficit are derivative liabilities totaling \$1,333,288 related to the conversion features of certain of our convertible notes payable. We do not believe the derivative liabilities will require settlement in cash.

A significant portion of our current liabilities as of April 30, 2020 is comprised of amounts due to related parties of \$970,547. We anticipate that in the short-term, operating funds will continue to be provided by related parties and other lenders.

At April 30, 2020, we had total convertible notes payable of \$821,949, net of discount. Several of the note agreements require repayment through conversion of principal and interest into shares of the Company's common stock. We anticipate, therefore, converting these notes payable into shares of our common stock without the need for replacement financing; however, there can be no assurance that we will be successful in accomplishing this.

Pursuant to convertible notes payable, we received total cash proceeds of \$597,000 less payment of convertible notes of \$158,000 and notes payable of \$5,000 for a net cash received of \$434,000 during the year ended April 30, 2020. These convertible short-term notes, which have a total principal balance of \$821,949, net of discount at April 30, 2020, bear interest at annual rates ranging from 6% to 15% per annum and are convertible into common shares of the Company upon the terms and subject to the limitations and conditions set forth in the note agreements. The notes generally contain early repayment penalties if repaid before defined payment dates in the note agreements.

During the year ended April 30, 2020 we extinguished \$232,419 in principal through conversion of convertible notes payable to common stock.

During the year ended April 30, 2020 we repaid \$158,000 in convertible notes payable from the proceeds of new notes.

During the year ended April 30, 2019, net cash used in operating activities was \$424,940, as a result of our net gain loss of \$355,720 and loss on extinguishment of debt of \$10,000, change in fair value of \$2,008,512, increase in prepaid expenses of \$10,500, and increases in accounts payable of \$155,951 and accrued payable related parties of \$290,528.

During the year ended April 30, 2020 net cash used in operating activities was \$328,733, as a result of our net loss of \$949,379, stock based compensation of \$166,717, amortization of debt discount and financing costs of \$341,099 and derivative liability change of \$2,307,215. Accounts payable increased \$301,752 and payables to related party increased \$220,668, with a loss on notes of \$2,178,519 and loss on debt extinguishment of \$204,906.

During the year ended April 30, 2019, net cash provided by financing activities was \$425,000. This was comprised of net proceeds from convertible notes payable of \$320,000, partially offset by repayment of convertible notes payable of \$190,000, along with common stock sold for cash of \$5,000 and notes payable issued for \$290,000.

During the year ended April 30, 2020, net cash provided by financing activities was \$434,000 comprised of net proceeds from convertible notes payable of \$597,000, repayment of convertible notes of \$158,000 and a repayment of note payable of \$5,000.

We have not realized any revenues since inception and paid expenses and costs with proceeds from the issuance of securities as well as by loans from investor, stockholders and other related parties.

Our immediate goal is to provide funding for the completion of the initial production of the Offender Alert Passive Scan licensed from CCS. The Offender Alert Passive Scan is an advanced passive scanning system for detecting and identifying concealed threats.

We believe a related party and other lenders will provide sufficient funds to carry on general operations in the near term and fund PSSI's production and sales. We expect to raise additional funds from the sale of securities, stockholder loans and convertible debt. However, we may not be successful in our efforts to obtain financing to carry out our business plan.

As of April 30, 2020, we did not have sufficient cash to fund our operations for the next twelve months.

Inflation

In the opinion of management, inflation has not and will not have a material effect on our operations until such time as we begin to realize revenues from operations. At that time, management will evaluate the possible effects of inflation related to our business and operations following a successful acquisition or merger.

Net Operating Loss Carryforward

We have accumulated a net operating loss carryforward of approximately \$2,549,956 as of April 30, 2020. This loss carry forward may be offset against future taxable income. The use of these losses to reduce future income taxes will depend on the generation of sufficient taxable income prior to the expiration of the net operating loss carryforward. In the event of certain changes in control, there will be an annual limitation on the amount of net operating loss carryforward that can be used. No tax benefit has been reported in the financial statements for the years ended April 30, 2019 and 2020 because it has been fully offset by a valuation reserve. The use of future tax benefit is undeterminable because we presently have no operations.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to intangible assets, derivative liabilities, income taxes, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For further information on our significant accounting policies see Note 2 to our consolidated financial statements included in this Annual Report. There were no changes to our significant accounting policies during the year ended April 30, 2020. The following is a description of those significant accounting policies that involve estimates and judgment by management.

Derivative Liabilities

We have identified the conversion features of certain of our convertible notes payable as derivatives. We estimate the fair value of the derivatives using American Option Binomial pricing model. We estimate the fair value of the derivative liabilities at the inception of the financial instruments, at the date of conversions to equity and at each reporting date, recording a derivative liability, debt discount, and a gain or loss on change in derivative liabilities as applicable. These estimates are based on multiple inputs, including the market price of our stock, interest rates, our stock price volatility and variable conversion prices based on market prices as defined in the respective agreements. These inputs are subject to significant changes from period to period and to management's judgment; therefore, the estimated fair value of the derivative liabilities will fluctuate from period to period, and the fluctuation may be material.

Basic and Diluted Loss per Common Share

The Company computes net loss per share in accordance with ASC 260, Earnings per Share, which requires presentation of both basic and diluted loss per share ("EPS") on the face of the statement of operations. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options and warrants, using the treasury stock method, convertible preferred stock, and convertible debt, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in

determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all potentially dilutive common shares if their effect is antidilutive.

Financial Instruments

Pursuant to ASC 820, Fair Value Measurements and Disclosures and ASC 825, Financial Instruments, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value using a hierarchy based on the level of independent, objective evidence when measuring fair value using a hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization with the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy prioritized the inputs into three levels that may be used to measure fair value:

Level 1: applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2: applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in markets that are not active.

Level 3: applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

As of April 30, 2020 and 2019, the Company believes the amounts reported for cash, payables, accrued liabilities and amounts due to related parties approximate their fair values due to the nature or duration of these instruments.

Liabilities measured at fair value on a recurring basis were estimated as follows at April 30, 2019 and 2020:

| 2019 | Total | Level 1 | Level 2 | Level 3 |
|--|--------------|----------------|----------------|----------------|
| Derivative liabilities | \$ 1,252,539 | \$ -- | \$ -- | \$ 1,252,539 |
| Convertible notes payable, net | 959,800 | 959,800 | - | -- |
| Total liabilities measured at fair value | \$ 2,212,339 | \$ 959,800 | \$ -- | \$ 1,252,539 |
| 2020 | | | | |
| Derivative liabilities | \$ 1,333,288 | \$ -- | \$ -- | \$ 1,333,288 |
| Convertible notes payable, net | 821,949 | 821,949 | -- | -- |
| Total liability measured at fair value | \$ 2,155,237 | \$ 821,949 | \$ -- | \$ 1,333,288 |

Impairment of Long-Lived Assets

The Company continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. As of April 30, 2019 the Company impaired the license agreement expensing \$378,600.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included in this Annual Report for disclosure of recent accounting pronouncements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

This item is not required for a smaller reporting company.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements filed with this report are presented beginning on page F-1, immediately following the signature page.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

For purposes of this section, the term *disclosure controls and procedures* means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Act") (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. As of the end of the period covered by this Annual Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our CEO and CFO has concluded that the Company's disclosure controls and procedures are not effective because of the identification of a material weakness in our internal control over financial reporting, which is identified below, which we view as an integral part of our disclosure controls and procedures.

Changes in Internal Controls over Financial Reporting

We have not made any changes in our internal controls over financial reporting that occurred during the period covered by this Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act of 1934. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 30, 2020 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on its evaluation, our management concluded that there are material weaknesses in our internal control over financial reporting was not effective as of April 30, 2020 and there are material weaknesses in our internal control over financial reporting. We lack full time personnel in accounting and financial staff to sufficiently monitor and process financial transactions in an efficient and timely manner. This allows for insufficient segregation of duties and a lack of multiple levels of supervision and review. Our history of losses has severely limited our budget to hire and train enough accounting and financial personnel needed to adequately provide this function. Consequently, we lacked sufficient technical expertise, reporting standards and written policies and procedures. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

This Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting because the attestation report requirement has been removed for "smaller reporting companies" under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our executive officers and directors are as follows:

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|-------------------|------------|---|
| Merrill W. Moses | 66 | President, CEO, Secretary, Interim CFO and Director |
| Charles C. Hooper | 72 | Director |

On April 30, 2016, the Board of Directors appointed Merrill W. Moses to replace Stephen M. Studdert as a director, President, CEO, acting CFO and Secretary of the Company.

On May 20, 2016, the Board of Directors appointed Charles C. Hooper to replace Frank Thorwald as a director.

All directors serve for a one-year term until their successors are elected or they are re-elected at the annual stockholders' meeting. Officers hold their positions at the pleasure of the board of directors, absent any employment agreement, of which none currently exists or is contemplated.

We presently anticipate that we will consider new, qualified persons to become directors in the future, although no new appointments or arrangements have been made as of the date hereof.

There is no arrangement, agreement or understanding between any of the directors or officers and any other person pursuant to which any director or officer was or is to be selected as a director or officer. Also, there is no arrangement, agreement or understanding between management and non-management stockholders under which non-management stockholders may directly or indirectly participate in or influence the management of our affairs.

The business experience of each of the persons listed above during the past five years is as follows:

Merrill W. Moses attended Brigham Young University and over the past 40 years has been an entrepreneur and founder of a variety of independent business ventures. He has also been involved in operating an independent oil and gas company and a mining and exploration company. Since 1992, Mr. Merrill has served as President and CEO of two oil and gas companies, Energy Pro Inc. and Dynamic Energy & Petroleum Inc. Mr. Moses is also a founding partner in 2007 of Liberty Capital International, Inc., an international financial and project management company that provides various private client financial and asset management services.

Charles C. Hooper has a background in Mineral Exploration and Mining and currently is the owner of Old Town Financial in La Jolla, California, a designer, financier and developer of commercial buildings and other real estate projects. Previously, he was a missile guidance engineer designing and building missile guidance systems for the U.S. Army. Mr. Hooper also served as an officer in the U.S. Navy during the Viet Nam war. He is a graduate system engineer from the University of California at Los Angeles and holds a Master of Science Degree in Management.

None of our officers, directors or control persons has had any of the following events occur:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time;
- any conviction in a criminal proceeding or being subject to a pending criminal proceeding, excluding traffic violations and other minor offenses;
- being subject to any order, judgment or decree, not substantially reversed, suspended or vacated, of any court of competent jurisdiction, permanently enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking business; and
- being found by a court of competent jurisdiction in a civil action, the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

No director is deemed to be an independent director. Our board of directors performs some of the functions associated with a nominating committee and a compensation committee, including reviewing all forms of compensation provided to our executive officers, directors, consultants and employees, including stock compensation. The board will also perform the functions of an audit committee until we establish a formal committee.

Compliance With Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. We believe that no reports were filed during the fiscal year 2020.

Code of Ethics

We currently do not have a code of ethics. We do intend to adopt a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions

Item 11. Executive Compensation.

We do not have a bonus, profit sharing, or deferred compensation plan for the benefit of employees, officers or directors. We currently have no employees and do not pay any salaries. Compensation for our officers and directors is generally established through a written Service Agreement.

The following table depicts compensation accrued to officers and directors for the fiscal years ended April 30, 2020, 2019 and 2018.

| <u>Name and Principal Position</u> | <u>Year Ended</u> | | <u>All Other</u> | | | <u>Total</u> |
|------------------------------------|-------------------|---------------------|----------------------|------------|------------|--------------|
| | <u>April 30,</u> | <u>Salary Bonus</u> | <u>Consideration</u> | | | |
| Merrill W. Moses, President, CEO, | 2018 | \$ 0 | \$ 0 | \$ 142,500 | \$ 142,500 | |
| Secretary, Interim CFO and | 2019 | \$ 0 | \$ 0 | \$ 150,000 | \$ 150,000 | |
| Director (1) ⁽¹⁾ | 2020 | \$ 0 | \$ 0 | \$ 150,000 | \$ 150,000 | |
| Charles Cortland Hooper, Director | 2018 | \$ 0 | \$ 0 | \$ 60,000 | \$ 60,000 | |
| (2) | 2019 | \$ 0 | \$ 0 | \$ 60,000 | \$ 60,000 | |
| | 2020 | \$ 0 | \$ 0 | \$ 60,000 | \$ 60,000 | |

(1) Mr. Moses' compensation for services as President, CEO, Secretary, Interim CFO and Director was accrued pursuant to a Service Agreement with the Company dated April 25, 2016. As of April 30, 2020, \$323,750 was payable to Mr. Moses by the Company. In addition, pursuant to a Service Agreement with Passive Security Scan Inc. ("PSSI"), compensation of \$30,000 was accrued for the year with a payable as of April 30, 2020 of \$97,500 payable to Mr. Moses.

(2) Mr. Hooper's compensation for the fiscal year ended April 30, 2020 was \$60,000 with \$234,000 accrued as a payable to Mr. Hooper. The compensation for services as Director was accrued pursuant to a Service Agreement dated May 20, 2016.

During the fiscal year ended April 30, 2020, we accrued expenses and services rendered by EMAC in the amount of \$129,000 pursuant to Administration Agreements with DTII and PSSI. Total accrued payable to EMAC for services and expense reimbursement as of April 30, 2020 was \$315,296.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information as of August 7, 2020 with respect to the beneficial ownership of our common stock and based on 19,629,147 shares outstanding:

- Each stockholder believed to be the beneficial owner of more than 5% of our common stock;
- by each of our directors and executive officers; and
- all of our directors and executive officers as a group.

For purposes of the following table, a person is deemed to be the beneficial owner of any shares of common stock (I) over which the person has or shares, directly or indirectly, voting or investment power, or (ii) of which the person has a right to acquire beneficial ownership at any time within 60 days after the date of this report. "Voting power" is the power to vote or direct the voting of shares and "investment power" includes the power to dispose or direct the disposition of shares.

| <u>Name and Address of Beneficial Owner</u> | <u>Amount and Nature of Beneficial Ownership⁽¹⁾</u> | <u>Percent of Class</u> |
|---|--|-------------------------|
| <i>Directors and Executive Officers:</i> | | |
| Merrill W. Moses, President & CEO 4730 S. Fort Apache Road, Suite 300 Las Vegas, Nevada 89147 | 1,000,468 | 5.10% |
| Charles C. Hooper, Director 4730 S. Fort Apache Road, Suite 300 Las Vegas, Nevada 89147 | 167 | 0.00% |
| <i>5% Beneficial Owners:</i> | | |
| EMAC Handels AG ⁽²⁾ Schuetzenstr. 22 Pfaeffikon, Switzerland | 1,374,605 | 7.00% |
| All directors and executive officers as a group (2 person) | 1,000,635 | 5.10% |

- (1) Unless otherwise indicated, the named person will be the record and beneficially owner of the shares indicated.
- (2) EMAC Handels AG is a Swiss company located in Pfaeffikon, Switzerland, owned and controlled by Thomas Hiestand.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Except as set forth below, we have not entered into any other material transactions with any officer, director, nominee for election as director, or any stockholder owning greater than five percent (5%) of our outstanding shares, nor any member of the above referenced individuals' immediate family.

During the years ended April 30, 2019 and 2020, management and administrative services were compensated by the Company pursuant to: a Service Agreement between the Company and Merrill Moses, President, CEO, Secretary, acting CFO and director, dated April 25, 2016; a Service Agreement between the Company and Charles Hooper, director, dated May 20, 2016; a Service Agreement between the Company; and an Administration Agreement with EMAC Handles AG ("EMAC"), a shareholder of the Company and PSSI, executed on March 15, 2011 and renewed on May 1, 2014.

During the year ended April 30, 2020, management and administrative services were compensated by PSSI pursuant to a Service Agreement between PSSI and Merrill Moses, dated January 12, 2017 and effective February 1, 2017 and an Administration and Management Agreement dated January 12, 2017 between PSSI and RAB Investments AG ("RAB"), a significant lender of the Company and a shareholder of PSSI.

The fees are based on services provided and invoiced by the related parties on a monthly basis and the fees are paid in cash when possible or with the Company's common stock. The Company also, from time to time, has some of its expenses paid by related parties with the intent to repay. These types of transactions,

when incurred, result in payables to related parties in the Company's consolidated financial statements as a necessary part of funding the Company's operations.

Previously on December 11, 2018, the Board of Directors resolved to change the terms of the company's Series A and Series B Preferred Shares from ten (10) shares of DTII common stock for each one (1) share of Preferred Stock, to five (5) shares of DTII common stock for each one (1) share of Preferred Stock. The revised conversion terms applied to all issued and outstanding Preferred Shares and to future issuances of Series A and Series B Preferred Stock.

As of April 30, 2020, the Company and PSSI had the following consolidated payable balances due to related parties, which resulted from transactions with significant shareholders and officers and directors of the Company.

| | |
|---|-------------------|
| EMAC | \$ 315,297 |
| Merrill Moses, President, CEO, Secretary, acting CFO & director | 421,250 |
| Charles Hooper, director | 234,000 |
| | <u>\$ 970,547</u> |

None of our directors are deemed to be independent directors. We do not have a compensation, audit or nominating committee, rather those functions are carried out by the board as a whole.

Item 14. Principal Accounting Fees and Services.

The following tables present for each of the last two fiscal years the aggregate fees billed in connection with the audits of our financial statements and other professional services rendered by our independent registered public accounting firm Fruci & Associates II, PLLC :

| | 2020 | 2019 |
|--------------------|-----------|-----------|
| Audit fees | \$ 36,099 | \$ 34,939 |
| Audit related fees | 761 | 1,168 |
| Tax fees | - | - |
| All other fees | -- | -- |

Audit fees represent the professional services rendered for the audit of our annual financial statements and the review of our financial statements included in quarterly reports, along with services normally provided by the accounting firm in connection with statutory and regulatory filings or engagements. Audit-related fees represent professional services rendered for assurance and related services by the accounting firm that are reasonably related to the performance of the audit or review of our financial statements that are not reported under audit fees.

Tax fees represent professional services rendered by the accounting firm for tax compliance, tax advice, and tax planning. All other fees represent fees billed for products and services provided by the accounting firm, other than the services reported for in the other categories.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Exhibits

| Exhibit No. | Exhibit Name |
|-------------|---|
| 3.1 (2) | Articles of Incorporation and amendments thereto |
| 3.2 (1) | Bylaws |
| 4.1 (2) | Instrument defining security holder rights |
| 21.1 | Subsidiaries |
| 31.1 | Certification of Chief Executive Officer and Interim Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer and Interim Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 INS* | XBRL Instance Document |
| 101 SCH* | XBRL Schema Document |
| 101 CAL* | XBRL Calculation Linkbase Document |
| 101 DEF* | XBRL Definition Linkbase Document |
| 101 LAB* | XBRL Labels Linkbase Document |
| 101 PRE* | XBRL Presentation Linkbase Document |

*The XBRL related information in Exhibit 101 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

- (1) Filed as exhibit to Form S-1 filed on November 10, 2011.
- (2) Filed as exhibit to Amendment No. 1 to Form S-1 filed on March 12, 2012.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Defense Technologies International Corp.

By: /S/ MERRILL W. MOSES

Merrill W. Moses
Chief Executive Officer
Dated: August 7, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|----------|----------------|
| <u>/S/ MERRILL W. MOSES</u> Merrill W. Moses | Director | August 7, 2020 |
| <u>/S/ CHARLES C. HOOPER</u> Charles C. Hooper | Director | August 7, 2020 |

Defense Technologies International Corp. and Subsidiary

Index to Consolidated Financial Statements

Years Ended April 30, 2020 and 2019

| | |
|--|-----|
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| Consolidated Balance Sheets as of April 30, 2020 and 2019 | F-3 |
| Consolidated Statements of Operations for the Years Ended April 30, 2020 and 2019 | F-4 |
| Consolidated Statements of Stockholders' Deficit for the Years Ended April 30, 2020 and 2019 | F-5 |
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Defense Technologies International Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Defense Technologies International Corp. (“the Company”) as of April 30, 2020 and 2019, and the related consolidated statements of operations, stockholders’ deficit, and cash flows for each of the years in the two-year period ended April 30, 2020, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended April 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has an accumulated deficit, net losses, and negative cash flows from operations. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Fruci & Associates II, P.C.

We have served as the Company’s auditor since 2017.

Spokane, Washington
August 7, 2020

Defense Technologies International Corp. and Subsidiary
Consolidated Balance Sheets

| | April 30, | |
|--|-------------------|------------------|
| | 2020 | 2019 |
| ASSETS | | |
| | | (Reclassified) |
| Current assets: | | |
| Cash | \$ 70,416 | \$ 60 |
| Inventory | 21,368 | 2,787 |
| Prepaid expenses | 20,000 | 10,500 |
| Total current assets | 111,784 | 13,347 |
| Fixed assets, net of depreciation of \$2,915 | 31,996 | -- |
| Total assets | \$ 143,780 | \$ 13,347 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | \$ 364,199 | \$ 283,489 |
| Accrued license agreement payment | 71,300 | 36,300 |
| Accrued interest and fees payable | 178,066 | 209,981 |
| Customer deposits | 45,695 | -- |
| Derivative liabilities | 1,333,288 | 1,252,539 |
| Convertible notes payable, net of discount | 821,949 | 959,800 |
| Payables – related parties | 970,547 | 749,879 |
| Notes payable | 424,226 | 429,226 |
| Total current liabilities | 4,209,270 | 3,921,214 |
| Total liabilities | 4,209,270 | 3,921,214 |
| Commitments and contingencies | -- | -- |
| Stockholders' deficit | | |
| Convertible preferred stock, \$0.0001 par value; 20,000,000 shares authorized: | | |
| Series A – 2,925,369 and 2,925,369 shares issued and outstanding, respectively | 292 | 292 |
| Series B – 520,000 and 520,000 shares issued and outstanding, respectively | 52 | 52 |
| Common stock, \$0.0001 par value; 200,000,000 shares authorized, 9,056,524 and 5,022,244 shares issued and outstanding, respectively, post reverse split | 905 | 502 |
| Additional paid-in capital | 6,288,325 | 5,496,972 |
| Accumulated deficit | (10,193,808) | (9,276,082) |
| Total | (3,904,234) | (3,778,264) |
| Non-controlling interest | (161,256) | (129,603) |
| Total stockholders' deficit | (4,065,490) | (3,907,867) |
| Total liabilities and stockholders' deficit | \$ 143,780 | \$ 13,347 |

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

Defense Technologies International Corp. and Subsidiary
Consolidated Statements of Operations

| | Years Ended April 30, | |
|---|------------------------------|-------------|
| | 2020 | 2019 |
| Revenue | \$ - | \$ - |
| Operating expenses: | | |
| Consulting fees | 529,479 | 487,362 |
| Investor relations | 149,245 | 13,500 |
| General and administrative | 224,716 | 362,913 |
| | 903,440 | 863,775 |
| Total operating expenses | | |
| | 903,440 | 863,775 |
| Loss from operations | (903,440) | (863,775) |
| Other income (expense): | | |
| Impairment of asset | -- | (378,600) |
| Gain (loss) on shares issued for service | 11,338 | -- |
| Gain (loss) on cancellation of stock | 96,518 | -- |
| Gain (loss) on notes payable | (2,178,519) | (10,243) |
| Finance and interest cost on notes | (341,098) | (193,941) |
| Interest expense | (146,299) | (196,233) |
| Gain (loss) on derivative liabilities | 2,307,215 | 2,008,512 |
| Gain on extinguishment of debt | 204,906 | (10,000) |
| | (45,939) | 1,219,495 |
| Total other income (expense) | | |
| | (45,939) | 1,219,495 |
| Gain(loss) before income taxes | (949,379) | 355,720 |
| Provision for income taxes | | |
| | -- | -- |
| Net gain (loss) | (949,379) | 355,720 |
| Non-controlling interest in net loss of consolidated subsidiary | 31,653 | 114,008 |
| | 31,653 | 114,008 |
| Net gain (loss) attributed to the Company | \$ (917,726) | \$ 469,728 |
| Net loss per common share – basic | \$ (0.13) | \$ 0.15 |
| Weighted average shares outstanding – basic | 6,969,922 | 3,063,756 |
| Net loss per common share – diluted | \$ (0.13) | \$ 0.15 |
| Weighted average shares outstanding - diluted | 6,969,922 | 3,063,756 |

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

Defense Technologies International Corp. and Subsidiary
Consolidated Statements of Stockholders' Deficit
For the Years Ended April 30, 2020 and 2019

| | Preferred stock | | Common Stock | | Additional Paid-In | Accumulated | Non-Controlling | Total Stockholders' |
|--|-----------------|--------|--------------|--------|--------------------|----------------|-----------------|---------------------|
| | Shares | Amount | Shares | Amount | Capital | Deficit | Interest | Deficit |
| Balance, April 30, 2018 | 3,797,369 | \$ 380 | 1,283,758 | \$ 128 | \$ 5,076,110 | \$ (9,745,809) | \$ (15,596) | \$(4,684,787) |
| Common stock issued for cash | -- | -- | 33,333 | 3 | 4,997 | -- | -- | 5,000 |
| Common stock issued for service | -- | -- | 686,425 | 69 | 189,305 | -- | -- | 189,374 |
| Common stock issued for debt | -- | -- | 768,728 | 77 | 84,978 | -- | -- | 85,055 |
| Preferred shares issued earlier | (152,000) | (16) | -- | -- | 16 | -- | -- | -- |
| Common stock issued for conversion of preferred shares | (200,000) | (20) | 2,000,000 | 200 | (180) | -- | -- | -- |
| Common stock issued for contract extension | -- | -- | 250,000 | 25 | 12,475 | -- | -- | 12,500 |
| Warrants and options issued | -- | -- | -- | -- | 129,271 | -- | -- | 129,271 |
| Net loss | -- | -- | -- | -- | -- | 469,727 | (114,007) | 355,720 |
| Balance, April 30, 2019 (Reclassified) | 3,445,369 | \$ 344 | 5,022,244 | \$ 502 | \$ 5,496,972 | \$ (9,276,082) | \$(129,603) | \$(3,907,867) |
| Common stock issued for service | -- | -- | 798,200 | 80 | 166,637 | -- | -- | 166,717 |
| Common stock for service cancelled | -- | -- | (408,333) | (41) | (96,476) | -- | -- | (96,517) |
| Common stock issued for the conversion of debt | -- | -- | 3,258,322 | 325 | 232,094 | -- | -- | 232,419 |
| Common stock issued for accounts payable | -- | -- | 386,091 | 39 | 90,206 | -- | -- | 90,245 |
| Retirement of derivative at conversion | -- | -- | -- | -- | 398,892 | -- | -- | 398,892 |
| Net loss | -- | -- | -- | -- | -- | (917,726) | (31,653) | (949,379) |
| Balance at April 30, 2020 | 3,445,369 | \$ 344 | 9,056,524 | \$ 905 | \$ 6,288,325 | \$(10,193,808) | \$ (161,256) | \$(4,065,490) |

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

Defense Technologies International Corp and Subsidiary
Consolidated statement of Cash Flows for Years Ended April 30,

| | 2020 | 2019 |
|---|--------------|-------------|
| Cash flows from operating activities: | | |
| Net gain (loss) | \$ (949,379) | \$ 355,720 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 2,915 | -- |
| Common stock issued for services | 166,717 | 189,374 |
| Common stock issued for service cancellation | (96,517) | -- |
| Impairment of asset | -- | 378,600 |
| Shares issued for contract extension | -- | 12,500 |
| Fee for loan extension | -- | 30,000 |
| Amortization of debt discount and financing fees | 341,099 | 163,943 |
| (Gain) loss on derivative liabilities | (2,307,215) | (2,008,512) |
| Gain(loss) on extinguishment of debt | (204,906) | 10,000 |
| Loss on notes | 2,178,519 | 10,243 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in inventory | (18,581) | (2,787) |
| (Increase) decrease in prepaid expenses | (9,500) | (10,500) |
| Increase in accounts payable and accrued expense | 301,752 | 155,951 |
| Increase in customer deposits | 45,965 | -- |
| Increase in payables – related parties | 220,668 | 290,528 |
| Net cash used in operating activities | (328,733) | (424,940) |
| Cash flows used in investing activities | | |
| Purchase of fixed assets | (34,911) | -- |
| Net cash used in investing activities | (34,911) | -- |
| Cash flows from financing activities: | | |
| Proceeds from sale of common stock for cash | | 5,000 |
| Repayment of convertible notes | (158,000) | (190,000) |
| Proceeds from convertible notes payable, net | 597,000 | 320,000 |
| Proceeds (repayment) from notes payable | (5,000) | 290,000 |
| Net cash provided by financing activities | 434,000 | 425,000 |
| Net increase (decrease) in cash | 70,356 | 52 |
| Cash at beginning of the year | 60 | 8 |
| Cash at end of the year | \$ 70,416 | \$ 60 |
| Supplement Disclosures | | |
| Interest paid | \$ 22,600 | \$ -- |
| Income tax paid | \$ -- | \$ -- |
| Non-Monetary Transactions | | |
| Common stock issued for convertible debt | \$ 232,419 | \$ 85,055 |
| Common stock issued for the conversion of preferred shares | \$ -- | \$ 20 |
| New notes issued to pay old notes | \$ -- | \$ 90,037 |
| Ap converted to note payable | \$ -- | \$ 114,226 |
| Common stock issued for accounts payable | \$ 90,245 | \$ -- |
| Derivative liability on debt conversion | \$ -- | \$ 73,312 |
| Preferred shares adjusted to issuance | \$ -- | \$ 16 |
| Warrant financing expense | \$ -- | \$ 73,313 |
| Retirement of derivative liability on debt conversion | \$ 398,892 | \$ -- |
| Derivative liabilities for day 1 on tainted convertible notes | \$ 2,607,576 | \$ -- |
| Common stock issue as an inducement to note issuance | \$ 3,000 | \$ -- |

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

Defense Technologies International Corp. and Subsidiary
Notes to Consolidated Financial Statements
Years Ended April 30, 2020 and 2019

NOTE 1. NATURE OF BUSINESS AND CONTINUED OPERATIONS

Defense Technologies International Corp. (the "Company ") was incorporated in the State of Delaware on May 27, 1998. Effective June 15, 2016, the Company changed its name to Defense Technologies International Corp. from Canyon Gold Corp. to represent the Company's expansion goals more fully into the advanced technology sector.

Effective January 12, 2017, Passive Security Scan, Inc. ("PSSI") was incorporated in the state of Utah as subsidiary controlled by the Company. The Company transferred to PSSI its exclusive world-wide license to the defense, detection and protection security products previously acquired by the Company. The Company currently owns 76.28% of PSSI with 23.72% acquired by four individuals and entities. The Company plans to continue the development of the technology and conduct all sales and marketing activities in PSSI.

On January 19, 2018, the Board of Directors, with the approval of a majority of the shareholders, passed a resolution to effect a reverse split of the Company's outstanding common stock on a 1 share for 1,500 shares (1:1500) basis. The reverse split was effective on March 20, 2018. The number of shares in the financials are reflective of the reverse split.

Going Concern

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to a going concern. Through April 30, 2020, the Company has no revenues, has accumulated deficit of \$10,193,808 and a working capital deficit of \$4,097,486 and expects to incur further losses in the development of its business, all of which cast substantial doubt about the Company's ability to continue as a going concern. Management plans to continue to provide for the Company's capital needs during the year ending April 30, 2020 by issuing debt and equity securities and by the continued support of its related parties. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. There is no assurance that funding will be available to continue the Company's business operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The Company's fiscal year end is April 30.

Critical Accounting Policies- Reclassification

The shareholders' deficit in the year ended April 30, 2019 has been reclassified to conform to the current period financial statement presentations. This reclassification has no effect on the previously reported balance sheet and the income statement.

Recent Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-4, "Intangibles – Goodwill and Other (Topic 350): "Simplifying the Test for Goodwill Impairment." This update simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. An entity should apply the amendments in this update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. That disclosure should be provided in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments in this update. A public business entity that is an SEC filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company is currently unable to determine the impact on its consolidated financial statements of the adoption of this new accounting pronouncement.

In January 2017, the FASB issued ASU No. 2017-1, "Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments of this ASU are effective for public business entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The amendments in this Update are to be applied prospectively on or after the effective date. The Company is currently unable to determine the impact on its consolidated financial statements of the adoption of this new accounting pronouncement.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)". The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees is required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2018 and are to be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. The Company did adopt the new accounting pronouncement and is recording a lease use asset and lease liability as of May 31, 2019. As of August 30, 2019 the lease was cancelled by the landlord thus no lease use and liability was reported as of April 30, 2020 and 2019 .

Although there are several other new accounting pronouncements issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its consolidated financial position or results of operations.

Consolidation and Non-Controlling Interest.

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, Long Canyon, through January 15, 2017, and its majority-owned subsidiary, PSSI, from its formation on January 15, 2017. All inter-company transactions and balances have been eliminated.

The non-controlling interest in PSSI, representing 5,441,436 common shares, or 23.72%, was acquired by several individuals and entities, including related parties, in exchange for services valued at \$6,100 and the extinguishment of Company accounts payable – related parties with a book value of \$9,835.

Impairment of Long-Lived Assets

The Company reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical-cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the asset by comparing the undiscounted future net cash flows expected to result from the asset to its carrying value. If the carrying value exceeds the undiscounted future net cash flows of the asset, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived asset. Fair value is estimated based upon either discounted cash flow analysis or estimated salvage value. On April 30, 2019, the Company impaired its licenses agreement of \$378,600.

Basic and Diluted Net Loss per Share

The Company computes net loss per share in accordance with ASC 260, *Earnings per Share*, which requires presentation of both basic and diluted loss per share (“EPS”) on the face of the statement of operations. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options and warrants, using the treasury stock method, convertible preferred stock, and convertible debt, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all potentially dilutive common shares if their effect is antidilutive.

As of April 30, 2020, convertible debt and related accrued interest payable were convertible into 18,059,793 shares of the Company’s common stock, 200,000 shares of convertible preferred stock was convertible into 2,000,000 shares of the Company’s common stock, 582,857 warrants were convertible into 582,857 shares of common stock and 250,000 options were convertible into 250,000 shares of common stock..

Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC 740, *Income Taxes*. The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Financial Instruments

Pursuant to ASC 820, *Fair Value Measurements and Disclosures* and ASC 825, *Financial Instruments*, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs

when measuring fair value using a hierarchy based on the level of independent, objective evidence when measuring fair value using a hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization with the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy prioritized the inputs into three levels that may be used to measure fair value:

Level 1: applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2: applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in markets that are not active.

Level 3: applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

As of April 30, 2020 and 2019, the Company believes the amounts reported for cash, payables, accrued liabilities and amounts due to related parties approximate their fair values due to the nature or duration of these instruments.

Liabilities measured at fair value on a recurring basis were estimated as follows at April 30, 2020 and 2019:

| 2019 | Total | Level 1 | Level 2 | Level 3 |
|--|--------------|----------------|----------------|----------------|
| Derivative liabilities | \$ 1,252,539 | \$ - | \$ - | \$ 1,252,539 |
| Convertible notes payable, net | 959,800 | 959,800 | - | |
| Total liabilities measured at fair value | \$ 2,212,339 | \$ 959,800 | - | \$ 1,252,539 |
| 2020 | | | | |
| Derivative liabilities | \$ 1,333,288 | \$ -- | \$ -- | \$ 1,333,288 |
| Convertible notes payable, net | 821,949 | \$ 821,949 | \$ -- | |
| Total liability measured at fair value | \$ 2,155,237 | \$ 821,949 | \$ -- | \$ 1,333,288 |

Derivative Liabilities

We have identified the conversion features of certain of our convertible notes payable as derivatives. We estimate the fair value of the derivatives using the Black-Scholes pricing model. We estimate the fair value of the derivative liabilities at the inception of the financial instruments, at the date of conversions to equity and at each reporting date, recording a derivative liability, debt discount, and a gain or loss on change in derivative liabilities as applicable. These estimates are based on multiple inputs, including the market price of our stock, interest rates, our stock price volatility and variable conversion prices based on market prices as defined in the respective agreements. These inputs are subject to significant changes from period to period and to management's judgment; therefore, the estimated fair value of the derivative liabilities will fluctuate from period to period, and the fluctuation may be material.

Non-Monetary Transactions

All issuances of the Company's common stock for non-cash consideration have been assigned a dollar amount equaling either the market value of the shares issued or the value of consideration received

whichever is more readily determinable. The majority of the non-cash consideration received pertains to services rendered by consultants and others and has been valued at the market value of the shares issued.

Stock-Based Compensation

The Company accounts for stock-based compensation to employees and consultants in accordance with FASB ASC 718. Stock-based compensation to employees is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite employee service period. The Company accounts for stock-based compensation to other than employees in accordance with FASB ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments and is recognized as expense over the service period. The Company estimates the fair value of stock-based payments using the Black Scholes option-pricing model for common stock options and warrants and the closing price of the Company's common stock for common share issuances.

Cash and Cash Equivalents

The Company considers all investments purchased with original maturity of three or fewer months to be cash equivalents.

Inventory

Inventories are stated at the lower or cost of market using the first-in; first-out (FIFO) cost method of accounting. The inventory consists of raw materials used to make various products for sale.

Equipment

Equipment is carried at the cost of acquisition and depreciated over the estimated useful lives of the assets which is 36 months. Costs associated with repair and maintenance is expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency of our property and equipment are capitalized and depreciated over the remaining life of the related asset. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

NOTE 3 – LICENSE AGREEMENT

Effective July 15, 2016, the Company executed documents intended to finalize the acquisition of 100% of Defense Technology Corporation, a non-related privately held Colorado company ("DTC"), a developer of defense, detection and protection products to improve security for Anchor schools and other public facilities. Subsequently, the Company and DTC mutually agreed to rescind the acquisition of DTC and entered into a Rescission Agreement and Mutual Release (the "Rescission Agreement"), dated October 17, 2016.

In connection with the Rescission Agreement with the Company, DTC rescinded its agreement with the inventor and developer of the technology and assets that were subject to the original agreement between the Company and DTC. On October 19, 2016, the Company entered into a new Definitive Agreement with Controlled Capture Systems, LLC ("CCS"), representing the inventor of the technology and assets previously acquired by DTC, that included a new exclusive Patent License Agreement and Independent Contractor agreement. Under the license agreement with CCS, the Company acquired the world-wide exclusive rights and privileges to the CCS security technology, patents, products and improvements. The term of the License Agreement will be from October 19, 2016 until the expiration of the last to expire of the licensed issued patents or patents to be issued.

The Company agreed to pay CCS an initial licensing fee of \$25,000 and to pay ongoing royalties at the end of each six-month period at the rate of the greater of 5% of gross sales used or sold, or the minimum royalty

payment of \$25,000. The Company also agreed to compensate investors that have provided funding for the development of CCS's technology with 2,667 shares of the Company's common stock. Additionally, CCS will be entitled to receive 167 shares of the Company's common stock upon completed sales of 1,000 passive scanner units based on the CCS technology.

The Independent Contractor Agreement between the Company and CCS provides that CCS will provide support for the development of the security technology and products. An initial payment of \$5,000 was paid to CCS plus ongoing hourly compensation for services provided.

The Company capitalized the costs to acquire the License Agreement, including the \$25,000 initial licensing fee and the estimated value of \$353,600 of the 2,667 shares of the Company's common stock issued on November 10, 2016 to the CCS investors, which value was based on the closing market price of the Company's common stock on the date of the Definitive Agreement. The Company has recorded a current liability of \$36,300 in its consolidated balance sheet as of April 30, 2019 and \$6,300 as of April 30, 2018. Once sales of products based on the CCS technology begin, the Company will amortize the capitalized costs over the estimated life of the license agreement as determined by the legal life of patents issued.

On January 15, 2017, the Company transferred the License Agreement to PSSI in exchange for 15,000,000 common shares of PSSI, or 65.38% ownership. During the FY 2018 the Company increased its ownership of PSSI to 17,500,000 shares or 76.28% of the Company. The Company plans to continue the development of the technology and conduct all sales and marketing activities in PSSI.

On January 22, 2017, the Company and CCS entered into an Amendment to the Definitive Agreement, whereby CCS consented to the transfer of the Definitive Agreement, Patent License Agreement and Independent Contractor Agreement to PSSI and agreed to extend the due dates of certain payments due CCS to April 30, 2017. In exchange, CCS received 100,000 shares of PSSI common stock.

Also in connection with the Amendment to the Definitive Agreement, the investors that provided funding for the development of CCS's technology received 500,000 shares of PSSI common stock.

The Company reviewed its valuation of the license agreement and as of April 30, 2019 the Company elected to fully impair its licenses agreement resulting in an impairment loss of \$378,600.

NOTE 4: RELATED PARTY TRANSACTIONS

Payables – Related Parties

During the years ended April 30, 2019 and 2020, management and administrative services were compensated by the Company pursuant to: a Service Agreement between the Company and Merrill Moses, President, CEO, Secretary, acting CFO and director, dated April 25, 2016; a Service Agreement between the Company and Charles Hooper, director, dated May 20, 2016; a Service Agreement between the Company and Stephen Studdert, former President, CEO, Secretary, acting CFO and director, dated April 30, 2011; and an Administration Agreement with EMAC Handles AG (“EMAC”), a shareholder of the Company and PSSI, executed on March 15, 2011 and renewed on May 1, 2014.

During the year ended April 30, 2020, management and administrative services were compensated by PSSI pursuant to a Service Agreement between PSSI and Merrill Moses, dated January 12, 2017 and effective February 1, 2017 and an Administration and Management Agreement dated January 12, 2017 between PSSI and RAB Investments AG (“RAB”), a significant lender of the Company and a shareholder of PSSI.

The fees are based on services provided and invoiced by the related parties on a monthly basis and the fees are paid in cash when possible or with the Company's common stock. The Company also, from time to time, has some of its expenses paid by related parties with the intent to repay. These types of transactions,

when incurred, result in payables to related parties in the Company's consolidated financial statements as a necessary part of funding the Company's operations.

Previously on December 11, 2018, the Board of Directors resolved to change the terms of the company's Series A and Series B Preferred Shares from ten (10) shares of DTII common stock for each one (1) share of Preferred Stock, to five (5) shares of DTII common stock for each one (1) share of Preferred Stock. The revised conversion terms applied to all issued and outstanding Preferred Shares and to future issuances of Series A and Series B Preferred Stock.

As of April 30, 2019 and 2020, the Company had payable balances due to related parties totaling \$749,879 and \$970,547, respectively, which resulted from transactions with shareholders, officers and directors of the Company.

Notes Payable

On March 5, 2018, the Company subsidiary PSSI entered into a note agreement with Premium Marketing Associates, LLC for \$25,000. The funds were designated for use in a marketing agreement with the Edward Fitzgerald Group for raising funds for PSSI. The note was to be repaid from investment fund generated by the Fitzgerald group plus 15% of the funds generated are paid to the investor.

On July 6, 2018, the Company signed an investment agreement with a third party. Under the terms of the agreement the Company receive \$250,000 through the Company attorney's trust account. On July 12, 2018, the Company received the \$250,000 less wire and legal payment of \$10,045. In addition the note holder will receive a royalty of 5% up to \$250,000 and then a royalty of 3.5% for two years thereafter. The note holder will receive 150,000 shares of the Company's common stock plus 100,000 warrants to purchase common shares within three years at \$2.50 per share.

On July 18, 2018, the Company entered into a promissory note of \$114,226.26 with interest rate of 8% per annum with Haynie & Company the Company's former auditors. Under the terms of the agreement commencing August 15, 2018 the Company is to pay Haynie \$5,000 per month. In addition the Company shall pay the note holder 20% of any funding event of private or public equity. As of April 30, 2020 the Company owed the note holder \$99,226 plus interest. As of April 30, 2020 the note is in default.

On January 26, 2019, the Company approved a loan from Brian McLain of \$275,000. The note is convertible into common stock of the Company and is non-dilutive for 2 years from date of the note. In addition the Company granted the lender 100,000 warrants convertible into common shares at \$1.00 per share. As of April 30, 2020 the \$25,000 of the loan was funded by the lender.

NOTE – 5: CONVERTIBLE DEBT

On March 10, 2016, the Company entered into a convertible promissory note for \$17,000 with ACM Services GmbH, which bears interest at an annual rate of 6% and is convertible into shares of the Company's common stock at \$0.05 per share. The Company recorded a debt discount and a beneficial conversion feature of \$17,000 at the inception of the note.

On May 25, 2017, the Company entered into a Convertible Promissory Note with an institutional investor for \$56,500, with net proceeds to the Company of \$52,000. The note bears interest at an annual rate of 2%, matured on May 25, 2018 and is convertible into common shares of the Company after twelve months at a variable conversion price equal to 55% multiplied by the lowest one-day trading price of the Company's common stock during the twenty trading days prior to the conversion date. At the inception of the convertible note, the Company paid debt issuance costs of \$4,500, recorded a debt discount of \$47,500 and a loss on note issuance of \$50,959. Interest expense for the amortization of the debt discount was calculated on a straight-line basis over the life of the convertible note. The note is in default and now carries an interest rate of 15%.

On July 17, 2017, the Company entered into a Convertible Promissory Note amendment with an institutional investor for \$25,000. The note bears interest at an annual rate of 15%, as part of the note that is in default. The note is convertible into common shares of the Company at a variable conversion price equal to 60% multiplied by the lowest one-day trading price of the Company's common stock during the twenty one trading days prior to the conversion date. At the inception of the convertible note, the recorded a debt discount of \$22,920.

On July 24, 2017, the Company entered into a Convertible Promissory Note with an institutional investor for \$15,000. The note bears interest at an annual rate of 2%, matured on May 25, 2018 and is convertible into common shares of the Company after twelve months at a variable conversion price equal to 55% multiplied by the lowest one-day trading price of the Company's common stock during the twenty trading days prior to the conversion date. At the inception of the convertible note, the Company recorded a debt discount of \$15,000 and a loss on note issuance of \$11,717. Interest expense for the amortization of the debt discount was calculated on a straight-line basis over the life of the convertible note. The note is in default and now carries an interest rate of 15%.

On July 24, 2017, the Company entered into a Funding Agreement with RAB Investments AG, a current lender and stockholder located in Zug, Switzerland, which was intended to provide necessary funding towards the initial production of our Offender Alert Passive Scan. The Funding Agreement calls for RAB to fund a minimum of \$50,000 to a maximum of \$150,000 on a "best efforts basis," with a first tranche of \$25,000 completed during August 2017. In exchange for the funds, DTII will issue convertible notes that may be converted into common stock of the Company at a discount of 25%, based on the 10-day average trading value of Company shares at the time of the initial conversion. The notes may be converted at any time, in whole or partially, but all conversions must be at the same rate as the initial conversion. No funding has been provided as of the date of this filing and there is no assurance that funds will be provided.

Pursuant to a Securities Purchase Agreement dated July 18, 2016 (the "July 2016 SPA", the Company entered into a Senior Secured Convertible Promissory Note (the "July 2016 Note") with Firstfire Global Opportunities Fund, LLC ("Firstfire") for \$189,000. The July 2016 Note was in default with respect to the maturity date, and the Company was in default on certain terms of the July 2016 SPA, including calculation of exercise prices on Firstfire debt conversions and limitations on the Company entering into subsequent "Variable Rate Transactions." On August 9, 2017, the Company and Firstfire entered into a Waiver and Settlement Agreement whereby the Company will issue an additional 8,667 shares of its common stock to Firstfire to cure the deficiency of shares previously issued in the debt conversions. Further, Firstfire agreed to waive any default with respect to the subsequent variable rate transactions. As of April 30, 2020 the shares had not been issued.

On February 16, 2018 Passive Security Scan Inc , a subsidiary of the Company issued a \$20,000 convertible note to Stuart Young. The note bears interest at 6% and is convertible after 6 months from the date of the note into stock of either PSSI or the Company at 50% discount to the 10 day trailing trading value of the Company's common stock.

On March 5, 2018, the Company subsidiary PSSI entered into a note agreement with Premium Marketing Associates, LLC for \$25,000. The funds were designated for use in a marketing agreement with the Edward Fitzgerald Group for raising funds for PSSI. The note was to be repaid from investment fund generated by the Fitzgerald group plus 15% of the funds generated are paid to the investor.

On May 22, 2018, the Company signed an agreement with an investor for a loan of \$25,000. The note is convertible 180 days after the date of the note to shares of the Company's common stock at \$0.75 per share or a 25% discount to the 10 day trading average prior to conversion; whichever is lower. The total amount of the loan must be converted on the date of conversion. The note has an annual interest rate of 6%.

On July 6, 2018, the Company signed an investment agreement with a third party. Under the terms of the agreement the Company receive \$250,000 through the Company attorney's trust account. On July 12, 2018, the Company received the \$250,000 less wire and legal payment of \$10,045. In addition the note holder will receive a royalty of 5% up to \$250,000 and then a royalty of 3.5% for two years thereafter. The note holder received 150,000 shares of the Company's common stock plus 100,000 warrants to purchase common shares within three years at \$2.50 per share.

On July 10, 2018 RAB agreed to buy the outstanding convertible debt from Jabro Funds for \$35,000. The Company as part of the agreement paid Jabro Funds the \$35,000 for the debt and considered it retired and paid in full.

On August 29, 2018, the Company entered into a settlement agreement with Firstfire Global Opportunity Fund where the Company will pay Firstfire \$250,000 plus \$50,000 in common stock to settle all the debt owed Firstfire by the Company. Under terms of the agreement the Company will pay \$125,000 upon receipt of initial funding and \$125,000 within 90 days after the initial payment. The Company agreed to issue on December 31, 2018 \$50,000 in stock with the number of shares being based on the lessor of \$1.00 per share or a 25% discount of the average closing share price during the 10 trading days prior to the issuance of the shares. If funding is not secured the funding for the second payment within 90 days of the initial payment the present note due Firstfire will remain in place less the \$125,000 paid by the Company. The initial payment of \$125,000 was made on September 6, 2018. The shares have been issued but the balance of the note has not been paid.

On September 5, 2018, the Company entered into a settlement agreement with Crown Bridge Partners LLC where the Company will pay Crown Bridge \$100,000 to settle all the debt owed Crown Bridge by the Company. Under terms of the agreement the Company will pay \$30,000 upon receipt of initial funding and \$70,000 within 90 days after the initial payment. If funding is not secured the funding for the second payment within 90 days of the initial payment the present note due Crown Bridge will remain in place less the \$30,000 paid by the Company. The initial payment of \$30,000 was made on September 6, 2018. The balance of the payment was not paid within the 90 day period.

On September 6, 2018, the company received \$250,000 upon issuance of a debenture related to a certain securities purchase agreement with Ionic Ventures. The debenture bears interest at 15% per annum. The 15% original issue discount debenture (face amount \$275,000) is for a six-month period and is convertible into shares of the company's common stock at an initial conversion price of \$0.60 per share. Also, the debenture holder will receive 100,000 common stock purchase warrants to purchase DTII common stock, which may be exercised for up to three years at an initial exercise price of \$0.70 per share. The Company did not meet its payment obligation so Ionic granted an extension for an additional \$30,000 being added to the principal.

On October 4, 2018, the Company entered into an agreement with RAB Investments AG to consolidate all RAB outstanding notes issued by the Company prior to October 31, 2018. Under the terms of the agreement the Company agreed to accept a six percent interest to be calculated on all the notes since their inception. The agreement resulted in a new note for \$330,626 which included the additional interest and retired the original notes.

On January 26, 2019, the Company approved a loan from Brian McLain of \$275,000. The note is convertible into common stock of the Company and is non-dilutive for 2 years from date of the note. In addition the Company granted the lender 100,000 warrants convertible into common shares at \$1.00 per share. As of April 30 2020 \$ 25,000 of the loan was funded by the lender.

On March 26, 2019, the Company entered into an agreement with Iconic Ventures, LLC to consolidate all RAB outstanding notes issued by the Company prior to October 31, 2018. Under the terms of the agreement the Company agreed to accept a six percent interest to be calculated on all the notes since their inception.

The agreement resulted in a new note for \$330,626 which included the additional interest and retired the original notes.

On May 6, 2019, the Company issued an 8% convertible note to Black Ice Advisors, LLC for \$57,500 which matures on May 6, 2020. The note redeemable at a premium up to 140% of the face value within 180 days of issuance or is convertible after 180 days to the Company common stock at 60% of the lowest trading price twenty days prior to conversion. On December 19, 2019 Crown Bridge purchased the note from Black Ice. As part of the transaction the Company paid Black Ice \$35,000 and Crown Bridge assume the note including accrued interest and penalties which has a face value of \$48,871. The Company accounted for the difference of \$23,000 as financing costs and \$3,371 as interest. In addition the Company did a true up on another Crown note to the amount of \$8,125.

On April 21, the Company issued a 10% convertible note to Power Up Lending for \$78,000 which matures on April 21, 2021. The note is convertible 180 days from the date of the note into common stock of the Company at 61% of the average of the lowest three trading prices 20 days prior to conversion or may be redeemed up to 180 days after issuance for 139% of the face value plus accrued interest.

On May 10, 2019, the Company entered into a settlement agreement with Firstfire Global for payment of the original note for \$189,000 issued on July 18, 2016. Under the terms of the agreement the Company paid Firstfire \$65,000 on May 10, 2019 and \$10,000 to be paid on or before May 31, 2019. In addition Firstfire will receive 150,000 shares of the Company. As the \$10,000 was not received by April 30, 2020 Firstfire will receive additional shares for the \$10,000.

On July 11, 2019 the Company issued an 8% convertible note to GS Capital Partners, LLC for \$58,000 which matures on July 11, 2020. The note redeemable at a premium up to 135% of the face value within 180 days of issuance or is convertible after 180 days to the Company common stock at 62% of the lowest trading price twenty days prior to conversion.

On November 1, 2019, the Company issued a convertible note to Adar Alef, LLC for \$40,700 with a \$3,700 original discount. The note matures on October 31, 2020 bearing interest at the rate of 8% per annum. The note is convertible into common stock of the Company after 180 days at the rate of 70% of the lowest trading price for twenty days prior to conversion. The note may be repaid to the issuer within 180 days from issuance at variable premium rates of 115% to 135% above face value.

On November 12, 2019, the Company issued a convertible note to Platinum Point Capital, LLC for \$41,250 with an original discount of \$3,750. The note matures on November 12, 2020 bearing interest at the rate of 8% per annum with a default rate of 24%. The note is convertible into common stock of the Company after 180 days at the rate of 60% of the lowest trading price for twenty days prior to conversion. The note may be repaid to the issuer after 90 days and within 180 days from issuance at a premium rates of 140% above face value.

On November 12, 2019, the Company issued a convertible note to Jefferson Street Capital, LLC for \$41,250 with an original discount of \$3,750. The note matures on November 12, 2020 bearing interest at the rate of 8% per annum with a default rate of 24%. The note is convertible into common stock of the Company after 180 days at the rate of 60% of the lowest trading price for twenty days prior to conversion. The note may be repaid to the issuer after 90 days and within 180 days from issuance at a premium rates of 140% above face value.

On December 20, 2019, the Company issued a convertible note to Lliah for \$63,950 with an original discount of \$8,950. The note matures on December 19, 2020 bearing interest at the rate of 8% per annum. The note is convertible into common stock of the Company after 180 days at the rate of 60% of the lowest trading price for twenty days prior to conversion. The note may be repaid to the issuer within 180 days from issuance at variable premium rates of 115% to 135% above face value.

On January 10, 2020, the Company issued a convertible note to Crown Bridge Partners, LLC with a principal amount of \$171,000 and a prorated original discount of \$15,000. The first tranche of the note received by the Company was a face value of \$57,000 and net amount received of \$50,000. Each tranche of the note matures twelve months from receipt of the tranche and bears interest at the rate of 10% per annum with a default rate of 15%. The note is convertible into common stock of the Company after 180 days at the rate of 60% of the lowest trading price for twenty days prior to conversion. The note may be repaid to the issuer within 180 days from issuance at variable premium rates of 125% above face value.

On January 13, 2020, the Company issued an additional note to Ionic Ventures, LLC for \$220,000 with an original discount of \$20,000. The note is part of a securities purchase agreement dated August 31, 2018. The note matures on June 20, 2020 bearing interest at the rate of 15% per annum. The note is convertible into common stock of the Company at \$0.60 per share or 60% of the lowest trading price for twenty days prior to conversion, whichever is the lowest.

On April 21, 2020, the Company issued an additional note to Power Up Lending LLC for \$78,000 with an original discount of \$3,000. The note matures on April 21, 2021 bearing interest at the rate of 10% per annum. The note is convertible after 180 days from issuance into common stock of the Company at 61% of the lowest trading price for twenty days prior to conversion.

During the year ended April 30, 2019, the Company issued a total of 768,728 shares of its common stock in the conversion of \$85,055 in convertible notes principal and in accrued interest payable and fees.

During the year ended April 30, 2020, the Company issued a total of 3,258,322 shares of its common stock in the conversion of \$232,419 convertible notes principal and accrued interest payable.

As of April 30, 2019, and April 30, 2020, the convertible debt outstanding, net of discount, was \$959,800 and \$821,949, respectively.

During the years ended April 30, 2019 and 2020, we had the following activity in our derivative liabilities:

| | |
|--|------------------|
| Balance at April 30, 2019 | \$1,252,539 |
| Issuance and conversion of convertible debt- net | 2,387,964 |
| Gain on gain on derivative liability | (2,307,215) |
| Balance at April 30, 2020 | <u>1,333,288</u> |

The estimated fair value of the derivative liabilities at April 30, 2020 was calculated using the Black-Scholes pricing model with the following assumptions:

| | |
|-------------------------|---------|
| Risk-free interest rate | 1.90% |
| Expected life in years | 0.25 |
| Dividend yield | 0% |
| Expected volatility | 427.00% |

NOTE 6 - EQUITY

Preferred Stock

The Company has 20,000,000 shares of \$0.0001 par value preferred stock authorized and has designated a Series A and a Series B preferred stock. Each share of the Series A preferred stock is convertible into ten common shares and carries voting rights on the basis of 100 votes per share. Each share of the Series B preferred stock is convertible into ten common shares and carries no voting rights.

During the year ended April 30, 2019 the Company converted 200,000 shares of Series A preferred into 2,000,000 shares of common stock.

On May 20, 2019, the Company approved the issuance of 2,831,350 shares of its common stock for the conversion of 283,135 for Series A preferred with a value of \$28. As of April 30, 2020 the Common shares had not been issued and the conversion was not completed.

As of April 30, 2019 the Company had 2,925,369 shares of Series A and 520,000 Series B preferred shares issued and outstanding.

On May 9, 2019, DTII's Board of Directors unanimously resolved to revise the terms of the company's Series A and Series B Preferred Shares. Under the new terms, the conversion right of both Series A and B Preferred Shares was changed from five (5) shares of DTII common stock for each one (1) share of Preferred Stock, to a new conversion right of ten (10) shares of DTII common stock for each one (1) share of Preferred Stock. The revised conversion terms apply to all issued and outstanding Preferred Shares and to future issuances of Series A and Series B Preferred Stock. The Board received the unanimous consent to the changed terms from each current Preferred shareholder

Common Stock:

The Company has 200,000,000 shares of \$0.0001 par value common stock authorized.

During the year ended April 30, 2019 the Company issued 686,425 shares of common stock with a value of \$189,374 for service.

During the year ended April 30, 2019, the Company issued 768,728 shares of its common stock in the conversion of debt of \$85,055.

During the year ended April 30, 2019, the Company issued 33,333 shares of its common stock for cash with a value of \$5,000.

On May 25, 2019, the Company issued 250,000 shares to Stuart Young per the investment agreement dated April 30, 2019 with a value of \$50,000 for service.

On May 25, 2019, the Company issued 75,000 shares of common stock to Kenneth Fitzpatrick per the consulting agreement dated February 25, 2019 with a value of \$215,000.

On August 7, 2019, the Company issued 100,000 to David King with a value of \$13,500 for service.

During the year ended April 30, 2019, the Company issued 250,000 shares of its common stock for the extension of a convertible note payable with a value of \$12,500.

During the year ended April 30, 2020 the Company issued 3,258,322 shares of common stock with a value of \$232,419 for debt.

During the year ended April 30, 2020 the Company issued 386,091 shares of common stock with a value of \$90,245 for accounts payable.

During the year ended April 30, 2020, the Company issued 798,200 shares of its common stock for service with a value of \$166,779.

During the year ended April 30, 2020, the Company cancelled 408,333 shares of its common stock for service with a value of \$96,517. The shares were cancelled as they had been authorized by the Company but never issued by the transfer agent thus the Company elected to cancel the shares. The cancellation resulted in a gain on cancellation of shares of \$96,517.

NOTE 7 – STOCK OPTIONS AND WARRANTS

On July 18, 2016, the Company issued warrants to a lender to purchase 167 shares of the Company's common stock at an exercise price of \$0.60 per share. The warrants vested upon grant and expire on July 17, 2018. The Company estimated the grant date fair value of the warrants at \$14,365 using the Black-Scholes option-pricing model and charged the amount to debt discount.

On June 14, 2016, the Company issued warrants to a consultant to purchase 33 shares of the Company's common stock at an exercise price of \$0.50 per share. The warrants vested upon grant and expired on June 14, 2017. The Company estimated the grant date fair value of the warrants at \$9,056 using the Black-Scholes option-pricing model and charged the amount to general and administrative expenses.

The following assumptions were used in estimating the value of the warrants issued June and July 2017:

| | |
|-------------------------|------------------|
| Risk free interest rate | .55 - .68% |
| Expected life in years | 1.0 - 2.0 |
| Dividend yield | 0% |
| Expected volatility | 137.99 – 351.37% |

On April 30, 2016, the Company issued options to a consultant to purchase a total of 667 shares of the Company's common stock. The options vested upon grant, expire on May 31, 2018, with 166 options exercisable at \$1.25 per share, 166 options exercisable at \$1.50 per share, 166 options exercisable at \$1.75 per share and 167,000 options exercisable at \$2.00 per share. The Company estimated the grant date fair value of the options at \$117,221 using the Black-Scholes option-pricing model and charged the amount to professional fees.

On February 4, 2016, the Company issued warrants to a lender to purchase 46 shares of the Company's common stock at \$0.60 per share. The warrants vested upon grant and were to expire on February 4, 2021. The Company estimated the grant date fair value of the warrants at \$18,403 using the Black-Scholes option pricing model and charged the amount to interest expense. The Company and the warrant holder ("Holder") entered into a Warrant Settlement Agreement on August 9, 2016 whereby the Holder exercised 46 shares in exchange for a cash payment by the Company of \$50,000, recorded as a reduction of additional paid-in capital, and the issuance by the Company of 200 of its common shares, recorded at par value of \$30.

During the year ended April 30, 2019 the Company issued 600,000 options and 250,000 warrants with a conversion price of \$0.70 to \$2.50 to 5 individuals. The options have a three year term and the warrants a three and one half term and are convertible into the common shares of the Company.

A summary of the Company's stock options and warrants as of April 30, 2020, and changes during the two years then ended is as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contract Term (Years) | Aggregate Intrinsic Value |
|---|---------|---------------------------------|--|---------------------------|
| Outstanding and exercisable at April 30, 2018 | 833 | 1.50 | .06 | \$ 83 |
| Granted | 850,000 | 1.14 | 2.75 | |
| Exercised | -- | -- | -- | -- |
| Forfeited or expired | (833) | 1.50 | -- | - |
| Outstanding and exercisable at April 30, 2019 | 850,000 | 1.14 | 2.75 | \$816,000 |
| Granted | -- | -- | -- | -- |
| Exercised | -- | -- | -- | -- |
| Forfeited or expired | -- | -- | -- | -- |
| Outstanding and exercisable at April 30, 2020 | 850,000 | 1.14 | 1.75 | \$ 882,300 |

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on our closing stock price of \$0.102 as of April 30, 2020, which would have been received by the holders of in-the-money options had the option holders exercised their options as of that date.

NOTE 8 – INCOME TAX

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by the valuation allowances when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company's deferred tax assets for the Company consisted of the following as of April 30, 2020 and 2019.

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|----------------|----------------|
| Income/(Loss) Before Income Taxes | \$ (949,379) | \$ 356,572 |
| Income Tax Recovery/Expense | 1,524,553 | (2,014,255) |
| Valuation Allowance | 535,491 | 855,647 |
| | <u>\$ -</u> | <u>\$ -</u> |
| Net Operating Losses | \$ (2,549,956) | \$ (4,074,509) |
| Tax Rate | 21% | 21% |
| Deferred Tax Assets | (535,491) | (855,647) |
| Valuation Allowance | 535,391 | 855,647 |
| Net Deferred Tax Assets | <u>\$ -</u> | <u>\$ -</u> |

The Company had a net loss of for the years ended April 30, 2020 and 2019, respectively. As of April 30, 2020, the Company had a net operating loss carry forward of \$2,549,956 which can be used to offset future taxable income.

The effective rate of corporate income tax was reduced from a maximum rate of 35% to 21% effective in the tax year 2017. A reconciliation of income taxes at the federal statutory rate to amounts provided for the years ended April 30, 2020 and 2019 as follows:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|--------------|--------------|
| U.S. federal statutory rate | 21% | 21% |
| Net operating loss | <u>(21%)</u> | <u>(21%)</u> |
| Effective tax rate | <u>--%</u> | <u>--%</u> |

The Company's tax years within the United States remain open for review back to 2016.

The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The tax rates the Company calculated the deferred tax asset for the years ended April 30, 2020 and 2019

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Company has the following commitments as of April 30, 2020:

- a) Administration Agreement with EMAC Handels AG, renewed effective May 1, 2014 for a period of three years. Monthly fee for administration services of \$5,000, office rent of \$250 and office supplies of \$125. Extraordinary expenses are invoiced by EMAC on a quarterly basis. The fee may be paid in cash and or with common stock.
- b) Service Agreement signed April 25, 2016 with Merrill W. Moses, President, Director and CEO, for services of \$7,500 per month beginning May 2016 and the issuance of 233 restricted common shares of the Company. The fees may be paid in cash and or with common stock.
- c) Service Agreement signed May 20, 2016 with Charles C. Hooper, Director, for services of \$5,000 per month beginning May 2016 and the issuance of 233 restricted common shares of the Company. The fees may be paid in cash and or with common stock.
- d) Administration and Management Agreement of PSSI signed January 12, 2017 with EMAC Handels AG, for general fees of \$5,000 per month, office rent of \$250 and telephone of \$125 beginning January 2017, the issuance of 2,000 common shares of PSSI and a 12% royalty calculated on defines sales revenues payable within 10 days after the monthly sales. .
- e) Service Agreement of PSSI signed January 12, 2017 with Merrill W. Moses, President, Director and CEO, for services of \$2,500 per month beginning February 2017 and the issuance of 333 common shares of PSSI.
- f) Business Development and Consulting Agreement of PSSI signed January 15, 2017 with WSMG Advisors, Inc., for finder's fees of 10% of funding raised for PSSI and the issuance of 1,000 common shares of PSSI.

NOTE 10: LEASE

On October 16, 2018, the Company signed a three year lease for the Company's warehouse space effective on November 1, 2018 through October 31, 2021. The lease is for approximately 4,700 square feet of warehouse space with a gross monthly rental cost including common area charges of \$3,250. The lease was terminated by the landlord on August 30, 2019 with the outstanding balance due of \$11,230.

NOTE 11 – SUBSEQUENT EVENTS

During the period from May 1, 2020 through July 27, 2020 the Company issued 10,635,623 shares of common stock with a value of \$131,504 for the conversion of debt.

The Company has evaluated subsequent events to determine events occurring after April 30, 2020 through August 7, 2020 that would have a material impact on the Company's financial results or require disclosure and have determined none exist other than those noted above in this footnote.