

tracesafe

TRACESAFE INC.

(FORMERLY BLOCKCHAIN HOLDINGS LTD.)

Unaudited Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2020 and 2019

(Expressed in United States dollars unless otherwise stated)

NOTICE TO READER

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

The accompanying unaudited condensed interim financial statements have been prepared by management and were not reviewed by the Company's independent auditor.

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)
Unaudited Condensed Consolidated Interim Statements of Financial Position

(expressed in United States dollars)

	Notes	As at June 30, 2020	As at December 31, 2019
Assets			
Current assets:			
Cash		\$ 254,334	\$ 719
Account receivable	8	465,970	1,196
Prepayment		56,368	23,067
Total current assets		776,672	24,982
Non-current assets			
Investment in Airbeam		882,000	882,000
Investment in Technology	6 and 10	300,000	-
Total non-current assets		1,182,000	882,000
Total assets		\$ 1,958,672	\$ 906,982
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	6	\$ 946,762	\$ 79,955
Due to related party	6	24,500	65,406
Loans payable	5	-	204,449
Total current liabilities		971,262	349,810
Total liabilities		\$ 971,262	\$ 349,810
Shareholders' equity			
Share capital	5	12,355,667	11,137,327
Other reserves	5	2,417,133	1,431,455
Accumulated Other Comprehensive Loss		(34,797)	(34,797)
Deficit		(13,750,593)	(11,976,813)
		987,410	557,172
Total liabilities and shareholders' equity		\$ 1,958,672	\$ 906,982

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 31, 2020, and are signed on its behalf by:

signed "James Passin"

 Director

signed "Wayne Lloyd"

 Director

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)
Unaudited Consolidated Statements of Comprehensive Loss

(expressed in United States dollars)

	Notes	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenue					
Product - TraceSafe		516,274	-	516,274	-
Cost of sales - TraceSafe	6	(322,101)	-	(322,101)	-
Gross margin		\$ 194,173	\$ -	\$ 194,173	\$ -
Operating expenses					
Bank charges		2,562	715	3,101	1,545
Development	6	327,055	-	327,055	-
General and administrative	7	22,241	20,403	54,766	39,473
Management fees	6	98,059	50,475	155,584	101,003
Professional fees	6	495,952	141,751	582,889	222,294
Regulatory and transfer agent fees		16,150	1,537	21,766	14,711
Stock-based compensation	5	-	-	665,638	-
Total operating expenses		(962,019)	(214,881)	(1,810,799)	(379,026)
Net loss		\$ (767,846)	\$ (214,881)	\$ (1,616,626)	\$ (379,026)
Finance charges		(168,563)	-	(168,563)	-
Foreign exchange gain/loss		(3,988)	(700)	(3,052)	(1,324)
Gain on settlement of debt		-	-	14,461	20,183
Comprehensive loss		\$ (940,397)	\$ (215,581)	\$ (1,773,780)	\$ (360,167)
Loss per common share:					
Basic and diluted		\$ (0.03)	\$ (0.01)	\$ (0.07)	\$ (0.02)
Weighted average number of common shares outstanding:					
Basic and diluted		29,630,662	21,391,778	26,186,918	20,682,356

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TraceSafe Inc. (formerly Blockchain Holdings Ltd.)
Unaudited Condensed Consolidated Interim Statements of Changes in Equity

(expressed in United States dollars)

	Number of common shares (#)	Share Capital	Reserves			Deficit	Attributable to Equity Holders of the Parent	Shareholders' equity
			Share based payment reserve	Accumulated Other Comp Income (Loss)				
Balance at December 31, 2018	19,784,875	\$ 10,222,879	\$ 1,513,866	\$ (28,762)	\$ (11,408,433)	\$ 299,550	\$ 299,550	
Private placement	443,156	168,151	-	-	-	168,151	168,151	
Private placement	2,010,000	746,297	-	-	-	746,297	746,297	
Total comprehensive loss for the period	-	-	-	-	(360,167)	(360,167)	(360,167)	
Balance at June 30, 2019	22,238,031	\$ 11,137,327	\$ 1,513,866	\$ (28,762)	\$ (11,768,600)	\$ 853,831	\$ 853,831	
Balance at December 31, 2019	22,238,031	\$ 11,137,327	\$ 1,431,455	\$ (34,797)	\$ (11,976,813)	\$ 557,172	\$ 557,172	
Private placement	1,097,213	246,454	-	-	-	246,454	246,454	
Performance shares	1,700,000	665,638	-	-	-	665,638	665,638	
Private placement	5,352,330	102,048	985,678	-	-	1,087,726	1,087,726	
Convertible note	899,847	204,200	-	-	-	204,200	204,200	
Total comprehensive loss for the period	-	-	-	-	(1,773,780)	(1,773,780)	(1,773,780)	
Balance at June 30, 2020	31,287,421	\$ 12,355,667	\$ 2,417,133	\$ (34,797)	\$ (13,750,593)	\$ 987,410	\$ 987,410	

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

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)
Unaudited Condensed Consolidated Interim Statements of Cash Flows

(expressed in United States dollars)	Note	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash flow from operating activities			
Loss for the period		\$ (1,773,781)	\$ (360,167)
Adjustments to reconcile loss to net cash used in operating activities:			
Gain on settlement of debt		-	(20,182)
Share based compensation		-	-
Change in non-cash working capital balances:			
Account receivable		(464,774)	-
Prepayment		(33,301)	(28,222)
Accounts payable and accrued liabilities		866,808	(49,764)
Due to related party		(40,906)	-
Total cash used in operating activities		(1,445,954)	(458,335)
Cash flows from financing activities			
Convertible debenture		781,229	-
Issuance of shares		1,218,340	914,448
Total cash provided from financing activities		1,999,569	914,448
Cash flows from investing activities			
Investment in Airbeam		-	(883,196)
Acquisition of TraceSafe technology		(300,000)	-
Total cash used in investing activities		(300,000)	(883,196)
Total decrease in cash during the period		\$ 253,615	\$ (427,083)
Cash and cash equivalents - Beginning of the period		719	508,195
Cash and cash equivalents - End of the period		\$ 254,334	\$ 81,112
Cash interest payments made during the period		\$ -	\$ -

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

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended June 30, 2020 and 2019
(Expressed in United States dollars)

1. CORPORATE INFORMATION

TraceSafe Inc. (formerly Blockchain Holdings Ltd.) [the “Company”] is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “TSF”. The Company holds an investment in a 5G-focused wireless technology company and acquired a self-quarantine monitoring technology “TraceSafe”. TraceSafe is a full suite of real-time location management services and contact tracing solutions enabled through advanced Bluetooth beacons.

The registered office of the Company is Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands.

2. BASIS OF PREPARATION

(a) Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Certain comparative figures have been reclassified to conform to the restated financial statement presentation for the current period. Since the unaudited Financial Statements do not include all disclosures required by IFRS for annual consolidated financial statements, they should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2019.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of condensed interim consolidated financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates, judgments, and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These Financial Statements were authorized for issue by the Board of Directors on August 31, 2020 and have been prepared under the historical cost convention, except for certain financial instruments. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
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2. BASIS OF PREPARATION (continued)

(b) Going concern

The assessment of the Company's ability to continue as a going concern and ability to fund potential projects, involves significant judgements based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The Company's business involves a high degree of risk and there can be no assurance that current business development activity will ultimately result in profitable operations. The Company's continued existence is dependent upon its ability to secure future customers and the achievement of profitable operations, or the ability of the Company to raise additional financing.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following new accounting standard will become effective in a future year and is not expected to have an impact on the Company's consolidated financial statements in future period.

- IFRS 7 *Insurance Contracts*
-

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020	December 31, 2019
	\$	\$
Trade payables	582,645	55,563
Accrued liabilities	364,117	24,392
	<u>946,762</u>	<u>79,955</u>

5. SHARE CAPITAL

Authorized share capital

The authorized capital of the company consists of unlimited common shares without par value.

Issued share capital

On March 2, 2020, the Company completed a non-brokered private placement of 1,097,213 common shares for proceeds of \$246,454 (CDN\$329,164). In connection with share issuances, the Company paid a finder's fee of \$1,572 (CND\$2,100).

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
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5. SHARE CAPITAL (continued)

Issued share capital (continued)

On March 20, 2020, the Company announced a non-brokered private placement offering of up to 3,333,333 units at a price of CDN\$0.30 per unit for gross proceeds of up to CDN\$1,000,000. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of CDN\$0.50 for a period of two years from issuance. As at March 31, 2020, the Company had received \$69,877 in subscription deposits. Also see Subsequent Events.

On January 15, 2020, the Company awarded 4,250,000 performance shares awards to certain directors of the Company. Each performance share represents one common share and vests upon satisfaction of certain milestones and over 3 years. On March 25, 2020, the Company issued 1,700,000 common shares as part of the achievement of a performance milestone. The day 1,700,000 performance shares were issued, the Company's common shares closed at \$0.39155 per share (CDN\$0.56 per share) and therefore recognized \$665,638 as stock-based compensation. The remaining 2,550,000 performance shares awards remain unissued.

On April 2, 2020, the Company retired all of the debentures through the issuance of 899,847 common shares at the conversion price of CDN\$0.30 per share in settlement of CDN\$264,000 in principal and CDN\$5,954.43 in accrued interest.

On April 29, 2020, the Company closed the private placement announced on March 20, 2020, by issuing 5,352,330 units for proceeds of CDN\$1,605,699.

Stock options

The continuity of the number of share purchase options outstanding is as follows:

	Number	Weighted average exercise price
Balance, December 31, 2018	1,582,500	0.32
Expired	(70,000)	2.50
Outstanding, December 31, 2019	1,512,500	\$ 0.21
Granted	-	-
Expired	-	-
Outstanding, June 30, 2020	1,512,500	0.21

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2020 and 2019

(Expressed in United States dollars)

5. SHARE CAPITAL (continued)**Stock options (continued)**

As at June 30, 2020, the following options were outstanding:

Number of options		Expiry date	Exercise price	Weighted remaining contractual life (years)
<i>Outstanding</i>	<i>Exercisable</i>			
12,500	12,500	December 3, 2020	\$ 2.00	0.43
1,500,000	1,500,000	October 15, 2023	\$ 0.20	3.29
1,512,500	1,512,500			

Warrants

The continuity of the number of share purchase warrants outstanding were as follows:

	Number	Weighted average exercise price
Outstanding, December 31, 2019	-	\$ -
Issued	2,676,172	0.50
Expired	-	-
Outstanding, June 30, 2020	2,676,172	\$ 0.50

As at June 30, 2020, the following warrants were outstanding:

Number of warrants	Expiry date	Exercise price	Weighted remaining contractual life (years)
<i>Outstanding</i>			
2,459,504	April 6, 2022	\$ 0.50	1.77
216,668	April 29, 2022	\$ 0.50	1.83
2,676,172			

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

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6. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole and its material subsidiary TraceSafe Technologies Inc.. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The Company incurred the following transactions with directors and key management personnel during the periods ended June 30, 2020 and 2019 was as follows:

	June 30, 2020	June 30, 2019
Cost of sales - TraceSafe	\$ 322,101	\$ -
Development	327,055	-
Management fees	137,250	101,003
Professional fees	31,113	29,271
Finance charges	168,563	-
	\$ 986,082	\$ 130,274

As at June 30, 2020, there was a balance of \$24,500 (June 30, 2019: \$14,000) accrued as payable to the Directors of the Company.

As at June 30, 2020, there was a balance of \$nil (June 30, 2019: \$7,526) accrued as payable to the Company's Chief Executive Officer.

As at June 30, 2020, there was a balance of \$738 (June 30, 2019: \$2,969) accrued as payable to the Company's Chief Financial Officer ("CFO").

As at June 30, 2020, there was a balance of \$166,605 (June 30, 2019: \$nil) accrued as payable to WiSilica Inc. ("WiSilica"), the company that was the vendor of the "TraceSafe" self-quarantine monitoring technology suite. The CEO of the Company's new subsidiary, TraceSafe Technologies Inc., is a significant shareholder of WiSilica. Furthermore, transactions recorded in cost of sales, development and finance charges are in the course of normal business and pursuant to the transition agreement. Please also refer to Note 10.

Related parties include the Board of Directors, close family members, key management personnel, significant shareholders and enterprises that are controlled by these individuals as well as certain persons performing similar functions in material subsidiaries.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	June 30, 2020	June 30, 2019
Insurance	\$ 25,149	\$ 21,051
Meals and entertainment	-	217
Office supplies	15,924	10,661
Travel	13,693	7,544
	\$ 54,766	\$ 39,473

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

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8. RECEIVABLE

On January 17, 2020, the Company loaned \$150,000 to EQITrade Limited and accepted a promissory note in return. Payment is due on demand with 30 days notice. As at June 30, 2020, the balance of the promissory note was \$130,000. The remaining \$335,970 is comprised of trade accounts receivables.

9. PANDEMIC

The recent outbreak of the coronavirus, also known as “COVID-19,” has spread across the globe and is impacting worldwide economic activity. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have such as the ability for the Company to raise capital, the Company cannot determine their financial impact at this time.

10. NEW SUBSIDIARY AND ACQUISITION OF TRACESAFE

On May 12, 2020, the Company acquired a self-quarantine monitoring technology suite known as “TraceSafe” through a newly formed subsidiary named Tracesafe Technologies Inc. for a cash payment and contribution of USD\$650,000 and 4,516,395 non-voting common shares in the capital of Tracesafe Technologies Inc. (the “Tracesafe Common Shares”) were issued to the vendor, WiSilica Inc. (“WiSilica”). Subject to certain voluntary conversion restrictions the Tracesafe Common Shares are exchangeable for 4,516,395 common shares in the capital of the Company.

In addition, WiSilica received an aggregate of 1,483,605 preferred shares in the capital of Tracesafe Technologies Inc., which may be converted into an aggregate of up to 19,286,865 Tracesafe Common Shares, upon satisfaction of three separate performance milestones relating to the commercialization of the TRACESafe assets. Such Tracesafe Common Shares are, subject to certain voluntary conversion restrictions, exchangeable for an aggregate of up to 19,286,865 common shares of the Company.

The “TRACESafe” self-quarantined monitoring technology includes a license for the use of a location- aware IoT platform, all customer and contact lists, inventory and all other related contracts. The Company is currently evaluating the appropriate accounting treatment of the acquisition and share issuance by the new subsidiary.

11. SUBSEQUENT EVENTS

On August 7, 2020, the Company closed the private placement offering, led by Canaccord Genuity Corp., of 4,005,000 units at a price of CDN\$1.00 per Unit for gross proceeds of CDN\$4,005,000. Each unit consisted of one common share of the Company and one half of one common share purchase warrant exercisable into one common share of the Company at a price of CDN\$1.50 per warrant for a period of 24 months from the closing date of the Offering. Concurrent with the offering, the Company issued 43,750 Units at the issue price to a third-party consultant to settle existing debt owed for consulting services. Furthermore, an additional 295,950 Units were issued to the agent and certain other brokers for finders and corporate finance fees.

On August 19, 2020, the Company completed a request for the exercise of 25,000 warrants for gross proceeds of CDN\$12,500. An additional 25,000 common shares were issues as a result.