

tracesafe

TraceSafe Inc.
(Formerly Blockchain Holdings Ltd.)

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited)

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Condensed Consolidated Balance Sheets

(Expressed in US Dollars – unaudited)

	March 31		March 31
	2021		2020
Assets			
Current assets			
Cash	\$ 681,664	\$	60,223
Receivables	1,036,303		151,196
Prepaid expenses	63,087		10,649
Deposits	386,540		-
	2,167,594		222,068
Fixed assets	27,840		-
Investment	4,069,037		882,000
Goodwill	3,650,355		-
	\$ 9,914,826	\$	1,104,068
Liabilities			
Current liabilities			
Payables and accrued liabilities	\$ 1,118,243	\$	115,550
Deferred revenue	433,518		-
Due to related parties	12,456		92,557
Loans payable	1,163,424		190,203
Consideration payable	1,099,014		-
Share subscription deposit	-		69,877
	3,826,656		468,187
Shareholders' equity			
Share capital	19,234,615		12,049,419
Warrant and option reserve	1,286,206		1,431,455
Accumulated other comprehensive earnings	2,188,912		(34,797)
Contributed surplus	820,690		-
Retained earnings	(18,754,395)		(12,810,196)
Equity attributable to owners of the parent	4,776,027		635,881
Equity attributable to non-controlling interest	1,312,144		-
	6,088,171		635,881
	\$ 9,914,826	\$	1,104,068

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Condensed Consolidated Statements of Earnings and Comprehensive Loss
(Expressed in US Dollars – unaudited)

	January 1 to March 31	
	2021	2020
Revenue		
Product sale	\$ 840,235	\$ -
Service income	446,940	-
	1,287,175	-
Cost of revenue (Note 9)	1,139,924	-
	147,251	-
Operating expenses		
Advertising	28,188	-
Bad debt expense	5,000	-
Bank charges	3,862	539
Depreciation	743	-
General and administration	242,778	32,525
Management fees	61,100	57,525
Personnel, payroll, and consultants	942,743	-
Professional fees	171,147	86,937
Regulatory and transfer agent fees	13,918	5,616
Research and development	455,914	-
Stock-based compensation	2,126,286	665,638
	4,051,679	848,780
Operating Loss	(3,904,428)	(848,780)
Other items		
Other income (Note 10)	(11,891)	-
Financing costs (Note 11)	131,304	3,052
Interest	(17,532)	-
Foreign exchange	11,499	(18,449)
Net loss	\$ (4,017,808)	\$ (833,383)
Total comprehensive loss for the year attributed to Owners of the parent	(2,884,902)	(833,383.00)
Non-controlling interest	(1,132,905)	-
Total comprehensive loss	\$ (4,017,808)	\$ (833,383)
Loss per share attributed to owners of the parent Basic and diluted	\$ (0.08)	\$ (0.04)
Weighted average number of shares outstanding Basic and diluted	\$ 37,744,730	\$ 22,238,031

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Condensed Consolidated Statements of Changes in Shareholders' Equity

(Expressed in US Dollars – unaudited)

	January 1 to March 31	
	2021	2020
Share Capital		
Balance - beginning of period	\$ 15,946,318	\$ 11,137,327
Issuance of common shares by warrants	2,198,008	246,454
Issuance of common shares by options	125,916	-
Issuance of common shares for performance	2,113,343	665,638
Repurchase of common shares	-	-
Balance - end of period	\$ 20,383,585	\$ 12,049,419
Retained Earnings		
Balance - beginning of period	\$ (15,916,656)	\$ (11,976,813)
Net loss	(4,017,808)	(833,383)
Balance - end of period	(19,934,464)	(12,810,196)
Adjustment for non-controlling interest	(5,032,653)	-
Net retained earnings for owners of parent company	\$ (14,901,811)	\$ (12,810,196)
Number of Shares Outstanding		
Balance - beginning of period	35,765,784	22,238,031
Issuance of common shares by warrants	4,387,183	1,097,213
Issuance of common shares by options	355,000	-
Issuance of common shares for performance	2,550,000	1,700,000
Repurchase of common shares	-	-
Balance - end of period	\$ 43,057,967	\$ 25,035,244

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Condensed Consolidated Statements of Cash Flows

(Expressed in US Dollars – unaudited)

	January 1 to March 31	
	2021	2020
Operating activities		
Net loss	\$ (4,017,808)	\$ (833,383)
Adjustments		
Depreciation	737	-
Changes in working capital		
Accounts Receivable	913,339	-
Deposit	386,116	-
Prepaid	(15,846)	12,418
Accounts Payable	118,663	62,746
Accrued Liabilities	(287,249)	-
Loan Payable	110,000	(14,246)
Deferred Revenue	379,600	-
A/R Factoring Payable	(304,361)	-
Share Based Compensation	-	665,638
	(2,716,808)	(106,827)
Financing activities		
Common Stock	4,437,267	246,454
Stock Options	(1,615,645)	-
Share subscription deposits	-	69,877
	2,821,622	316,331
Investing activities		
Intercompany	-	-
Fixed Assets	(28,577)	-
Demand Loan to EQITrade	-	(150,000)
	(28,577)	(150,000)
Change in cash	76,237	59,504
Cash – beginning of period	605,426	719
Cash – end of period	\$ 681,664	\$ 60,223

TraceSafe Inc. (formerly Blockchain Holdings Ltd.)

Notes to Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars, unless otherwise stated – unaudited)

1. Nature and continuance of operations

TraceSafe Inc. (formerly Blockchain Holdings Ltd.) (the “Company”) is listed on the Canadian Securities Exchange (“CSE”) under the symbol “TSF”. The registered office and head office of the Company is Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands.

The Company’s business focuses on a self-quarantine monitoring technology “TraceSafe”, a real-time location management services and contact tracing solutions enabled through Bluetooth beacons and enterprise cloud management. The Company is developing leading edge solutions for Enterprise, Healthcare, Education, Government, and large-scale venue management.

The assessment of the Company’s ability to continue is an on-going concern, and its ability to fund potential projects involves significant judgement 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.

The outbreak of the coronavirus, also known as “COVID-19”, has spread across the globe and is impacting worldwide economic activity. The extent to which the coronavirus may impact the Company’s business activities will depend on the duration of the outbreak, travel restrictions, business disruptions, and treatment of the disease. The Company continues to closely monitor developments in the coronavirus outbreak, including the potential impact on the Company’s activities and its liquidity.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 31, 2021.

Basis of Measurement

The financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns. Details of controlled entities are as follows:

	Jurisdiction of Incorporation	Percentage Owned	
		March 31, 2021	March 31, 2020
Jucca Holdings Limited	British Virgin Islands	100%	100%
Wishland Properties Limited	British Virgin Islands	100%	100%
TraceSafe Technologies Inc.	Nevada, United States	7.5%	-
TraceSafe Asia Pacific Pte Ltd.	Singapore	100%	-
TraceSafe Canada Inc.	British Columbia, Canada	100%	-

The Company owns 100% of the voting common shares of TraceSafe Technologies Inc. ("TraceSafe Tech") and therefore has consolidated TraceSafe Tech with the equity interest attributable to the non-controlling majority shareholder presented as non-controlling interest. (See Note 8)

TraceSafe Inc. owns 70% of the voting shares of the subsidiary TraceSafe Asia Pacific Pte. Ltd. and the Company required a local director to manage the day-to-day operations and is a representative of the Company. Due to certain agreements related to this arrangement, the Company has functional control and beneficial (100%) ownership.

On March 1, 2021, TraceSafe Canada Inc. was incorporated in the province of British Columbia, Canada. There are no operations in TraceSafe Canada Inc. as of March 31, 2021.

The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent entity and the non-controlling interests based on their respective ownership interests. Inter-company balances and transactions are eliminated on consolidation.

Functional and Presentation Currency

The financial statements are presented in US dollars, unless otherwise stated. The functional currency of the parent company is the Canadian dollar and the functional currency of each of the Company's subsidiaries is the US dollar, except for TraceSafe Asia Pacific Pte Ltd. whose functional currency is the Singapore dollar.

3. Accounts Payable and Accrued Liabilities

	March 31, 2021	March 31, 2020
	USD	USD
Trade payables	1,009,159	53,988.00
Accrued liabilities	109,084	61,562.00
	1,118,243.39	115,550.00

4. Share Capital

Authorized share capital

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

Issued share capital

A total of 7,292,183 common shares were issued between January 1 and March 31, 2021, bringing the total number of shares outstanding to 43,057,967.

Number of Shares Outstanding	January 1 to March 31	
	2021	2020
Balance - beginning of period	35,765,784	22,238,031
Issuance of Common Shares by Warrants	4,387,183	1,097,213
Issuance of Common Shares by Options	355,000	-
Issuance of Common Shares for Performance	2,550,000	1,700,000
Repurchase of Common Shares	-	-
Balance - end of period	43,057,967	25,035,244

Notable share issuances

On March 9, 2021, a total of 2,550,000 performance shares were issued to James Passin and Vindemy Advisors (a private company controlled by Wayne Lloyd) in recognition of them meeting the milestones laid out in their PSU Agreements dated January 15, 2020.

On March 19, 2021, WiSilica was issued 3,000,000 shares in TraceSafe Inc. in exchange for 3,000,000 shares in TraceSafe Tech at a 1:1 value, as per the contribution agreement dated April 22, 2020.

5. Related Party Transactions

Related parties include the Board of Directors, corporate officers, 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. This includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole and its subsidiaries.

	January 1 to March 31	
	2021	2020
Cost of Sales	\$ 348,209	\$ -
Development	430,814	-
Management Fees	289,530	57,525
Consultants	92,506	-
Marketing	25,146	-
Stock Based Compensation	2,113,343	-
Professional Fees	-	15,174
	\$ 3,299,548	\$ 72,699

At March 31, 2021, there was a balance of \$147,696 (March 31, 2020: \$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.

On March 9, 2021, 2,550,000 performance shares were issued to Vindemy Advisors and James Passin, as the milestones in their PSU Agreements (dated January 15, 2020) had been met. Shares were issued at \$1.05 CAD (\$0.79 USD).

6. General and Administrative Expenses

	January 1 to March 31	
	2021	2020
Insurance	\$ 24,526	\$ 12,418
Marketing	40,748	-
Meals & Entertainment	1,294	-
Office Supplies	118,337	6,414
Rent	12,788	-
Travel	16,177	13,693
	\$ 213,870	\$ 32,525

7. Receivable factoring facility

On November 3, 2020, the Company entered into a working capital facility agreement for a factoring facility of \$1,500,000. Discount fees of 2.7% of the issued invoice amount of purchased receivable for 0-30 days outstanding and 0.09% of the invoice amount of purchased receivable will be charged to the Company per day past thirty days outstanding. The facility can be cancelled at any time by either party with 30 days written notice. The Company provided a general security agreement to secure the working capital facility.

As of March 31, 2021, the Company had an outstanding owing amount of \$1,163,424.

8. Non-Controlling Interest

The non-controlling interest represents the non-voting common shares and preferred shares of TraceSafe Tech held by non-controlling interest holders and is related to the consideration transferred in the acquisition of TraceSafe technology.

On March 19, 2021, 3,000,000 Class B Non-Voting Common Shares in TraceSafe Tech were exchanged for 3,000,000 Common Shares in TraceSafe Inc, as per the Contribution Agreement with WiSilica Inc dated April 22, 2020. As a result, non-controlling interest in TraceSafe Tech changed from 93.7% to 92.5% as of March 19, 2021.

9. Deposits Correction

It was determined that some of the deposits still showing as outstanding as of December 31, 2020 should have been absorbed into Cost of Revenue prior to December 31, 2020. Adjustments were posted in January, February, and March 2021 to move \$392,371 of deposits into Cost of Revenue. This is in addition to the Cost of Revenue amounts belonging in the time period between January 1 and March 31, 2021.

Adjustments to reflect actual operations for January 1 to March 31, 2021	
Reported Cost of Revenue	\$ 1,139,924
Adjustment from deposits	(392,371)
Adjusted Cost of Revenue	\$ 747,553
Reported Gross Profit	\$ 147,251
Adjustment from deposits	392,371
Adjusted Gross Profit	\$ 539,622
Reported Net Loss	\$ (4,017,808)
Adjustment from deposits	392,371
Adjusted Net Loss	\$ (3,625,437)

10. Other Income

An amount of \$11,844 was posted to Other Income to recognize interest earned upon the repayment of the EQJBank loan.

11. Financing Costs

Financing Costs relate to charges for Receivables Factoring in the amount of \$129,599 (see note 7). The remaining \$1,706 resulted from using a manufacturer to purchase raw materials, thus incurring charges on the amounts owed to them.