

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Tracesafe Inc (the "Issuer").

Trading Symbol: TSF

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

See Financial Statements (Note 17) attached as Schedule A

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,



TraceSafe Inc.

Condensed Interim Consolidated Financial Statements
Period Ended June 30, 2022
(Expressed in United States Dollars)
(Unaudited)

TraceSafe Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in US Dollars-Unaudited)

	Notes	June 30 2022	December 31 2021
ASSETS			
Current assets			
Cash		\$ 67,069	\$ 356,665
Restricted term deposits	5	51,528	51,543
Trade and other receivables	6	122,781	510,245
Prepays	7	162,553	343,408
Inventories	8	419,852	556,962
Deferred contract asset	14	168,895	209,429
Total current assets		992,678	2,028,252
Property and equipment	9	41,312	64,294
Investment	10	2,202,449	2,202,449
Total Assets		\$ 3,236,439	\$ 4,294,995
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Trade payables and accrued liabilities	13	\$ 1,831,234	\$ 2,387,692
Deferred revenue	14	413,905	1,154,921
Loans payable	15	623,075	756,275
Total current liabilities		2,868,214	4,298,888
Loans payable	15	2,150,457	-
Derivative liabilities	15	155,068	-
Total Liabilities		5,173,739	4,298,888
Shareholders' Deficiency			
Share capital	16	20,095,592	19,840,230
Reserves	16	1,703,167	898,122
Accumulated other comprehensive income		1,251,057	1,279,742
Deficit		(18,358,235)	(15,806,306)
Equity attributable to owners of the parent		4,691,580	6,211,788
Equity attributable to non-controlling interest	4	(6,628,880)	(6,215,681)
Total Shareholders' Deficiency		(1,937,300)	(3,893)
Total Liabilities and Shareholders' Deficiency		\$ 3,236,439	\$ 4,294,995

Nature and continuance of operations (note 1)

Commitment (note 22)

Subsequent events (note 25)

Approved and authorized for issuance by the Board of Directors on Aug 25, 2022.

"James Passin"

Director

"Wayne Lloyd"

Director

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

TraceSafe Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in US Dollars-Unaudited)

		Three months ended June 30		Six months ended June 30	
	Notes	2022	2021	2022	2021
Revenue					
Product sales	20	\$ 550,941	2,849,701	\$ 985,109	\$ 3,689,936
Service income	20	265,744	549,608	1,088,560	996,548
		816,685	3,399,309	2,073,669	4,686,484
Cost of revenue	20	(37,508)	(3,010,170)	(438,384)	(4,150,094)
		779,177	389,139	1,635,285	536,390
Operating expenses					
Bad debt expense	6	950	-	950	5,000
Bank Fees		2,312	3,505	6,347	7,367
Amortization	9,11	14,108	1,697	22,965	2,440
Research and development	17	337,678	489,124	776,657	945,038
General and administration	17	127,588	139,464	247,210	382,242
Marketing		18,848	95,687	77,907	123,875
Personnel	17	776,981	955,696	1,766,458	1,898,439
Professional fees	17	439,858	300,235	1,023,042	532,482
Regulatory		7,923	9,157	10,892	23,075
Share-based compensation	16,17	264,129	-	805,045	2,126,286
		1,900,375	1,994,565	4,737,473	6,046,243
Operating loss		(1,211,198)	(1,605,426)	(3,102,188)	(5,509,853)
Other items					
Change in fair value of derivative liability	15	(261,184)	-	(603,448)	-
Other income	24	(15,305)	-	(68,277)	(11,891)
Finance costs	16	248,805	129,944	506,283	243,716
Foreign exchange		(48,102)	11,193	(21,645)	22,692
Net loss		(1,135,113)	(1,746,563)	(2,915,101)	(5,764,370)
Tax expense		49,731	60,288	50,030	60,288
Net loss after tax		(1,184,844)	(1,806,851)	(2,965,131)	(5,824,658)
Other comprehensive loss					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		(28,680)	-	(28,680)	-
Total comprehensive loss		\$ (1,213,524)	(1,806,851)	\$ (2,993,814)	\$ (5,824,658)
Total comprehensive loss for the period attributable to:					
Owners of the parent	4	\$ (1,239,211)	\$ (393,134)	\$ (2,580,616)	\$ (3,278,036)
Non-controlling interest		33,340	(1,413,717)	(413,200)	(2,546,622)
Total comprehensive loss		\$ (1,205,871)	\$ (1,806,851)	\$ (2,993,814)	\$ (5,824,658)
Loss per share – basic and diluted		\$ (0.03)	\$ (0.01)	\$ (0.06)	\$ (0.08)
Weighted average number of shares outstanding					
- basic and diluted		43,178,086	40,606,041	43,178,086	40,606,041

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

TraceSafe Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in US Dollars-Unaudited)

	Share Capital				Accumulated Other			Equity attributable to	Equity attributable	
	Number of	Amount	Obligation to	Reserves	Comprehensive	Deficit	Equity attributable to	to non-controlling	Total	
	Shares		issue shares		Income		owners of parent	interest		
Balance, December 31, 2020	35,765,784	\$ 15,946,318	\$ 820,690	\$ 1,752,881	\$ 2,195,480	\$ (15,916,656)	\$ 4,798,713	\$ 3,514,415	\$ 8,313,128	
Shares issued pursuant to acquisition agreement	4,400,000	1,848,049	-	-	-	-	1,848,049	(1,848,049)	-	
Options exercised	455,000	166,727	-	(72,600)	-	-	94,127	-	94,127	
Warrants exercised	1,300,170	511,433	-	-	-	-	511,433	-	511,433	
Shares issued for services	1,240,301	566,638	-	-	-	-	566,638	-	566,638	
Stock-based compensation	-	-	-	328,052	-	-	328,052	-	328,052	
Performance shares issued	2,550,000	820,690	(820,690)	-	-	-	-	-	-	
Option reserve adjusted due to forfeiture	-	-	-	(1,218,132)	-	1,218,132	-	-	-	
Warrant reserve adjusted from share capital	-	(19,625)	-	22,619	-	-	2,994	-	2,994	
Equity component on convertible debenture	-	-	-	85,302	-	-	85,302	-	85,302	
Remeasurement investment in Airbeam	-	-	-	-	(900,255)	-	(900,255)	-	(900,255)	
Translation difference	-	-	-	-	(15,483)	-	(15,483)	-	(15,483)	
Net loss for the year	-	-	-	-	-	(1,107,782)	(1,107,782)	(7,882,047)	(8,989,829)	
Balance December 31, 2021	45,711,255	\$ 19,840,230	\$ -	\$ 898,122	\$1,279,742	\$ (15,806,306)	\$6,211,788	\$ (6,215,681)	\$ (3,893)	
Shares issued for services	809,403	216,090	-	-	-	-	216,090	-	216,090	
Shares issued on conversion of promissory notes	336,666	39,272	-	-	-	-	39,272	-	39,272	
Stock-based compensation	-	-	-	805,045	-	-	805,045	-	805,045	
Translation difference	-	-	-	-	(28,680)	-	(28,680)	-	(28,680)	
Net loss for the period	-	-	-	-	-	(2,551,931)	(2,551,931)	(413,200)	(2,965,130)	
Balance June 30, 2022	46,857,324	\$ 20,095,592	\$ -	\$ 1,703,167	\$1,251,057	\$ (18,358,235)	\$4,691,584	\$ (6,628,881)	\$ (1,937,298)	

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

TraceSafe Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in US Dollars-Unaudited)

	Six months ended June 30,	
	2022	2021
Cash provided by (used in):		
Operating activities		
Net loss	\$ (2,965,129)	\$ (5,824,687)
Adjustment to reconcile non-cash items		
Amortization	22,446	73,573
Finance costs	279,771	-
Change in fair value of derivative liability	(603,448)	-
Shares issued for services	216,090	-
Share-based compensation	805,045	-
Foreign exchange	346	-
Changes in working capital		
Trade and other receivables	375,559	(991,244)
Prepays	192,760	651,938
Inventories	137,110	-
Trade payables and accrued liabilities	(542,968)	856,451
Deferred revenue	(741,016)	2,770,910
Deferred contract asset	40,534	-
Net cash used in operating activities	(2,782,900)	(2,463,059)
Investing activities		
Purchase of property and equipment	-	(31,444)
Net cash used in investing activities	-	(31,444)
Financing activities		
Lease payments	(13,235)	-
Proceeds from share issuance	-	2,924,396
Proceeds from issuance of convertible debt	3,000,000	-
Convertible debt transaction costs	(298,865)	-
Repayment of loan payable	(205,183)	(682,194)
Proceeds from loan payable	39,272	311,594
Net cash provided by financing activities	2,521,989	2,553,796
Change in cash	(260,911)	59,293
Effect of change in foreign exchange rates	(28,685)	1
Cash, beginning of period	356,665	605,426
Cash, end of period	\$ 67,069	\$ 664,720

Supplemental cash flow information (note 23)

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

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022

(Expressed in US Dollars, unless otherwise stated - Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

TraceSafe Inc. (the “Company”) is listed on the Canadian Securities Exchange (“CSE”) under the symbol “TSF”. The registered office and head office of the Company is Craigmuir Chambers, P.O. Box 71, 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 as a going concern, and its ability to fund potential projects involves significant judgement based on historical experience and other factors (including expectation of future events). 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, and the ability of the Company to raise additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not reflect adjustments to the carrying values of assets and liabilities, the reported revenue and expenses, and the statement of financial position classification used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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

The condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 – Interim Financial Reporting.

These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company’s most recent audited consolidated financial statements for the year ended December 31, 2021, which were prepared in accordance with IFRS as issued by IASB.

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent audited consolidated financial statements for the year ended December 31, 2021.

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022

(Expressed in US Dollars, unless otherwise stated - Unaudited)

2. BASIS OF PREPARATION (continued)

The preparation of these condensed interim consolidated financial statements in conformity with IFRS also requires management to make estimates and judgements that may have a significant impact on these condensed interim consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The critical accounting judgements and estimates were presented in the Company's most recent audited consolidated financial statements for the year ended December 31, 2021 and are the same as those applied for the six months ended June 30, 2022.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on Aug 25, 2022.

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:

		Percentage Owned	
	Jurisdiction of Incorporation	June 30, 2022	June 30, 2021
Jucca Holdings Limited	British Virgin Islands	-	100%
Wishland Properties Limited	British Virgin Islands	100%	100%
TraceSafe Technologies Inc. ("TraceSafe Tech")	Nevada, United States	8.2%	6.3%
TraceSafe Asia Pacific Pte Ltd. ("TraceSafe Asia")	Singapore	70%	100%
TraceSafe Canada Inc.	British Columbia, Canada	100%	-

The Company holds 100% of the voting common shares of TraceSafe Tech and therefore has consolidated TraceSafe Tech with the equity interest attributable to the non-controlling majority shareholder presented as non-controlling interest. (note 5)

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED JUNE 30, 2022***(Expressed in US Dollars, unless otherwise stated - Unaudited)*

2. BASIS OF PREPARATION (continued)

The Company allotted 30% of the voting shares of the subsidiary, TraceSafe Asia to an executive employee. The Company retains 70% of the voting shares. This is required per the local laws of the Republic of Singapore to have a local director to manage the day-to-day operations and act as a representative of the Company. Due to certain agreements related to this arrangement, the executive agrees, unless authorized by the Company, to not offer, sell, contract to sell, grant or sell any option to purchase these shares to any third parties. Upon termination of the relationship with the executive and the Company, the Company retains the right to repurchase the voting shares for no additional consideration.

On March 1, 2021, TraceSafe Canada Inc. was incorporated in the province of British Columbia, Canada. On January 19, 2022, Jucca Holdings Limited has been dissolved.

Inter-company balances and transactions are eliminated on consolidation.

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2022

(Expressed in US Dollars, unless otherwise stated - Unaudited)

3. BUSINESS COMBINATION

On April 22, 2020, the Company entered into a Contribution Agreement (the “Agreement”) with WiSilica Inc. (“WiSilica”) to purchase TraceSafe, a self-quarantine monitoring technology suite. Pursuant to the Agreement, the Company subscribed for 1,160,714 voting common shares of TraceSafe Tech in exchange for \$650,000 in cash. TraceSafe Tech acquired 100% interest of certain identified assets from WiSilica, including TraceSafe technology and the associated inventory, in the consideration of \$250,000 payment in cash, a payable for the inventory transferred, 4,516,395 non-voting common shares and an aggregate of 1,483,605 preferred shares of TraceSafe Tech. The acquisition was completed on May 12, 2020.

As part of the acquisition, TraceSafe Tech and WiSilica also entered into a Support Agreement dated May 5, 2020, a Transition Services Agreement dated May 12, 2020, a WiSilica Platform License Agreement dated May 12, 2020, Inventory Purchase Agreement dated May 12, 2020, an Intellectual Property Assignment Agreement dated May 12, 2020 and a Bill of Sale Assignment and Assumption Agreement dated May 12, 2020.

The Company determined that the acquisition was a business combination as the acquired assets constitute a business as defined under IFRS 3 Business Combinations. The Company owns all the voting common shares of TraceSafe Tech and therefore was determined to be the acquirer. Accordingly, the transaction was accounted for by applying the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Goodwill consists of an organized workforce and synergies relating to the Company’s existing technology business.

The purchase price allocation is as follows:

	Amount
Total consideration transferred	\$ 5,864,369
Assets acquired	
Inventory	\$ 1,099,014
TraceSafe technology	1,115,000
Total identifiable assets acquired	2,214,014
Goodwill	\$ 3,650,355
The total consideration transferred is comprised of the following:	
	Amount
Cash	\$ 250,000
Consideration payable	1,099,014
Obligation to issue shares	1,998,053
Contingent consideration in obligation to issue shares	2,517,302
Total consideration	\$ 5,864,369

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022 (Expressed in US Dollars, unless otherwise stated - Unaudited)

3. BUSINESS COMBINATION (continued)

The total consideration transferred for the acquisition is summarized below:

Obligation to issue shares

a) Class B non-voting common shares

TraceSafe Tech issued 4,516,395 Class B non-voting common shares which are convertible into Class A common shares of the Company on a 1:1 basis. The fair value of these shares on the date of issuance was \$1,998,053. The shares were classified as equity in the consolidated financial statements.

b) Class C non-voting preferred shares

TraceSafe Tech issued 494,535 Class C preferred shares which had a fair value on issuance of \$30. The Class C preferred shares are contingently convertible into Class B non-voting common shares of TraceSafe Tech on a 1:13 basis upon completion of a specific milestone.

Both the Class B non-voting common shares and the Class C non-voting preferred shares were presented in equity as obligation to issue shares as at December 31, 2020.

Contingent consideration in obligation to issue shares

TraceSafe Tech issued 494,535 Class A preferred shares and 494,535 Class B preferred shares with a fair value at issuance of \$2,517,272.

The Class A preferred shares were contingently convertible into Class B non-voting common shares of TraceSafe Tech on a 1:13 basis if the commercialization of the acquired technology generates \$500,000 in gross revenues, as recognizable under IFRS, on or before July 31, 2020 ("milestone date").

The Class B preferred shares were contingently convertible into Class B non-voting common shares of TraceSafe Tech on a 1:13 basis upon the procurement of contracts in at least six internationally recognized countries, and achieving a minimum annual sales volume of 100,000 units on a pro rata basis by July 31, 2020. The contingent consideration was classified as a financial liability measured at FVTPL on the acquisition date as the amount will be settled in a variable number of shares.

Performance obligation milestones

By July 31, 2020, the first and second milestone was met. On April 26, 2021, TraceSafe Tech issued 12,857,910 Class B non-voting common shares to Wisilica in exchange of 494,535 Class A preferred shares and 494,535 Class B preferred shares in TraceSafe Tech.

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022
(Expressed in US Dollars, unless otherwise stated - Unaudited)

3. BUSINESS COMBINATION (continued)*Shares Exchange*

The Company issued 4,400,000 Class A common shares to Wisilica in exchange for 4,400,000 Class B non-voting common shares in TraceSafe Tech during the year ended, December 31, 2021 (note 17). Wisilica holds 12,974,305 Class B non-voting shares as at year end, December 31, 2021, representing a non-controlling interest of 91.8%.

The Company determined the fair value of the contingent consideration on the acquisition date May 12, 2020 by using Monte Carlo simulation approach applied with the following assumptions, incorporated with certain estimate made on projected sale:

	Class B Common Share	Shares of TraceSafe Tech		
		Class A Preferred Share	Class B Preferred Share	Class C Preferred Share
Stock price of Class A common shares of the Company applied	\$ 0.61445	\$ 0.61445	\$ 0.61445	\$ 0.61445
Expected annualized volatility	55%	55%	55%	55%
Discount lack of marketability	28%	28%	28%	28%
Weighted average cost of capital	12%	12%	12%	12%
Probability of achieving milestone		68.32%	20.18%	0.001%

On June 6, 2020, the Company determined there was a change in circumstance with the event of first sale and remeasured the fair value of the contingent consideration in obligation to issue shares, which comprise of Class A preferred shares and Class B preferred shares, using the following assumptions, incorporated with certain estimate made on projected sale:

	Shares of TraceSafe Tech	
	Class A Preferred Share	Class B Preferred Share
Stock price of Class A common shares of the Company applied	\$ 0.89511	\$ 0.89511
Expected annualized volatility	30%	30%
Discount lack of marketability	22%	22%
Weighted average cost of capital	12%	12%
Probability of achieving milestone	100%	50%

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022***(Expressed in US Dollars, unless otherwise stated - Unaudited)***3. BUSINESS COMBINATION (continued)**

As a result, from the remeasurement on the fair value of the consideration and contingent consideration, during the year ended December 31, 2020, the Company recorded a change in the fair value of contingent consideration liability of \$2,782,081 (note 5) in profit or loss and immediately subsequent to the remeasurement, reclassified the contingent consideration from liability to equity.

A summary of the carrying values of the instruments involved in the acquisition measured at the various dates is as following:

	Shares of TraceSafe Tech			
	Class B Common Share	Class A Preferred Share	Class B Preferred Share	Class C Preferred Share
<i>As at May 12, 2020</i>				
Value	\$ 1,998,053	\$ 1,943,290	\$ 573,982	\$ 30
<i>As at June 6, 2020</i>				
Value	\$ 1,998,053	\$ 4,239,480	\$ 1,059,873	\$ 30
<i>As at December 31, 2020</i>				
Value	\$ 1,998,053	\$ 4,239,480	\$ 1,059,873	\$ 30

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED JUNE 30, 2022
(Expressed in US Dollars, unless otherwise stated - Unaudited)

4. NON-CONTROLLING INTEREST**TraceSafe Tech**

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 as described in Note 4. The continuity of equity attributable to the non-controlling interest is as follows:

For year ended December 31, 2021	
Balance, December 31, 2020	\$ 3,514,415
Shares issued pursuant to acquisition agreement (note 3)	(1,848,049)
Net loss for the period	(8,032,353)
Net loss attributable to non-controlling interest	(9,880,402)
Equity attributable to non-controlling interest	\$ (6,365,987)
For period ended June 30, 2022	
Balance, December 31, 2021	\$ (6,365,987)
Net loss attributable to non-controlling interest	(523,465)
Equity attributable to non-controlling interest	\$ (6,889,452)

The following is the summarized statement of financial position of TraceSafe Tech:

	June 30, 2022	December 31, 2021
Current:		
Assets	\$ 694,728	\$ 891,249
Liabilities	(8,084,278)	(15,529,160)
Total current net liabilities	\$ (7,389,550)	\$ (14,637,911)
Non-current:		
Assets	\$ -	\$ -
Total non-current net assets	-	-
Total net assets	\$ (7,389,550)	\$ (14,637,911)

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED JUNE 30, 2022
(Expressed in US Dollars, unless otherwise stated - Unaudited)

4. NON-CONTROLLING INTEREST (continued)

The following is the summarized comprehensive loss of TraceSafe Tech:

	Three months ended June 30			Six months ended June 30	
	2022	2021		2022	2021
Revenue	\$ 500,012	2,451,733	\$	955,790	3,235,235
Expenses	(607,218)	(3,979,617)		(1,688,286)	(5,974,918)
Total comprehensive loss	\$ (107,206)	(1,527,884)	\$	(732,496)	(2,739,683)

TraceSafe Asia

The non-controlling interest represents the non-voting common shares TraceSafe Asia held by non-controlling interest holders and is related to the executive ownership agreement transferred as described in Note 3. The continuity of equity attributable to the non-controlling interest is as follows:

For year ended December 31, 2021	
Balance - December 31, 2020	\$ -
Net income attributable to non-controlling interest	150,306
Equity attributable to non-controlling interest	\$ 150,306
For period ended June 30, 2022	
Balance - December 31, 2021	\$ 150,306
Net income attributable to non-controlling interest	110,266
Equity attributable to non-controlling interest	\$ 260,572

TraceSafe Inc.

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4. NON-CONTROLLING INTEREST (continued)

The following is the summarized statement of financial position of TraceSafe Asia:

		June 30, 2022		December 31, 2021
Current:				
Assets	\$	1,130,797	\$	1,036,818
Liabilities		(144,546)		(615,578)
Total current net assets	\$	986,251	\$	421,240
Non-current:				
Assets	\$	41,312	\$	64,294
Liabilities		-		-
Total non-current net assets		41,312		64,294
Total net assets	\$	1,027,564	\$	485,534

The following is the summarized comprehensive income of TraceSafe Asia:

		Three months ended June 30			Six months ended June 30	
		2022	2021		2022	2021
Revenue	\$	410,536	2,498,899	\$	1,338,194	\$ 3,002,573
Expenses		(467,652)	(2,349,457)		(970,641)	(3,128,037)
Total comprehensive income (loss)	\$	(57,116)	149,442	\$	367,553	\$ (125,464)

5. RESTRICTED TERM DEPOSITS

	Term		June 30, 2022		December 31, 2021
CAD\$ GIC deposit	1 year	\$	22,761	\$	22,777
USD\$ GIC deposit	1 year		28,766		28,766
		\$	51,528	\$	51,543

The restricted term deposits comprise of fund deposited in two Guaranteed Investment Certificates ("GIC") saving accounts required by the bank for the collateral for the Company's credit cards. The deposits earn interest at 0.10% per annum, both have maturity dates on September 15, 2022 and renew automatically so long as the credit cards are in use. During the period ended June 30, 2022, there was \$nil interest income earned on these deposits.

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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	June 30, 2022	December 31, 2021
Trade receivables	\$ 122,535	\$ 586,536
Taxes receivable	-	1,196
Other receivables (note 9)	1,196	-
	123,731	578,732
Less: allowance of doubtful accounts	(950)	(77,487)
	\$ 122,781	\$ 510,245

During the period ended June 30, 2022, a \$950 (2021 - \$5,000) bad debt allowance was recorded against the trade receivables for the expected credit loss.

7. PREPAID EXPENSES AND DEPOSITS

	June 30, 2022	December 31, 2021
Prepaid expenses	\$ 162,553	\$ 343,408

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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	June 30, 2022	December 31, 2021
Finished goods	\$ 28,734	\$ 36,017
Work in progress	65,085	74,459
Raw materials and other supplies	326,033	446,486
	\$ 419,852	\$ 556,962

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. The cost of inventories may not be recoverable if those inventories have been damaged, become obsolete, selling prices have declined or their estimated costs of completion or the estimated costs to be incurred to make the sale have increase.

9. PROPERTY AND EQUIPMENT

Cost		Furniture and fittings		Computer equipment		Right-of- use asset		Total
As at December 31, 2021 and June 30, 2022	\$	19,581	\$	26,114	\$	52,018	\$	97,713
Accumulated Amortization								
As at December 31, 2021	\$	2,216	\$	5,196	\$	26,007	\$	33,419
Amortization		3,985		6,365		12,632		22,982
As at June 30, 2022	\$	6,201	\$	11,561	\$	38,639	\$	56,401
Net book value								
As at December 31, 2021	\$	17,365	\$	20,918	\$	26,011	\$	64,294
As at June 30, 2022	\$	13,380	\$	14,553	\$	13,379	\$	41,312

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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10. INVESTMENT

On March 12, 2019, the Company purchased 9,876,191 Class A Voting Common Shares ("Airbeam Shares") of Airbeam Wireless Technologies Inc. ("Airbeam") for total consideration of \$882,000 (CAD\$1,185,143).

The Company has determined it does not have control or significant influence over Airbeam and has therefore classified its investment as a financial asset. Further, the Company elected to classify its investment in Airbeam as financial asset measured at FVTOCI. During the period ended June 30, 2022, a \$nil, (December 31, 2021 – \$900,255 loss) in the change of fair value of the investment in Airbeam was recorded. The fair value was determined with reference to the historical transaction price of the most recent financing completed as well as the multiple of the most recent fiscal year gross revenue. The amount is recognized as other comprehensive income in the consolidated statement of comprehensive loss.

Airbeam is considered a related party as the CEO and director of the Company is also a minority controlling independent director of Airbeam. As at June 30, 2022, the Company had an amount of \$1,196 (2021 - \$1,196) receivable from Airbeam.

	Fair value		Cost	
Carrying value at December 31, 2020	\$	3,102,704	\$	882,000
Remeasurement on investment in Airbeam		(900,255)		-
Carrying value at December 31, 2021, and June 30, 2022	\$	2,202,449	\$	882,000

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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The Company's intangible asset comprises of the acquired TraceSafe technology. A continuity of the intangible asset include the following:

Cost		Amount
As at December 31, 2021 and June 30, 2022	\$	1,115,000
Accumulated Amortization		
As at December 31, 2020		148,667
Amortization		216,486
Impairment		749,847
As at December 31, 2021 and June 30, 2022	\$	1,115,000
Net book value		
As at December 31, 2021	\$	-
As at June 30, 2022	\$	-

12. GOODWILL

As described in note 4, the Company recognized goodwill of \$nil (2020 - \$3,650,355) upon the completion of the business combination. This goodwill represents the excess purchase price paid by the Company over the fair value of net tangible and intangible assets identified in the calculated purchase price. The goodwill recognized on acquisition is attributable mainly to the expected future growth potential and expanded business operation as a result of the completion of the business combination.

The Company tests the recoverability of its goodwill annually, or more frequently if events or changes in the circumstances indicate that they might be impaired. As at December 31, 2021, the Company performed the annual goodwill impairment test and determined that the recoverable amount was significantly less than carrying value of the CGUs that goodwill and intangible assets are attributed to and therefore recorded an impairment of the entire balance of the goodwill and intangible assets.

TraceSafe Inc.

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13. TRADE PAYABLES AND ACCRUED LIABILITIES

	June 30, 2022	December 31, 2021
Accounts payable	\$ 1,237,976	\$ 1,809,560
Accrued liabilities	517,254	551,796
Coupons payable	63,158	-
Lease liability	12,846	26,336
	\$ 1,831,234	\$ 2,387,692

14. DEFERRED REVENUE AND CONTRACT ASSET**Deferred Revenue**

	June 30, 2022	December 31, 2021
Products not shipped, net	\$ 235,367	\$ 227,551
Products and services recognized over time	178,538	927,370
Balance, ending	\$ 413,905	\$ 1,154,921

Deferred revenue, also referred as contract liabilities, include cash consideration received upfront at the beginning of the contracts. Deferred revenue of a contract is reduced as performance obligations are achieved. Performance obligations are achieved when products are shipped to customers or when services are rendered. The Company has determined there are no significant financing components in the contracts with customers.

Deferred contract asset

	June 30, 2022	December 31, 2021
Balance, opening	\$ 209,429	\$ -
Products and services recognized over time	(40,534)	209,429
Balance, ending	\$ 168,895	\$ 209,429

Deferred contract asset, also referred to as contract assets, include the cost of goods and services incurred, but the corresponding revenue has been deferred as is being recognized over time.

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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	June 30, 2022	December 31, 2021
Balance, beginning	\$ 756,275	\$ 1,467,785
Additions	3,000,000	3,979,582
Payments	(253,039)	(5,268,048)
Interest accrued	279,771	50,756
Cash interest	46,223	623,643
Effect of foreign exchange translation	1,684	(12,141)
Equity component recognized in reserves	-	(85,302)
Derivative component recognized in liability	(758,516)	-
Transaction costs	(298,865)	-
	\$ 2,773,532	\$ 756,275
Convertible loans	\$ 2,773,532	\$ 549,459
Receivable factoring facilities	-	206,816
	\$ 2,773,532	\$ 756,275

The Company issued the following convertible loans as at June 30, 2022:

On January 10, 2022, the Company secured bridge financing in the amount of \$3,000,000 with a face value of \$3,157,000. This loan is secured by first priority lien of all assets, owned by, and hereafter acquired by the Company, guarantee of the Company, and guarantee of each direct and indirect subsidiaries. The note bear interest at 12% per annum, payable in cash monthly, and are due to mature two years from issuance date and is convertible to common shares of the Company. Conversion Price equal to the lesser of (i) 80% of the public offering price in an Uplist Offering or (ii) 95% of the VWAP for the five day period ending immediately prior to the date of conversion.

As the Company have the control on event of default to make the note convertible, management has determined that there is no conversion feature and this is a debt only instrument, with detachable Warrants for 25% warrant coverage. The Company paid cash issuance costs of \$400,000, of which \$298,865 has been allocated to the convertible debenture's carrying value and \$101,135 has been included as interest and finance charges in the statement of loss and comprehensive loss

TraceSafe Inc.

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15. LOANS PAYABLE (continued)

In addition, there were 2,614,983 warrant units issued eligible to purchase 2,614,983 of common shares. The exercise price is 120% of the offering price in any public offering of common shares in the US in connection with the listing of the common shares on a national securities exchange in the US ("Uplist Offering"), provided if the Uplist Offering does not occur within 12 months of the Initial Exercise Date, exercise price will be equal to 115% of the VWAP for the 5 day period ending prior to date of exercise subject to any minimum price required by CSE rules & policies

The following table is a continuity of the Company's derivative liabilities:

	June 30, 2022
Balance, beginning	-
Issuance of convertible debt	758,516
Change in fair value of derivative liabilities	(603,448)
Balance, ending	155,068

The valuation model used to estimate the fair value of the derivative liabilities was the Black-Scholes model with the following assumptions:

	June 30, 2022	Issuance, on January 10, 2022
Expected life (years)	2	2
Risk-free interest rate	2.31-3.41%	1.26%
Expected annualized volatility	132-136%	172%
Dividend yield	0%	0%
Stock price at grant date	CAD\$0.13-\$0.30	CAD\$0.47
Exercise price	CAD\$0.13-\$0.27	CAD\$0.454
Grant date fair value	\$0.10-\$0.20	\$0.36

TraceSafe Inc.

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15. LOANS PAYABLE (continued)

The Company issued the following convertible loans as at December 31, 2021:

On June 9, 2021 the Company issued a convertible note for a principal amount of up to \$1,000,000 CAD, of which \$322,192 (\$400,000 CAD) have been received as at December 31, 2021. Of that amount, \$44,094 (CAD \$55,970) has been recorded for the convertible equity portion. This loan is unsecured, interest at 10.5% per annum, and is due to mature one year from the respective date of issuance and at the option of the holder, are convertible into one "TSF Unit" at CAD \$0.65 per unit. A "TSF Unit" comprises of one common share and one common share purchase warrant, with an exercise price of CAD \$1.00 with a two-year term.

On, June 28, 2021, the Company issued a convertible note in the amount of \$26,681 (CAD \$33,600). Of that amount, \$3,881 (CAD \$4,888) has been recorded for the convertible equity portion. This loan is unsecured, interest at 10.5% per annum, and is due to mature one year from the respective date of issuance and at the option of the holder, are convertible into one "TSF Unit" at CAD \$0.65 per unit. A "TSF Unit" comprises of one common share and one common share purchase warrant, with an exercise price of CAD \$1.25 with a two-year term.

On October 15, 2021, the Company issued a convertible note in the amount of \$247,273 (CAD \$306,000). Of that amount, \$37,327 (CAD \$46,336) has been recorded for the convertible equity portion. This loan is unsecured, interest at 10.5% per annum, are due to mature one year from their respective date of issuance and at the option of the holder, are convertible into one "TSF Unit" at CAD \$0.65 per unit. A "TSF Unit" comprises of one common share and one common share purchase warrant, with an exercise price of CAD \$1.25 with a two-year term.

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.

On June 29, 2021, the Company entered into an amendment of the working capital facility to increase the factoring facility by \$1,500,000, totaling \$3,000,000. Discount fees remain at 2.79%.

As of December 31, 2021, the Company has paid \$1,882,907 gross proceeds in this receivable factoring facility, net with transaction costs and accrued interest of \$474,031.

As of June 30, 2022, the Company has paid \$253,039 gross proceeds in this receivable factoring facility, net with transaction costs and accrued interest of \$nil.

TraceSafe Inc.

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16. SHARE CAPITAL

Authorized

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

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

Issued

Period ended June 30, 2022

During the period ended June 30, 2022, 809,403 common shares were issued as the payment for consulting fees with a fair value of \$216,090.

During the period ended June 30, 2022, 336,666 common shares were issued as the settlement of \$39,272 (CAD \$50,500) promissory notes with various directors at CAD \$0.15 per share.

Year ended December 31, 2021

On March 19, 2021, the Company issued 3,000,000 shares to Wisilica, a non-voting majority shareholder as per agreement dated April 22, 2020, converting 3,000,000 Class B non-voting common shares of TraceSafe Tech (a subsidiary) at total value of \$1,260,034.

On June 16, 2021, the Company issued 1,400,000 shares to Wisilica, a non-voting majority shareholder as per agreement dated April 22, 2020, converting 1,400,000 Class B non-voting common shares of TraceSafe Tech at total value \$588,015. Wisilica has 116,395 Class B common shares of TraceSafe Tech remaining.

During the year ended December 31, 2021, 1,300,170 common shares were issued as a result of the exercise of warrants, for gross proceeds of \$511,433.

During the year ended December 31, 2021, 455,000 common shares were issued as a result of the exercise of options, for gross proceeds of \$94,127.

During the year ended December 31, 2021, 1,240,301 common shares were issued as the payment for consulting fees with a fair value of \$566,638, of which expenses, \$156,901 is recorded as prepaid expenses.

TraceSafe Inc.

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

Under the terms of the Company's stock option plan (the "Plan") all options are granted with an exercise price above the closing market price on the day immediately preceding the date of grant. The term of options is determined by the Board of Directors and is typically three or five years with a maximum term of 10 years. The maximum number of options authorized for issue shall be 10% of the outstanding shares in issue at the date of the option grant.

The continuity of the number of stock options outstanding is as follows:

	Number	Weighted average exercise price	
Outstanding, December 31, 2020	2,350,000	CAD\$	0.33
Exercised	(455,000)	CAD\$	0.26
Granted	6,076,500	CAD\$	0.60
Outstanding, December 31, 2021	7,971,500	CAD\$	0.54
Exercised	-	-	-
Granted	350,000	CAD\$	0.60
Forfeitures	(1,172,500)	CAD\$	0.60
Outstanding, June 30, 2022	7,149,000	CAD\$	0.54

As at June 30, 2022, the following options were outstanding:

Number of options		Expiry date	Exercise price	Weighted remaining contractual life (years)
<i>Outstanding</i>	<i>Exercisable</i>			
1,120,000	1,120,000	October 15, 2023	CAD\$ 0.20	1.29
500,000	500,000	September 15, 2025	CAD\$ 0.62	3.22
200,000	100,000	November 29, 2025	CAD\$ 0.40	3.42
100,000	66,667	January 14, 2026	CAD\$ 0.60	3.55
500,000	500,000	July 19, 2026	CAD\$ 0.60	4.05
3,617,000	1,205,667	December 16, 2026	CAD\$ 0.60	4.47
762,000	-	December 16, 2026	CAD\$ 0.60	4.47
350,000	-	March 24, 2024	CAD\$ 0.60	1.68
7,149,000	3,492,334			

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16. SHARE CAPITAL (continued)***Warrants***

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

	Number		Weighted average exercise price
Outstanding, December 31, 2019	-	CAD\$	-
Issued	2,676,172	CAD\$	0.50
Issued	2,280,275	CAD\$	1.45
Exercised	(62,500)	CAD\$	0.50
Outstanding, December 31, 2020	4,893,947	CAD\$	0.94
Exercised	(1,300,170)	CAD\$	0.50
Outstanding, December 31, 2021	3,593,777	CAD\$	0.54
Issued	2,614,983	CAD\$	0.13
Expired	(1,313,502)	CAD\$	0.50
Outstanding, June 30, 2022	4,895,258		0.54

As at June 30, 2022, the following warrants were outstanding:

Number of warrants	Expiry date	Exercise price	Weighted remaining contractual life (years)
2,064,425	August 7, 2022	CAD\$ 1.50	0.34
215,850	August 7, 2022	CAD\$ 1.00	0.34
2,614,983	January 10, 2024	CAD\$ 0.13	1.53
4,895,258			

TraceSafe Inc.

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16. SHARE CAPITAL (continued)**Reserves***Option reserves*

The option reserves record items recognized as stock-based compensation expense and other share-based payments upon issuance of stock options until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

	Amounts
Outstanding, December 31, 2020	\$ 1,665,322
Forfeited	(1,218,132)
Exercised	(72,600)
Stock-based compensation	328,052
Outstanding, December 31, 2021	\$ 702,642
Stock-based compensation	805,045
June 30, 2022	\$ 1,507,687

During the period June 30, 2022, the weighted average price of the options exercised is \$0.60 (December 31, 2021 – \$0.60).

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its options granted during the period ended June 30, 2022 and December 31, 2021. The fair value of each option granted was calculated using the following assumptions:

December 31, 2021

Expected life (years)	5
Risk-free interest rate	0.42%-1.25%
Expected annualized volatility	154% - 157%
Dividend yield	0%
Stock price at grant date	CAD\$0.49 – CAD\$0.73
Exercise price	CAD\$0.60
Grant date fair value	\$0.42 - \$0.68

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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Expected life (years)	2
Risk-free interest rate	1.46%
Expected annualized volatility	156%
Dividend yield	0%
Stock price at grant date	CAD\$029
Exercise price	CAD\$0.60
Grant date fair value	\$0.18

Warrants reserves

The warrant reserves record the fair value of agent warrants issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

Management noted that in the prior year agent warrant transaction, the share price used upon exercise was the current date share price (\$0.73) and not the share price at grant date (\$1.15) resulting in an adjustment of \$22,619 to the warrant reserve.

	Amounts	
Outstanding, December 31, 2020	\$	87,559
Agent warrant adjustment		22,619
Outstanding, December 31, 2021	\$	110,178
Warrant issued		-
Outstanding June 30, 2022	\$	110,178

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in US Dollars, unless otherwise stated - Unaudited)****16. SHARE CAPITAL (continued)***Warrants reserve (continue)*

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants granted during the period ended June 30, 2022. The fair value of each Agent Warrants issued was calculated using the following assumptions:

Expected life (years)	2
Risk-free interest rate	1.26%
Expected annualized volatility	172%
Dividend yield	0%
Stock price at grant date	CAD\$0.47
Exercise price	CAD\$0.45
Grant date fair value	\$0.36

Convertible debt reserves

The convertible debt reserves record the fair value of convertible feature of the convertible debt issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital. The Company applies the residual method in accounting for the convertible feature for its convertible debt issued .

	Amounts	
Equity component of convertible debt (note 16)	\$	85,302
Outstanding, December 31, 2021 and June 30, 2022	\$	85,302

17. RELATED PARTY TRANSACTIONS AND BALANCES*Key management compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The Company incurred the following transactions with directors and key management personnel during the periods ended June 30, 2022 and 2021 was as follows:

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)*Key management compensation (continued)*

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Management fees	\$ 328,704	290,890	\$ 506,022	482,902
Professional fees	23,680	-	56,095	22,873
Stock-based compensation	188,503	-	459,423	2,113,343
	\$ 540,887	290,890	\$ 1,021,467	2,619,118

Transactions with WiSilica

WiSilica is a non-voting majority shareholder of TraceSafe Tech (note 4 and 5), in addition, the Chief Executive Officer of TraceSafe Tech is a significant shareholder of WiSilica. The transactions incurred with WiSilica include the following:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Inventory purchases, included in costs of revenue	\$ 43,647	1,675,863	\$ 72,847	2,024,072
Research and development	319,596	441,077	750,116	871,891
Other administration cost, included general and administration	14,490	-	103,872	192,297
	\$ 377,733	2,116,940	\$ 926,835	3,088,260

The transactions with WiSilica were incurred in the normal course of business pursuant to certain transition agreement (note 4).

Related party balances

As the June 30, 2022, there was \$211,443 outstanding to WiSilica included in accounts payable and accrued liabilities and there was a balance of \$1,990 in director fees accrued as payable to independent directors of the Company.

As the December 31, 2021, there was \$353,510 outstanding to WiSilica included in accounts payable and accrued liabilities and a balance of \$1,990 in director fees accrued as payable to independent directors of the Company

TraceSafe Inc.

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18. FINANCIAL RISK AND CAPITAL MANAGEMENT

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying value of the Company's financial assets and liabilities including cash, restricted term deposit, trade and other receivables, trade payables and loans payable included in the consolidated statement of financial position at June 30, 2022 and 2021 approximate their fair value due to their short terms to maturity.

The investment in Airbeam were measured at its fair value as at December 31, 2021 and 2020. The fair value was measured using level 2 input for both December 31, 2021 and 2020.

No transfers occurred between the levels during the year.

Financial risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is its cash held in bank accounts and trade and other receivables. Cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank, there is a concentration of credit risk. However, this risk is managed by using a bank that has a high credit quality as determined by rating agencies.

Credit risk associated with trade and other receivables are mitigated by the Company by assessing the credit quality of the potential customers and monitoring the existing customer. To determine

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022

(Expressed in US Dollars, unless otherwise stated - Unaudited)

18. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Financial risk (continued)

Credit Risk (continued)

the collectability of a trade receivable, the Company considers any change in credit quality, from the date the credit was initially granted to the reporting date. The Company recognizes a loss allowance for expected credit losses when there is evidence of impairment exists on an individual and collective basis for trade and other receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient holdings of cash and cash equivalents to meet its short-term exploration and evaluation requirements and anticipated operating cash flows. Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements.

The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's certain entities, such as the parent company and TraceSafe Asia Pacific Pte Ltd. are exposed to currency risk as they may generate revenue or incur expenditures that are denominated in a currency other than its functional currency, primarily the US dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. A 10% fluctuation in the US dollar would not have a material impact on the results of the Company.

Interest Rate Risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022
(Expressed in US Dollars, unless otherwise stated - Unaudited)

19. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. In the management of capital, the Company includes components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The business operated by the Company currently is in the development stage; as such, the Company is dependent on external financing to fund activities. To carry out planned operations and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period.

20. REVENUE AND COST OF REVENUE*Revenue*

The Company's sales 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 revenue generated from different sources during the period ended June 30, 2022 and June 30, 2021 are listed below:

		Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
Tracking devices	\$	523,797	1,572,892	\$ 940,852	2,374,635
Gateway		27,144	1,273,258	44,257	1,311,750
System support		265,744	553,159	1,088,560	1,000,099
	\$	816,685	3,399,309	\$ 2,073,669	4,686,484

Cost of revenue

The costs of revenue incurred during the period ended June 30, 2022 and June 30, 2021 were comprised of the following:

		Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
Product cost	\$	83,327	\$ 2,420,162	\$ 120,456	\$ 3,380,986
Labour cost		-	378,309	-	403,306
Software costs		116,377	211,699	317,928	365,802
Reversal of accounts payable		(162,196)	-	-	-
	\$	37,508	\$ 3,010,170	\$ 438,384	\$ 4,150,094

During the period ended June 30, 2022, the Company reversed a balance payable to a raw material vendor of \$162,196.

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED JUNE 30, 2022
(Expressed in US Dollars, unless otherwise stated - Unaudited)

21. SEGMENT INFORMATION*Reportable segments*

The Company has two divisions, which are its reportable segments, of TraceSafe technology and Investment. Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses. The TraceSafe technology division focuses on providing real-time location management services and contact tracing solutions and the Investment division focuses on managing the Company's strategic investment in Airbeam.

Information related to each reportable segment for the period ended June 30, 2022 and 2021 is set out below:

Three months ended June 30, 2022

	TraceSafe technology		Investment		Total
Revenue	\$	816,685	\$	-	\$ 816,685
Cost of revenue		(37,508)		-	(37,508)
Net loss		(1,355,132)		-	(1,355,132)
Other comprehensive loss	\$	(28,680)	\$	-	\$ (28,680)

Six months ended June 30, 2022

	TraceSafe technology		Investment		Total
Revenue	\$	2,073,669	\$	-	\$ 2,073,669
Cost of revenue		(438,384)		-	(438,384)
Net loss		(3,135,120)		-	(3,135,120)
Other comprehensive income	\$	(28,680)	\$	-	\$ (28,680)

Three months ended June 30, 2021

	TraceSafe technology		Investment		Total
Revenue	\$	3,399,309	\$	-	\$ 3,399,309
Cost of revenue		(3,010,170)		-	(3,010,170)
Net loss		(1,806,850)		-	(1,806,850)
Other comprehensive income	\$	-	\$	-	\$ -

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED JUNE 30, 2022
(Expressed in US Dollars, unless otherwise stated - Unaudited)

21. SEGMENT INFORMATION (continued)*Reportable segments (continued)*

Six months ended June 30, 2021

	TraceSafe technology	Investment	Total
Revenue	\$ 4,686,484	\$ -	\$ 4,686,484
Cost of revenue	(4,150,094)	-	(4,150,094)
Net loss	(5,824,658)	-	(5,824,658)
Other comprehensive income	\$ -	\$ -	\$ -

Geographic segments

The Company's financial information by geography is as follows:

Three months ended June 30, 2022:

	Revenue	Non-current assets
Singapore	\$ 33,957	\$ 41,312
United States	482,845	-
Cayman Island	-	-
Canada	-	-
British Virgin Island and other	299,883	2,202,449
Total	\$ 816,685	\$ 2,243,761

Six months ended June 30, 2022:

	Revenue	Non-current assets
Singapore	\$ 218,646	\$ 41,312
United States	1,279,994	-
Cayman Island	13,500	-
Canada	36,757	-
British Virgin Island and other	524,772	2,202,449
Total	\$ 2,073,669	\$ 2,243,761

TraceSafe Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED JUNE 30, 2022
(Expressed in US Dollars, unless otherwise stated - Unaudited)

21. SEGMENT INFORMATION (continued)*Reportable segments (continued)**Geographic segments (continued)*

Three months ended June 30, 2021:

	Revenue	Non-current assets
Singapore	\$ 2,498,903	\$ 28,976
United Kingdom	210,810	-
United States	428,668	4,616,688
Cayman Island	101,100	-
Canada	28,013	-
British Virgin Island and other	131,815	3,102,704
Total	\$ 3,399,309	\$ 7,748,368

Six months ended June 30, 2021:

	Revenue	Non-current assets
Singapore	\$ 3,001,657	\$ 28,976
United Kingdom	210,810	-
United States	675,676	4,616,688
Cayman Island	102,380	-
Canada	28,013	-
British Virgin Island and other	667,948	3,102,704
Total	\$ 4,686,484	\$ 7,748,368

22. COMMITMENT

The Company entered into a lease for its office premise in Singapore. The lease commenced on January 1, 2021 and has a two-year term expiring on January 1, 2023. The undiscounted minimum lease payments for the year are as following:

Fiscal Year	Amount
2022	\$ 29,111

TraceSafe Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED JUNE 30, 2022***(Expressed in US Dollars, unless otherwise stated - Unaudited)*

23. SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes the supplemental cash flow information for the periods ended June 30, 2022 and 2021

	June 30, 2022		June 30, 2021
Interest accrued on debts	\$ 279,771	\$	129,558
Interest accrued on lease liability	\$ 254	\$	-
Cash interest paid	\$ 46,223	\$	-

24. GOVERNMENT ASSISTANCE

During the period ended, June 30, 2022, the Company have received various job-related incentives of \$68,277 (SGD 94,518) (2021 - \$11,891).

The government assistance is recognized when received and is recorded in other income.

25. SUBSEQUENT EVENT

On July 11, 2022, the Company entered into an asset purchase agreement to acquire Offsety, a carbon offsets marketplace for individuals to reduce their carbon footprint by investing in high quality offset credits. The Offsety platform, website and related intellectual property will be acquired in exchange for the issuance of 2,000,000 common shares of the Company.

The company is under negotiations of terms and conditions for existing loans. No final agreements have yet been reached.

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
6-02-2022	Common shares	Units for service	317,737	0.35	n/a	Services	Arm's length	Nil
6-02-2022	Common shares	Units for service	141,666	0.35	n/a	Services	Arm's length	Nil
6-13-2022	Common shares	Units for loan settlement	336,666	0.15	n/a	Cash	Non-Arm's length	Nil

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

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

- (b) number and recorded value for shares issued and outstanding,

Number of shares: 46,857,324

Share capital: \$20,095,592

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Warrants:

Number of warrants	Expiry date		Exercise price
2,064,425	August 7, 2022	CAD\$	1.50
215,850	August 7, 2022	CAD\$	1.00
2,614,983	January 10, 2024	CAD\$	0.13
4,895,258			

Options:

Number of options				
Outstanding	Exercisable	Expiry date		Exercise price
1,120,000	1,120,000	October 15, 2023	CAD\$	0.20
500,000	500,000	September 15, 2025	CAD\$	0.62
200,000	100,000	November 29, 2025	CAD\$	0.40
100,000	66,667	January 14, 2026	CAD\$	0.60
500,000	500,000	July 19, 2026	CAD\$	0.60
3,617,000	1,205,667	December 16, 2026	CAD\$	0.60
762,000	-	December 16, 2026	CAD\$	0.60
350,000	-	March 24, 2024	CAD\$	0.60
7,149,000	3,492,334			

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

n/a

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Directors: Wayne Lloyd, James Passin, Gregory Kallinikos, Jeremy Gardner, Murrey Tevlin

Officers: Wayne Lloyd, CEO, Mark Leung, CFO, Betty Anne Loy, Corporate Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: September 7, 2022 .

Mark Leung_____
Name of Director or Senior Officer

Signed: "Mark Leung"
Signature

Chief Financial Officer
Official Capacity

tracesafe

Management's Discussion and Analysis

Forward-Looking Information

Except for statements of historical fact relating to TraceSafe Inc. ("TraceSafe", "TSF" or the "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 Aug 25, 2022 and should be read together with the audited consolidated annual financial statements and related annual MD&A for the year ended December 31, 2021.

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: (i) 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; (ii) there is substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) 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 unless otherwise noted.

Description of Business

TraceSafe Inc. 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 Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

TraceSafe has a 100% voting interest in Wishland Properties Limited, and TraceSafe Canada Inc.

TraceSafe Inc. owns 70% of the voting shares of the subsidiary TraceSafe Asia Pacific Pte Ltd. The Company required a local director to manage the day-to-day operations and who is a representative of the Company but retains control and beneficial ownership.

TraceSafe Inc. owns 100% of the voting shares of the subsidiary TraceSafe Technologies Inc. and issued non-voting shares to WiSilica Inc. ("WiSilica") as part of the acquisition transaction that closed on May 12, 2020. As of June 30, 2022, WiSilica owned approximately 92% of the issued and outstanding non voting common shares of TraceSafe Technologies Inc., and 100% of its issued and outstanding preferred shares.

	Jurisdiction of Incorporation	Date of Incorporation	Percent Owned	Voting Rights
TraceSafe Inc.	British Virgin Islands	December 22, 2010		
Wishland Properties Limited	British Virgin Islands	March 5, 2013	100%	100%
TraceSafe Technologies Inc.	Nevada, United States	April 21, 2020	8.2%	100%
TraceSafe Asia Pacific Pte Ltd.	Singapore	August 5, 2020	70%	70%
TraceSafe Canada Inc.	British Columbia, Canada	March 1, 2021	100%	100%

Overall Objective

TraceSafe provides Internet of Things (IoT) solutions transforming large-scale industrial and enterprise operations with unique wearables, industrial-grade sensors and award-winning analytics platform. The Company's hardware solutions, powered by advanced low-power bluetooth beacons, work together with its proprietary software to provide mission-critical data

enabling safer, efficient and sustainable enterprise environments. With presence across North America, Asia and Europe, TraceSafe's solutions are trusted by leading organizations in healthcare, hospitality, construction, events, education and government.

Decarbonization Solutions

TraceSafe is entering into the strategic arena of decarbonization solutions and building solutions to measure, mitigate, offset and report carbon emissions. The objective is to provide a complete carbon management solution for individuals and businesses as the Race To Zero picks up speed. This strategic focus towards 'managed decarbonization' is to help companies take credible climate action using high quality offsets. To this end, TraceSafe acquired an offset marketplace and launched its full suite of carbon management solutions-

www.tracesafe.io/shiftcarbon

SafeSite Product Line

Solar-powered sensors manage operational challenges by targeting specific safety concerns in high-risk sectors, like construction sites. The SafeSite Solution includes the identification of hazards and workers' safety knowledge gaps. This solution won Singapore's National Innovation Challenge (NIC), which will provide the Company with a Singapore government grant in Q3/Q4 of 2022. The target markets for this solution are Singapore and Japan.

Security Prowling Audit (SPA) Solution

The Company's Security Prowling Audit solution allows building owners to identify the KPI compliance of contracted security teams. This solution has been implemented in Malaysia's Eco-city and acts as a catalyst for the Company to move into green and smart building services. The Company is also deploying a water discharge monitoring system using smart sensors.

Tier 1 Semiconductor Manufacturer

The Company was responsible for a global deployment of active tags in Semiconductor Manufacturer factories and offices for rapid and efficient contact/social distancing safety measurement policy enforcement. A new product line was created in collaboration with the client to better support their operational needs. The product line addresses Human Resources training and identifies potential training gaps.

Southeast Asian Conglomerate

A large Southeast Asian Conglomerate, primarily focused on technology, defense and engineering, received 120,000 wristbands in 2020 and is now using TraceSafe's software via a monthly subscription model. Revenue estimates for software access and support is almost half a million per quarter.

Selected Financial Information

The following tables provide selected annual and quarterly financial information in accordance with IFRS. All amounts are expressed in US Dollars.

Three Months Ended	Total Revenue	Total Operating Expenses	Comprehensive Income (Loss)	Loss per Share
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	-	(848,780)	(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)
December 31, 2020	1,833,332	(3,585,483)	(5,439,911)	(0.13)
March 31, 2021	1,287,175	(4,051,679)	(4,017,808)	(0.08)
June 30, 2021	3,399,309	(1,994,564)	(1,806,850)	(0.01)
September 30, 2021	5,964,623	(1,383,933)	1,061,630	0.03
December 31, 2021	2,301,434	(2,127,879)	(3,019,279)	(0.23)
March 31, 2022	1,256,984	(2,747,098)	(1,787,944)	(0.03)
June 30, 2022	816,685	(1,900,375)	(1,213,524)	(0.03)

Development

In order to meet customer requirements and improve the quality of its products, TraceSafe has continuous development and engineering costs. A breakdown of these costs is as follows:

Period	Development & Engineering Expense
April 1 – June 30, 2020	\$ 430,052
July 1 – September 30, 2020	402,633
October 1 – December 31, 2020	333,337
January 1 – March 31, 2021	455,914
April 1 – June 30, 2021	441,077
July 1 – September 30, 2021	496,422
October 1 – December 31, 2021	458,372
January 1 – March 31, 2022	438,979
April 1 – June 30, 2022	337,678

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 Operations for the Three Months Ended June 30, 2022

Revenue decreased to \$816,685 compared to the 2021 comparable period amount of \$3,399,309.

Cost of sales decreased significantly to \$37,508 compared to the 2021 comparable period amount of \$3,010,170.

Gross margin increased significantly to \$779,177 compared to the 2021 comparable period amount of \$389,139. This was due to a shift in demand from lower margin to higher margin Service Income product line.

Total operating expenses slightly decreased to \$1,900,375 compared to the 2021 comparable period amount of \$1,994,565.

Market Expansion

Sales and Engineering are focused on pivoting the TraceSafe platform to other data and location-based services. Current areas of expansion are asset tracking, carbon emissions tracking, employee time and attendance, marketing analytics, and worker safety. For customers currently using TraceSafe's contact tracing hardware in the coming months, developments have been made to include add-ons to the various TraceSafe devices, such as including RFID access control modules and the option of rechargeable batteries. In addition, TraceSafe has expanded into the carbon emissions tracking arena via the acquisition of Offsety, a carbon offset marketplace and calculator. This acquisition enables TraceSafe to market a tool for event organizers, venue owners and sport federations. The calculator will provide unique insights into key sources of emissions at an event, including the impact of individual teams and attendees.

Liquidity and Capital Resources

At June 30, 2022, the Company had a working capital deficit of \$1,875,536 , compared to a working capital of \$3,423,001 for the same period of 2021. The deficit decrease is due to a combination of extinguishment of Consideration payable and AR factoring, decrease in Accounts payable, decrease in Prepaids, and increase in Inventory.

All the current accounts payable and accrued liabilities are due and payable within 12 months.

The Company's working capital amounts are as follows:

	June 30, 2022	June 30, 2021
Cash	\$ 67,609	\$ 664,720
Restricted term deposit	51,528	-
Accounts receivable	122,781	2,859,169
Prepaids	162,553	166,043
Deposits	-	-
Inventory	419,852	2,137
Deferred contract asset	168,895	-
Accounts payable	(1,831,438)	(2,204,043)
Deferred Revenue	(413,905)	(2,824,828)
Due to related party	-	-
Loans payable	(623,075)	(201,594)
AR factoring	-	(785,591)
Consideration payable	-	(1,099,014)
	\$ (1,884,886)	\$ (3,423,001)

The company is under negotiations of terms and conditions for existing loans. No final agreements have yet been reached.

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.

Proposed Transactions and Change of Business

As is typical with a change of business, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. Currently, there are no material transactions being pursued or negotiated by the Group that are not otherwise disclosed herein.

Going Concern

The assessment of the Company's ability to continue is a going concern and the ability to fund potential operations 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 continued existence is dependent upon its ability to secure contracts 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 its development plans 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 the 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

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.

	June 30, 2022	June 30, 2021
Management Fees	328,704	290,890
Professional Fees	23,680	-
Share-based compensation	188,503	-
	\$ 540,887	\$ 290,890

WiSilica is a non-voting majority shareholder of TraceSafe Tech, in addition, the Chief Executive Officer of TraceSafe Tech is a significant shareholder of WiSilica. The transactions incurred with WiSilica during the three months ended March 31, 2022 and 2021 include the following:

	June 30, 2022	June 30, 2021
Inventory purchases, included in costs of revenue	\$ 43,647	\$ 1,675,863
Research and development	319,596	441,077
Finance costs	-	-
Other administration cost, included general and administration	14,490	-
	\$ 377,733	\$ 2,116,940

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 TSF's meetings. All shares are ranked equally with regards to the Company's residual assets.

The equity structure of the group represents the equity structure of the legal parent.

Issued share capital

Information with respect to outstanding common is as follows:

WiSilica has the ability to convert their shares of TraceSafe Technologies Inc. to TraceSafe Inc. at a value of 1:1. As of June 30, 2022, WiSilica holds the following shares in TraceSafe Technologies Inc.:

Class & Kind of Share	Number of Shares	Common Stock Equivalent
Class B – Non-Voting Common Stock	12,974,305	12,974,305
Class A – Preferred Stock	-	-
Class B – Preferred Stock	-	-
	12,974,305	12,974,305

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 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.

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 prioritized at all times. The Board currently consists of five directors.

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.

Financial Instruments

The Company's financial instruments consist of cash, accounts payable, accrued liabilities, and amounts 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.

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 analyses 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.

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's subsidiaries operate in various jurisdictions 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 as the exchange rate between the US dollar ("USD") and the other currencies fluctuates. 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.

Dependence on Key Personnel, Contractors, and Service Providers

Shareholders of the 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, including the selection and development of 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.

Additional Funding and Financing Risk

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, 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 new business ventures, that the technology being developed will be adopted by intended end users, or that the Company's operations will eventually become profitable.

Potentially Dilutive Loans from Related Parties and Other Related Party Transactions Risk

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, 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 to conduct its business. Specifically, the Company relies on WiSilica staff to organize all 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 remains committed to the creation of shareholder value. The directors and management have a wide entrepreneurial network which provides a range of future opportunities. The focus will be on projects and sectors that attract investor interest and offer significant growth potential.

Other Information

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 <https://www.sedar.com>.

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