

tracesafe

TRACESAFE INC.

(Formerly Blockchain Holding Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

TRACESAFE INC. (FORMERLY BLOCKCHAIN HOLDINGS LTD.)
MANAGEMENT DISCUSSION AND ANALYSIS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

Cautionary Statements

Forward-Looking Information

Except for statements of historical fact relating to TraceSafe Inc. ("TraceSafe" or "Company"), certain statements contained in this MD&A constitute forward-looking information, future oriented financial information or financial outlooks (collectively "forward looking information") within the meaning of Canadian securities laws. Forward-looking information may relate to this document and other matters identified in the Company's public filings, TraceSafe's future outlook and anticipated events or results and in some cases, can be identified by terminology such as "may", "will", "could", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "projects", "predict", "potential", "targeted", "possible", "continue", "objective" or other similar expressions concerning matters that are not historical facts and include, access to sufficient capital resources, the timing and amount of future development projects, the timing of cash flows, capital and operating expenditures, the timing of receipt of permits, employee relations, availability of financing and any and all other timing, development, operational, financial, economic, legal, regulatory and political factors that may influence future events or conditions. Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner, those disclosed in any other of TraceSafe's public filings, availability and final receipt of required approvals, licenses and permits, ability to acquire sufficient working capital to complete technology development projects, access to adequate services and supplies, economic conditions, foreign currency exchange rates, interest rates, access to capital and debt markets and associated cost of funds, availability of a qualified skilled work force, positive employee relations, lack of social opposition and legal challenges, and the ability to settle disputes. While TraceSafe considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in other TraceSafe's filings. Forward-looking statements are based upon management's beliefs, estimate and opinions on the date the statements are made and other than as required by law, TraceSafe does not intend and undertakes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

The following management's discussion and analysis ("MD&A") of TraceSafe Inc. (the "Company"), is prepared as of November 25, 2020, and should be read together with the audited consolidated annual financial statements and related annual MD&A for the year ended December 31, 2019. All financial amounts are stated in United States dollars unless otherwise indicated.

For the purpose of preparing this MD&A, Management in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (1) if such information results in or would reasonably be expected to result in a significant change in the market price or value of the Company's common shares; or (ii) there is substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on SEDAR at www.sedar.com.

All amounts in this MD&A are expressed in United States dollars ("US\$"), unless otherwise noted.

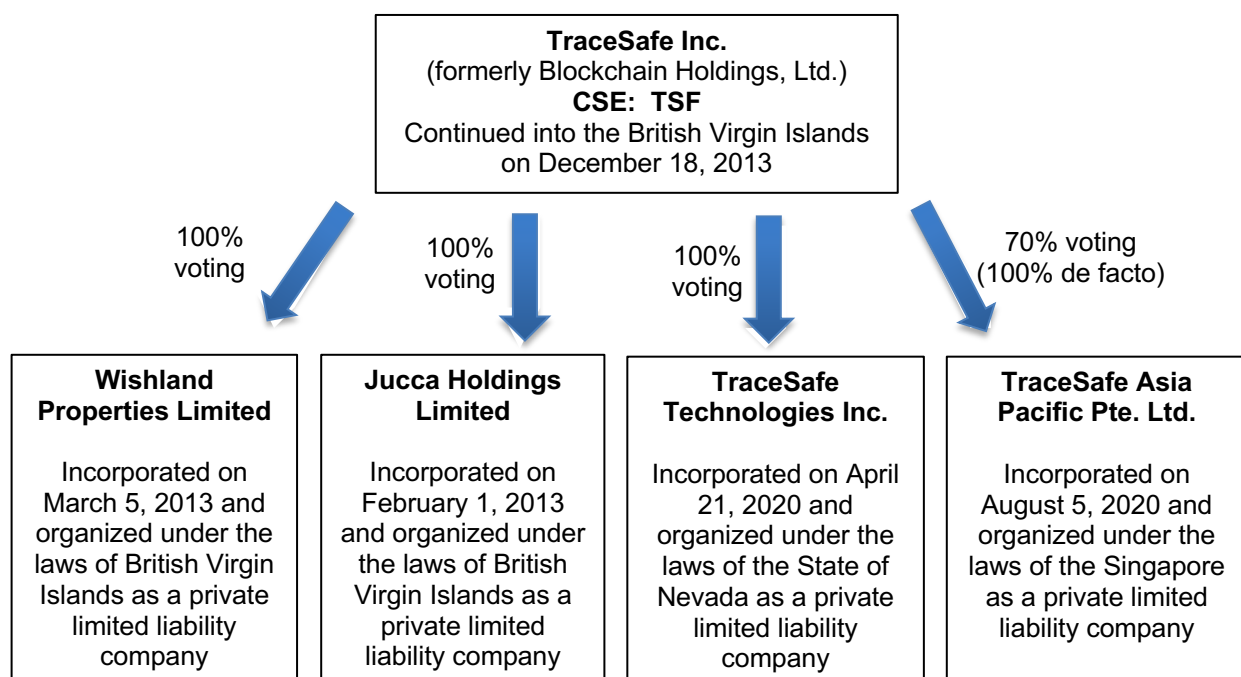
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DESCRIPTION OF BUSINESS

TraceSafe Inc. (formerly Blockchain Holdings, Ltd.) ["TraceSafe", "TSF" or the "Company"] was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia as a private company and continued into the British Virgin Islands on December 18, 2013.

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

TraceSafe has a 100% voting interest in Jucca Holdings Limited ["Jucca"], Wishland Properties Limited ["Wishland"] and TraceSafe Technologies Inc. ["TraceSafe Tech"]



OVERALL OBJECTIVE

The Company's strategic focus is to provide a full suite of real-time location management services and contact tracing solutions enabled through advanced bluetooth beacons in a variety of form factors. The Company also focused on developing a new suite of products for different markets.

Currently, TraceSafe's leading cloud management solution ensures both user privacy and comprehensive administrative control. TraceSafe is deployed in mission critical quarantine applications around the world in partnership with leading governments. In addition to their government work, TraceSafe is developing leading edge solutions for Enterprise, Healthcare, and large-scale venue management.

Hong Kong Government:

In early September 2020, the Company received a letter of acceptance from the Hong Kong Government confirming the order of 120,000 TraceSafe e-wristbands to be used in Hong Kong's Home Quarantine Support System. Two weeks after, the Company received a letter from the Hong Kong Government of ordering an extra 36,000 pieces, which represent 30% of the original quantity (120,000 pieces) TraceSafe e-wristbands for Hong Kong's Home Quarantine Support System.

Cayman Island Government:

The Company quarantine management solutions have been deployed for a pilot project in conjunction with Cayman Islands Quarantine Pathway project for reopening flights to Cayman Islands and has subsequently been adopted for mainstream deployment.

British Airways flights from Heathrow Airport in London are among the first flights to the Cayman Islands since the start of the COVID-19 pandemic. TraceSafe has shipped multiple self- quarantine management wristbands to the Cayman Islands for immediate use and additional wristbands are to be issued over the course of October.

The TraceSafe iMSafe device monitoring the interaction of the passengers is also being conducted with participants who are not travellers, including civil servants and those working with the testing team. TraceSafe technology and official protocol will be re-evaluated based on success in the Cayman Islands, following with the issuance of further orders and the assurance the Cayman Islands government is satisfied that the risk of importing the virus is mitigated.

Southeast Asian Conglomerate:

A large Southeast Asian Conglomerate; primarily focused on technology, defense and engineering, issued a letter of authorization for ordering an initial purchase of 30,000 wristbands and LTE Gateway, with additional purchase options over the next 12 months for sale into major national government in the region.

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SELECTED FINANCIAL INFORMATION

The following tables provide selected annual and quarterly financial information in accordance with IFRS for the Company's quarter ended September 30, 2020.

Three Months Ended	Total Revenue for the period US\$	Total Expenses for the period US\$	Net Loss for the period (including discontinued operations) US\$	Loss per share basic and fully diluted US\$	Total long- term financial liabilities US\$	Cash dividends per common share US\$
September 30, 2018	-	(207,521)	(207,521)	(0.03)	-	-
December 31, 2018	-	(217,916)	(721,878)	(0.04)	-	-
March 31, 2019	-	(144,585)	(144,585)	(0.01)	-	-
June 30, 2019	-	(215,581)	(215,581)	(0.01)	-	-
September 30, 2019	-	(130,650)	(130,650)	(0.01)	-	-
December 31, 2019	-	(197,357)	(197,357)	(0.01)	-	-
March 31, 2020	-	(833,383)	(833,383)	(0.04)	-	-
June 30, 2020	516,274	(962,019)	(940,397)	(0.03)	-	-
September 30, 2020	1,085,291	(878,243)	(511,341)	(0.02)	-	-

DIVIDEND PAYMENT

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its programs, future growth, and any other factors the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

RESULTS OF OPERATION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

The comprehensive loss for the three-month period ending September 30, 2020, was \$511,341 (2019 - \$130,650) and the comprehensive loss for the nine-month period ending September 30, 2020 was \$2,299,582 (2019 \$490,818).

Significant variances for the three-month and nine-month period ending September 30, 2020:

Revenue increased to \$1,085,291 compared to 2019 comparable period amount of \$nil, due to the acquisition of the "TraceSafe" full suite of real-time location management services and contact tracing solutions from WiSilica Inc. ("WiSilica") and the subsequent business development activity conducted by the Company after acquisition. The principals of WiSilica are providing support and contract services to assist with the transition of operations with one individual, Mr. Dennis Kwan now performing the role as CEO of TraceSafe Technologies Inc. Existing contacts and contracts have resulted in revenue from the Hong Kong government, the Southeast Asian Conglomerate and other government healthcare, and corporate relationships.

Cost of sales increased to \$ 637,034 compared to 2019 comparable period amount of \$nil, due to the acquisition of the "TraceSafe" full suite of real-time location management services and contact tracing solutions from WiSilica and the subsequent business development activity conducted by the Company after acquisition. WiSilica provided recently acquired product for sales fulfillment and performed engineering

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services to fulfill the recent sales orders. WiSilica is a related party as one of the principals, Mr. Dennis Kwan is a significant shareholder of WiSilica and is the now the CEO of TraceSafe Technologies Inc.

Development activity has increased to which a significant portion has been capitalized on the balance sheet, compared to 2019 comparable period amount of \$nil, due to the acquisition of the “TraceSafe” full suite of real-time location management services and contact tracing solutions from WiSilica and the subsequent business development and technology development activity conducted by the Company after acquisition. WiSilica provides development engineering, hardware, software and other support services for the development of the Atmosic, Dialog and LTEM-Bridge projects currently being developed. The planned expansion of development is part of a long-term development plan to provide technological solutions to quarantine management and contract tracing for governments, sports teams, companies and other entities as each is required to address the resumption of activity issues during the global pandemic. WiSilica is a related party as one of the principals, Mr. Dennis Kwan is a significant shareholder of WiSilica and is the now the CEO of TraceSafe Technologies Inc.

Management fees increased to \$ 79,247 [\$234,831, nine months period] compared to 2019 comparable period amount of \$43,764 [\$144,767, nine months period], due to the acquisition of the “TraceSafe” full suite of real-time location management services and contact tracing solutions from WiSilica and the subsequent business development activity conducted by the Company after acquisition. The principals of WiSilica are providing support and contract services to assist with the transition of operations with one individual, Mr. Dennis Kwan now performing the role as CEO of TraceSafe Technologies Inc. Also, TraceSafe Technologies Inc. has added a Chief Revenue Officer and Chief Privacy Officer, all of which, resulted in increased management fees.

Professional fees increased to \$ 549,302 [\$ 1,132,191, nine months period] compared to 2019 comparable period amount of \$60,316 [\$282,610, nine months period], due to the acquisition of the “TraceSafe” full suite of real-time location management services and contact tracing solutions from WiSilica. The primary reason for the increase is due to legal costs incurred during the process of negotiating, finalizing and closing the acquisition of “TraceSafe” with WiSilica. Furthermore, the Company was negotiating terms of the brokered private placement with Canaccord Genuity. Finally, corporate marketing and other professional services were initiated.

Stock based compensation increased because of the achievement of a performance milestone occurred earlier in the period and the granting to stock options to key employees. On September 18, 2020, the Company granted 500,000 stock options to two key employees and consequently recognized \$227,347 in share-based compensation. In addition, on January 15, 2020, the Company awarded 4,250,000 performance shares awards to certain directors of the Company. The day the 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.

Finance charges increased to \$ 86,863 [\$255,426, nine months period] compared to 2019 comparable period amount of \$nil, due to the transition agreement after acquisition of “TraceSafe”. Due to the timing of the acquisition and transition agreement, WiSilica provided provided finance sales fulfillment on recent sales orders. These charges are expected to be a one-time event once operational transition is completed.

RECENT ECONOMIC DEVELOPMENTS

In December 2019, a novel strain of coronavirus surfaced in China. By March 11, 2020, the Coronavirus disease (COVID-19) had spread to over 100 countries. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have caused and will continue to cause significant disruption to business operations and a significant increase in economic uncertainty, with reduced demand for commodities leading to volatile prices and currency exchange rates, and a decline in long-term interest rates. The speed and extent of the spread of COVID-19, the duration and intensity of the resulting business disruption, and the magnitude of the financial and social impacts are uncertain and difficult to predict.

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COVID-19 and the measures taken by governments and companies to reduce its spread may have an adverse impact on many aspects of the Company's business. Increased capital market and interest rate volatility may negatively affect the Company's ability to access external financing. Whether and to what extent the recent market volatility and COVID-19 outbreak will impact the Company's business will depend on future developments which, at this time, remain uncertain and difficult to predict.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2020, the Company had a working capital surplus of \$ 1,700,908 [September 30, 2019 – deficit of \$160,016]. All of the current accounts payable and accrued liabilities are due and payable within 12 months. The Company will need to raise additional funding in the next 12 months to be able to meet its current obligations.

The Company's working capital amounts are as follows:

	September 30, 2020	September 30, 2019
	\$	\$
Cash	394,560	65,094
Accounts receivable	1,171,511	-
Deposits from production	850,000	-
Prepayments	41,756	35,485
Accounts payable and accrued liabilities	(715,226)	(85,670)
Due to related party	(11,693)	(39,291)
Deferred revenue	(30,000)	(135,634)
	1,700,908	(160,016)

Until the Company is able to secure sufficient revenue from operations, the Company must utilize its current cash reserves, funds obtained from the exercise of stock options and other financing transactions to maintain its capacity to meet working capital requirements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not engaged in any off-balance sheet arrangements such as: obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or that engages in leasing, hedging or research and development services with the Company.

COMPLETED TRANSACTIONS

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.

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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.

On June 9, 2020, the Company changed its name to “TraceSafe Inc.”

On June 19, 2020, the Company announced that it has engaged Canaccord Genuity Corp. to act as lead agent in connection with a brokered private placement of up to 10,000,000 units at a price of CDN\$1.00 per unit, for gross proceeds of approximately CDN\$10,000,000.

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.

GOING CONCERN

The assessment of the Company’s ability to continue as a going concern and ability to fund potential technology development project, involves significant judgments 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 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.

These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions.

The Company will require additional financing, through various means including but not limited to equity financing, to continue to pursue the development of technology, and to meet its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds. These conditions represent a material uncertainty that may cast significant doubt regarding the Company’s ability to continue as a going concern. In the event that Company is not able to secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classification used.

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

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with directors and key management personnel during the periods ended September 30, 2020 and 2019 was as follows:

	September 30, 2020		September 30, 2019	
Cost of sales - TraceSafe	\$	667,846	\$	-
Development		45,504		-
Management fees		193,410		144,767
Professional fees		51,409		40,189
Finance charges		255,426		-
	\$	1,213,595	\$	184,956

As at September 30, 2020, there was a balance of \$11,693 (September 30, 2019: \$28,000) accrued as payable to the Directors of the Company.

As at September 30, 2020, there was a balance of \$nil (September 30, 2019: \$7,552) accrued as payable to the Company's Chief Executive Officer.

As at September 30, 2020, there was a balance of \$nil (September 30, 2019: \$3,738) accrued as payable to the Company's Chief Financial Officer ("CFO").

As at September 30, 2020, there was a balance of \$25,627 (September 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 (both on balance sheet and profit and loss) 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.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and due to related parties. Given their short-term nature, the fair value of these instruments approximates their carrying value. It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments.

Risk management

The Company's activities expose it to a variety of risks including interest rate risk, credit risk, liquidity risk and commodity price risk. Reflecting the current stage of development of the Company's various projects, the Company's overall risk management program focuses on facilitating the Company's ability to continue as a going concern and seeks to minimize potential adverse effects on the Company's ability to execute its change of business plan. Risk management is the responsibility of the finance function. Material risks are identified and monitored and are discussed by senior management and with the Audit Committee and the Board of Directors.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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The Company's exposure to market risk for changes in interest rates relates primarily to the Company's fixed rate current accounts in the bank and borrowings. As of the reporting date, the Company has not adopted sensitivity analysis to measure interest rate risk due principally to the fact that the Company has no floating rate financial assets and liabilities.

Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions. The Company's financial assets exposed to credit risk are primarily composed of cash. Maximum exposure is equal to the carrying values of these assets. The Company's cash is held at a large financial institution.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations. The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash and cash equivalents to meet its working capital requirements. At the current period ended, the Company had a working capital deficit. The Company will need to raise additional funding in the next 12 months to be able to meet its current obligations.

Foreign exchange risk

During the period, the Company subsidiary operations various jurisdiction where many of its transactions are denominated in other currencies. Accordingly, the results of operations and financial position of the Company are subject to changes in the exchange rate between the US dollar ("USD") and the other currencies.

The Company is listed on a Canadian stock exchange and incurs annual transactions in Canadian dollars to maintain its listing.

The Company's policy is to manage its foreign financial assets and liabilities using the best available foreign currency exchange rates.

Due to the minimal activity of the Company and its subsidiaries, foreign exchange risk is believed to be limited.

SHARE CAPITAL AND OUTSTANDING SHARE INFORMATION

Authorized capital

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

The holders of common shares are entitled to receive dividends, which may be declared from time to time, and are entitled to one vote per share at the Company's meetings. All shares are ranked equally with regards to the Company's residual assets.

Issued share capital

Information with respect to outstanding common shares and stock options as at September 30, 2020, and 2019, is as follows:

	September 30, 2020	September 30, 2019
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Common shares	35,441,271	22,238,031
Stock options	2,012,500	1,512,500
Stock warrants	4,931,447	-
Performance shares	2,550,000	-
	<u>44,935,218</u>	<u>23,750,531</u>

Please also refer to Completed Transactions section above and Note 10 of the Unaudited Interim Condensed Consolidated Interim Financial Statements for the period ending September 30, 2020. WilSilica has the ability to convert their shares of TraceSafe Technologies Inc. to TraceSafe Inc.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions about the future that affect the amounts recorded in the Consolidated Financial Statements and accompanying notes. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on the new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the period of change and future periods if the change impacts both periods.

The Company's significant accounting policies and estimates are fully described in Note 3 to the consolidated financial statements for the year ended December 31, 2019.

BOARD PURPOSE AND FUNCTION

The directors and management of the parent company have extensive experience operating and taking projects through to various stages of business and technological development. There is a balanced representation of directors with operational, corporate and financial backgrounds.

The board's purpose is to ensure corporate governance, risk, strategy and shareholder interests are priorities at all times. At the end of the period the board consisted of five members.

RISK FACTORS

The following risk factors, and the information incorporated by reference herein, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Dependence on Key Personnel, Contractors and Service Providers

Shareholders of our Company rely on the good faith, experience and judgment of the Company's management, contractors and service providers in supervising and providing for the effective management of the business and the operations of the Company and in selecting and developing new investment and expansion opportunities. The Company may need to recruit additional qualified contractors and service providers to supplement existing management. The Company will be dependent on a relatively small number of key persons, the loss of any one of whom could have an adverse effect on the Company.

Value of Our Common Shares

The value of the Company's common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the success of the Company's business strategy, competition or other applicable regulations, which may affect the business of the Company and other factors.

Additional Funding and Financing Risk

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Additional funds will be required for future technology development and investment. There is no assurance that sufficient equity financing will be available at reasonable terms to the Company. In addition, any future equity financings by the Company may result in substantial dilution for existing shareholders.

Conflicts of Interest

Certain Directors of the Company also serve as Directors of other companies involved in technology development. Consequently, there exists the possibility that such Directors will be in a position of conflict of interest. Any decision made by such Directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other technology companies. In addition, such Directors will declare, and refrain from voting on, any matter in which such Directors may have a material conflict of interest.

Regulatory Matters

The Company's business is subject to various federal, provincial and local laws governing financial system technology development, taxes, labor standards and occupational health and safety, and other regulatory matters. Development of technologies are also potentially subject to various federal, provincial and local laws and regulations relating to the protection of the financial monetary markets. A violation of these laws may result in the imposition of substantial fines and other penalties.

Litigation risk

Disputes are common in the technology industry where patents, processes and know-how are being developed and as such, in the normal course of business, the Company may be involved in various legal actions and proceedings, which arise from time to time, some of which may be substantial. However, there is no assurance that the Company's insurance arrangements will be sufficient to cover claims that may arise in the future. Furthermore, the Company may be subject to the risk of claims and legal actions for various contractual matters, primarily arising from alleged intellectual property infringement, in respect of which insurance is not available.

Insufficient revenues

As of the date of this MD&A, the Company did not have sufficient revenues to cover its operating costs. All of the Company's short to medium-term development and investment project funding must be derived from its existing cash position or from external financing.

New business venture and technology adoption risk

There is no assurance that the Company will be successful in transitioning to the new business venture, that the technology being developed will be adopted by intended end users and that Company operations will eventually become profitable.

Potentially dilutive loans from related parties and other related party transactions

Historically, the Company had signed loan agreements and debt settlement agreements with individual investors and related parties to raise cash to continue to fund operations. In addition, upon settlement of the loan through the issuance of shares, existing shareholders are potentially significantly diluted. Furthermore, the investment in Airbeam is a related party transaction as the current Director and CEO is also a Director of Airbeam.

Reliance on WiSilica Inc, a significant related party and other related party transactions

With the acquisition of Tracesafe's technology, the Company is highly reliant on key personnel of WiSilica Inc., to conduct its business. Specifically, the Company relies on WiSilica staff to organize all of its production activity and development activity. Any disruption or disputes with WiSilica may result in significant negative impact to its performance. Furthermore, there is a high level of related party activity with WiSilica.

STRATEGY AND OUTLOOK

The Company's remains committed to the creation of shareholder value. The directors and management have a wide entrepreneurial network, which can provide a range of future opportunities. The focus will be on projects and sectors that attract investor interest and offer significant growth potential.

OTHER INFORMATION

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Other information and additional disclosure of the Company's technical reports, material change reports, new releases, and other information may be found on the SEDAR website at www.SEDAR.com.

Corporate Office

Head Office

Sea Meadow House, Blackburne Highway, PO Box 116,
Road Town, Tortola,
British Virgin Islands.