



TrustStamp™

Admission Document



Artificial Intelligence-Powered Identity Solutions



Security



Privacy



Opportunity

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This document comprises an admission document in relation to Euronext Growth, a market operated by Euronext Dublin (“Euronext Growth”). It has been drawn up in accordance with Part I (Harmonised Rules) and Chapter 5: Additional Rules for the Euronext Growth Market operated by Euronext Dublin, of Part II Non-Harmonised Rules of the Euronext Growth Markets Rule Book (the “Euronext Growth Rules”) and has been issued in connection with the proposed admission to trading of all of the issued Common Shares to Euronext Growth. It does not comprise a prospectus for the purposes of the European Union (Prospectus) Regulations 2019.

Application has been made to Euronext Dublin for the Common Shares to be admitted to trading on Euronext Growth.

It is expected that Admission will become effective and that dealings will commence in the Common Shares on 8 December 2020.

Euronext Growth is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. Euronext Growth securities are not admitted to the Official List of Euronext Dublin (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The Euronext Growth Rules are less demanding than the rules applicable to companies whose shares are listed on the Official List and it is emphasised that no application is being made for admission of the Common Shares to the Official List. Each Euronext Growth company is required pursuant to the Euronext Growth Rules to have a Euronext Growth Advisor. The Euronext Growth Advisor is required to make a declaration to Euronext Dublin on admission in the form set out in Schedule Two to the Rules for Euronext Growth Advisors. Euronext Dublin has not itself examined or approved the contents of this document.

T Stamp Inc

(incorporated and registered in the State of Delaware, USA under Delaware General Corporation Law of the State of Delaware with registered no. 6013909)

Admission to trading on Euronext Growth



Euronext Growth Advisor and Broker

The securities described in this document will not be dealt in on any other recognised investment exchanges and no applications have been made or are currently expected to be made for the securities described in this document to be traded on any such other exchanges.

Prospective investors should read the whole of this document and should be aware that an investment in the Company is subject to a number of risks. The attention of prospective investors is drawn in particular to Part 2 (Risk Factors) of this document, which sets out certain risk factors relating to any investment in Common Shares. The whole of this document should be viewed in light of these risk factors.

The Directors of T Stamp Inc (the “Company” or “Trust Stamp”), whose names appear on page 6 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. This document does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any securities. No Common Shares have been or are proposed to be offered to the public in connection with the application for Admission.

No person is authorised to give any information or to make any representation not contained in this document in connection with the issue or sale of Common Shares and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company. Neither the delivery of this document nor any offer, sale or delivery made in connection with the issue of Common Shares shall, under any circumstance, constitute a representation that there has been no change or development likely to involve a change in the condition (financial or otherwise) of the Company or the Group since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof or the date as of which that information is stated herein to be given.

Potential investors with registered addresses in overseas territories are required to inform themselves about and observe any restrictions on the offer, sale, subscription for or transfer of the Common Shares and the distribution of this document and should refer to the Important Information on page 3 for further information.

J&E Davy ("Davy"), which is authorised and regulated in Ireland by the Central Bank of Ireland, has been appointed as Euronext Growth Advisor (pursuant to the Euronext Growth Rules) by the Company. Davy is acting exclusively for the Company in connection with arrangements described in this document and is not acting for any other person and will not be responsible to any person, other than the Company, for providing the protections afforded to customers of Davy or for advising any other person in connection with the arrangements described in this document. In accordance with the Euronext Growth Rules and the Rules for Euronext Growth Advisors, Davy has confirmed to Euronext Dublin that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the Euronext Growth Rules. Davy accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible. Davy has not authorised the contents of, or any part of, this document. No representation or warranty, express or implied, is made by Davy as to the contents of this document and no liability whatsoever is accepted by Davy for the accuracy of any information or opinions contained in this document or for the omission of any information from this document.

The responsibilities of Davy, as Euronext Growth Advisor under the Euronext Growth Rules and the Rules for Euronext Growth Advisors, are owed solely to Euronext Dublin and are not owed to the Company or any Director or to any other person in respect of their decision to acquire or subscribe for Common Shares in the Company in reliance on any part of this document.

Copies of this document will be available on the Company's website at www.truststamp.ai from the date of Admission.

THE CONTENTS OF THIS DOCUMENT ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

Dated: 3 December 2020

IMPORTANT INFORMATION

OTHER IMPORTANT INFORMATION

The distribution or publication of this document and other information in connection with Admission may be restricted by law in certain jurisdictions and persons into whose possession this document, or any document or other information referred to herein, comes are required to inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy any securities in any jurisdiction.

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This document may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. Securities may not be offered or sold in the United States absent (i) registration under the US Securities Act or (ii) an available exemption from registration under the US Securities Act. The securities mentioned herein have not been, and will not be, registered under the US Securities Act or any applicable state securities laws and will not be offered to the public in the United States.

This document does not constitute an offer of, or the solicitation of an offer to subscribe for or to buy, or to sell or transfer, any Common Share or other securities of the Company to any person in the United States or to persons elsewhere who are “US persons” within the meaning of that term as it is used in Regulation S of the US Securities Act (“US Persons”) to whom it is unlawful to make such offer or solicitation or which may result in the requirement to register the Common Shares under the US Securities Act or qualify the Common Shares under applicable US state securities laws.

FORWARD-LOOKING STATEMENTS

This document contains certain “forward-looking statements”, including statements about current beliefs and expectations of the Directors. In particular, the words “expect”, “anticipate”, “estimate”, “should”, “plans”, “intends”, “will”, “would”, “believe”, “target”, “continue”, “may” and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward-looking statements. These statements include matters that are not historical facts. They appear in a number of places throughout this document and include, without limitation, statements regarding the current beliefs and expectations of the Company or the Directors concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth strategies, business strategy, plans, and the markets in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. The forward-looking statements in this document are subject to, among other things, the “Risk Factors” in Part 2 of this document and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and speak only as of the date of this document. These statements are based on the Company’s expectations of external conditions and events, current and future business strategy, plan and other objectives of the Directors and management regarding future operations, the environment in which the Group will operate in the future and estimates and projections of the Group’s financial performance. Though the Board believes these expectations to be reasonable at the date of this document, they may prove to be erroneous. Forward-looking statements involve known and unknown risks and uncertainties and speak only as of the date they are made. Investors are hereby cautioned that certain important factors could cause actual results, outcomes, performance or achievements of the Group or industry results to differ materially from those expressed or implied in forward-looking statements. Such factors include, but are not limited to, those described in the Risk Factors section of this document.

Save as required by law or the Euronext Growth Rules, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Board’s expectations or to reflect events or circumstances after the date of this document.

NO INCORPORATION OF WEBSITE INFORMATION

This document will be made available at www.truststamp.ai. Notwithstanding the foregoing, the contents of the Company's website, the contents of any website accessible from hyperlinks on the Company's website, or any other website referred to in this document are not incorporated in and do not form part of this document.

DEFINED TERMS

Certain terms used in this document are defined in the "Definitions" section of this document.

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DIRECTORS, SECRETARY, REGISTERED OFFICE, AND ADVISERS

Directors	David Story Gareth Genner Andrew Gomasack Mark Birschbach Stacia Hylton William (“Billy”) D’Arcy Jane Karwoski McCracken Sarah-Jill Lennard	<i>Executive Chairman</i> <i>Chief Executive Officer</i> <i>President</i> <i>Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i>
Company Secretary	Alex Valdes T Stamp Inc 3017 Bolling Way Atlanta, GA 30305 United States	
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Broker, Euronext Growth Advisor	Davy 49 Dawson Street Dublin 2 Ireland	
Auditor to the Company	Cherry Bekaert 1075 Peachtree Street NE Suite 2220 Atlanta Georgia GA 30309 United States	
Legal Adviser to the Company as to Irish Law	William Fry 2 Grand Canal Square Dublin 2 Ireland	
Legal Adviser to the Company as to US Law	CrowdCheck Law LLP 700 12th Street NW Washington DC 20005 United States	
US Transfer Agent and Registrar	Colonial Stock Transfer Company, Inc 66 Exchange Place 1st Floor Salt Lake City Utah UT 84111 United States	
CDI Registrar	Euroclear UK & Ireland Limited 33 Cannon Street London EC4M 5SB United Kingdom	
Company Website	www.truststamp.ai	

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this document	3 December 2020
Admission effective and dealings commence on Euronext Growth	8.00 a.m. on 8 December 2020

Each of the times and dates in the above timetable are subject to change without further notice at the discretion of the Company and Davy. All times are Dublin times unless otherwise stated.

ADMISSION STATISTICS

Common Shares in issue immediately following Admission	3,588,651
Common Shares committed but not in issue ¹	1,786,551
Expected market capitalisation of the Company at Admission ²	\$28m
Euronext Growth symbol	AIID
ISIN of the Common Shares	US8730481020
CUSIP	873048102
Irish SEDOL	BLNBRN8
Legal Entity Identifier of the Company	254900FML4M50MJRDG60

1 Estimated number of Common Shares subject to exercise and issue under various outstanding warrants and other agreements (further details of which can be found in Section 4 and Section 10 of Part 5 of this document), with total amount that would be paid to the Company to exercise the non-issued stock estimated at \$12.2 million

2 Calculated with reference to the SeedInvest Offering price of \$7.79 per Common Share multiplied by the Common Shares in issue immediately on Admission

PART 1

INFORMATION ON THE COMPANY

1. Overview

Trust Stamp is an artificial intelligence company that primarily develops proprietary identity solutions to help determine whether an individual is who they say they are and that they can be trusted, including Trust Stamp's AI-powered facial biometrics that establish proof of life and are resistant to presentation attacks.

With biometric technologies becoming nearly ubiquitous, a range of risks are becoming more prevalent. The popularity of biometric authentication across financial services, employment, travel and healthcare settings inevitably means biometric databases are becoming more accessible to criminals, and the motivation to take over biometric credentials is booming. Even when operating as intended, biometric technology raises privacy concerns which have led to close attention from regulators. Multiple jurisdictions have placed biometrics in a special or *sensitive* category of personal data and demand much stronger safeguards around collection and safekeeping.

Trust Stamp has responded to these privacy pressures by developing a new type of protection for biometric and other personal data. The IT² (—for *Irreversibly Transformed Identity Token*) replaces biometric templates and scans with meaningless numbers letters and symbols in order to remove sensitive data from the reach of criminals using a proprietary process by which a deep neural network irreversibly converts biometric and other identifying data, from any source, into the IT² which then serves as a secure tokenised identity. This IT² is unique to the user but cannot be reverse engineered and rebuilt into the user's face or other original identity data.

Each IT² can be stored and compared to all other IT² from the same modality allowing the Company's AI powered analytics to predict if a single subject generated two or more IT² even if the subject has passed conventional KYC using e.g. falsified identity documents. Using this technology, the users' IT² can be used for re-authentication purposes including account recovery, password-less login, new account creation etc. across the organisation or even within a consortium of organisations all in a low-cost and low friction delivery that is fast and secure.

The Company's technology is being used for enhanced due diligence, KYC/AML compliance and "second chance" approval for customer onboarding and account access together with the delivery of humanitarian and development services. Using its technology, an enterprise can approve more users, keep bad actors from accessing systems and services and retain existing users with a superior user experience.

As an additional and important benefit, the Company can convert identity data from any source into an IT² allowing it to break vendor lock-in and identify duplicate biometric enrolments even if the subject is using a false identity and forged or improperly issued identity documents.

The Company utilises micro-service architecture and highly scalable cloud computing resources with cutting-edge tools, power and agility such as GPU processing and neural networks to process data faster and more effectively than has previously been possible, as well as delivering products at a disruptively low cost that allows usage across multiple industries, including:

- Banking/FinTech
- Humanitarian & Development Services
- Biometrically Secured Email
- KYC/AML Compliance
- Law Enforcement
- P2P Transactions, Social Media, and Sharing Economy
- Real Estate

2. History and Development

Trust Stamp entered the market building facial-biometric authentication systems for onboarding, fraud detection and safety applications. This allowed the Company to raise capital, generate revenue to fund its core AI microservices, and refine its technology using live data with informed consent from users. Following usage based upon facial biometrics, the Company started the additional process of IT² biometric data from 3rd party biometric service providers, initially touchless palm, and fingerprint templates. Its business model is now primarily focused on licensing ARR-generating pay-per-use services implementing its IT² technology, limiting future pilots to very-large-scale use cases, using execution partners for commoditised implementations, and deploying IT² technology with sector leading channel partners.

Trust Stamp was founded in 2016 and initially focused on participation in two accelerator programs, The QC FinTech program in Charlotte, USA focused on banking and FinTech enterprises and the National Association of Realtors (“NAR”)’ “NAR REach” program which is focused upon identifying and developing technology of benefit to realtors in the conduct of their businesses. Coming out of those programs, the Company received an investment from NAR and committed to building a safety application for NAR’s members, and entered into an agreement with Synchrony Financial, a sponsor of the QC FinTech accelerator to build a biometric onboarding solution.

In 2017 and 2018, the Company’s focus was on the growth of its management and technical teams and the development of its core intellectual property and technology and its implementation, testing and refinement in paid applications with only minimal investment in business development. In parallel, Trust Stamp participated in multiple national and international incubator and accelerator programs and conducted extensive customer discovery. Its ability to market its technology during 2017 and 2018 was limited by certain exclusivity provisions that were granted to Synchrony Financial pursuant to a Synchrony Software Licence Agreement and statement of work dated 9 November 2016, further details of which are provided in Section 10 of Part 5 of this document. While Synchrony Financial remain, an active client generating significant ongoing revenue for the Company, the exclusivity expired on 28 December, 2018. During 2017 and 2018, the Company’s planned operating deficits were funded by raising seed and strategic capital.

In 2019, while continuing to service the Company’s initial client, it focused its business and product development on a strategic partnership with Mastercard directed to the use of its technology for global Humanitarian and Development projects. Under its agreements with Mastercard, it received initial revenues for the development and licensing of proprietary software applications and long-term revenue based upon usage volumes. In addition, in December 2019, Mastercard Investment Holdings Inc., made a strategic investment in the Company. Based upon initial indications of market-interest it anticipates significant growth in end-user implementations of its technology for Humanitarian and Development purposes in 2021 and thereafter.

In August 2019, the Company entered a highly selective cybersecurity accelerator operated by Wayra on behalf of the National Cyber Security Center, a division of GCHQ in the UK. The accelerator provided it with the use of an office facility in Cheltenham, UK and access to unparalleled technical expertise as well as exposing it to potential government, law enforcement and private sector business opportunities. In 2019 the Company had committed financial and human resources to the program with the dual aim of strengthening its technology and identifying commercial opportunities. In February 2020, the Company opened and started to staff a permanent office near GCHQ in Cheltenham, UK to maximize the realisation of the opportunities that are arising in the UK. That office now supports 12 staff and advisory team members.

In June 2020 the Company entered into two agreements with Malta Enterprise, the economic development arm of the government of Malta, under which Trust Stamp Malta Limited (a newly formed wholly owned subsidiary) will receive up to €200,000 as a grant and €800,000 as a soft-loan to develop a research and development centre in Malta. The provision of the grant and loan, combined with additional EU funding opportunities, low operating costs and a favourable business environment have led to a decision to focus team growth for 2020 and 2021 in Malta. In pursuit of this opportunity, the Company has opened an office in Sliema, Malta, relocated five team members to that office from the US and started hiring a range of technical staff from trainee developers to PhD and Post-Doctoral team members.

In 2021 the Company will focus its U.S. marketing efforts on recruiting additional financial and other large institutions for its IT² and Zero-Knowledge-Proof identity authentication offerings. This will allow its IT² technology to be leveraged to match and deduplicate identities on an inter-organisation basis without disclosing personal identifying information. This endeavour will generate only nominal revenue in 2021 but if successful in demonstrating the value of the technology, will lay the foundation for long-term ARR from access and usage fees.

3. Principal Products and Services

Trust Stamp's most important technology is the IT² combined with a data architecture that can use one or multiple sources of biometric or other identifying data. Once an "IT² translation" algorithm is created, like-modality IT² are comparable regardless of their origin. The IT² protects against system and data redundancy providing a lifelong "digital-DNA" that can store (or pivot to) any type of KYC or relationship data with fields individually encrypted, facilitating selective data sharing. Products utilising the IT² are Trust Stamp's primary products, accounting for over 50% of its revenues in the twelve months ended 31 December, 2019. The Company derives the balance of its revenue from biometric and document authentication products and services.

4. Business Model

Trust Stamp's business model is that of a technology licensing company. It primarily licenses its products to companies that in turn integrate its technology into products and services which they either sell or use for their own purposes. In some cases, the Company builds a complete custom implementation for a client in which case, the company receives implementation revenue.

To maximize scalability, the Company intends to focus its growth on licensing ARR generating pay-per-use services including:

- Pay-per-use biometric authentication and IT² services for biometric service providers, government, NGO, and enterprise users
- Zero-knowledge-proof tools allowing IT² to be used for matching or deduplication without the parties disclosing any underlying personal identifying information

To expand the range of customers served beyond very-large custom implementations, the Company has worked with an implementation partner, 10Clouds, to develop and launch a SaaS platform that allows potential clients to subscribe for API and SDK based pay-per-use services on a largely self-service basis.

In addition, the Company has developed an encrypted e-mail product (Trusted Mail – <https://trustedmail.pro>) using its facial recognition technology. This technology is held in a majority owned subsidiary entity: Trusted Mail Inc. The Company's intent is to license the Trusted Mail product for both enterprise and consumer use on a periodic, per-seat basis. In respect of Trusted Mail, the Company intends to use part of the proceeds of the SeedInvest Offering to:

- Complete productisation
- Dedicate a management team and staff
- Launch test marketing

Trusted Mail is different to the Company's other products in that it will require sales and support functions that deal directly with the end user. If Trust Stamp sees market acceptance of the Trusted Mail product that requires and justifies significant investment, the Company may invest the required capital from Trust Stamp's resources or (given that the Company is the majority shareholder in Trusted Mail, with FSH Capital being the minority shareholder) raise debt and/or equity capital at the subsidiary company level.

5. Distribution

By licensing its technology, the Company allows its customers to utilise the technology in a wide variety of applications. The IT² can potentially be overlaid on any biometric or other identity data provider. Services can include:

- The provision of IT²/services to enterprises, NGOs, and government to overlay on 3rd party biometric and identity data
- IT² licensing, translation, and certification services for biometric vendors
- Management of zero-knowledge-proof services whether as a tributary between Data Lakes or operating consortium lakes
- Tokenised identity creation for large scale deployments such as humanitarian and government identity programs

Trust Stamp typically enters into licensing agreements with its customers, pursuant to which the customer pays initial customisation costs and a long-term license fee for the use of Trust Stamp's technologies on a periodic and/or volume-based basis.

6. Market Size and Key Industry Trends

Trust Stamp considers itself to be in the identity authentication market which is primarily comprised of biometric authentication providers. Trust Stamp's key sub-markets are identity authentication for the purpose of account opening, access and fraud detection and the creation of tokenised identities to facilitate financial & societal inclusion. Management has evaluated the market potential for its services in part by reviewing the following reports and articles, none of which were commissioned by the Company and none are to be incorporated by reference. It should be noted that many of the reports and articles predate the COVID-19 crisis which appears to be creating an increased and accelerating demand for remote and touchless transactions:

- By 2023, 5 billion biometric capable mobile devices will annually authenticate \$2 trillion of in-store and mobile payments, according to a 2019 report published by Juniper Research on Biometric Authentication & Tokenisation in 2019-2024
- Revenue from the global biometrics services market is projected to grow from \$14.9 billion in 2018 to \$42.9 billion in 2025, a CAGR of 16.3 percent, according to a 2019 report published by 360iresearch on the global biometrics market
- Annual online payment fraud losses from eCommerce, airline ticketing, money transfer and banking services, are estimated to reach \$48 billion by 2023; up from the \$22 billion in losses estimated for 2018. Money transfer losses alone are estimated to be \$10 billion by 2023 according to a 2019 report published by Juniper Research on Online Payment Fraud
- According to the 2019 MidYear QuickView Data Breach Report, the first six months of 2019 saw more than 3,800 publicly disclosed breaches exposing 4.1 billion compromised records
- According to Grand View Research, the market size of the European Biometrics market is estimated to be \$1.93 Billion in 2018 and is expected to grow at a CAGR of 17.5% to reach a market size of \$5.97 Billion in 2025
- According to a September 2019 article published by Forbes magazine on providing banking services to underserved populations:
 - “Financial Inclusion” (i.e. providing banking services to those currently unbanked or underbanked) is a trillion-dollar opportunity
 - 1.7 billion people lack basic financial services including a bank account
 - 4 billion people are underbanked
 - The GDP of emerging-market countries would surge \$3.7 trillion by 2025, or 6%, if they adopted a single innovation—switching from cash to digital money stored on cell phones
 - Providing the underbanked with access to credit and investments could create an additional \$100 trillion in financial assets over the next 50 years

One of the biggest contributors to current authentications problems is the use of passwords. Static passwords (i.e. the type of password that we typically use to login to various accounts and services every single day that, for the most part, remains the same from the moment it is created) have a number of weaknesses:

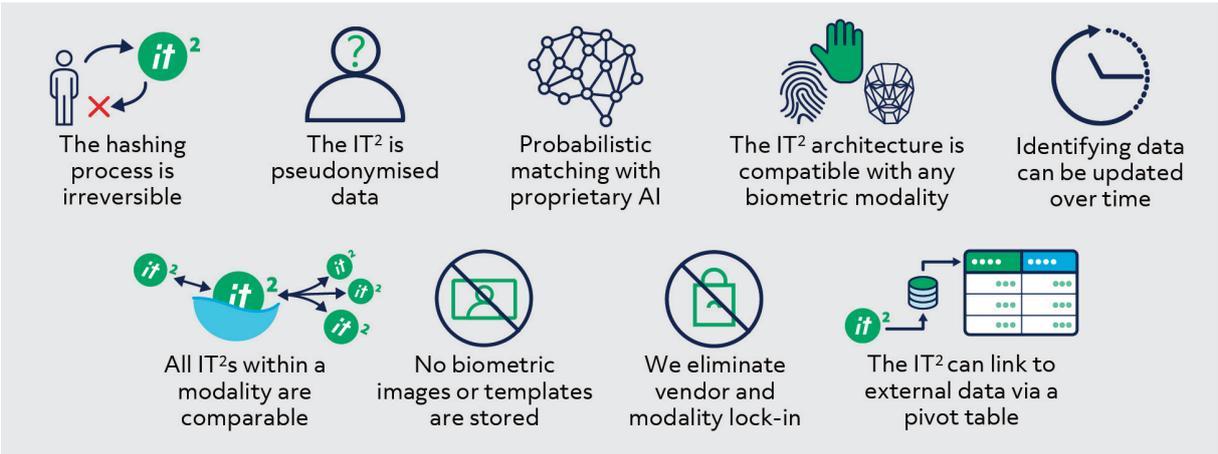
- Regular changes required
- Easily guessable
- Brute force attacks are easier for hacking

According to a 2015 report published by Oxford University Department of Computer Sciences and Mastercard, 21% of users forget passwords within 2 weeks, 25% of users fail to remember at least 1 password per day, and 1 out of 3 online transactions are abandoned at checkout due to a forgotten password.

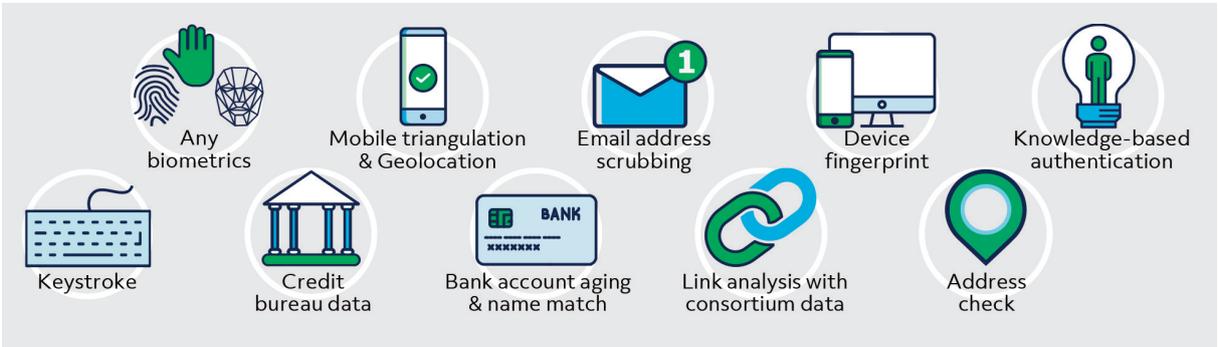
On top of this, stored biometric images and templates represent a growing and unquantified financial, security and PR liability and are the subject of growing governmental, media and public scrutiny, as biometric data cannot be “changed” once they are hacked, as they are intimately linked to the user’s physical features and/or behaviours.

7. Trust Stamp’s Solution

The proprietary IT² uses a deep neural network to irreversibly convert biometric or other identifying data into a non-PII IT² that is unique to the user and can only be matched using the Company’s proprietary technology.



Trust Stamp’s IT² and matching technology can maximize the effectiveness of all types of identity data while rendering it safer to use, store and share. Whatever the source of identity data, it can be stored and compared as an IT².



8. Competition

Trust Stamp can work with any identity data from any source potentially breaking vendor and modality lock-in, but its primary target market is the biometric service industry which is growing exponentially while being threatened by a consumer, media, and legislative backlash against storing biometric data.

In general, the Company competes for customer budget with any company in the identity authentication industry and its business ambitions call for capturing a little over one-tenth of one percent of the projected expenditure for biometric authentication services. Major competitors in this space include companies such as NEXT Biometrics, Gemalto, IDEMIA, Synaptics, Cognitec, Innovatrics, Suprema, FaceTec, Rank One Computing, Acuant and Mitek. However, the Company believes that, due to the uniqueness of its technology solution, the Company does not at this time have any direct competitors for the core IT² solutions upon which its business plan is focused.

The commercial advantage of its solution is its ability to work across providers and modalities and its intent to pursue a first-mover advantage including the Company's global-scale-partnership with Mastercard which is achieving a network-effect in the global Humanitarian and Development market. Trust Stamp believe that this combination will make it unattractive for a potential competitor to replicate the 5 years and multi-million dollars that it has already expended to try and circumvent its multiple (and continuing) patent filings and/or offer a parallel product based upon a different technology. The Company believes that given sufficient time and resources, it can augment any biometric modalities including face, hand, iris, voice, gait, and behaviour together with any other identifying data which places it in a unique position versus providers of individual biometric services. Trust Stamp are unaware of any other provider being able to offer or support 1-n matching of a proliferation of authentication modalities in this fashion, and therefore, it believes that there are no other companies that directly compete with it in this space. If the Company's go-to-market strategy is successful, biometric service providers can be a channel distributor, and not necessarily a competitor.

9. Employees

Given the geographic diversity of its team and to facilitate cost-effective administration, Trust Stamp secures the services of its permanent team members through a variety of administrative structures that include wholly owned subsidiaries, professional employer organisations and consulting contracts. In the United States, the Company currently has 3 full-time team members that work out of its headquarters in Atlanta, Georgia, USA, 1 full-time team member that works out of Barclay's RISE in New York City and 1 full-time team member that operates from a satellite office in North Carolina. The Company plans to increase sales and marketing resources in the United States in 2021. The Company has 10 full-time team members working in Poland and remotely in Central-Europe and 12 full-time and 5 part-time team members that work in the United Kingdom. Finally, the Company currently has 24 full-time and 3 part-time team members working in or from Malta.

10. Outsourcing

The Company designs and develops its own products. It uses a team-extension company – 10Clouds SPA – for additional development staff as needed. Amazon Web Services provides cloud hosting and processing services, representing approximately 6-10% of its expenses in 2019. In addition, The Company utilises SourceFit, a company in the Philippines, for PEO services, which it anticipates will represent 3-4% of expenses in 2020.

11. Key Customers

Prior to 2019, the Company generated the majority of its income through a relationship with Synchrony Financial, in which services were provided pursuant to a Synchrony Software License Agreement and Statements of Work, under which the Company received all of its revenues in 2017 and a substantial portion of its revenues in 2018 (over 95%). The services under those initial Statements of Work were completed as of December 2018. The Company received two additional purchase orders for work for Synchrony Financial in 2019 (receiving monthly recurring revenue, totaling \$0.63 million for the year) and in January 2020 the Company received a purchase order from Synchrony Financial for monthly recurring work to be conducted in 2020 (to the value of \$0.74 million for the year). Additionally, the Company received three purchase orders in June, September, and October of 2020, expanding the work budget by \$0.33 million to a total of \$1.07 million including identity document validation, and the

development of a barcode authentication service and entered in a license agreement for the ongoing use of that service on a pay-per-use basis.

In 2019, the Company also expanded its customer base to include relationships with Mastercard and other customers. Effective 27 March, 2019, the Company entered into a technology services agreement with Mastercard, resulting in multiple Statements of Work totaling approximately \$2.0 million in fees in 2019 and 2020. Effective 3 September, 2019, the Company entered into a software license agreement with Mastercard, resulting in per use fees with minimum total fees of \$0.15 million in 2020, \$0.2 million in 2021, and \$0.25 million in 2022, rising by 15% in each subsequent year with a minimum annual fee (not the total fee payable) cap of \$1 million.

In Q1 and Q2 of 2020 the Company received purchase orders for \$0.8 million from Emergent Technology for development services to be performed in 2020. By the nature of the tasks undertaken, the Company does not expect that revenue to be recurring. This non-cash revenue was duly received and credited against the Company's SAFE issued on 1 July 2020 to Emergent Technologies, which was extinguished, further details of which are outlined in Section 10 of Part 5.

12. Funding to Date

In 2016 the Company secured \$0.35 million of funding from investor FSH Capital LLC, and \$0.6 million through the issuance of convertible loan notes to Second Century Ventures and 630 CyberSecurity Accelerator.

In 2017 the Company secured \$1.02 million of funding from FSH Capital, Ferceptive LLC and angel investors and \$2 million through the issuance of convertible loan notes to Second Century Ventures. Trust Stamp's subsidiary company Trusted Mail also raised \$0.25 million from Second Century Ventures and FSH Capital LLC.

In 2018 and 2019 Trust Stamp secured \$3.0 million of funding from investor Emergent Technology (of which \$0.5 million was received through extinguishing of a convertible note payable).

On 1 July 2019, the Company entered into a SAFE in the sum of \$2.1 million issued to Emergent Technology in which Emergent Technology obtained the right to shares of the Company's stock (purchase amount of \$2.1 million and valuation cap of \$20m). The Company also entered into an Acknowledgement and Settlement Agreement as of 1 July 2019 which extinguished the convertible note previously issued to Second Century Ventures. The SAFE was repayable on demand on or after 31 January, 2021, if not previously converted or redeemed. On 4 February, 2020, the Company entered into an agreement with Emergent pursuant to which the balance on the SAFE was reduced to \$1.6m in exchange for a purchase order issued by Emergent Technology to the Company in respect of work to be completed by the Company for Emergent Technology in 2020, as well as in consideration for the Company to enter into the agreement. The SAFE was cancelled in full on 11 June 2020.¹

Between June and September 2020, Trust Stamp raised \$5.6 million of gross cash proceeds in an equity crowdfunding offering through SeedInvest, a leading investment platform in the US. The SeedInvest Offering round consisted of individual investments from more than 2,700 accredited and unaccredited retail investors in the US, under a Regulation A registration. In addition, between September 2019 and September 2020, the Company received \$4.4 million from off platform investments (of which \$1.4 million was non-cash consideration from in-kind investment) from Mastercard International, FSH Capital, Second Century Ventures, 630 Cybersecurity, the FIS FinTech Accelerator program and the OnRamp Insurance Accelerator program, rounding out a \$10 million Series A round. The Company closed the Series A Offering at a share price of \$7.79, utilising Regulation A under the Securities Act of 1933 and it was qualified by the Securities and Exchange Commission ("SEC") on May 5, 2020. The Series A Offering involved sales through a combination of private placements, including through issuance of convertible notes, and investments through the SeedInvest platform.

In total, the Company received \$7.6 million in cash from net proceeds of the Series A Offering (after offering costs). \$1.1 million was used to redeem the balance of the SAFE that was issued to Emergent Technology and \$4 million was used on working capital and general corporate purposes in the period from September 2019 to 30 September 2020, including the establishment of the Company's new offices

¹ See paragraph 10.1.8 of Section 10 of Part 5 of this document for further details

in Malta and the United Kingdom, leaving the Company with a cash balance of \$2.6 million at 30 September 2020. The Company intends to use the balance of the net proceeds of the Series A Offering to focus its attention on marketing and delivering its existing product range (involving minimal additional staffing to support internal sales processes) whilst adding additional scientific, technical and development staff resources to grow its R&D team and invest in new products.

Trust Stamp received funding of \$0.6 million (\$0.3 million in cash and \$0.3 million in marketing services) from the sale of warrants to Second Century Ventures as part of the Series A Offering.

Following the completion of the Series A Offering, deemed to be a 'qualifying financing' under the convertible loan agreements entered into by the Company, all the outstanding convertible loan notes were converted into Common Shares and in advance of the Euronext Growth Admission, all Series A Preferred Shares were converted into Common Shares.

The Company is a graduate of multiple global accelerator programs including Plug and Play (Silicon Valley and Abu Dhabi), Mastercard Start Path, QC Fintech, OnRamp Insurance Accelerator, FIS Fintech, SixThirty Cyber the NCSC-Wayra incubator (UK) and the Blue Tulip Awards program (Netherlands).

On Admission, the Company estimates that outstanding warrants and options granting the right to subscribe for Common Shares, represents approximately 51% of the existing Issued Share Capital, and that the total amount that would be paid to the Company to exercise the non-issued stock in full would be approximately \$12.2 million.

Further details are set out in Section 10 of Part 5 and the Appendices of this document.

13. Summary of Historical Financial Information

The following financial information has been extracted from the financial information contained in Part 3 and Appendix 1, 2 and 3 of this document and should be read in conjunction with the full text of this document.

\$'m	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019	Six months ended 30 June 2020
Net Sales	\$0.5m	\$0.8m	\$2.1m	\$1.1m
Total Operating Expenses	(\$2.7)m	(\$3.2)m	(\$4.1)m	(\$2.9)m
Total Operating (Loss)/Profit	(\$2.2)m	(\$2.4)m	(\$2.0)m	(\$1.9)m
Total Assets	\$3.8m	\$3.6m	\$4.0m	\$5.1m
Net Assets	(\$0.8)m	(\$0.7)m	\$0.1m	\$1.9m

14. Current Trading and Prospects

Financial results for the Company are presented for the three years ended 31 December 2017, 2018 and 2019 (audited) and six months ended 30 June 2020 (unaudited) and are set out in Part 3 and Appendix 1, 2 and 3 of this document.

For the six-month period ended 30 June 2020, the Company generated unaudited net cash sales of approximately \$1.1 million, together with deferred revenue of approximately \$0.9 million to Emergent Technology under which the balance outstanding under the SAFE issued, by the Company to Emergent Technology on 1 July 2019, was reduced by \$0.9 million. In the period, the Company continued to serve its two largest clients, Synchrony Financial and Mastercard, in addition to other clients, while also expanding its U.K. and E.U. marketing efforts to recruit financial institutions and law enforcement agency participants for its Identity Lake and Zero-Knowledge-Proof offerings. This will allow the Company's hashing technology to be leveraged to match and deduplicate identities on an inter-organisation basis without disclosing personal identifying information. This endeavour is expected to generate only nominal revenue in 2021 but if successful in demonstrating the value of the technology, will lay the foundation for long-term ARR from access and usage fees.

The Company's trading in the period since 30 June 2020 has been in line with Directors' expectations and the trajectory of revenue growth has remained consistent with that seen in FY17-FY19.

The Company's YTD revenue in 2020 has largely resulted from new purchase orders from its existing customers, and it is believed that revenue in Q4 will continue to follow this trend with new requests to expand its technology services to those customers. In parallel the Company has worked throughout 2020 to broaden the potential range and geographic diversity of its customer base, laying the foundation for long-term revenue growth. As such, the Directors believe that the performance in Q3 and the prospects for Q4 and full-year 2020 were and remain positive and in-line with the Company's stated growth plans and goals.

In May 2020, the Company formed a subsidiary in Malta, Trust Stamp Malta Limited, with the intent to establish a research and development centre with the assistance of potential grants and loans from the Maltese government. As part of the creation of this entity, the Company entered into an agreement with the government of Malta to receive a non-repayable grant of €200,000 to reimburse working capital expenditure together with a repayable advance of up to €800,000 to assist in covering the costs of 75% of the first 24 months of payroll costs for any employee who begins 36 months from the execution of the agreement on 1 May, 2020. The advance is repayable only out of profits earned by the Malta subsidiary to the extent of 10% of its profits in any year not to exceed 15% of the total advance in any one year. The subsidiary established its Malta office in August 2020 and has submitted its first claims for expenditure reimbursement during November 2020, but no amounts have been received under either of the agreements as of 30 November 2020.

As of 31 October 2020 the Company had \$0.6 million in account receivables expected to be converted to cash in the next 60 days and \$1.6 million in deferred revenue to be converted to revenue over the next 3-6 months, \$0.9 million of which relates to the Statement of Work completed for Emergent Technology. As at 30 November 2020, the Group had a cash balance of \$1.6 million.

15. Reasons for Admission

The Directors believe that Admission will assist the Company in its development by raising its public profile and helping the Company attract customers.

Admission will also provide the Company with greater ability to incentivise team members through share incentive schemes, which will assist it in continuing to attract, retain and motivate high calibre team members.

In addition, the Company foresees opportunities to make acquisitions of synergetic enterprises with all or a substantial part of the acquisition consideration being the issuance of Common Shares by the Company. In evaluating potential acquisitions, the Company will typically be seeking one or more defined benefits that may include:

- (a) Complementary products that can be offered to existing/or future customers of the Company
- (b) Technologies that either enhance the Company's own technology or speed the Company's development roadmap of such technology
- (c) Distribution channels for the Company's products
- (d) Personnel and infrastructure that can assist the Company to deliver current or future services more efficiently and/or cost effectively

In seeking Admission to the Euronext Growth market, the Company was influenced by its strategic goal of becoming a global company with team members, customers, and end-users on every continent.

16. Board of Directors and Key Management

Board of Directors

On Admission, the Board will comprise the following individuals:

David Story, Aged 62, Executive Chairman

David is a Chartered Surveyor with a focus on commercial real estate investment and portfolio management. David and Gareth Genner (Company CEO) have worked together in the UK and USA for 30+ years including founding and exiting two cloud technology companies. From 2013 to 2016, David worked alongside Gareth on the second of their ventures, Edevate, an Edtech company. David has

served in operational and advisory capacities in multiple European ventures and brings strong analytical skills to the Trust Stamp team.

Gareth Genner, Aged 61, Chief Executive Officer

With over 20 years' experience in founding, operational and advisory capacities, Gareth provides Trust Stamp with technical, managerial, and visionary skills, as well as legal expertise. Gareth has successfully conceptualised, implemented, scaled, and exited multiple businesses including a cloud storage enterprise and an online educational platform which was acquired by a non-profit educational Company. Immediately prior to Trust Stamp, Gareth served as CEO of Edevate LLC, and President of Pontifex University from 2013 to 2015. A British lawyer by training, Gareth holds a U.S. LLM in International Taxation & Financial Services.

Andrew Gomasack, Aged 29, President

An economist by education, Andrew began his career in financial services sales and marketing. Although Trust Stamp is Andrew's first startup, he has immersed himself in the lean-startup environment by completing incubator programs through Founder's Space in San Francisco, QC FinTech in Charlotte, Plug and Play in both Silicon Valley and the United Arab Emirates and NAR REach® in Chicago together with the FIS Fintech Accelerator and the OnRamp Insurance Accelerator both of which were conducted remotely due to COVID-19. Each of these programs has provided a unique perspective and honed a distinct set of startup skills. Prior to joining Trust Stamp, Andrew worked at Ashford Advisers, a financial services company, where he worked as a Marketing Coordinator from 2015 until joining the Company. As President, Andrew oversees business development and operations and acts as Chief Product Evangelist.

Mark Birschbach, Aged 43, Non-Executive Director

Mark is the Senior Vice President of Strategic Business, Innovation & Technology (SBIT) for the National Association of REALTORS®. Mark and his team drive innovation in real estate and benefits to NAR members through strategic relationships with a broad range of business and technology players driving significant non-dues revenue, return on investment, and cost savings to NAR members. Mark is responsible for managing Second Century Ventures; the REach® Technology Accelerator, the REALTOR Benefits® Program, the Center for REALTOR® Technology and NAR's top-level domains. Mark is also leading NAR's effort to create a strategic think tank of world class business leaders and innovators.

Stacia Hylton, Aged 60, Independent Non-Executive Director

Stacia is a senior executive with a broad range of strategic, technological, operational, financial and management experience in private, public-owned, and public service organisations, with companies from \$5 million to \$5 billion in annual revenue. She has significant experience in Federal regulations, legislative application and providing testimony before Congress. Stacia has successfully led and governed large and complex organisations and holds a U.S. Top Secret security clearance.

William ("Billy") D'Arcy, Aged 51, Independent Non-Executive Director

Billy has 25 years' experience in telecommunications & ICT having occupied various senior management roles across Cable & Wireless, Eircom, Worldcom and Telefonica O2 UK and Ireland. Billy currently serves as CEO of UK and Ireland for BAI Communications. In this role Billy is focused on expanding BAI's capabilities across Europe with a focus on the UK market. BAI Communications is helping the UK Government, Transport Authorities, Mobile Network Operators and Telecoms Operators develop world class infrastructure to keep up with the insatiable demand that currently exists and to remain competitive.

Jane Karwoski McCracken, Aged 62, Independent Non-Executive Director

Jane Karwoski McCracken has had an extensive career as an entrepreneur and venture capitalist. She co-founded and served in the C-suite of a number of technology companies in healthcare, software and e-commerce. She raised more than \$100 million in funding for those companies and achieved a successful exit in each via IPO or trade sale. Prior to her career as an entrepreneur, Jane raised money

for two venture capital funds in the U.K. as well as established a 50-person business angel network, all of which focused on investments in early stage technology companies. Currently, Jane serves as the Assistant Director of the Advanced Technology Development Center (ATDC), the state of Georgia's technology business incubator housed on the campus of Georgia Tech. The ATDC helps entrepreneurs launch and scale technology companies across the state. Trust Stamp is a graduate of the ATDC's program.

Sarah-Jill Lennard, Aged 64, Independent Non-Executive Director

Sarah-Jill is a former UK Diplomat and former Chief Security Officer & Chief Information Security Officer for Deloitte. Her career in the Foreign Office included postings in Montevideo, Brussels, Budapest and Washington where she most recently ran a government agency which produced high end secure technology and engineering solutions. As Security Partner with Deloitte, her responsibilities combined the roles of Chief Security Officer & Chief Information Security Officer at second line of defence, and Chief Confidentiality & Privacy Officer for the UK and Switzerland, and latterly for North West Europe. Sarah-Jill now works as an NED, Adviser and Visiting Professor, with a strong background in strategic planning, excellent analytical skills, broad experience in security and intelligence, and a passion for effective delivery.

Key Management

The Directors are supported by an experienced senior management team including the following individuals with responsibility for managing the Company's key divisions and business units.

Alex Valdes, Chief Financial Officer, Company Secretary

Before graduating college, Alex founded and operated four separate companies, to pay his way through college. Before graduating, Alex spent 15 months studying abroad in Mexico where he launched an innovative microfinance lending system in partnership with the Yucatan State Department of Economic Development. From 2007 to 2012, Alex successfully exited each of the businesses, all of which are in operation today and completed his degree in accounting at The University of Georgia. Alex worked in public accounting from 2014 to 2016 as a strategy consultant and in January of 2016, became an Advisor for Trust Stamp. After 9 months as an Advisor, Alex joined the company full-time and now serves as the Chief Financial Officer & EVP.

Scott Francis, Chief Technology Officer

Prior to joining Trust Stamp as CTO, Scott served for 9 years in the Program Management Office with Google. This role was very entrepreneurial in nature as he was tasked with helping oversee the creation and development of a global PMO team spread across multiple data centers across the US and Europe, essentially acting as a startup intrapreneur. Prior to Google, Scott served for 10 years in a number of startup companies in Atlanta, Austin and Silicon Valley in software programming, management, and configuration management roles. Scott joined the Company as an Adviser in February 2016 and after 9 months full-time as CTO. As CTO, Scott oversees the Company's software development team and programs, has responsibility for the Company's hardware and software assets and plays a key role in working with the Company's clients on all technical aspects of the relationship.

Emma Lindley, Chief Commercial Officer

Emma Lindley is an advisor on digital identity and co-founder of Women in Identity, a non-profit organisation focused on developing talent and diversity in the identity industry. Over a career of 16 years in identity, Emma has held various roles, most recently as Head of Identity and Risk at Visa, previous board level roles at Confyrm, Innovate Identity and The Open Identity Exchange, and was instrumental in the commercial development of GB Company's position in the identity market in 2003. She has been recognised in the KNOW Identity Top 100 leaders in Identity in 2017, 2018 and 2019, the Innovate Finance Powerlist for Women 2016 and 2017, and was voted CEO of the year at the KNOW Identity Awards. She has an MBA from Manchester Business School where she completed her thesis in Competitive Strategy in the Identity Market.

Norman Hoon Thian Poh, Chief Science Officer

Norman holds a PhD in Machine Learning and Information Fusion from IDIAP research institute, École Polytechnique Fédérale de Lausanne (EPFL), Switzerland. He is passionate about machine learning with applications to biometric person recognition, healthcare, forensics, financial forecasting, and other practical data intensive areas, where he published more than 100 peer-reviewed publications, including 5 best paper awards (AVBPA'05, ICB'09, HSI 2010, ICPR 2010 and Pattern Recognition Journal 2006). Prior to Norman joining Trust Stamp in 2017, he served as a Senior Lecturer at the University of Surrey from 2012 to 2017, and as a Senior Data Scientist for Quintiles IMS Holdings, Inc. in 2017. During his time at Trust Stamp, Norman has also held the position of Data Scientist at BP from September 2018 to January 2019 and Data Science Consultant for BJSS from January 2018 to August 2019. Norman is currently fully engaged as the Chief Science Officer for Trust Stamp.

John Wesley Bridge, EVP Government & Law Enforcement

Prior to joining Trust Stamp in 2019, John worked for the United States Marshals Service from 1994 to 2019, serving as a Senior Inspector and helping to establish the Financial Surveillance Unit as a founding full-time member from 2010 onwards. John has been a member of the International Association of Financial Crimes Investigators for fifteen years and serves as co-chair of the Cyber Fraud Industry Company. He also co-authored the Certified Cyber Crimes Investigator certification as a founder of the CCCI. He is also a Certified Financial Crimes Investigator. Earlier in his career, John served in the Marine Corps from 1984 to 1992.

Kinny Chan, EVP, CEO of Trusted Mail

Kinny Chan is an experienced leader with a passion for explaining complex challenges in simple and understandable terms. His expertise lies at the intersection between technology, business and the law, with over 10 years of experience in the enterprise sales of complex technology solutions. His expertise in data analytics and technology-assisted review has established his reputation as a sought-after expert. Kinny has extensive leadership experience built on a successful career of increasingly significant positions in the legal and technology industries. Having played a central role in establishing the prominence of companies he has served in the past, Kinny joined Trust Stamp as a key addition to guide their successful growth in 2020.

17. Corporate Governance – QCA Code

The Directors recognise the importance of sound corporate governance and, given the Company's size and constitution of the Board, intend to comply with the principles set out in the QCA Corporate Governance Code. The QCA Corporate Governance Code was devised by the QCA, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to growing companies and has become a widely recognised benchmark for corporate governance of small and mid-sized quoted companies.

Further details relating to the Company's QCA Code compliance are set out in Section 13 of Part 5 of this document.

18. Board Committees

On Admission, the Board will comprise of an Executive Chairman, 2 Executive Directors, and 5 Non-Executive Directors. The following non-executive Directors are regarded as independent; Stacia Hylton, Jane Karwoski McCracken, Sarah-Jill Lennard and Billy D'Arcy. The Board intends to meet regularly (at least 4 times annually) to discharge its responsibility to shareholders including to consider strategy, performance, and the framework of internal controls, as well as review its own performance and composition.

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Disclosure Committee, with formally delegated duties and responsibilities. On Admission the Audit Committee will comprise Jane Karwoski McCracken, Billy D'Arcy and Stacia Hylton and will be chaired by Stacia Hylton. On Admission, the Remuneration Committee will comprise Billy D'Arcy, Mark Birschbach and Sarah-Jill Lennard and will be chaired by Billy D'Arcy. On Admission, the Nomination Committee will comprise Mark Birschbach, Sarah-Jill Lennard and Jane Karwoski McCracken and will be chaired by Mark Birschbach. On Admission, the Disclosure Committee will comprise the Chief

Executive Officer, Gareth Genner, the Chief Financial Officer and Secretary, Alex Valdes, and the Company's Legal Assistant, Clara Werner.

Further details of the Board, its committees and corporate governance framework are set out in Section 13 of Part 5 of this document.

19. Admission, Settlement, CREST and CDIs

Application has been made to Euronext Dublin for the Common Shares to be admitted to trading on Euronext Growth. It is expected that Admission will become effective and that dealings in the Common Shares will commence on 8 December 2020.

(a) Electronic Settlement in CREST

CREST is a voluntary, paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by way of a written instrument in accordance with the CREST Regulations. The system is designed to reduce the costs of settlement and facilitate the processing of settlements and the updating of registers through the introduction of an electronic settlement system. Common Shares may be held in electronic form and evidence of title to Common Shares will be established on an electronic register maintained by the US Transfer Agent and Registrar.

The requirements of the Euronext Growth Rules for Companies provide that the Company must, on Admission becoming effective, have a facility for the electronic settlement of the Common Shares. As the Company is incorporated in the United States its Common Shares are not eligible to be held directly through CREST.

However, the Common Shares are capable of being settled indirectly in CREST via CREST's International Settlement Links Services and, accordingly, the Company has established, via the CDI Registrar, a CREST Depository Interest ("CDI") facility to enable settlement through these services. Shareholders who are CREST members, or who have appointed a CREST member as their nominee, will be able to hold an interest in the Common Shares via these services through CDIs representing the right to the underlying Common Shares. Under these arrangements, CREST Depository Limited issues dematerialised depository interests representing entitlements to foreign securities, such as the Common Shares. These CDIs are constituted under English law and may be held, transferred and settled within the CREST system using the same functionality and on the same basis as the other securities held in the CREST system.

The underlying Common Shares represented by the CDIs are held in an account of CREST Depository Limited's nominee, CREST International Nominees Limited, via an account with DTCC (a central securities depository with whom CREST Depository Limited has a cross border link) until such time as a CDI holder seeks to exchange their CDIs back into Common Shares. CREST Depository Limited holds its rights in the underlying Common Shares represented by the CDIs (such right being held on its behalf by CREST International Nominees Limited) on trust for the holders of the CDIs.

The terms and conditions upon which CDIs are issued and held in CREST, together with the rights of the holders of CDIs, are set out in a deed poll (the "CREST Deed Poll") executed by CREST Depository Limited governing CDIs and in the CREST International Manual.

A custody fee, as determined by CREST, is charged at use level for the CDIs. Details of the current custody fee applicable to the CDIs is available from Euroclear UK & Ireland.

CDI holders will have an entitlement to the Common Shares represented by such CDIs, including distributions payable on those Common Shares, but not be the registered holders of those Common Shares. Accordingly, the holders of CDIs will be able to enforce and exercise the rights relating to the Common Shares, including voting and pre-emption rights, only indirectly in accordance with the arrangements adopted by Euroclear UK & Ireland (acting through CREST Depository Limited and CREST International Nominees Limited). A description of the arrangements that may be adopted by Euroclear UK & Ireland to enable the relevant rights to be passed on to CDI holders for each category of corporate action is contained in the CREST International Manual, CDIs representing Common Shares do not enable the holders of CDIs to attend and vote at general meetings of the Company as CDI holders, although CDI holders will

be able to give directions as to voting at all Shareholders' meetings. If CDI holders wish to exercise voting rights personally as a Shareholder by attending a general Shareholders' meeting, they must first exchange their CDIs for Common Shares before the record date of the relevant general Shareholders' meeting. On so doing, they will, subject to and in accordance with the Restated Certificate of Incorporation and Bylaws, be able to attend and vote in person at the relevant meeting.

CDIs representing the Common Shares will be issued to the individual Shareholders' CREST account on a one for one basis and with CREST Depository Limited providing the necessary custodial service. Holders of CDIs will, at their option, be able to effect the exchange of their CDIs in CREST and receive the underlying Common Shares to which they are entitled into a shareholding account with a depository financial institution which is a participant in DTCC. CDI holders who wish to exchange their CDIs may do so by sending an instruction to CREST to that effect and following the rules and practices of CREST.

(b) Crest Deed Poll

Under the terms of the CREST Deed Poll, CREST Depository Limited (the "Depository") will hold (itself or through one or more persons appointed by it to act as custodian (the "Custodian")), as bare trustee, the underlying Common Shares issued by the Company and all and any rights and other securities, property and cash attributable to the underlying Common Shares for the time being held by the Depository or the Custodian pertaining to the CDIs for the benefit of the holders of the CDIs.

The Depository will re-allocate securities or distributions allocated to the Depository or the Custodian pro-rata to the Common Shares held for the respective accounts of the holders of CDIs but will not be required to account for fractional entitlements arising from such re-allocation. The Depository will also take all reasonable steps to give effect to the provisions of the CREST International Manual in respect of distributions, bonus issues, rights issues, capital reorganisations, voting, payments to CDI holders, withholding taxes and other matters which pertain to the underlying Common Shares.

Holders of CDIs warrant, inter alia, that the securities in the Company transferred or issued to the Depository or the Custodian on behalf of the Depository for the account of the CDIs holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Restated Certificate of Incorporation and Bylaws or any contractual obligation, or applicable law or regulation binding or affecting such holder.

The Depository will be entitled to cancel CDIs and treat the holder as having requested a withdrawal of the underlying securities in certain circumstances including where a CDI holder fails to furnish to the Depository such certificates or representation as to material matters of fact, including his identity, as the Depository deems appropriate.

The Deed Poll contains provision excluding and limiting the Depository's liability. The Depository shall not be liable to any CDI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from their negligence or wilful default or fraud or that of any person for whom they are vicariously liable, provided that the Depository shall not be liable for the negligence, wilful default or fraud of the Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of the Custodian or agent.

The holders of CDIs are required to agree and acknowledge with the Depository that it is their responsibility to ensure that any transfer of CDIs by them which is identified by the CREST system as exempt from stamp duty is so exempt, and to notify the Depository if this is not the case, and to pay to Euroclear UK and Ireland any interest, charges or penalties arising from non-payment of stamp duty in respect of such transaction.

Each holder of CDIs is liable to indemnify the Depository and the Custodian (and their respective agents, officers and employees) against all liabilities arising from or incurred in connection with or arising from any act related to, the Deed Poll so far as they relate to the CDIs (and any property or rights held by the Depository or Custodian in connection with the CDIs) held by that

holder other than those resulting from the willful default, negligence or fraud of the Depository, or the Custodian or any agent appointed by the Depository if they are a member of the Depository's group or, if not a member of the same group, if the Depository has failed to exercise reasonable care in the appointment and continued use of the Custodian or agent. The Depository is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of CDI holders.

The Depository may terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their CDIs and withdraw their deposited property and, if any CDIs remain outstanding after termination the Depository must, among other things, deliver the deposited property in respect of the CDIs to the relevant CDI holders or, at its discretion sell all or part of such deposited property. The Depository shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any monies due to it, together with any other cash held by it under the Deed Poll pro rata to holders of CDIs in respect of their CDIs.

The Depository or the Custodian may require from any holder information as to the capacity in which CDIs are or were owned and the identity of any other person with or previously having any interest in such CDIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Common Shares to the holders. Holders agree to provide such information requested and consent to the disclosure of such information by the Depository or the Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations.

The ISIN number of the Common Shares is US8730481020. The TIDM is AIID.

20. Dividend Policy

The relatively early stage of the Company's business and potential for significant growth means that it is unlikely that the Directors will be in a position to recommend a dividend in the early years following Admission. The Directors believe that the Company should seek to generate capital growth for Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits, if and when it becomes commercially prudent to do so. There can be no assurance that the Company will declare and pay, or have the ability to declare and pay, any dividends in the future.

21. Taxation

The attention of prospective investors is drawn to the information regarding taxation which is set out in Part 4 of this document. These details are, however, only intended as a guide to the current taxation law position in Ireland and the US.

Prospective investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than Ireland are strongly advised to consult their own independent financial or tax adviser immediately.

22. Effects of US Domicile

The Company is a US company incorporated in the State of Delaware, USA. There are a number of differences between the corporate structure of the Company and that of a public limited company incorporated in Ireland. Whilst the Directors consider that it is appropriate to retain the majority of the usual features of a US corporation, the Directors intend to take certain actions to conform to Irish standard practice for companies admitted to Euronext Growth in relation to notifiable interests. Section 9 of Part 5 of this document includes a description of the principal differences and, where appropriate, provisions contained in the Company's constitutional documents to incorporate Irish law principles in relation to notifiable interests.

The Company is incorporated in the State of Delaware in the United States and, for purposes of the Irish Takeover Rules, the Company is not resident in Ireland. As a result, although the Common Shares will be admitted to trading on Euronext Growth, the Company is not subject to the provisions of the Irish Takeover Rules. As a result, protections which would be afforded to Shareholders under the Irish

Takeover Rules, for example in relation to a takeover of a company or certain shareholding activities by shareholders, do not apply to the Company.

23. Further Information and Risk Factors

You should read the whole of this document which provides information on the Company and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the Risk Factors set out in Part 2 of this document and the additional information set out in Part 5 of this document.

PART 2

RISK FACTORS

In addition to the other information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The Directors believe the following risks and uncertainties associated with the Company and the industry in which it operates, and those associated with an investment in Common Shares, to be material risks and uncertainties that are known to the Company and should be used as guidance only. The risks and uncertainties described below do not represent an exhaustive list. They are not presented in any order of priority. Additional risks and uncertainties relating to the Company and/or the Common Shares that are not currently known to the Company, or which the Company currently deems immaterial, may arise or become (individually or collectively) material in the future, and may have a material adverse effect on the Company's financial condition, business, prospects or results of operations. If any of the following risks actually occur, the Company's financial condition, business, prospects or results of operations could be materially and adversely affected. In such circumstances, the trading price of the Common Shares could decline, and investors may lose all or part of their investment.

An investment in the Company involves significant risks and is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may be equal to the entire amount invested) which may result from such an investment. If you are in any doubt about the contents of this document and what action you should take, you should immediately seek your own personal financial advice from your independent professional adviser (being in the case of persons resident in Ireland, an organisation or firm authorised or exempted pursuant to the European Union (Markets in Financial Instruments) Regulations 2017 or the Investment Intermediaries Act 1995 (as amended)). Prospective investors should consult a legal adviser, an independent financial adviser or a tax adviser for legal, financial or tax advice if they do not understand any part of this document.

Prospective investors should be aware that the value of the Common Shares and any income from them may go down as well as up and that they may not be able to realise their initial investment.

There can be no guarantee that the Company's business objectives will be achieved.

RISKS RELATING TO THE COMPANY'S BUSINESS AND INDUSTRY

- 1. The Company has a limited operating history upon which prospective investors can evaluate its performance and has not yet generated profits. Accordingly, the Company's prospects must be considered in light of the risks that any new company encounters**

Trust Stamp was incorporated under the laws of the State of Delaware on 11 April, 2016, and it has not yet generated profits. The likelihood of the Company creating a viable business must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the growth of a business, operation in a competitive industry and the continued development of its technology and products. The Company anticipate that its operating expenses will increase for the near future and there is no assurance that the Company will be profitable in the near future. Prospective investors should consider the Company's business, operations and prospects in light of the risks, expenses and challenges faced as an emerging growth company.

- 2. The Company has historically operated at a loss, which has resulted in an accumulated deficit**

For the fiscal year ended 31 December 2019, Trust Stamp incurred a net loss of \$2,143,506 and a \$3,344,068 net loss for the first 6 months of 2020 (which included a one-time extraordinary charge of \$1,413,273 in connection with the issuance of warrants resulting in a net loss excluding the one-time warrant expense of \$1,930,795). There can be no assurance that the Company will ever achieve profitability. Even if it does, there can be no assurance that the Company will be able to maintain or increase profitability on a quarterly or annual basis. Failure to do so would continue to have a material

adverse effect on its accumulated deficit, would affect its cash flows, would affect its efforts to raise capital and is likely to result in a decline in the Company's Common Shares price.

3. The Company anticipates sustaining operating losses for the foreseeable future

It is anticipated that the Company will sustain operating losses in 2020 and 2021 as it expands its team, continues with research and development, and strives to gain customers for its technology and gain market share in its industry. The Company's ability to become profitable depends on its ability to expand its customer base, consisting of companies willing to license its technology. There can be no assurance that this will occur. Unanticipated problems and expenses are often encountered in offering new products which may impact whether the Company is successful. Furthermore, the Company may encounter substantial delays and unexpected expenses related to development, technological changes, marketing, regulatory requirements and changes to such requirements or other unforeseen difficulties. There can be no assurance that the Company will ever become profitable. If the Company sustains losses over an extended period of time, it may be unable to continue in business in the future (beyond 12 months from the date of this document).

4. The auditor included a "going concern" note in its audit report

The report from the Company's independent auditor on the Company's financial statements for the years ending 31 December 2018 and 31 December 2019 include a note indicating that the Company may not have enough funds to sustain the business until it becomes profitable and that its ability to continue as a going concern is dependent on its ability to produce revenues and/or obtain financing, for example through capital raisings such as the SeedInvest Offering, sufficient to meet current and future obligations and deploy such to produce profitable operating results. There can be no guarantee of the Company's ability to produce revenues or obtain financing, and even if financing is obtained, the Company may not accurately anticipate how quickly it may use such funds and whether they will be sufficient to bring the business to profitability.

5. The Company's technology continues to be developed, and it is unlikely that it will ever develop its technology to a point at which no further development is required

Trust Stamp is developing complex technology that requires significant technical and regulatory expertise to develop, commercialise and update to meet evolving market and regulatory requirements. If the Company is unable to successfully develop and commercialise its technology and products, it will significantly affect the viability of its business.

6. If unauthorised access to individually identifiable biometric or other personally identifiable information is obtained, the Company's reputation may be harmed and it may incur significant liabilities

It is possible that in the future, the Company's technology could be used to collect and store sensitive data, including protected health information ("PHI") and, personally identifiable information ("PII"), owned or controlled by its customers, and other parties. The potential application of the Company's technology encompasses a wide variety of business-critical information, including research and development information, patient data, commercial information, and business and financial information. The Company faces a number of risks relative to the protection of this critical information, including loss of access risk, inappropriate use or disclosure, inappropriate modification, and the risk of its customers being unable to adequately monitor, audit, and modify its controls over its critical information. As the supplier of this technology, Trust Stamp potentially inherits risks related to this data, exposing itself to potential liabilities. Data breaches occur at all levels of corporate sophistication (including at companies with significantly greater resources and security measures than the Company's) and the resulting fallout stemming from these breaches can be costly, time-consuming, and damaging to a company's reputation. Further, data breaches need not occur from malicious attack or phishing only. Often, employee carelessness can result in sharing PII with a much wider audience than intended. Consequences of such data breaches could result in fines, litigation expenses, costs of implementing better systems, and the damage of negative publicity, all of which could have a material adverse effect on the Company's business operations and financial condition.

7. The Company is subject to substantial governmental regulation relating to its technology and will continue to be for the lifetime of the Company

By virtue of handling sensitive PII and biometric data, the Company is subject to numerous statutes related to data privacy and additional legislation and regulation should be anticipated in every jurisdiction in which it operates. Examples of federal (US) and European statutes the Company could be subject to are:

- Health Insurance Portability and Accountability Act (HIPAA)
- Health Information Technology for Economic and Clinical Health Act (HITECH)
- The General Data Protection Regulation (GDPR)

Any such access, breach, or other loss of information could result in legal claims or proceedings, liability under EU, national, federal or state laws that protect the privacy of personal information under HIPAA, HITECH and/or GDPR. Notice of breaches must be made to affected individuals, the Secretary of the Department of Health and Human Services (“HHS”), and for extensive breaches, notice may need to be made to the media or state attorneys general. Penalties for violations of these laws vary. For instance, penalties for failure to comply with a requirement of HIPAA and HITECH vary significantly, and include significant civil monetary penalties and, in certain circumstances, criminal penalties with fines up to \$250,000 per violation and/or imprisonment. A person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to \$50,000 and up to one-year imprisonment. The criminal penalties increase if the wrongful conduct involves false pretenses or the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain, or malicious harm.

Further, various US states, such as California, have implemented similar privacy laws and regulations, such as the California Confidentiality of Medical Information Act, that impose restrictive requirements regulating the use and disclosure of health information and other personally identifiable information. Where state laws are more protective, we have to comply with the stricter provisions. In addition to fines and penalties imposed upon violators, some of these state laws also afford private rights of action to individuals who believe their personal information has been misused. California’s patient privacy laws, for example, provide for penalties of up to \$250,000 and permit injured parties to sue for damages. The interplay of US federal and state laws may be subject to varying interpretations by courts and government agencies, creating complex compliance issues for the Company and data it receives, uses and shares, potentially exposing it to additional expense, adverse publicity, and liability. Further, as regulatory focus on privacy issues continues to increase and laws and regulations concerning the protection of personal information expand and become more complex, these potential risks to the Company’s business could intensify. Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as PII, along with increased customer demands for enhanced data security infrastructure, could greatly increase the Company’s cost of providing its services, decrease demand for its services, reduce its revenues and/or subject it to additional liabilities.

Compliance with U.S. and international data protection laws and regulations could cause the Company to incur substantial costs or require it to change its business practices and compliance procedures in a manner adverse to its business. Moreover, complying with these various laws could require the Company to take on more onerous obligations in its contracts, restrict its ability to collect, use and disclose data, or in some cases, impact its ability to operate in certain jurisdictions. The Company relies on its customers to obtain valid and appropriate consents from data subjects whose biometric samples and data it processes on such customers’ behalf. Given that the Company does not obtain direct consent from such data subjects and it does not audit its customers to ensure that they have obtained the necessary consents required by law, the failure of its customers to obtain consents that are in compliance with applicable law could result in the Company’s own non-compliance with privacy laws. Such failure to comply with U.S. and international data protection laws and regulations could result in government enforcement actions (which could include civil or criminal penalties), private litigation and/or adverse publicity and could negatively affect its operating results and business. Claims that the Company has violated individuals’ privacy rights, failed to comply with data protection laws, or breached its contractual obligations, even if the Company is not found liable, could be expensive and time consuming to defend, could result in adverse publicity and could have a material adverse effect on its business, financial condition and results of operations.

The EU-wide General Data Protection Regulation imposes onerous accountability obligations requiring data controllers and processors to maintain a record of their data processing and policies. It requires data controllers to implement more stringent operational requirements for processors and controllers of personal data, including, for example, transparent and expanded disclosure to data subjects (in a concise, intelligible and easily accessible form) about how their personal information is to be used, imposes limitations on retention of information, increases requirements pertaining to health data and pseudonymised (i.e., key-coded) data, introduces mandatory data breach notification requirements and sets higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. Fines for non-compliance with the GDPR will be significant—the greater of €20 million or 4% of global turnover. The GDPR provides that EU member states may introduce further conditions, including limitations, to make their own further laws and regulations limiting the processing of genetic, biometric or health data.

8. If the Company's products do not achieve broad acceptance both domestically and internationally, the Company will not be able to achieve its anticipated level of growth

The Company's revenues are derived from licensing its identity authentication solutions. The Company cannot accurately predict the future growth rate or the size of the market for its technology. The expansion of the market for the Company's solutions depends on a number of factors, such as

- The cost, performance and reliability of its solutions and the products and services offered by its competitors;
- Customers' perceptions regarding the benefits of biometrics and other authentication solutions;
- Public perceptions regarding the intrusiveness of these solutions and the manner in which organisations use biometric and other identity information collected;
- Public perceptions regarding the confidentiality of private information;
- Proposed or enacted legislation related to privacy of information;
- Customers' satisfaction with biometric solutions; and
- Marketing efforts and publicity regarding biometric solutions.

Even if the Company's technology gains wide market acceptance, its solutions may not adequately address market requirements and may not continue to gain market acceptance. If authentication solutions generally or the Company's solutions specifically do not gain wide market acceptance, it may not be able to achieve its anticipated level of growth and its revenues and results of operations would suffer.

9. The Company operates in a highly competitive industry that is dominated by multiple large, well-capitalised market leaders and is constantly evolving. New entrants to the market, existing competitor actions, or other changes in market dynamics could adversely impact the Company

The level of competition in the identity authentication industry is high, with multiple exceptionally large, well-capitalised competitors holding a majority share of the market. Currently, the Company is not aware of any direct competitors of the Company able to offer its main technological offering which is non-PII tokenised identity authentication using an IT² that is derived from biometric or other identifying data and capable of being probabilistically matched and deduplicated on both a 1:1 and 1:n basis. Nonetheless, many of the companies in the identity authentication market have longer operating histories, larger customer bases, significantly greater financial, technological, sales, marketing, and other resources than the Company does. At any point, these companies may decide to devote their resources to creating a competing technology solution which will impact the Company's ability to maintain or gain market share in this industry. Further, such companies will be able to respond more quickly than the Company can to new or changing opportunities, technologies, standards, or client requirements, more quickly develop new products or devote greater resources to the promotion and sale of their products and services than the Company can. Likewise, their greater capabilities in these areas may enable them to better withstand periodic downturns in the identity management solutions industry and compete more effectively on the basis of price and production. In addition, new companies may enter the markets in which the Company competes, further increasing competition in the identity management solutions industry.

10. The Company faces competition from companies with greater financial, technical, sales, marketing, and other resources, and, if the Company is unable to compete effectively with these competitors, its market share may decline, and its business could be harmed

The Company faces competition from well established companies. Many of the Company's competitors have longer operating histories, larger customer bases, significantly greater financial, technological, sales, marketing, and other resources than the Company does. As a result, the Company's competitors may be able to respond more quickly than it can to new or changing opportunities, technologies, standards, or client requirements, more quickly develop new products or devote greater resources to the promotion and sale of their products and services than the Company can. Likewise, their greater capabilities in these areas may enable them to better withstand periodic downturns in the identity management solutions industry and compete more effectively on the basis of price and production. In addition, new companies may enter the markets in which the Company competes, further increasing competition in the identity management solutions industry.

The Company believes that its ability to compete successfully depends on a number of factors, including the type and quality of its products and the strength of its brand names, as well as many factors beyond its control. The Company may not be able to compete successfully against current or future competitors, and increased competition may result in price reductions, reduced profit margins, loss of market share and an inability to generate cash flows that are sufficient to maintain or expand the development and marketing of new products, any of which would adversely impact the Company's results of operations and financial condition.

11. The Company holds only one issued patent on its products or technology

While the Company has filed numerous patent applications and believes that it could secure patent protection for elements of its technology, the Company has made a considered and strategic decision not to aggressively pursue the issuance of patents in respect of its technology, as it believes that the disclosure required to obtain such protection could expose some of the inner-workings of its technology to competitors, who may in turn attempt to mimic the technology and/or to bad-actors who could seek to circumvent the technology. The Company currently has a total of 17 patents, provisional patents and utility patent applications pending which may serve to discourage other inventors from stealing or copying the Company's technology and/or assist in defending against any third-party infringement claims. At any given time, the Company may also have one or more Provisional Patents filed pending filing of a Utility Patent application. Nonetheless, by not having patents issued for all of the Company's technology, the Company is exposed to the risk that its technology could be copied, which would seriously harm its core business model. There is no guarantee that the Company will ever be issued patents on the applications it has submitted. In addition, in order to control costs, the Company has filed patent applications primarily in the United States. This may result in the Company having limited or no protection in other jurisdictions. The Company's success depends to a significant degree upon the protection of its products and technology. If the Company is unable to secure patents for its products and technology, or is otherwise unsuccessful at protecting its technology, other companies with greater resources may copy our technology and/or products, or improve upon them, putting the Company at a disadvantage to its competitors.

12. Successful infringement claims against the Company could result in significant monetary liability or prevent the Company from selling some of its products

The Company believes its products and technology may be highly disruptive to a large and growing market. The Company's competitors are well capitalised with significant intellectual property protection and resources and they (and/or patent trolls) may initiate infringement lawsuits against the Company. Such litigation could be expensive and could also prevent the Company from selling its products, which would significantly harm the Company's ability to grow its business as planned.

13. The Company's failure to attract and retain highly qualified personnel in the future could harm its business

As the Company grows, it will be required to hire and attract additional staff for research and development, regulatory professionals, sales and marketing professionals, accounting, legal, and finance experts. The Company may not be able to locate or attract qualified individuals for such positions, which will affect the Company's ability to grow and expand its business.

14. The Company relies on third party service providers

The Company's third-party partners provide a variety of essential business functions, including distribution, manufacturing, and many others. It is possible that some of these third parties will fail to perform their services or will perform them in an unacceptable manner. If the Company encounters problems with one or more of these parties and they fail to perform to expectations, it could have a material adverse impact on the Company.

15. The Company currently has three customers that account for substantially all its revenues

During the Company's development, it has focused on developing relationships with a few large partners and customers. As such, the Company's historical financial results identify that it generated substantially all its revenue from three customers. As the Company grows, it intends to expand the number of customers from which it generates revenues. In the opinion of the Company's management, it would be able to continue operations without its current customers. However, the unanticipated loss of the Company's current customers could have an adverse effect on the Company's financial position.

16. The Company is dependent on key executives

The Directors believe that the future success of the Company will depend in part upon the expertise and continued service of its key executives, including the Directors and senior management. Furthermore, the Company's ability to successfully develop its product and service offering will also depend on its ability to attract, retain and motivate suitable management, commercial, development, technological, scientific, marketing and sales personnel. Competition for highly competent and qualified employees is often intense due to their limited numbers. The departure of any of the Company's key executives could have a negative impact on its operations. In the event that future departures of employees occur, the Company's ability to execute its business strategy successfully or to continue developing its product and service offering could be adversely affected which could have a material adverse effect on the Company's financial business, prospects and results of operations.

17. The Company expects to raise additional capital through equity and/or debt offerings to support its working capital requirements and operating losses

In order to fund future growth and development, the Company will likely need to raise additional funds in the future (beyond 12 months from the date of this document) and may elect to raise additional funds at any time by offering Common Shares and/or other classes of equity, or debt that convert into shares of Common Shares, any of which offerings would dilute the ownership percentage of Shareholders. In order to issue sufficient Common Shares, the Company may be required to amend its certificate of incorporation to increase its authorised capital stock, which would require us to obtain a consent of a majority of Shareholders. Furthermore, if the Company raises capital through debt, the holders of debt would have priority over holders of Common Shares and the Company may be required to accept terms that restrict its ability to incur more debt. The Company cannot assure Shareholders that the necessary funds will be available on a timely basis, on favorable terms, or at all, or that such funds if raised, would be sufficient. The level and timing of future expenditure will depend on a number of factors, many of which are outside the Company's control. If the Company is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon its growth plans, which could adversely impact the Company, its business, development, financial condition, operating results, or prospects.

18. The Company may be subject to fraudulent activity

Whilst fraud by its nature is difficult to detect and eliminate, the Company has a number of security measures in place to monitor and respond to attempts to commit any fraud against the Company, or to infiltrate its IT systems. Any fraud against the Company and the associated reputational damage could have a material adverse effect on the Company's financial position, business prospects, reputation and the results of operations.

19. Foreign exchange rate fluctuations may adversely affect the Company's results of operations and financial condition

The Company prepares its financial statements in US Dollar, but a proportion of the Company's income and costs are and will continue to be in foreign currencies. To the extent that the Company's foreign currency assets and liabilities are not matched or hedged, fluctuations in exchange rates between US Dollar and other currencies may result in realised or unrealised exchange gains and losses on translation of the underlying currency into US Dollar. This may have a positive or negative effect on the Company's financial results and may therefore adversely affect the Company's financial condition. In addition, if the currencies in which the Company earns its revenues and/or holds its cash balances weaken against the currencies in which it incurs its expenses, this could adversely affect the Company's liquidity. The Company has converted a portion of the funds from the SeedInvest Offering into UK Pounds and Euros to cover six months or more of expenses denominated in those currencies but does not currently undertake systematic hedging, and were it to do so, such hedging would be based on estimates of liabilities and future revenues and may not fully eliminate the impact of future foreign currency exchange fluctuations.

20. Impact of the novel coronavirus pandemic on the Company

The Company assessed the impacts of the novel coronavirus pandemic on its various accounting estimates and significant judgments, including those that require consideration of forecasted financial information in the context of the unknown future impacts of COVID-19, using information that is reasonably available at this time. The accounting estimates and other matters assessed included, but were not limited to, capitalized internal-use software, the recoverability of goodwill, long-lived assets and investments recorded at cost, useful lives associated with intangible assets and capitalized internal-use software, and the valuation and assumptions underlying stock-based compensation, warrant liabilities, and Simple Agreements for Future Equity liabilities. Based on the Company's current assessment of these estimates, there was not a material impact to the consolidated financial statements as of and for the six months ended June 30, 2020. As additional information becomes available, the Company's future assessment of these estimates, including updated expectations at the time regarding the duration, scope and severity of the pandemic, could materially and adversely impact its consolidated financial statements in future reporting periods.

RISKS RELATING TO THE COMMON SHARES

21. The trading market for the Common Shares may be subject to limited liquidity

Prior to Admission, there has been no public market for the Common Shares. Admission to Euronext Growth should not be taken as implying that a liquid market for the Common Shares will either develop or be sustained following Admission. The liquidity of a securities market is often a function of the volume of the underlying Common Shares that are publicly held by unrelated parties. In particular, the SeedInvest Offering participants may not be able to hold the Common Shares in a manner easily tradeable on Euronext Growth (impacting their ability to execute buy or sell orders), and this may impact the expected liquidity of the Common Shares.

If a liquid trading market for the Common Shares does not develop or is not sustained, the price of the Common Shares may become more volatile and it may be more difficult to complete a buy or sell order for such Common Shares.

22. The trading market for the Common Shares may be subject to price volatility

The market price of the Common Shares following Admission may be subject to wide fluctuations in response to many factors, including those referred to in this Part 2, as well as stock market fluctuations and general economic conditions or changes in political sentiment that may substantially affect the market price of the Common Shares irrespective of the Company's actual financial, trading or operational performance. These factors could include the performance of the Company, large purchases or sales of the Common Shares (or the perception that such sales may occur), legislative changes and market, economic, political or regulatory conditions.

23. The Common Shares will not be admitted to the Official List

Application has been made for the Common Shares to be admitted to trading on Euronext Growth, a market designated primarily for emerging or smaller companies to which a higher investment risk than that associated with larger or more established companies tends to be attached. The Euronext Growth Rules are less onerous than the rules applicable to companies whose shares are listed in the premium/primary segments of the Official List and an investment in shares that are traded on Euronext Growth is likely to carry a higher risk than an investment in shares listed on the Official List.

Further, the contents of this document have not been examined or approved by Euronext Dublin or the Central Bank of Ireland.

It may be more difficult for investors to realise their investment on Euronext Growth than to realise an investment in a company whose shares are quoted on the Official Lists.

There are certain tax reliefs or exemptions for shareholders invested in companies whose shares are admitted to trading on Euronext Growth compared to the Official Lists. As the Company grows, the Euronext Growth market may no longer be the most suitable listing venue, and therefore such shareholders may no longer be able to benefit from such tax reliefs or exemptions.

24. Further issues of Common Shares may result in immediate dilution of existing Shareholders and may impact the price of the Common Shares

The Company may decide to issue additional Common Shares in the future in subsequent public offerings or private placements to fund expansion and development. If additional funds are raised through the issuance of new equity of the Company, other than on a pro rata basis to existing Shareholders, the percentage ownership of Shareholders may be reduced. The issue of additional Common Shares by the Company, or the possibility of such issue, may cause the market price of the Common Shares to decline and may make it more difficult for Shareholders to sell Common Shares at a desirable time or price. There is no guarantee that market conditions prevailing at the relevant time will allow for such a fundraising or that new investors will be prepared to subscribe for Common Shares at a price which is equal to the then market price(s) for Common Shares on Euronext Growth.

25. Pre-emption rights do not apply to the Common Shares

In the case of increases in the Company's issued share capital, Shareholders are not entitled to pre-emption rights to subscribe for such shares. Furthermore, the Company has a large amount of authorised Common Shares meaning Shareholder approval may not be required for future fundraisings.

26. The Company has issued warrants and granted other rights over Common Shares which may result in the dilution of existing Shareholders

The Company has entered into agreements with, and issued warrants to, certain investors which grant them the right to subscribe for new Common Shares on specified terms. The Company has also granted participation rights to certain investors which entitle them to a minimum level of participation in any further issues of Common Shares by the Company. The exercise of such warrants, subscription rights and/or participation rights may result in the dilution of the shareholdings of the Company's other investors. Further details regarding these warrants and other agreements are set out in Section 4 and Section 10 of Part 5 of this document.

27. There can be no assurance as to future dividends

There can be no assurance that the Company will declare dividends or as to the level of any dividends. The approval of the declaration and amount of any dividends of the Company is subject to the discretion of the Directors (and, in the case of any final dividend, the discretion of the Shareholders) at the relevant time and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of distributable profits, as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

28. There is no guarantee that the Company will maintain its Admission to trading on Euronext Growth

The Company cannot assure investors that the Company will always retain a listing on Euronext Growth. If it fails to retain such a listing, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Common Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition to Euronext Growth, the level of liquidity of the Common Shares traded on Euronext Growth could decline.

RISKS RELATING TO THE EXCLUSIVE JURISDICTION IN THE STATE OF DELAWARE

29. Enforcement of judgments

The Company is incorporated under the laws of the State of Delaware. There is no convention or treaty between the US and Ireland governing the recognition and enforcement of judgments. A US judgment cannot be automatically enforced in Ireland or an Irish judgment in the US. The only way to enforce a US judgment in Ireland is to treat the US judgment as a debt and make a claim in court. An Irish judgment may be enforced against a US company in Ireland, provided the US company has assets in Ireland.

30. Securities laws of certain jurisdictions, including US federal and state securities laws, may restrict the Company's ability to allow the participation of Shareholders in future offerings

In particular, Shareholders in the US may not be entitled to exercise these participation rights unless either the rights and Common Shares are registered under the US Securities Act and qualified under applicable US state securities laws, or the rights and Common Shares are offered pursuant to an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act and the qualification requirements of applicable US state securities laws. Any Shareholder who is unable to participate in future equity offerings will suffer dilution.

31. Takeover regulations

The Company is incorporated in and subject to the laws of the State of Delaware, US. Accordingly, the Company and transactions in its Common Shares are not subject to the provisions of the Irish Takeover Rules. As a result, protections which would be afforded to Shareholders under the Irish Takeover Rules, for example in relation to a takeover of a company or certain shareholding activities by shareholders, do not apply to the Company.

32. Application of Ireland and United States legislation

The Company is incorporated under the laws of the State of Delaware, US. Accordingly, a significant amount of the legislation in Ireland regulating the operation of companies does not apply to the Company. In addition, the laws of the State of Delaware will apply in respect to the Company and these laws may provide for mechanisms and procedures that would not otherwise apply to companies incorporated in Ireland. The rights of Shareholders are governed by Delaware law and by the Company's Restated Certificate of Incorporation and Bylaws, which may differ from the typical rights of Shareholders in Ireland and other jurisdictions.

It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Company is, or may be, exposed to or all those associated with an investment in the Company. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware, which may also have an adverse effect upon the Company.

PART 3

HISTORICAL FINANCIAL INFORMATION ON T STAMP INC

1. THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020 ARE INCLUDED IN APPENDIX 1 OF THIS ADMISSION DOCUMENT, WHICH HAVE NOT BEEN REVIEWED OR REPORTED ON
2. THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018 ARE INCLUDED IN APPENDIX 2 OF THIS ADMISSION DOCUMENT INCLUDING THE AUDITOR'S REPORT
3. THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017 ARE INCLUDED IN APPENDIX 3 OF THIS ADMISSION DOCUMENT INCLUDING THE AUDITOR'S REPORT

PART 4

TAXATION

PART A: IRISH TAXATION

1. Introduction

The following is a general summary of the material Irish tax considerations applicable to certain investors who are the beneficial owners of the Company's Common Shares. This summary is based on existing Irish tax law and the Company's understanding of the practices of the Irish Revenue Commissioners as of the date of this document. Legislative, administrative or judicial changes may modify the tax consequences described in this summary, possibly with retroactive effect. Furthermore, the Company can provide no assurances that the tax consequences contained in this summary will not be challenged by the Irish Revenue Commissioners or will be sustained by an Irish court if they were to be challenged.

This summary does not constitute tax advice and is intended only as a general guide. This summary is not exhaustive and shareholders should consult their own tax advisers about the Irish tax consequences (and the tax consequences under the laws of other relevant jurisdictions), which may arise as a result of being a shareholder in the Company including the acquisition, ownership and disposition of the Company's Common Shares. Furthermore, this summary applies only to shareholders who will hold the Company's Common Shares as capital assets and does not apply to all categories of shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes, pension funds or shareholders who have, or who are deemed to have, acquired their shares by virtue of an office or employment.

2. Taxation of dividends

Under Irish taxation legislation, no tax is required to be withheld at source from dividend payments made by the Company.

Irish resident or ordinarily resident individual shareholders may be subject to Irish income tax and other similar charges such as pay related social insurance (PRSI) and the Universal Social Charge (USC) on dividends received from the Company.

Shareholders that are within the charge to Irish corporation tax will be subject to corporation tax on dividends paid by the Company at either 12.5% or 25% depending on circumstances. A credit should be available for any foreign withholding tax suffered and for underlying taxes on the profits out of which the dividend is paid.

3. Taxation of capital gains for Shareholders

A disposal or deemed disposal of Common Shares by an Irish resident shareholder may give rise to a chargeable gain (or allowable loss) for the purposes of Irish capital gains tax ("CGT") (where the shareholder is an individual) or Irish corporation tax on chargeable gains (where the shareholder is within the charge to Irish corporation tax), depending on their circumstances and subject to any available exemption or relief. The rate of CGT (and the effective rate of corporation tax on chargeable gains) in Ireland is currently 33%.

A shareholder who is an individual and who is temporarily a non-resident in Ireland may, under Irish anti-avoidance legislation, be liable to Irish tax on any chargeable gain realised on a disposal of Common Shares during the period in which the individual is non-resident.

To the extent that a shareholder acquires Common Shares allotted to them, the Common Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Common Shares will generally constitute the base cost of a shareholder's holding.

4. Stamp duty

The rate of stamp duty, where applicable, on the transfer of shares is 1% of the price paid or the market value of the shares acquired, whichever is greater. Where a charge to Irish stamp duty applies it is generally a liability for the transferee.

No stamp duty will generally be payable on the issue of the New Common Shares.

Irish stamp duty should not arise on a transfer of Common Shares on the basis that Irish tax legislation provides for an exemption from stamp duty on the transfer of shares which are listed on Euronext Growth.

5. Capital Acquisitions Tax

Irish capital acquisitions tax, or CAT, consists principally of gift tax and inheritance tax. CAT could apply to a gift or inheritance of Common Shares given or received by an Irish resident shareholder. The person who receives the gift or inheritance is primarily liable for any CAT that may arise. However, there are certain circumstances where another person such as an agent or personal representative may become accountable for the CAT.

The rate of CAT is currently 33% and is payable if the taxable value of the gift or inheritance is above certain tax-free thresholds, referred to as “group thresholds”. The appropriate threshold amount depends upon the relationship between the donor and the donee of the shares and also the aggregation of the values of previous gifts and inheritances received by the donee from persons within the same group threshold. For example, in 2020 a child is entitled to a tax-free threshold of €335,000 on a gift or inheritance from a parent, but all gifts or inheritances within the charge to tax in Ireland taken from donors within the same group threshold since 5 December 1991 are taken into account. A gift or inheritance received from a spouse is exempt from CAT. Gifts or inheritances taken by charities may be exempt where they have been or will be applied for purposes which would be considered public or charitable under Irish law. There is also a “small gift exemption” whereby the first €3,000 of the taxable value of all taxable gifts taken by a donee from any one donor, in each calendar year is exempt from tax and is also excluded from any future aggregation. This exemption does not apply to an inheritance.

PART B: US TAXATION

1. General

The following is a general discussion of the material US federal income tax consequences of the ownership and disposition of Common Shares by a non-US holder that acquires shares of the Company. The discussion is based on the United States Internal Revenue Code of 1986, as amended (the “IR Code”), applicable Treasury regulations promulgated thereunder and administrative pronouncements, judicial decisions and interpretations of the foregoing, all as of the date hereof. All of the foregoing authorities are subject to change (possibly with retroactive effect) and any such change may result in US federal income tax consequences to a holder that are materially different from those described below. No ruling of the US Internal Revenue Service (“IRS”) or opinion of counsel has been or will be sought with respect to the tax consequences discussed herein. Consequently, the IRS may disagree with or challenge any of the tax consequences discussed herein.

The following discussion does not purport to be a full description of all US federal income tax considerations that may be relevant to a non-US holder in light of such holder’s particular circumstances and only addresses non-US holders who hold Common Shares as “capital assets” within the meaning of Section 1221 of the IR Code.

As used in this discussion, a “non-US holder” means a beneficial owner of Common Shares who is not, for US tax purposes:

- a citizen or individual resident of the United States;
- a corporation or partnership, including any entity treated as a corporation or a partnership for US federal income tax purposes, created or organised in the United States or under the laws of the United States or of any state thereof (including the District of Columbia), other than a partnership treated as foreign under US Treasury regulations;
- an estate, income of which is subject to US federal income taxation regardless of its source;

- a trust (1) if the administration of the trust is subject to the primary supervision of a US court and the trust has one or more US Persons who have the authority to control all substantial decisions of the trust, or (2) that has validly elected to be treated as a US Person for US federal income tax purposes under applicable US Treasury regulations. This discussion does not consider:
- US federal estate or gift tax consequences, or consequences under the tax laws of any state, local or foreign government that may be applicable to non-US holders of Common Shares;
- specific facts and circumstances that may be relevant to a particular non-US holder's tax position, including, if the non-US holder is a partnership or other entity treated as a partnership for federal income tax purposes, that the US tax consequences of holding and disposing of Common Shares may be affected by certain determinations made at the partner level;
- the tax consequences for the stockholders, partners or beneficiaries of a non-US holder;
- special tax rules that may apply to particular non-US holders, such as financial institutions, insurance companies, tax-exempt entities, certain trusts, hybrid entities, certain former citizens or residents of the United States, holders subject to US federal alternative minimum tax, broker-dealers, traders in securities, pension plans and regulated investment companies; or
- special tax rules that may apply to a non-US holder that holds Common Shares in connection with a hedging transaction, "straddle," "conversion transaction," "synthetic security" or other integrated transaction.

Prospective Investors are urged to consult with their own tax advisors regarding the US federal, state, local tax consequences of owning and disposing of Common Shares in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction or under any applicable tax treaty.

2. Taxation of Dividends

The Company may, in its discretion and subject to applicable laws, pay dividends on its Common Shares. When the Company does make distributions on the Common Shares, those payments will constitute dividends for US federal income tax purposes to the extent paid from the current or accumulated earnings and profits of the Company, as determined under US federal income tax principles. To the extent those distributions exceed the Company's current and accumulated earnings and profits, the excess will constitute a return of capital and first reduce the holder's basis, but not below zero, and then will be treated as gain from the sale of stock. In the event such distributions are made, the Company will have to withhold US federal income tax at a rate of 30 per cent., or a lower rate under an applicable income tax treaty, of the gross amount of the dividend paid to a non-US holder, unless the dividend is effectively connected with the conduct of a US trade or business of the non-US holder or, if an income tax treaty applies, attributable to a permanent establishment or fixed base of the non-US holder within the United States. Under applicable US Treasury regulations, a non-US holder, including, in certain cases of non-US holders that are entities, the owner or owners of such entities, will be required to satisfy certain certification requirements in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty. Non-US holders should consult with their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

Dividends that are effectively connected with a non-US holder's conduct of a trade or business in the United States and, if an income tax treaty applies, attributable to a permanent establishment or fixed base of the non-US holder within the United States, are taxed on a net income basis at regular graduated US federal income tax rates in the same manner as if the non-US holder were a resident of the United States. In such cases, the Company will not have to withhold US federal income tax if the non-US holder complies with applicable certification and disclosure requirements. In addition, a "branch profits tax" may be imposed at a rate of 30 per cent., or a lower rate under an applicable income tax treaty, on dividends received by a foreign corporation that are effectively connected with the conduct of a trade or business in the United States. Non-US holders that are engaged in a US trade or business or that are subject to similar taxation rules under an income tax treaty should consult their tax advisors regarding the taxation of dividends they may receive.

In order to claim the benefit of an income tax treaty or to claim exemption from withholding because the income is effectively connected with the conduct of a trade or business in the United States, the non-

US holder must provide a properly executed IRS Form W-8BEN, for treaty benefits, or W-8ECI, for effectively connected income, respectively, or such successor forms as the IRS designates prior to the payment of dividends. These forms must be periodically updated. A non-US holder that is eligible for a reduced rate of US federal withholding tax under an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for a refund together with certain required information with the IRS.

3. Gain on sale or other disposition of Common Shares

A non-US holder generally will not be subject to US federal income tax or withholding tax with respect to gain realised on a sale or other disposition of Common Shares unless one of the following applies:

- the gain is effectively connected with the non-US holder's conduct of a trade or business in the United States and, if an income tax treaty applies, is attributable to a permanent establishment or fixed base maintained by the non-US holder in the United States; in these cases, the non-US holder will generally be taxed on its net gain derived from the disposition in the manner and at the regular graduated US federal income tax rates applicable to United States persons, as defined in the IR Code, and, if the non-US holder is a foreign corporation, the "branch profits tax" described above may also apply;
- the non-US holder is a non-resident alien individual who is present in the United States for 183 days or more in the taxable year of the disposition and meets certain other requirements; in this case, the non-US holder will be subject to a 30 per cent. tax on the gain derived from the disposition which may be offset by US-source capital losses of the non-US holder, if any; or
- the Company's Common Shares constitute a United States real property interest by reason of the Company's status as a "United States real property holding corporation" ("USRPHC") for US federal income tax purposes at any time during the shorter of the 5-year period ending on the date of such disposition or the period that the non-US holder held the Company's Common Shares. Because the future determination of whether the Company is a USRPHC will depend on the fair market value of the Company's United States real property interests relative to the fair market value of the Company's other business assets at such time, there can be no assurance that the Company will not become a USRPHC in the future. As long as the Company's Common Shares are "regularly traded on an established securities market" within the meaning of Section 897(c)(3) of the IR Code, however, such Common Shares will be treated as United States real property interests only if a non-US holder owned directly or indirectly more than 5 per cent. of such regularly traded Common Shares during the shorter of the 5-year period ending on the date of disposition or the period that the non-US holder held Common Shares and the Company was a USRPHC during such period. If the Company is or were to become a USRPHC and a non-US holder owned directly or indirectly more than 5 per cent. of the Company's Common Shares during the period described above or the Company's Common Shares were not "regularly traded on an established securities market," then a non-US holder would generally be subject to US federal income tax on its net gain derived from the disposition of the Company's Common Shares at the regular graduated US federal income tax rates applicable to United States persons, as defined in the IR Code.

4. Information reporting and backup withholding tax

Under US Treasury regulations, the Company must report annually to the IRS and to each non-US holder the gross amount of the distributions paid to that holder and the tax withheld with respect to those distributions. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty or withholding was not required because the distributions were effectively connected with the non-US holder's conduct of a US trade or business. Copies of the information returns reporting those distributions and withholding may also be made available under the provisions of an applicable income tax treaty or agreement to the tax authorities in the country in which the non-US holder is a resident or incorporated. Under some circumstances, US Treasury regulations require backup withholding and additional information reporting on reportable payments on Common Shares.

The gross amount of dividends paid to a non-US holder that fails to certify its non-US holder status in accordance with applicable US Treasury regulations generally will be reduced by backup withholding at

the applicable rate, currently 28 per cent. Dividends paid to non-US holders subject to the US withholding tax at a rate of 30 per cent., described above in "Dividends," generally will be exempt from US backup withholding.

The payment of the proceeds of the sale or other disposition of Common Shares by a non-US holder effected by or through the US office of any broker, whether or not the broker is a US Person, generally will be reported to the IRS and reduced by backup withholding unless the non-US holder either certifies its status as a non-US holder under penalties of perjury or otherwise establishes an exemption and the broker has no actual knowledge, or reason to know, to the contrary. However, the payment of the proceeds of the sale or other disposition of Common Shares by a non-US holder effected by or through a non-US office of a broker that is not a US Person generally will not be reported to the IRS or reduced by backup withholding unless the broker has certain enumerated connections with the United States. The payment of proceeds from the sale or other disposition of Common Shares effected by or through a non-US office of a broker that is a US Person or that has certain enumerated connections with the United States will be reported to the IRS and may be reduced by backup withholding unless the broker receives a statement from the non-US holder that certifies its status as a non-US holder under penalties of perjury or the broker has documentary evidence in its files that the holder is a non-US holder.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-US holder can be refunded or credited against the non-US holder's US federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner. These backup withholding and information reporting rules are complex and non-US holders are urged to consult their own tax advisors regarding the application of these rules to them.

The foregoing discussion of US federal income tax considerations is not tax advice and is not based on an opinion of counsel. Accordingly, prospective non-US holders of Common Shares should consult their own tax advisors with respect to the US federal, state, local and non-US tax consequences of the ownership and disposition of Common Shares.

PART 5

ADDITIONAL INFORMATION

1. Responsibility

The Company (whose principal office appears below) and the Directors (whose names and functions appear on page 6 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

- The Company was incorporated in Delaware, USA on 11 April 2016. It is registered under the General Corporation Law of the State of Delaware with the name T Stamp Inc and with registered number 6013909. The business was originally founded as “T Stamp LLC”, formed on 9 November, 2015 as a Georgia limited liability company. In 2016, the Company effected a “hive down” business reorganisation whereby the business of the Company was transferred to a newly formed, wholly owned subsidiary, which was T Stamp Inc. (i.e. the Company). As of the date of this document, the Company is no longer a subsidiary of T Stamp LLC, and T Stamp LLC is no longer a majority owner of the Company. The Company is registered in the State of Georgia as a resident “foreign corporation” and has its principal office at 3017 Bolling Way, Atlanta, GA 30305 USA.
- The Company’s phone number is +1 678 325 7835. The Company is domiciled in the USA.
- The Company’s corporate website, at which the information required by Rule 5.26 of Part II (Non-Harmonised Rules) of the Euronext Growth Rules can be found, is www.truststamp.ai.
- Cherry Bekaert, Certified Public Accountants, whose address is 1075 Peachtree Street NE, Suite 2200, Atlanta, Georgia, GA 30309, USA, is the Company’s independent auditor and audited the accounts of the Company for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017.
- The financial year end of the Company is 31 December.

3. CORPORATE STRUCTURE

The Company is the holding company of the Group. The Company has the following significant subsidiaries, being all subsidiaries of the Company other than joint venture and dormant entities, which are, except where stated to the contrary, wholly owned by the Company:

Company Name	Holding (%)	Principal Activity
Finnovation LLC	50%	Dormant entity set up for potential joint-ventures
Sunflower Artificial Intelligence Technologies	100%	Polish subsidiary engaged in R&D and developments services
Trusted Mail Inc	62.5%	Encrypted e-mail
Trust Stamp Malta Limited	100%	Maltese subsidiary engaged in Biometric research & development
Biometric Innovations Limited	100%	UK subsidiary engaged in software service
AIID Payments Limited	100%	UK subsidiary engaged in Biometric payments
T Stamp Incentive Holdings	100%	Employee stock compensation holding company
Trust Stamp Cayman	100%	Cayman subsidiary

4. SHARE CAPITAL

- 4.1 As at the date of this document the Company is authorised to issue up to 9,500,000 shares consisting of (a) 7,500,000 shares of common stock of \$0.01 par value per share and (b) 2,000,000 shares of preferred stock of \$0.01 par value per share.

- 4.2 Changes in the amount of the issued share capital of the Company during the three years covered by the financial information set out in the Appendices of this document are as follows:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
Share Capital			
Common Shares	719 ¹	860.5 ¹	1,924,992
Series A Preferred Shares	0	0	186,137

In 2020, as part of the Series A Offering, the Company issued through the conversion of a sale a total of 870,422 Series A Preferred Shares, and converted \$1,073,339 convertible debt into 189,576 Series A Preferred Shares. On 8 September 2020, the Board resolved to re-designate all 1,246,135 outstanding Series A Preferred Shares as Common Shares. On 10 September 2020, the re-designation was effected.²

In addition, a further 154,294 Class A Common Shares were issued in 2020 as part of the Series A Offering and in relation to Admission (including 57,283 issued from Treasury for various stock purchases and transfers, and employee bonuses).

- 4.3 The Company's issued share capital as at the date of this document is:

Share Capital	Number	Par Value per Share (\$)
Common Shares ³	3,588,651 (including 263,230 ⁴ held in treasury)	\$0.01

- 4.4 The Company has the following warrants and options outstanding as at the date of Admission:

Warrants	Exercise Price	Expiration Date	Warrants outstanding over Common Shares
Synchrony Financial Warrant A	\$3.12	30/11/2026	80,129
Synchrony Financial Warrant B	20% discount to the funding round at which warrants are exercised	30/11/2026	160,462 ⁵
Second Century Ventures Warrants	\$8.00	31/12/2024	947,111
Reach Warrants	\$8.00	31/12/2024	186,442
Reach Warrants	\$0.83	20/09/2026	80,129
630 Cybersecurity Accelerator Warrants	See Section 10.2.4	16/12/2026	35,532 ⁶

¹ On 7 November 2019, the Board voted in favour of a 1-for-1602.564103 common stock split. On this date the Board also authorized 2,000,000 Series A Preferred Shares.

² The Board issued a vote to the preferred shareholders and the preferred shareholders voted by majority to convert the Series A Preferred Shares to Common Shares per the procedures laid out in the certificate of incorporation. The Board resolved to carry out the conversion.

³ Comprising only of Class A Common Shares. There are currently no Class B Common Shares in issue and all Series A Preferred Shares were re-designated as Common Shares on 10 September 2020.

⁴ All shares held in treasury on behalf of T Stamp Incentive Holdings ("TSIH"). The Board of the Company can use Common Shares held by TSIH for employee, consultant, advisor and other incentive stock awards in the future.

⁵ Assuming an exercise price of \$6.232 (20% discount to the SeedInvest Offering Price of \$7.79) and a maximum permitted investment of \$1 million. Exact number of shares to be issued will depend on the price of the funding round at which the warrants are exercised. Further details are set out in Section 10.2.3.

⁶ Assuming a value of \$50,000 worth of Class A Common Shares convertible at the post-money valuation at the time of purchase, being \$5.05 million, multiplied by the number of Common Shares issued on Admission. Exact number of shares to be issued will depend on the number of Common Shares outstanding at the time of exercise. Further details are set out at Section 10.2.4.

In addition, the Company has 296,746 employee and adviser stock options (including the Niel Kempson Loan) as outlined in Section 10 Part 5 outstanding as at the date of this document.

Save as disclosed, as at the date of this document:

- there are no shares in the capital of the Company which do not represent capital;
- no person has any preferential subscription rights for any share capital of the Company;
- the Company does not hold any other Common Shares as treasury shares and none of the Company's other subsidiaries hold any Common Shares;
- the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and
- there are no acquisition rights or obligations over the unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

5. CERTIFICATE OF INCORPORATION AND BYLAWS

The following is a summary of certain provisions of the Company's Certificate of Incorporation, Bylaws and provisions of the Delaware Corporation Law that apply to the company as in effect from Admission.

5.1 Objects:

The Company may and is authorised by its Restated Certificate of Incorporation to, engage in any lawful act or activity for which corporations may be engaged in under the Act.

5.2 Common and Preferred Shares:

(a) *Voting rights*

Each holder of the Company's Class A Common Shares is entitled to one vote for each Common Share held by such holder. Holders of the Company's Class B Common Shares have no voting rights with respect to such shares. Each holder of the Company's Series A Preferred Shares is entitled to one vote for each Common Share into which the Series A Preferred Shares held by such holder would convert. The Bylaws provide that the holders of a majority in interest of all shares entitled to vote on a matter, represented by Shareholders of record in person or by proxy, shall constitute a quorum. If a quorum is present at a meeting of the Shareholders, then the affirmative vote of a majority of the shares represented and voting shall be the act of the Shareholders, unless the vote of a greater number of shareholders of voting classes is required by the Company's Restated Certificate of Incorporation or the Act. The Restated Certificate of Incorporation provides that the Shareholders may not cumulate their vote for the election of directors.

(i) *Director Voting Provisions*

Holders of the Common Shares of the Company, as a separate class have the right to elect four (4) directors of the Company. Holders of the Series A Preferred Shares of the Company have the right to vote with the holders of Common Shares for the remaining directors of the company, including one independent director.

(ii) *Preferred Stock Protective Provisions*

So long as twenty five percent (25%) of the originally issued Series A Preferred Shares are outstanding, holders of the majority of the Preferred Shares of the Company are required to approve certain actions of the Company.

(iii) *Preferred Shares Voting Procedures*

Holders of Series A Preferred Shares, when a vote is requested, will be required to vote within seven (7) day voting period, after which the Board of Directors may vote those Series A Preferred Shares. This voting period may be extended.

(b) **Issue of Common and Preferred Shares**

The Directors have the authority to allot unissued Common Shares on such terms as they deem appropriate.

(c) **Dividends**

Subject to any restrictions contained in either the Act or the Restated Certificate of Incorporation, holders of Common Shares and Preferred Shares are entitled to receive dividends, when, as and if declared by the Board out of assets lawfully available for such purposes. The Board may set apart out of any funds of the Company available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

(d) **Rights upon liquidation, dissolution or winding-up**

In the event of any distribution of assets upon liquidation, dissolution or winding up of the Company, holders of the Series A Preferred Shares are entitled to a liquidation preference senior to the holders of Common Shares after payment or provision for payment of the debts and other liabilities of the Company. If the assets of the Company are insufficient, holders of the Series A Preferred Shares, such holders will share ratably of the assets available for distribution. After payment in full to the holders of the Series A Preferred Shares, the remaining assets will be distributed ratably to the holders of the Company's Common Shares.

(e) **Preferred Shares Conversion Rights**

The Series A Preferred Shares of the Company are convertible, at the option of the holder, at any time, into fully paid and nonassessable shares of the Company's Common Shares at the then-applicable conversion rate. The initial conversion rate is one Common Share per Series A Preferred Share. The conversion rate is subject to adjustment in the event of stock splits, reverse stock splits or the issuance of a dividend or other distribution payable in additional Common Shares. Automatic conversion will occur upon the closing of a firm underwriting, registered offering of the Company's securities, or upon majority approval of the holders of the Series A Preferred Shares.

(f) **Additional Rights**

Pursuant to the Investors' Rights Agreement between the holders of the Company's Series A Preferred Shares and the Company the following additional rights of the Series A Preferred Shares exist until the Company undertakes a firm underwriting, registered offerings of its securities, or becomes subject to the reporting requirements of the Securities Exchange Act of 1934:

(i) **Drag Along**

Upon approval of a liquidation or sale by the board of directors, the majority of the holders of the Company's Common Shares, and the majority of the holders of the Company's Series A Preferred Shares, then any remaining holders of Series A Preferred Shares will vote in favour of the liquidation or sale if such vote is solicited, refrain from exercising dissenters' rights, and deliver any documentation or take other actions reasonably requested by the Company.

(ii) **Participation Rights**

In the event of the issuance of additional shares or securities of the Company, holders of the Company's Series A Preferred Shares may participate to purchase their pro rata share of any additional shares or securities issued by the Company. This right is qualified by the holder being qualified to participate in such additional issuance of shares or securities of the Company.

(iii) **Most Favoured Nation Rights**

If the Company issues new shares with more favourable rights than those granted to the holders of the Series A Preferred Shares, the Company will provide substantially similar rights to the holders of the Series A Preferred Shares.

(iv) *Information Rights*

Holders of the Series A Preferred Shares who acquired such shares in an investment of US \$50,000 or greater have been granted information rights to be provided with unaudited annual, and quarterly financial statements prepared in accordance with generally accepted accounting principles.

5.3 Pre-emption rights

The Restated Certificate of Incorporation expressly provides that no Shareholder of the Company will have by reason of its holding shares of any class of capital stock of the Company any statutory pre-emptive rights to acquire or subscribe for any additional equity securities of the Company in any form. Holders of the Company's Series A Preferred Shares have been granted such rights as described in Section 5.2(f)(ii) above.

5.4 Method of transfer of Shares

The Bylaws provide the Company's shares shall be represented by certificates unless the Board resolves that that some or all of any class or series shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock. Shares are transferable in the manner prescribed by law and in the Bylaws. Transfers of shares shall be made on the books of the Company only by the holder of record thereof, by such person's attorney lawfully constituted in writing and, in the case of certificated shares, upon the surrender of the certificate thereof, which shall be cancelled before a new certificate or uncertificated shares shall be issued. No transfer of stock shall be valid as against the Company for any purpose until it has been entered in the stock records of the Company by an entry showing from and to whom transferred. Transfers of the Series A Preferred Shares of the Company must also include a joinder to the Investors' Rights Agreement. Transfers of the Class B Common Shares may only be made to certain permitted transferees.

5.5 Meetings of Shareholders

The Bylaws provide for annual and special meetings of Shareholders called in accordance with the Bylaws. Alternatively, actions may be taken by the written consent of the Shareholders. The Bylaws provide that the Company shall hold an annual meeting of the Shareholders. A special meeting of the Shareholders may be called at any time by the Board of Directors. To determine the Shareholders entitled to vote in a Shareholder meeting, the Board may fix, in advance, a record date, which is not more than 60 days nor less than 10 days before the date of any such meeting. If the Board does not fix a record date, then the record date will be the day notice is given of the meeting to the Shareholders.

5.6 Method of appointing proxy

Shareholders of record may vote at any meeting by proxy executed in writing. No such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

5.7 Directors

(a) *Powers of Directors*

Subject to the provisions of the Act and the Restated Certificate of Incorporation, the business and property of the Company shall be managed by the Board.

(b) *Number of Directors*

The Bylaws provide that the number of Directors constituting the Board will be not less than one, but that the number of Directors constituting the Board may be increased or decreased from time to time by the Board at any regular or special meeting, or by written consent.

(c) *Resignation and Removal*

The Bylaws provide that a Director may resign at any time by giving notice to the Company. A Director may be removed before the expiration of such Director's term of office for cause or without cause by the Shareholders at a special meeting called for the purpose of removing the Director only if one or more Shareholders holding a majority of the outstanding stock of the Company entitled to vote thereon vote in favour of such removal.

(d) *Vacancies*

In the case of any vacancy on the Board, including a vacancy resulting from an increase in the number of Directors authorised to serve on the Board, such vacancy may be filled by the remaining Directors (whether constituting a quorum or not) or the Shareholders.

(e) *Appointment*

The Directors are elected by the Shareholders at each annual Shareholders' meeting to hold office until the next annual meeting of the Shareholders and until their respective successors are elected and qualified. If, for any reason, the Directors shall not have been elected at any annual meeting, they may be elected at a special meeting of Shareholders called for that purpose.

(f) *Action without a Meeting*

The Bylaws provide that, unless otherwise restricted by the Restated Certificate of Incorporation or the Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting by the consent in writing of all the directors or members of the committee as the case may be (such written consents to be filed with the minutes of proceedings of the Board). Such consent may be provided before or after the action.

(g) *Meetings of Directors*

The Bylaws provide that regular meetings of the Board may be held at any place or time that the Board determines by a vote and may be held without notice upon such vote. Special meetings of the Board may be called by the Chief Executive Officer, President, any Vice President, the Secretary, or by any member of the Board of Directors with at least twenty-four hours' notice to each director. A majority of the Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors at a meeting of the Board where a quorum is present is regarded as an act of the Board unless a greater number is required by law or the Certificate of Incorporation.

5.8 **Officers**

The Board of Directors will elect a Chief Executive Officer, President and Secretary, and it may, if it so determines, choose a Chairperson of the Board and a Vice Chairperson of the Board from among its members. The Board of Directors may also choose a Chief Financial Officer, one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as it shall from time to time deem necessary or desirable.

5.9 **Exculpation and Indemnification of officers, Directors, employees and other agents**

The Restated Certificate of Incorporation provides that the Company will indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any director, officer, or agent of the Company who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of their position with the Company.

5.10 **Notices**

The Bylaws provide for notice in written form delivered personally or by mail to the address of the Shareholder on record with the Company. Alternatively, notices may be delivered by electronic transmission in accordance with the Act.

5.11 Amendments to Restated Certificate of Incorporation and Bylaws

The Restated Certificate of Incorporation may be amended by majority consent of the Shareholders, or in accordance with the Act, subject to the Series A Preferred Share Protective Provisions. The Board is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. The Shareholders may also adopt, amend or repeal the Bylaws, provided, however, that the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the Company entitled to vote generally in the election of directors, voting together as a single class on an as converted basis, are required to adopt, amend or repeal any provision of the Bylaws of the Company.

5.12 Squeeze-out rules

Section 267 of the Act outlines the procedures by which a controlling shareholder or parent corporation that has obtained 90 per cent. or more of the Company's shares may consummate a short-form merger to squeeze out the remaining shareholders. Generally, Section 267 allows for a short-form merger between a parent and a subsidiary, whereby a parent corporation that owns at least 90 per cent. of the outstanding shares of each class of a subsidiary corporation's stock may merge the subsidiary corporation into itself, or, alternatively, may merge both itself and the subsidiary corporation into a third corporation. A short-form merger is effected unilaterally by a board resolution of the parent company. A shareholder would be entitled to certain appraisal rights under Section 262 of the Act (as discussed below) in connection with the squeeze-out merger if the merger consideration was considered by such shareholder to be below "fair value". However, no resolution of the Board or the Shareholders would be required to effect the squeeze-out merger.

Under Section 262 of the Act, a holder of shares of a company that is the target of a merger, sale or consolidation who does not wish to accept the consideration being offered may elect to have the company pay in cash to him or her the "fair value" of his or her shares, plus accrued interest (excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable), provided that the shareholder comply with the conditions set forth in Section 262 of the Act. If there is a dispute between the shareholder and the company as to the fair value of the shares, Section 262 of the Act provides that the fair value may be judicially determined.

6. DIRECTORS & OTHER INTERESTS

6.1 As at the Latest Practicable Date, none of the Directors held an option to subscribe for shares in the capital of the Company

6.2 The table below sets out the interests of the Directors and the persons connected with them in the share capital of the Company as at the Latest Practicable Date:

Directors	Number of Common Shares	Percentage of Existing Common Shares
Gareth Genner	203,319 ¹	5.7%
Andrew Gowasack	243,086	6.8%
David Story	88,009 ²	2.5%
Mark Birschbach	1,307 ³	0%
Stacia Hylton	0	0%
William D'Arcy	0	0%
Jane Karwoski McCracken	0	0%
Sarah-Jill Lennard	0	0%

6.3 Immediately following Admission, the Directors will not hold any options in the capital of the Company.

1 Includes shares held by GC Capital LLC of which Barbara Genner, Mr. Genner's wife is the Manager

2 Includes shares held by Cooden Investments and David's wife Moya Story

3 The shares are owned by Second Century Ventures of which Mark Birschbach is Managing Director

- 6.4 No Director or member of a Director's family has a related financial product (as defined in the Euronext Growth Rules) referenced to the Company's share capital.
- 6.5 Save as otherwise disclosed in this document, there are no outstanding loans or guarantees which have been granted or provided to or for the benefit of any Director by the Company or any of its subsidiaries.
- 6.6 Save as otherwise disclosed in this document, there are no agreements, arrangements, or understandings (including compensation agreements) between any of the Directors connected with or dependent upon Admission.
- 6.7 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company or any other member of the Company during the current or immediately preceding financial year, or during any earlier financial year which remains in any respect outstanding or unperformed.
- 6.8 As at close of business on the Latest Practicable Date, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises at the date of this document, or could immediately following Admission exercise, control over the Company.
- 6.9 Insofar as is known to the Company, there are no arrangements the operation of which may, at a date subsequent to the Latest Practicable Date, result in a change of control of the Company.

7. ADDITIONAL INFORMATION ON THE DIRECTORS

7.1 Executive Directors' deeds of employment:

At the date of this document there are three Executive Directors, each of whom is employed by the Company under a deed of employment. The key terms of the Executive Directors' deeds of employment are summarised below:

Name	Title	Salary (\$)	Notice Period
Gareth Genner	CEO	\$242,000 ¹	30 Days
Andrew Gowasack	President	\$242,000	30 Days
David Story	Executive Chairman	€60,000	30 Days

A deed of employment was entered into between the Company and Mr. Genner effective on Admission pursuant to which Mr. Genner is employed as the Chief Executive Officer of the Company. Employment is terminable by either party giving 30 days' notice. Mr. Genner is entitled to a base salary of \$242,000 per annum and is eligible to be paid a discretionary annual performance related bonus of not less than 50% nor more than 100% of his basic salary, based on achievement of predetermined performance criteria set out by the Board. The deed states that upon termination of the agreement by either party in addition to accrued amounts of any unpaid base salary and all benefits and reimbursements due, an amount equal to twenty four months of Mr. Genner's salary is payable by the Company and in a change of control scenario this amount is equal to thirty six months of Mr. Genner's salary. Mr. Genner's deed of employment includes post-termination restrictions on competing activity and on solicitation of customers or key employees which are effective for a period of 2 years.

A deed of employment was entered into between the Company and Mr. Gowasack effective on Admission pursuant to which Mr. Gowasack is employed as the President of the Company. Employment is terminable by either party giving 30 days' notice. Mr. Gowasack is entitled to a base salary of \$242,000 per annum and is eligible to be paid a discretionary annual performance related bonus of not less than 50% nor more than 100% of his basic salary, based on achievement of predetermined performance criteria set out by the Board. The deed states that upon termination of the agreement by either party in addition to accrued amounts of any unpaid base salary and all benefits and reimbursements due, an amount equal to twenty four months of Mr. Gowasack's salary is payable by the Company and in a change of control scenario this amount is equal to thirty six months of Mr. Gowasack's salary. Mr. Gowasack's deed of employment includes post-termination restrictions on competing activity and on solicitation of customers or key employees which are effective for a period of 2 years.

¹ Paid in part via personal legal firm, Euro.lawyer

A deed of employment was entered into between the Company and Mr. Story effective on Admission pursuant to which Mr. Story is employed as the Executive Chairman of the Board. Employment is terminable by either party giving 30 days' notice. Mr. Story is entitled to a base salary of €60,000 per annum. The deed states that upon termination of the agreement by either party in addition to accrued amounts of any unpaid base salary and all benefits and reimbursements due, an amount equal to twenty four months of Mr. Story's salary is payable by the Company and in a change of control scenario this amount is equal to thirty six months of Mr. Story's salary. Mr. Story's deed of employment includes post-termination restrictions on competing activity and on solicitation of customers or key employees which are effective for a period of 2 years.

7.2 Non-Executive Directors' letters of appointment

At the date of this document, there are five Non-Executive Directors. The key terms of the Independent Non-Executive Directors' letters of appointment are summarised below:

Name	Appointment Date	Annual Fee (\$)	Notice Period
Stacia Hylton	Admission	\$60,000	One Month
William D'Arcy	Admission	\$60,000	One Month
Jane Karwoski McCracken	Admission	\$48,000	One Month
Sarah-Jill Lennard	Admission	\$48,000	One Month

Each of the Independent Non-Executive Directors has been appointed under the terms of a letter of appointment. Appointment is terminable by either party given one month's written notice or otherwise in accordance with the Bylaws. Continuation of appointment is contingent on satisfactory performance and any relevant statutory provisions for the removal of directors.

Standard 'cause' provisions are included that entitle the Company to terminate an Independent Non-Executive Director's appointment without notice or payment of compensation.

The Independent Non-Executive Directors will be paid the fee set out opposite their name. The Independent Non-Executive Directors may elect by notice in writing within one month of the date of their letter of appointment to apply their annual fees for the period commencing on the date of their letter until 31 December 2021 to subscribe for Common Shares at a price per share of \$7.79. In addition, the Company will reimburse all reasonable and documented expense incurred in performance of the Non-Executive Directors' duties.

Mark Birschbach serves as a non-executive director pursuant to a right of appointment granted Second Century Ventures LLC. Mr. Birschbach does not receive compensation for this role.

FSH Capital LLC, has but has not exercised the right to appoint a non-executive board member. Mastercard International Incorporated has the right to appoint a Board observer and has done so since 3 December 2019.

7.3 Other Directorships and Partnerships

In addition to being a director of the Company, the Directors have held or hold the following directorships (excluding subsidiaries of any company of which he or she is also a director) and/or have been/are a partner in the following partnerships within the five years immediately prior to the date of this document:

Directors	Current	Former
Stacia Hylton	SPOK Holdings Core Civic Lexis Nexis Special Services Inc LS Advisory LLC	None
Jane Karwoski McCracken	Perficio LLC	None
Mark Birschbach	None	None

David Story	Maplestar Limited Cooden Investments Limited Wealden Homes Limited Kiln Farm VI Management Company Limited	None
Gareth Genner	Pontifex University GC Capital LLC Watzisname Inc T Stamp LLC	Edevate LLC Amdaq Ltd
Andrew Gowasack	Watzisname Inc T Stamp LLC	None
William D’Arcy	BAI Communications Ltd BAI Communcations Europe Ltd	ALSAR Limited
Sarah-Jill Lennard	Raytheon Systems Ltd Illustro Consultancy Services	

7.4 Save as disclosed in paragraphs 7.5 below, as at the Latest Practicable Date no Director had:

- (a) any unspent convictions in relation to indictable offences;
- (b) ever had any bankruptcy order made against him/her or entered into any individual voluntary arrangement with his/her creditors;
- (c) ever been a director of a company which, while s/he was a director or within twelve months after s/he ceased to be a director, has been placed in receivership, creditors’ voluntary liquidation or administration or been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or with any class of its creditors;
- (d) ever been a partner of any partnership which, while s/he was a partner or within 12 months after s/he ceased to be a partner, has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement or has had a receiver appointed to any partnership asset;
- (e) received any public criticism and/or sanction by any statutory or regulatory authority (including recognised professional bodies); or
- (f) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

7.5 In 2018, Stacia Hylton was subject to a report by the U.S Department of Justice (DOJ) examining allegations relating to inappropriate hiring practices at the U.S. Marshals Service, described in letters sent from Senator Charles E. Grassley, Chairman of the Senate Committee on the Judiciary. The Office of the Inspector General (OIG) investigated these allegations and found that Stacia Hylton violated the Standards of Ethical Conduct for Employees of the Executive Branch in relation to actions that amounted to a recommendation of an applicant for a contractor position, but did not substantiate the allegation that Stacia Hylton promoted an assistant director in exchange for their efforts on behalf of that recommended applicant.

7.6 On 3 October 2011, Gareth Genner made a voluntary bankruptcy filing under Chapter 11 of the US Bankruptcy Code to protect a real estate investment that was the subject of a dispute with a lender. Following a settlement whereby the lender eliminated all interest and other costs and significantly reduced the outstanding capital balance, the bankruptcy was discharged, and the property remains in the ownership of Gareth Genner.

8. SIGNIFICANT SHAREHOLDERS

8.1 As at the close of the business on the Latest Practicable Date and in so far as is known to the Company, the following persons are, directly or indirectly, interested in 3 per cent. or more of the existing Common Shares:

	Number of Common Shares	Percentage of existing Common Shares
Directors		
FSH Capital LLC	505,247	14.1%
Brent De Jong	274,493	7.7%
Andrew Gowasack	243,086	6.8%
Gareth Genner	203,319 ¹	5.7%
10Clouds	121,952	3.4%

8.2 None of the Company's significant shareholders listed above has voting rights which are different from the voting rights of other holders of Common Shares.

9. EFFECT OF US DOMICILE

The Company is a US corporation organised under the laws of the State of Delaware. There are a number of differences between the corporate structure of the Company and that of a public limited company incorporated in Ireland under the Companies Act. While the Directors consider that it is appropriate to retain the majority of the usual features of a US corporation, the Directors intend to take certain actions to conform to Irish standard practice for companies admitted to Euronext Growth in relation to notifiable interests. Set out below is a description of the principal differences and, where appropriate, the actions the Board intends to take.

(a) *Share Allotment; Limitations on Borrowing*

Companies incorporated under the Companies Act must explicitly authorise directors to allot shares under Section 1021 of the Companies Act. It is usual for Irish companies to place restrictions on the authority of directors to allot shares. It is a requirement under Section 1021(3) of the Companies Act that such authority be limited to expire after a specified time period of no longer than five years, with shareholder approval required for renewal. An issue of shares and other equity securities of a company incorporated in Delaware requires prior approval by the board of directors. However, the authority of the Board to issue equity securities is not unconditional; it is limited by the number of shares authorised for issue in the Company's Certificate of Incorporation, which has authorised a total of 9,500,000 shares, of which 7,500,000 are Common Shares and 2,000,000 are Preferred Shares. Irish companies may impose limits on their borrowing powers by, for example, specifying that borrowed amounts may not exceed a multiple of the company's capital and reserves. The Company does not have limitations on its ability to borrow funds, as this type of limitation is extremely rare for US companies.

(b) *Pre-emptive rights*

Companies incorporated under the Companies Act are subject to pre-emption rights on new shares issued by the company pursuant to Section 1022 of the Companies Act. These rights provide for existing Shareholders to have a right of first refusal on the issue of new shares for cash. The Delaware Corporation Law does not automatically provide for pre-emptive rights and the Company shall have no obligation at law to provide any pre-emptive rights to its Shareholders.

(c) *Takeovers*

The Company will not be subject to the Irish Takeover Rules. Under Delaware law, the Board is charged with the management of the business and affairs of the Company. In managing the business and affairs of the Company, the Board is required to chart a course for the Company that is in the best interests of the Company and the Shareholders. To the extent the Board determines that a proposed merger transaction is undesirable, the Board has no duty to accept

¹ Includes shares owned by GC Capital LLC of which Barbara Genner, Mr. Genner's wife, is the Manager

an offer or commence negotiations in respect of such proposed merger transaction. In addition, the Board may, consistent with its fiduciary duties, adopt and maintain defensive measures to protect against unsolicited takeover bids that the Board determines are not in the best interests of the Company and all the Shareholders. Additionally, section 203 of the Delaware Corporation Law imposes restrictions on “business combinations” (such as mergers) between the Company and an “interested stockholder” (each as defined in section 203 of the Delaware Corporation Law). An “interested stockholder” is defined to include the holders of 15% or more of the outstanding voting stock of a company. Section 203 of the Delaware Corporation Law will not apply to the Company until it has a class of voting stock that is listed on a national securities exchange or held on record by more than 2,000 Shareholders. The US federal securities laws and applicable state securities laws can also regulate certain types of takeover activity. In particular, the Williams Act (which is part of the US Exchange Act) regulates tender offers and requires public disclosure, by means of a filing with the SEC, of acquisitions of a substantial block of equity securities in a publicly traded company. Many of the provisions of the Williams Act will not apply to the Company unless and until it has a class of shares registered under the US Exchange Act.

(d) *Limitation of Director liability*

While both the Companies Act and the Delaware Corporation Law allow for indemnification of directors, the scope of indemnification allowed under Delaware law is broader. Section 235 of the Companies Act generally prohibits Irish companies from exempting directors from, or indemnifying them against, liabilities in respect of their negligence, default or breach of duty or trust (subject to certain statutory relaxations, whereby directors may (if a company so chooses) be indemnified against any liability incurred in defending proceedings in which judgement is given, or relief is granted, in their favour).

By comparison, Article VII of the Company’s Certificate of Incorporation eliminates any monetary liability of directors to the Company or its Shareholders for breaches of fiduciary duty as a Director, except: (i) for any breach of the Director’s duty of loyalty to the Company or its Shareholders; (ii) for acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of the law; (iii) under Section 174 of the Delaware Corporation Law (which deals with unlawful payments of dividends and unlawful share purchases or redemptions); or (iv) for any transaction from which the Director derived an improper personal benefit.

Section 145 of the Delaware Corporation Law permits a corporation to: (i) reimburse present or former directors or officers for their defence expenses to the extent they are successful on the merits or otherwise; and (ii) advance defence expenses upon receipt of an undertaking to repay the corporation if it is determined that payment of such expenses is unwarranted.

(e) *Shareholder notifications of interests*

As a company incorporated under the laws of the State of Delaware, the Company is not subject to the provisions of Chapter 4 of Part 17 of the Companies Act and, consequently, Shareholders would not ordinarily be subject to any requirement to disclose to the Company the level of their interests in Common Shares or any changes thereto, notwithstanding that the Company is required to make public notifications of certain changes in such interest in accordance with Rule 5.22 of the Euronext Growth Rules for Companies. However, in line with current best practice for companies incorporated outside Ireland whose shares are admitted to trading on Euronext Growth, the Company has elected to incorporate certain provisions of Chapter 4 of Part 17 of the Companies Act into its Certificate of Incorporation, including a requirement for any person to notify the Company if: (i) they acquire an interest in shares comprised in the Company’s share capital with an aggregate nominal value equal to or more than 3% of the aggregate nominal value of the Company’s share capital, or (ii) there is any subsequent change in their interest, or (iii) they cease to have such an interest.

(f) *Additional corporate matters*

In addition, the following provisions of Delaware law applicable to the Company, and the following provisions in the Company’s Certificate of Incorporation and Bylaws, are standard for US corporations but may not be typical for Irish companies:

- (i) the holders of a majority of the shares issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for action at all meetings of the Shareholders; and
 - (ii) the quorum required for action at a meeting of the Board is a majority of the total number of authorised directors. A summary of the terms of the Company's Certificate of Incorporation and Bylaws and certain other provisions of the Delaware Corporation Law are set forth in Section 5 of this Part 5.
- (g) *Squeeze-out rules relevant to the holders of Common Shares as set out in the Delaware Corporation Law*

Section 267 of the Delaware Corporation Law outlines the procedures by which a controlling Shareholder or parent corporation that has obtained 90%, or more of the Company's Common Shares may consummate a short-form merger to squeeze out the remaining Shareholders. Generally, Section 267 allows for a short-form merger between a parent and a subsidiary, whereby a parent corporation that owns at least 90%, of the outstanding Common Shares of each class of a subsidiary corporation's shares may merge the subsidiary corporation into itself, or, alternatively, may merge both itself and the subsidiary corporation into a third corporation. A short-form merger is effected unilaterally by a board resolution of the parent company. A Shareholder would be entitled to certain appraisal rights under Section 262 of the Delaware Corporation Law (as discussed below) in connection with the squeezeout merger if the merger consideration was considered by such Shareholder to be below "fair value". However, no resolution of the Board or the Shareholders would be required to effect the squeeze-out merger.

Under Section 262 of the Delaware Corporation Law, a holder of Common Shares of a corporation that is the target of a merger, sale or consolidation who does not wish to accept the consideration being offered may elect to have the corporation pay in cash to him or her the "fair value" of his or her Common Shares, plus accrued interest (excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable), provided that the Shareholder comply with the conditions set forth in Section 262 of the Delaware Corporation Law. If there is a dispute between the Shareholder and the corporation as to the fair value of the Common Shares, Section 262 of the Delaware Corporation Law provides that the fair value may be judicially determined.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, include all of the contracts that have been entered into by the Company and its subsidiaries in the two years immediately preceding the date of this document and which are, or may be, material to the Company:

Euronext Growth Advisor and Broker Agreement

On 3 December 2020, the Company and Davy entered into a Euronext Growth Advisor and Broker Agreement pursuant to which Davy has agreed to act as Euronext Growth Advisor and broker to the Company for the purposes of the Euronext Growth Rules following Admission. Pursuant to the agreement, Davy will receive an annual retainer fee and 20,000 Common Shares. Either party may terminate the agreement following the initial 24 month term of the agreement on not less than 90 days' notice or, in the event of a material breach by the other party of its obligations under the agreement forthwith and if the breach is capable of remedy, fails to remedy that breach within 14 days (in the case of the Company) and seven days (in the case of Davy) of notice to do so. The Company shall be entitled to terminate the agreement in certain circumstances, including if Davy shall cease to be registered with Euronext Dublin as Euronext Growth Advisor and/or broker. The Company has agreed to indemnify and hold Davy (for itself and as trustee for each Relevant Person (as defined in the agreement)) harmless against all liabilities arising out of or in connection with the agreement unless it is as a result of fraud, negligence or willful default of Davy or any of its Relevant Persons.

US Transfer Agent and Registrar Agreement

The Company and the US Transfer Agent and Registrar entered into an agreement (the "**Registrar Agreement**") for the provision of registry and associated services dated 31 August 2017 under which

the US Transfer Agent and Registrar has agreed to act as registrar to the Company and to provide certain other administrative, investor and related services to the Company in relation to its business and affairs.

The US Transfer Agent and Registrar is entitled to receive an annual fee for the provision of its services under the Registrar Agreement. The annual fee is based on the number of holders of Common Shares in the Company and the number of transfers of such Common Shares. The US Transfer Agent and Registrar is also entitled to certain management and other fees and charges relating to specific additional services provided by it.

The Registrar Agreement shall continue unless and until terminated by either party by giving not less than six months' written notice, such notice period not to expire before the third anniversary of its commencement. In addition, the agreement may be terminated immediately if either party commits a material breach of the agreement which has not been remedied within 21 days of a notice requesting the same, upon an insolvency event in respect of either party or upon either party ceasing to have appropriate authorisations to permit it lawfully to perform the agreement.

Under the Registrar Agreement, the Company has given certain customary indemnities to the US Transfer Agent and Registrar in connection with its engagement as the Company's registrar.

10.1 Commercial services agreements

10.1.1 *Synchrony Software License Agreement*

On 9 November 2016 the Company entered into a software licensing and development agreement with Retail Finance International Holdings, Inc. ("**Retail Finance**"), a wholly owned subsidiary of Synchrony Financial, pursuant to which the Company licenses its identity verification software and related applications to Retail Finance, develops and enhances such software and related applications for use by Retail Finance in its business and provides maintenance and support services to Retail Finance. The initial scope of, and fees payable for, such services were detailed in an initial statement of work and can be supplemented by additional statements of work. The Company also granted, for a fixed fee, Retail Finance the exclusive use of the software in the United States for an initial period until 28 December 2018 and this period could be extended annually by Retail Finance. The exclusivity provisions were not renewed by Retail Finance and accordingly they expired on 28 December 2018. The term of the agreement is for an initial period until 28 December 2024 and it automatically renews for successive one-year periods unless either party provides at least 90 days prior written notice to the other party from the expiration of the relevant term. Retail Finance is also permitted to terminate the agreement, or any statement of work issued pursuant to the agreement, by giving the Company at least 30 days prior written notice. Under the agreement, the Company has agreed to pay Retail Finance a royalty in respect of revenues it generates from licensing to 3rd parties software developed pursuant to the agreement. The Company has not licensed the software developed pursuant to the agreement to any 3rd party and does not plan to do so. The royalty would be equal to 10% of such revenues received in the United States and 5% of such received in the rest of the world. A supplemental license agreement was entered into between the parties on 1 October 2020 to extend Retail Finance's license to permit it to use certain software that was not within the scope of the initial agreement. The term of the agreement is for an initial period expiring on 30 October 2023, which shall automatically renew for additional periods of one year unless either party provides written notices of its desire not to renew at least 90 days before the expiry of the then-current term. A software schedule under this supplemental license agreement was entered into with an effective date of 1 September 2020 for a period of 12 months which may be renewed on up to three occasions for a further 12 months by written notice of not less than 30 days prior to the then current expiration date. Additional fees are payable by Retail Finance to the Company under this software schedule.

10.1.2 *Mastercard Software License Agreement*

The Company entered into a software license agreement with Mastercard International Inc. ("**Mastercard**"), which became effective on 3 September 2019, pursuant to which the Company licenses certain software and provides technical support services to Mastercard.

The term of the agreement is for 10 years and it automatically renews for one-year periods unless either party provides at least 90 days prior written notice to the other party from the expiration of the relevant term. Mastercard International Inc. pays the Company licence fees based on its use of the software and implementation and support services fees.

10.1.3 *The Ridge Service Agreement*

On 25 February 2020 the Company entered into an agreement with The Ridge, LLC (“**The Ridge**”) pursuant to which The Ridge provided digital marketing services for the Company’s equity crowdfunding campaign on SeedInvest’s website and other platforms. The initial term of the agreement was for three months and the parties could renew this period for consecutive 1-month periods thereafter. The term was not renewed and accordingly the agreement expired on 25 May 2020. Either party can terminate the agreement by providing the other party with at least 30 days prior written notice. The Company paid The Ridge \$10,000 per month during the term of the agreement. In addition, The Ridge was entitled to receive convertible notes in the Company in an amount equal to \$10,000 per month during the term of the agreement, based on a per share dollar value reasonably determined by the Board provided that such value shall be no more than \$7.79 per share for the purposes of determining the number of shares to be issued. Any shares issuable under such convertible notes shall be issued within 60 days of the earlier to occur of the expiry or termination of the agreement. Following expiry of the agreement and the conversion of these notes, 5,839 Common Shares were issued to The Ridge.

10.2 Funding agreements

10.2.1 *Mastercard Convertible Promissory Note*

On 3 December 2019 the Company issued a convertible promissory note to Mastercard Investment Holdings Inc. (“**Mastercard Investment**”) pursuant to which it agreed to pay Mastercard Investment \$700,000 plus interest accruing at the rate of 0% to 31 December 2020 and 5% thereafter. The terms of the note provided for its automatic conversion upon the occurrence of a ‘qualified financing’, meaning a capital raising the proceeds of which are at least \$3 million. The SeedInvest Offering constituted a qualifying financing and accordingly the outstanding principal amount of the note would have converted into Class A Preferred Shares, but by agreement between the parties, the amount due under the note was converted into 89,859 Common Shares.

10.2.2 *Reach Ventures, LLC (“Reach”) Warrant Agreements*

On 30 September 2016 the Company issued a warrant to purchase 50 Common Shares to Reach at a strike price of \$1,333.33 per share. The warrant expires on 30 September 2026. The warrant is exercisable at any time by Reach prior to its expiry. In addition, if the fair market value of the exercise shares exceeds the exercise price, Reach may elect to exercise the warrant on a cashless basis. Following the Common Shares Split, the warrant is for a purchase of 80,129 Common Shares at a strike price of \$0.83 per share.

On 20 December 2019 the Company issued a warrant to purchase 186,442 Common Shares to Reach at a strike price of \$8.00 per share in exchange for the cancellation of a SAFE issued by an affiliate of the Company on 18 August 2017.

10.2.3 *Synchrony Financial Warrant Agreement*

On 9 November 2016 the Company issued a warrant to purchase 50 Common Shares at \$0.01 per value per share to Synchrony Financial at a strike price of \$5,000 per share. The warrant expires on 9 November 2026. The warrant is exercisable at any time by Synchrony Financial prior to its expiry. In addition, if the fair market value of the exercise shares exceeds the exercise price, Synchrony Financial may elect to exercise the warrant on a cashless basis. Following the Common Shares Split, the warrant is for a purchase of 80,129 Common Shares at a strike price of \$3.12 per share.

On 9 November 2016, the Company also issued a performance-based warrant to pay an aggregate amount of \$1 million for Common Shares at a 20% discount to the lowest price per share that is otherwise paid by any other investor in connection with the current

fundraising round at which time the warrants are exercised. The warrant expires on 30 November 2026. The warrant is exercisable by Synchrony Financial prior to its expiry in whole or in part in connection with any fundraising round, in which shares of the Company's common stock and/or preferred stock are issued, provided that the aggregate amount of \$1 million has not yet been paid.

10.2.4 *Six Thirty Warrant Agreement*

On 16 December 2016 the Company issued a warrant to purchase such number of Common Shares having a fair market value as at the exercise date of \$50,000 to SixThirty Cyber Fund LLC ("**SixThirty**") at a strike price equal to the lower of (i) the lowest price per share paid in a financing involving the conversion of certain notes issued to SixThirty, (ii) the quotient of \$4.9 million divided by the number of outstanding Common Shares of the Company at the time of exercise, or (iii) the fair market value of the shares at the date of conversion or maturity of notes issued to SixThirty. The warrant expires on the earlier of 16 December 2026 or the occurrence of certain reorganisation events by the Company.

10.2.5 *Second Century Ventures, LLC ("**SCV**") Warrant Agreement*

On 20 December 2019 the Company issued a warrant to purchase 932,111 Common Shares at a strike price of \$8.00 per share in exchange for \$300,000 and platinum sponsorship status with a credited value of \$100,000 per year for 3 years.

On 22 April 2020 a warrant to purchase an additional 15,000 Common Shares on the same terms was issued.

10.3 Agreements with directors, employees or advisers

10.3.1 *Loan Agreements with Alex Valdes, Andrew Francis and David Story*

The Company entered into three separate loan agreements on 16 August 2017 and on 17 August 2017, which were subsequently amended on 28 July 2020, pursuant to which the Company advanced loans of \$75,000 to each of Alex Valdes, Andrew Francis and David Story respectively. Each of these loans are secured against Alex Valdes', Andrew Francis' and David Story's respective shareholdings in the Company. These loans are due to become repayable on the earlier of the fourth anniversary of the date of the relevant loan agreement or within 90 days of the liquidation of the relevant secured shares.

10.3.2 *IP Assignment Agreement with Gareth Genner*

On 12 December 2019 the Company entered into an intellectual property assignment agreement with Gareth Genner pursuant to which Gareth Genner assigned to the Company all materials and intellectual property that he had developed or will develop in the course of his work for the Company.

10.3.3 *Stock Option Loan with Niel Kempson*

The Company has agreed, with effect from 13 November 2020, to grant a three-year loan in the amount of \$335,161.12, with an abated interest rate of 0.25% per annum, to an advisory contractor, Niel Kempson, to purchase 281,648 options at a price of \$1.19 per option. The options provide for the right to acquire shares of common stock of \$0.01 par value per share at a strike price of \$6.00 per share. The options have no vesting period and will expire 24 months after the date of issuance. The loan will be repaid via in-kind services from the contractor at a rate of \$9,000 per month for 36 months with a balloon payment in the last month to repay the remaining balance of the loan. The Company used a Black-Scholes-Merton pricing model to determine the fair value of the options for accounting purposes.

10.4 Other Agreements

10.4.1 *Founders Space Accelerator Agreement*

On 4 January 2016 T Stamp LLC entered into an accelerator agreement with LavaMind, LLC DBA Founders Space ("**Founders Space**") pursuant to which one founder of T Stamp LLC (the "**Participant**") attended the Founders Space Accelerator program which took place over four weeks in January and February 2016. In exchange for participation in the program

Founders Space or its designee was also granted the right to participate in future financings of T Stamp LLC (or any company engaged in the same business as T Stamp LLC that is formed by the Participant) up to the greater of (a) \$250,000, or (b) 5% of each round, and T Stamp LLC is required to notify Founders Space of any such financings in a timely manner.

10.4.2 *Reach Participation Agreement*

On 21 April 2017 Trusted Mail, Inc. entered into a participation agreement with Reach pursuant to which Trusted Mail, Inc. participated in an accelerator program run by Reach. Trusted Mail, Inc. received funding of \$100,000 through a SAFE and paid Reach Ventures 2017 LP \$50,000 after it received the first \$50,000 investment under the SAFE. In addition, in consideration for the payment of \$1,500 by Reach, Trusted Mail, Inc. issued Common Shares equivalent to 15% of its total equity to Reach.

10.4.3 *Emergent Technology Holdings LP Subscription Agreement*

On 22 August 2018 the Company entered into a subscription Agreement with EmTech (the "EmTech Subscription Agreement") in respect of the issuance of 140 Common Shares¹ for a total cash consideration of \$3 million which was payable in instalments. The agreement also provides that EmTech will, without further payment, be issued additional Common Shares to maintain its interest in the total outstanding Common Shares at fifteen percent (15%) or such lesser percentage purchased based on a fraction of \$3,000,000 funded through the calculation date, in the event that any convertible note, SAFE or other convertible instrument is converted or warrant or other rights exercised resulting in the dilution of EmTech's interest.

On 1 July 2019 the Company entered into an Acknowledgement and Settlement Agreement in respect of the EmTech Subscription Agreement pursuant to which all outstanding obligations under the agreement were settled and extinguished.

10.4.4 *EmTech Technology Services Agreement and Licence and Assignment Agreement*

On 1 July 2019 the Company entered into a technology services agreement with EmTech pursuant to which the parties agreed that EmTech may commission the Company to perform such services as may be detailed in statements of work from time to time. They agreed that such services will be provided to EmTech on an exclusive basis and will not be provided to any other company that participates in the supply chain of physical gold or in respect of identifying kilobars or any gold product, evidencing and tracking the provenance of gold or tokenising the ownership of, or transactions in, gold. The agreement will expire on 1 July 2024 unless terminated prior to such date by either party serving written notice upon the occurrence of a material breach by the other party which remains uncured for 30 days.

The Company and EmTech also entered into a Licence and Assignment Agreement on 1 July 2019 pursuant to which the Company granted EmTech a perpetual, non-exclusive, royalty-free, fully paid-up, irrevocable and worldwide licence right to use the materials supplied to it under the statements of work, as may be updated from time to time, within its own business or those of its affiliates.

10.4.5 *EmTech Referral Agreement*

On 1 July 2019 the Company entered into a referral agreement with EmTech pursuant to which EmTech was appointed as a non-exclusive sales channel for the Company's products and services and an exclusive sales channel for such services in connection with any part of the gold supply chain. A commission is payable to EmTech of up to twenty-five percent (25%) of all eligible net revenue received by the Company from clients referred to it by EmTech. The agreement may be terminated by written notice given by either party.

¹ Pre 1-for1602.564103 Common Shares split which the Board voted in favour of on 7 November 2019

10.4.6 FSH Capital, LLC Subscription Agreement

On 27 September 2019 the Company entered into a subscription Agreement with FSH Capital, LLC (“FSH”) in respect of the issuance of 39.2333 Series A Preferred Shares² for a total cash consideration of \$700,000. The agreement also provides that FSH shall have a right of first refusal to purchase its pro rata share of any new Common Shares or preferred shares that the Company may from time to time issue after the date of the subscription agreement, provided that FSH can demonstrate that it is an “accredited investor”, as defined in Regulation D of the US Securities Act, at such time.

10.4.7 EmTech and 10Clouds Agreement

On 4 February 2020 the Company entered into an agreement with EmTech and 10Clouds pursuant to which EmTech engaged the Company to perform future software development services, some or all of which the Company intends to sub-contract to 10Clouds. Previously, the Company had entered into simple agreements for future equity with EmTech on 1 July 2019 (the “EmTech SAFE”) and 10Clouds on 29 December 2017, (the “10Clouds SAFE”) and 10Clouds had also performed services for EmTech. Under the terms of the agreement, the outstanding balance under the EmTech SAFE was reduced by \$500,000 to \$1,611,953, the outstanding balance under the 10Clouds SAFE was increased by \$200,000 to \$950,000 and 10Clouds released EmTech from any liability for fees otherwise payable by it for the past services 10Clouds provided to EmTech. The 10Clouds SAFE has been exercised in full and is no longer outstanding.

10.4.8 EmTech Settlement Agreement and Promissory Note

On 11 June 2020 the Company entered into an agreement with EmTech pursuant to which EmTech engaged the Company to perform future software development services in exchange for (i) reducing the outstanding balance on the EmTech SAFE; (ii) the issuance by the Company of 51,348 Common Shares to TSI Holdings, to be held on trust in favour of EmTech; (iii) the payment of \$220,000 by the Company to EmTech; and (iv) the issue of a promissory note in the amount of \$387,178 to EmTech (the “**EmTech Promissory Note**”). In addition, the outstanding balance on the EmTech SAFE was cancelled in full. Under the terms of the EmTech Promissory Note, the Company was required to pay EmTech (i) \$200,000 on or before 31 August 2020 and (ii) \$187,176 on or before 30 September 2020, which payments were made on 28 September 2020.

10.4.9 SeedInvest Issuer Agreement

On 17 September 2019 the Company entered into an issuer agreement with SI Securities LLC (“SeedInvest”) pursuant to which SeedInvest was engaged to serve as the Company’s sole and exclusive placement agent to assist in the placement of its securities. The Company agreed to pay SeedInvest a fee of up to \$490,000 if the maximum agreed number of shares were sold in the SeedInvest Offering. On 18 September 2019 the Company entered into a supplemental term sheet with SeedInvest to confirm the terms of the proposed SeedInvest Offering.

10.4.10 Malta Enterprise Grants

Malta Enterprise, a Maltese Government agency, approved the following arrangements in favour of Trust Stamp Malta Limited, a wholly owned subsidiary of the Company:

- On 8 July 2019, pursuant to the Business Development and Continuity Scheme, a grant of up to €200,000 to assist with establishing its business in Malta; and
- On 21 May 2020, pursuant to the Start-up Finance 2020 Scheme, a soft loan of up to €800,000 to develop a research and development centre in Malta.

10.4.11 Hangar 51 Accelerator Participation Deed

On 12 November 2020 the Company entered into an accelerator participation deed with International Consolidated Airlines Group, S.A (“IAG”) pursuant to which the Company will

² Pre 1-for1602.564103 Common Shares split which the Board voted in favour of on 7 November 2019

participate in the start-up accelerator known as “Hangar 51” (the “Programme”). Under this agreement certain investment rights have been granted to IAG. The Company granted IAG a right, but not an obligation, to participate in any Financing Round (as defined below) of the Company Participant that occurs within 24 months of the conclusion of the three-year Programme in an amount to be determined by IAG in its discretion of the lesser of 20% of the aggregate value of the Financing Round or €4,000,000, on the same terms and for the same price as all other investors in such Financing Round (or, where there is more than one type of security issued in such Financing Round, such terms and price being offered by the Company in such Financing Round as determined by IAG in its sole and absolute discretion). The agreement defines “Financing Round” as the raising of debt or equity capital by the Company from third party investors (which may or may not include IAG) where more than €250,000 (excluding any fees and costs) is raised by the Company or pursuant to which more than 20% of the Company’s equity capital is issued or transferred.

10.4.12 Shareholder Lock-in Agreements

The Company and Davy have entered into lock-in agreements with certain Shareholders whose holdings together comprise approximately 17.3% of the entire issued share capital of the Company as of immediately following Admission (the “Shareholder Lock-In Parties” and “Shareholder Lock-In Party” shall be construed accordingly) (the “Shareholder Lock-In Agreements”). Pursuant to the terms of the Shareholder Lock-In Agreements, each of the Shareholder Lock-In Parties has undertaken, subject to certain customary exceptions (and six months after the date of the Shareholder Lock-In Agreements, the Shareholder may dispose of a number of locked-up shares not to exceed the greater of 1% of total outstanding shares of the Company, or the average of the previous four-week trading volume, in any four-week period), not to sell transfer, assign, swap or otherwise dispose of any Common Shares held or beneficially owned by such Shareholder Lock-In Party immediately following Admission at any time during the period commencing immediately following Admission and ending on the first anniversary of Admission.

11. PROFESSIONAL ADVISORS AND SERVICE PROVIDERS TO THE COMPANY

The Company engaged the following professional service providers and advisors during 2019 and 2020, to provide the services set out below:

Adviser/Service Provider	Services Provided
<i>Consulting</i>	
Cryptique Consulting	Research & Development
Mila Consulting	Information Technology
Mobile Intelligence	Sales Consulting
Professor Robert Allison	Mathematical Advice
<i>Accounting</i>	
Deloitte Ireland LLP	Transaction Services
Deloitte LLP (US)	SEC filings Services

12. SHARE INCENTIVE ARRANGEMENTS

On 9 April, 2019, management created a new entity, Tstamp Incentive Holdings (“TSIH”) to which the Company issued 320,513 Common Shares to TSIH that the Board of the Company can use for employee, consultant, advisor and other incentive stock awards in the future. A total of 263,230 shares¹ have been reserved for such awards as at the Latest Practicable Date.

13. CORPORATE GOVERNANCE

The Directors acknowledge the importance of good corporate governance and believe that good corporate governance creates shareholder value by improving performance, whilst reducing or mitigating the risks that a company faces as it seeks to create sustainable growth over the medium to long-term. The Directors have adopted the Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies (the “QCA Code”) which has become a widely recognised

¹ All shares held in treasury on behalf of T Stamp Incentive Holdings (“TSIH”). The Board of the Company can use Common Shares held by TSIH for employee, consultant, advisor and other incentive stock awards in the future.

benchmark for corporate governance of small and mid-sized companies, particularly Euronext Growth companies.

The Chairman is responsible for ensuring that the Board implements, maintains, and communicates effective corporate governance processes and for promoting a culture of openness and debate designed to foster a positive governance culture throughout the Company.

Immediately following Admission, the Board will comprise 8 Directors, 3 of whom will be Executive Directors and 5 of whom, will be Non-Executive Directors, reflecting a blend of different experience and backgrounds. Following Admission, the Board will meet at least 4 times a year to review, formulate and approve the Company's strategy, budgets and corporate actions and oversee the Company's progress towards its goals. The Company has established an Audit Committee, a Remuneration Committee, a Disclosure Committee and a Nomination Committee with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Board independence

At the date of this document, the Board consists of an Executive Chairman, 5 Non-Executive Directors (4 of whom are considered independent) and 2 Executive Directors. The Board believes that Stacia Hylton, Billy D'Arcy, Jane Karwoski McCracken and Sarah-Jill Lennard are independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. The Board believes this combination of Executive, Non-Executive and Independent Non-Executive Directors allows it to exercise objectivity in decision making and proper control of the Company's business and that this composition is appropriate in view of the size and requirements of the Company's business.

Audit Committee

The composition of the Audit, Risk and Compliance Committee is set out in Section 18 of Part 1. The terms of reference of this committee state that the composition should comprise of a minimum of three Directors, all of whom must be independent Non-Executive Directors. Each appointment is for a term of up to three years, which may be extended by up to two further three-year terms, provided the Director in question remains independent. The chairperson of the committee is appointed by the Board. However, the chairperson of the Board may not be a member of the committee. At least one member of the committee should have significant, recent and relevant financial experience. The committee will meet at least three times per year at appropriate intervals in the financial reporting and audit cycle, and otherwise as required.

The committee is responsible for ensuring that the financial performance of the Company is properly reported on and reviewed. The committee's role includes monitoring the integrity of the financial statements of the Company, reviewing significant financial reporting issues, reviewing the effectiveness of the internal financial controls, monitoring and reviewing the effectiveness of the internal audit function, making recommendations to the Board on the appointment or removal of the external auditors as well as approving their remuneration and terms of engagement and evaluating their performance.

Nomination Committee

The composition of the Nomination Committee is set out in Section 18 of Part 1. The Nomination Committee is appointed by the Board and the terms of reference of this committee state that the composition should comprise a minimum of three Directors, the majority of whom must be independent Non-Executive Directors. Each appointment is for a term of up to three years, which may be extended by up to two further three-year terms, provided the Director in question continues to meet the criteria for membership of the committee. The chairperson of the committee may be either the chairperson of the Board or another independent Non-Executive Director. The committee will meet at least once per year.

The committee is responsible for overseeing succession planning for the Board and senior management. It is also responsible for assessing the leadership needs for the Company in terms of its ability to compete effectively in its industry.

Remuneration Committee

The composition of the Remuneration Committee is set out in Section 18 of Part 1. The Remuneration Committee is appointed by the Board and the terms of reference of this committee state that the composition should comprise a minimum of three Directors, at least two of whom must be independent Non-Executive Directors. Each appointment is for a term of up to three years, which may be extended by up to two further three-year terms, provided (where relevant) the Director in question remains independent. The committee will meet at least twice per year.

The committee's main duties are to determine the Company's policy on directors' remuneration and setting remuneration for the company's chair, executive directors and senior management; establish remuneration schemes that promote long-term shareholding by executive directors that support alignment with long-term shareholder interests; design remuneration policies and practices to support strategy and promote long-term sustainable success, review the ongoing appropriateness and relevance of the remuneration policy; determine, in consultation with the Chairman and/or the Chief Executive Officer the total individual remuneration package of each executive director, the company chair and senior managers including bonuses, incentive payments and share options or other share awards; review the design of all share incentive plans for approval by the board and, where required, shareholders and for any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for executive directors and senior managers, and the performance targets to be used. No director or senior manager may be involved in any decisions as to their own remuneration. In relation to the remuneration for the CFO and the President, the committee shall consider recommendations made by the CEO and the President, in respect of the CFO's remuneration, and the CEO and CFO, in respect of the President's remuneration. The committee is also responsible for appointing remuneration consultants.

Further details of the terms of reference of each of the above committees will be available on the Company's website.

Disclosure Committee

The composition of the Disclosure Committee is set out in Section 18 of Part 1. The Disclosure Committee is appointed by the Board and the terms of reference of this committee state that the composition should include the Chief Executive Officer, the Chief Financial Officer and Secretary and the Company's Legal Assistant.

The committee's main duties are to ensure that the Company makes timely and accurate disclosure of all information that is required to be disclosed to meet its disclosure obligations under Market Abuse Regulations and the Euronext Growth Rules.

Share dealing policy

The Company has adopted a share dealing policy regulating trading and confidentiality of inside information for the Directors and other persons discharging managerial responsibilities (and persons closely associated with them) which contains provisions appropriate for a company whose shares are admitted to trading on Euronext Growth (particularly relating to dealing during closed periods which will be in line with the Market Abuse Regulation). The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees with the terms of that share dealing policy.

Compliance with the QCA Code

The Board recognises the importance of sound corporate governance and applies the QCA Code, which the Directors believe is the most appropriate recognised governance code for a company with shares admitted to trading on Euronext Growth. It is believed that the QCA Code provides the Company with the framework to help ensure that a strong level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all of its stakeholders.

The QCA Code contains ten principles of good corporate governance and requires certain disclosures to be made in an issuer's annual report and on its website. The Company has committed to apply these principles within the business.

From Admission, the Company will publish on its Rule 5.26 website details of how it complies with the QCA Code and where it departs from the QCA Code with explanations of the reasons for doing so. The Company will review this information annually in accordance with the requirements of Rule 5.26 of Part II (Non-Harmonised Rules) of the Euronext Growth Rules.

14. RELATED PARTY TRANSACTIONS

Save as disclosed below and in Appendix 1, 2 and 3 of this document, the Company has not entered into a transaction with a related party during the periods covered by the historical financial information set out in Part 3 of this document and between 30 June 2020 and the Latest Practicable Date.

15. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that the Company will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of Admission.

16. NO SIGNIFICANT CHANGE

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 June 2020 (the date to which the historical financial information presented in Part 3 of this document was prepared).

17. LITIGATION

There have been no legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Company's or the Group's financial position or profitability.

18. ENVIRONMENTAL ISSUES

Save as disclosed in this document, the Directors believe that the Group does not have any material environmental compliance costs or environmental liabilities.

19. GENERAL

Consents

- (a) Davy, which is regulated in Ireland by the Central Bank of Ireland, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references of its name in the form and context in which it appears.
- (b) Cherry Bekaert, has given and not withdrawn its consent to the inclusion of its reports in Part 3 and Appendix 2 and 3 of this document, and of its name and the references thereto in the form and context in which they appear.

Benefits received from the Company

Save disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document) has received, directly, or indirectly, from the Company within the 12 months preceding the application for Admission; or entered into any contractual arrangement to receive, directly or, indirectly from the Company on or after Admission, any fees totaling €14,000 or more or securities in the Company with a value of €14,000 or more (calculated by reference to the SeedInvest Offering Price) or any other benefit to a value of €14,000 or more at the date of Admission.

Availability of Admission Document

Copies of this document and documents incorporated by reference into this document (if any) are available free of charge from the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document and will remain available for at least 30 days after the date of Admission and is also available subject to certain restrictions from the Company's website www.truststamp.ai

Other

- (a) The Common Shares are in registered form and the liability of members of the Company is limited to the amount, if any, unpaid on their shares held by them in the capital of the Company.
- (b) Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- (c) Save as disclosed in this document, there are no investments by the Company in progress which are significant.
- (d) This Document has not been approved by the Central Bank of Ireland.
- (e) The Common Shares will be in registered form, and capable of being held in uncertificated form, and will be admitted to listing on Euronext Growth.
- (f) Where information has been sourced from a third party, this information has been accurately reproduced so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (g) There is no fixed date on which any Shareholders' entitlements to dividends arises.

Dated: 3 December 2020

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“€” or “Euro” or “cent”	the currency of the member states of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome in 1957), as amended
“1996 Regulations” or “CREST Regulations”	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 as amended from time to time and any provisions of or under the Companies Act which supplement or replace such CREST Regulations including any modification thereof or any regulations in substitution therefor under Section 1086 of the Companies Act
“Admission”	admission of the Common Shares to trading on Euronext Growth becoming effective in accordance with the Euronext Growth Rules
“Restated Certificate of Incorporation”	the amended and restated Certificate of Incorporation of T Stamp Inc dated 25 October 2019
“Board”	the board of Directors of the Company from time to time
“Bylaws”	the Bylaws of the Company, as amended and restated from time to time
“CAGR”	compound annual growth rate
“Certificate of Incorporation”	the amended and restated certificate of incorporation of T Stamp Inc, dated 25 October 2019
“Chairman”	the chairman of the Company, being at the date of this document, David Story
“Cherry Bekaert” or “Reporting Accountant”	Cherry Bekaert, 1075 Peachtree Street NE, Suite 2200, Atlanta, Georgia, GA30309, USA
“Class B Common Shares”	Shares of Class B common stock of the Company with a par value of \$0.01 per share
Common Shares” or “Class A Common Shares”	Shares of Class A common stock of the Company with a par value of \$0.01 per share
“Common Shares Split”	the 1-for-1602.564103 stock-split which the Board authorised on 7 November 2019
“Companies Act”	the Companies Act 2014 of Ireland and every statutory modification and re-enactment thereof for the time being in force
“Company” or “T Stamp Inc”	T Stamp Inc, a company incorporated and registered in Delaware USA with registered number 6013909
“CDI”	Crest Depository Interests, which represent an entitlement to Common Shares held through a nominee service, and Shareholders , when referred to in this document, include the holders of those CDIs through that nominee service
“CREST”	the system of paperless settlement of trades in listed securities and holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the CREST Regulations

“CREST International Manual”	the document entitled the ‘CREST International Manual’ issued by Euroclear UK & Ireland, forming part of the CREST Manual, as amended or replaced from time to time
“CREST Manual”	the documents constituting the ‘CREST Manual’ issued by Euroclear UK & Ireland, as amended or replaced from time to time
“Davy”	J&E Davy, trading as Davy including its affiliate Davy Corporate Finance and other affiliates, or any of its subsidiary undertakings
“Delaware Corporation Law” or “The Act”	General Corporation Law of the State of Delaware
“Directors”	the directors of the Company, being, at the date of this document, the persons whose names are set out on page 6 of this document, and “Director” means each or any of them as the context may require
“DTCC”	the Depository Trust & Clearing Corporation
“Emergent Technologies” or “Emtech”	Emergent Technology Holdings LP
“EU” or “European Union”	the political and economic union of 27 Member States and “EU Member State” shall be construed accordingly
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, the operator of CREST
“Euronext Dublin”	means The Irish Stock Exchange plc, trading as Euronext Dublin
“Euronext Growth”	the Euronext Growth Market, a market operated by Euronext Dublin
“Euronext Growth Advisor”	Davy
“Euronext Growth Advisor and Broker Agreement”	the Euronext Growth Advisor and broker agreement dated 3 December 2020 between the Company, the Directors and Davy
“Euronext Growth Rules”	Part I (Harmonised Rules) and Chapter 5 (Additional Rules for the Euronext Growth Market operated by Euronext Dublin), of Part II (Non-Harmonised Rules) of the Euronext Growth Markets Rule Book (Effective Date: 10 June 2019)
“Executive Directors”	the executive Directors of the Company as at Admission, namely David Story, Gareth Genner and Andrew Gomasack
“GDPR”	the General Data Protection Regulation (EU) 2016/679 which came into force across the EU in May 2018
“Group”	the Company and its subsidiaries
“Ireland”	the island of Ireland excluding Northern Ireland
“Issued Share Capital”	the 3,588,651 Common Shares in issue on Admission
“Latest Practicable Date”	1 December 2020, being the latest practicable date prior to the publication of this document
“Market Abuse Regulation”	Regulation (EU) No 596/2014 of the European Parliament and of the Council on 16 April 2014 on market abuse
“Malta”	The Republic of Malta
“Mastercard”	Mastercard International Inc

“Member State”	a member state of the EU
“Non-Executive Directors”	the non-executive Directors of the Company, as set out in Section 16 in Part 1 of this document
“Northern Ireland”	the counties of Antrim, Armagh, Derry, Down, Fermanagh and Tyrone, forming part of the United Kingdom
“Official List”	the Official List of Euronext Dublin
“QCA”	the Quoted Companies Alliance
“QCA Code”	the QCA Corporate Governance Code published in 2018
“Poland”	Republic of Poland
“US Transfer Agent and Registrar”	Colonial Stock Transfer
“Regulation A”	exemption from registration under the US Securities Act that allows companies to raise money from the public in securities offerings of up to \$50m
“Revenue”	the Revenue Commissioners of Ireland
“Rules for Euronext Growth”	the Rules for Euronext Growth Advisors published by Euronext Advisors Dublin from time to time
“Series A Preferred Shares”	Shares of Preference stock of the Company with a par value of \$0.01 issued as part of the SeedInvest Offering. These shares were predesignated as Common Shares on 10 September 2020
“Series A Offering”	the Company’s Series A \$10m fundraising
“SeedInvest Offering”	the Company’s \$5.6m equity crowdfunding offering through SeedInvest which closed in August 2020
“Shareholder”	a holder of Common Shares
“Synchrony”	Synchrony Financial, a Delaware Corporation
“Trust Stamp”	T Stamp Inc incorporated and registered in the State of Delaware, USA under Delaware General Corporation Law of the State of Delaware with registered no. 6013909
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States, and the district of Columbia
“US Securities Act”	the US Securities Act of 1933, as amended
“VAT”	value added tax
“10clouds”	10clouds sp. zo o.

GLOSSARY

“AML”	Anti-Money Laundering
“API”	Application Programme Interface
“ARR”	Annual Recurring Revenue
“KYC”	Know your customer requirements
“GPU”	Graphics Processing Unit
“NGO”	Non-Governmental Organisation
“Non-PII”	Non-Personally Identifiable Information
“PII”	Personally Identifiable Information
“PEO”	Professional Employer Organisation
“P2P”	Peer to Peer
“Salted”	Salting is a Cryptography technique which involves adding random data to a password before it is put through a cryptographic hash
“SaaS”	Software as a Service
“SAFE”	Simple Agreement for Future Equity
“SDK”	Software Development Kit

SOURCE MATERIALS

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3. Grand View Research. "Biometrics Technology Market Analysis Report by End-use (Government, Banking & Finance, Transport/Logistics, Defence Security), by Application (AFIS, Iris, Non-AFIS), and Segment Forecasts, 2018-2025" (September 2018). <https://www.grandviewresearch.com/industry-analysis/biometrics-industry>
4. Juniper Research. "Mobile Biometrics to Authenticate \$2 Trillion of Sales by 2023, Driven by Over 2,500% Growth" (24 July 2018). <https://www.juniperresearch.com/press/press-releases/mobile-biometrics-to-authenticate-2-tn-sales-2023>
5. Juniper Research. "Losses from Online Payment Fraud to More than Double by 2023, Reaching \$48 Billion Annually", (20 November 2018). <https://www.juniperresearch.com/press/press-releases/losses-from-online-payment-fraud-more-double-2023>
6. 360iresearch. "Global Biometrics Market, Market Research Report, Cumulative Impact of COVID-19" (August 2020). <https://www.360iresearch.com/360iResearch-Research-Reports/Market-Research-Report/global-biometrics-market>

Note:

All information contained in this document which has been reproduced from the source materials listed above has been accurately reproduced and as far as the Company is aware and is able to ascertain from such source materials, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Appendix 1

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

FORM 1-SA

SEMIANNUAL REPORT PURSUANT TO REGULATION A

or

SPECIAL FINANCIAL REPORT PURSUANT TO REGULATION A

For the fiscal semiannual period ended: June 30, 2020

T Stamp Inc. (D/B/A Trust Stamp)

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

81-3777260

(I.R.S. Employer Identification No.)

3017 Bolling Way NE, Floors 1 and 2,

Atlanta, Georgia, 30305, USA

(Mailing Address of principal executive offices)

(404) 806-9906

Issuer's telephone number, including area code

In this report, the term "Trust Stamp", "we", "us", "our" or "the Company" refers to T Stamp Inc. d/b/a Trust Stamp.

This semiannual report on Form 1-SA (the "Report") may contain forward-looking statements and information relating to, among other things, the company, its business plan and strategy, and its industry. These forward-looking statements are based on the beliefs of, assumptions made by, and information currently available to the company's management. When used in this Report, the words "estimate," "project," "believe," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements, which constitute forward looking statements. These statements reflect management's current views with respect to future events and are subject to risks and uncertainties that could cause the company's actual results to differ materially from those contained in the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company does not undertake any obligation to revise or update these forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence.

Item 1.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operation in conjunction with our financial statements and the related notes included in this Form 1-SA. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

The financial statements included in this filing are unaudited, and may not include year-end adjustments necessary to make those financial statements comparable to audited results, although in the opinion of management all adjustments necessary to make the interim financial statements not misleading have been included.

Overview

T Stamp, Inc. was incorporated on April 11, 2016 in the State of Delaware. T Stamp, Inc. and Subsidiaries ("Trust Stamp", "We", or the "Company") develops and markets identity authentication software solutions for enterprise partners and peer-to-peer markets.

Trust Stamp develops proprietary artificial intelligence powered solutions; researching and leveraging biometric science, cryptography, and data mining to deliver insightful identity & trust predictions while identifying and defending against fraudulent identity attacks. We utilize the cutting-edge power and agility of technologies such as GPU processing and neural networks to process data faster and more effectively than has ever previously been possible, as well as deliver results at a disruptively low cost for usage across multiple industries, including:

- Banking/FinTech
- Humanitarian and Development Services
- Biometrically Secured Email
- KYC/AML Compliance
- Law Enforcement
- P2P Transactions, Social Media, and Sharing Economy
- Real Estate

During the first six months of 2020, we continued to serve our two largest clients, Synchrony Financial and Mastercard, in addition to other clients, while also expanding our U.K. and E.U. marketing efforts to recruit financial institutions and law enforcement agency participants for our Identity Lake and Zero-Knowledge-Proof offerings. This will allow our hashing technology to be leveraged to match and deduplicate identities on an inter-organization basis without disclosing personal identifying information. This endeavor will generate only nominal revenue in 2020 and limited revenue in 2021, but if successful in demonstrating the value of the technology, will lay the foundation for long-term annual recurring revenue from access and usage fees.

Results of Operations

Net Sales. Net sales for the six months ended June 30, 2020 increased 21% to \$1,056,541 as compared to \$870,563 for the six months ended June 30, 2019. This increase is largely the result of new purchase orders from its largest existing customer requesting the Company to provide technology services for approximately \$597,250 during the period ended June 30, 2020, which led to a significant increase in the Company's revenues.

Cost of Services. Cost of sales for the six months ended June 30, 2020 decreased by less than 1% to \$336,495 as compared to \$336,953 for the six months ended June 30, 2019. Cost of sales remained stable as our sales increased, as a result of reducing our reliance on external contractors for software development and IT operations and replacing those contractors with lower cost internal operators, thereby reducing the overall costs of services.

Research and Development Expenses. Research and development expenses for the six months ended June 30, 2020 increased 93% to \$600,590 from \$310,835 for the six months ended June 30, 2019. This increase was due to our decision to invest more money in research and development with the goal of accelerating our product roadmap. Research and development costs consist primarily of personnel costs, including salaries and benefits and relate primarily to time spent during the preliminary project stage and post implementation maintenance and bug fixes associated with internal-use software activities, front end application development in which technological feasibility has not been established, and services rendered to customers under funded software-development arrangements.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the six months ended June 30, 2020 increased 61% to \$1,790,908 from \$1,109,278 for the six months ended June 30, 2019. General and administrative expenses were

generally composed of payroll, legal and professional fees, which have increased in 2020 in connection with for the preparation of our Regulation A offering and proposed Euronext listing. In addition, our payroll expenses increased for the six months ended June 30, 2020 due to inflation-based salary increases across the organization, as well as new sales, marketing and administrative personnel hiring in the U.K. to support growth in the region. Additionally, there was an increase in stock-based compensation from \$17,000 to \$174,533, the majority of which was offering in lieu of cash compensation for industry expert advisors and sales personnel.

Operating Loss. As a result of the foregoing, we sustained an operating loss of \$1,864,524 for the six months ended June 30, 2020, an increase of 80% compared to a loss of \$1,038,046 for the six months ended June 30, 2019. This was primarily driven by the increase in selling, general and administrative expenses and research and development expense as described above.

Interest Expense. Interest expense on outstanding convertible notes was \$124,992 for the six months ended June 30, 2020, an increase of 69% from \$74,028 for the six months ended June 30, 2019. This increase is primarily due to extinguishment of outstanding convertible notes of the Company pursuant to the July 1, 2019 settlement agreement with Emergent Technology Holdings (“Emergent”) and conversion of notes in conjunction with the Regulation A offering described above.

Warrant Expense. Warrant expense was \$1,413,273 for the six months ended June 30, 2020, an increase from \$0 for the six months ended June 30, 2019. This non-operating increase is a result of the issuance of two warrants in January 2020 as described below.

Net Income (Loss). As a result of the foregoing, net loss for the six months ended June 30, 2020 increased 199%, to \$3,344,068 from \$1,119,015 for the six months ended June 30, 2019.

Liquidity and Capital Resources

As of June 30, 2020, and December 31, 2019, we had approximately \$976,336 and \$331,761 cash in our banking accounts, respectively, with total current assets of \$1,734,312 and \$558,532, respectively. We have also experienced an increase in our current liabilities. As of June 30, 2020, our current liabilities totaled \$2,723,324, as compared to \$659,118 at December 31, 2019. Included in our current liabilities as of June 30, 2020 is \$1,008,527 of deferred revenue as described under Note 4 included with our financial statements. As a result of the foregoing, as of June 30, 2020, the Company had a negative working capital balance of \$989,012, and an accumulated deficit of \$10,811,530.

Effective September 3, 2019, the Company entered into a software license agreement with a customer pursuant to which the Company will receive minimum total fees of \$150,000 in 2020, \$200,000 in 2021, and \$250,000 rising by 15% in each subsequent year with a minimum cap (not a minimum fee) of \$1,000,000 for 2022 and beyond. As such, we expect this to be a steady source of revenue for the Company going forward.

Along with steady revenues and equity financing provided by our stock offering, described below, we believe the company has adequate liquidity and resources to continue operations for at least the next 12 months.

Equity, Notes, Warrants and SAFEs

Stock offering. On July 17, 2020, we closed our Series A Preferred Stock offering, which utilized Regulation A under the Securities Act of 1933 and was qualified by the Securities and Exchange Commission (“SEC”) on May 5, 2020. The offering involved sales through a combination of private placements, including through issuance of convertible notes, and investments through the SeedInvest platform. We issued through a conversion of convertible instruments or sold a total of 1,227,459 shares of Series A Preferred stock at an offering price of \$7.79 per share. As of June 30th, we received gross proceeds of \$3.3 million and \$2.8 million in cash, net of offering costs of \$467 thousand, from this offering through a combination of cash and original investment in convertible notes issued in 2019 that have converted as of June 30th, 2020. Subsequent to the balance sheet date, the Company received the remaining gross proceeds of \$5.1 million and cash of \$4.7 million, net of offering costs of \$385 thousand. Gross proceeds were \$8.4 million in total and offering costs were \$852 thousand resulting in net cash proceeds of \$7.5 million. A total of \$467 thousand of these offering costs were incurred and \$21 thousand remains accrued as of June 30th, 2020.

As part of this Stock offering, two buyers were also able to purchase shares of Class A Common Stock for \$0.01 per share while paying a price of \$7.79 per share for Series A Preferred stock for a total purchase price of \$475 thousand. As a result, the proceeds were allocated between the Series A Preferred stock and common shares on a relative fair value basis resulting in the recognition of \$366 thousand as Series A Preferred and \$109 thousand to Class A Common Stock. This transaction occurred prior to June 30th, 2020. Gross and net proceeds disclosed above have been adjusted for this allocation.

In addition to the gross cash proceeds above, as part of the Series A Preferred stock raise, the Company also reserved Series A Preferred shares for stock options and restricted stock awards granted to employees in 2020 with a grant date fair value of \$452 thousand, we exchanged \$400 thousand of common shares for a portion of the outstanding Emergent SAFE as discussed in Note 4, and we sold warrants for Class A Shares of Common Stock for in exchange for the extinguishment of a SAFE for \$125 thousand, \$300 thousand in cash and \$300 thousand in prepaid sponsorship value for an accelerator program which is further discussed in Note 3 below.

As of September 8, 2020, the Company and a majority of the Series A Preferred stockholders voted to convert all Series A Preferred shares to shares of Class A Common Stock, and it was effected on that date.

Convertible Notes. On December 16, 2016, we entered into a convertible promissory note with an investor in which we received \$100 thousand through the issuance of the convertible promissory note and a warrant to purchase \$50 thousand of Class A Shares of Common Stock. The principal, together with all accrued and unpaid interest, was initially due on December 16, 2018 and is not pre-payable unless there is a change in control. An extension was granted by the investor to extend the maturity date to June 30, 2020. The convertible notes included several conversion terms, including one around qualified financing where if our next financing occurred on or before the maturity date, and we raised \$2 million or more in case, the note would be converted into preferred stock. The qualified financing term was triggered for this convertible note payable as \$2 million was raised prior June 30, 2020 as discussed above. Therefore, this convertible note, along with all accrued interest, totaling \$118 thousand was converted to 68,203 shares of Series A Preferred stock, taking into account the valuation cap, and is no longer reflected as outstanding as of June 30, 2020.

On December 3, 2019, we entered into a convertible promissory note with a customer in which it received \$700 thousand. All unpaid principal and accrued interest shall be due on December 31, 2020 (i.e. the maturity date). However, in the event that the note is not converted into equity securities of the Company, the maturity date shall be extended to December 31, 2025. The convertible note included several conversion terms, including one around qualified financing where if we issued and sold shares of our preferred stock for aggregate gross proceeds of at least \$3 million (including this Note but excluding all proceeds from the incurrence of all other prior indebtedness that is converted into such preferred stock, or otherwise cancelled in consideration for the issuance of such preferred stock) with the principal purpose of raising capital, the note would be converted into preferred stock. The qualified financing term was triggered for this convertible note payable as \$3 million was raised prior June 30, 2020 as discussed above. Therefore, the convertible note was converted to 89,859 shares of Series A Preferred stock and is no longer reflected as outstanding as of June 30, 2020.

Advisor Convertible Notes. As part of our raise of Series A Preferred stock, we agreed to issue to certain of our advisors \$10 thousand per month in convertible promissory notes, convertible to Series A Preferred shares. The following relevant terms are stated in the agreement:

Equity Compensation. In addition to the Fixed Fees, Service Provider will receive convertible notes in Client in an amount equal to \$10 thousand per month during the Term, based on a per-share dollar value reasonably determined by the Board of Directors of Client (but in no event will the per-share dollar value be more than \$7.79 per share for purposes of determining the number of shares to be issued to Service Provider) (the "Equity Compensation"). Any Equity Compensation that accrues during the term of this agreement shall be issued within sixty (60) days after the expiration or termination of the Services or this Agreement (whichever occurs first).

As of June 30th, 2020, we have issued \$40 thousand in convertible debt to our advisors. As we have completed the raise, we anticipate this debt will be converted prior to the end of the year to Series A Preferred stock at a value of \$7.79 per share.

Non-Convertible Promissory Notes Payable. On April 22, 2020, the Company entered into a promissory note for \$350 thousand with Second Century Ventures ("SCV") in which the Company received net proceeds of \$345 thousand after issuance costs. The unpaid principal, together with any then unpaid and accrued interest and any other amounts payable shall be due and payable on April 22, 2021 or in an event of default or a change in control as defined in the agreement. The note accrues interest at a rate of 8% per annum, compounded monthly.

With the issuance of the note on April 22, 2020, the Company entered into a warrant agreement to purchase Class A Shares of Common Stock of the Company with SCV. The warrant agreement issued SCV a warrant to purchase 15,000 shares at a strike price of \$0.01 per share through April 22, 2021. At the expiration of the warrant agreement the warrants will be automatically exercised if the fair market value of the exercise shares exceeds the exercise price. If at any time during the term the fair market value of the exercise shares exceeds five times the exercise price the Company shall provide SCV written notice and SCV may elect to exercise the warrant. If at any time during the term of the warrant agreement any portion of the Class A Shares of Common Stock are converted to other securities the warrants shall become immediately exercisable for that number of shares of the other securities that would have been received if the warrant agreement had been exercised in full prior to the conversion and the exercise price shall be adjusted. We determined that the appropriate classification of this warrant was as an equity instrument that will not be subject to fair value remeasurement going forward.

As the promissory notes payable issued included equity classified warrants issued, U.S. GAAP requires that the proceeds from the sale of debt instruments with a separate equity instrument be allocated to the two elements based upon the relative fair values of the debt instrument without the warrant and of the warrant itself at the time of issuance. The portion of the proceeds allocated to the Class A Common Stock shall be accounted for within stockholders' equity as additional paid-in capital and recorded as a debt discount and be charged to interest expense over the life of the convertible notes. The remainder of the proceeds shall be allocated to the debt instrument portion of the transaction. The value of the promissory note was allocated on a relative fair value basis between the note and the warrants. This allocation based upon relative fair values of the promissory note and warrant resulted in an amount of \$88 thousand being allocated to the equity warrants and \$262 thousand being allocated to the promissory notes, resulting in the same amount representing a discount to the promissory note. Accretion expense of \$17 thousand was recorded and interest payable of \$5, thousand was accrued related to these notes during the period ended June 30th, 2020.

In conjunction with the Company entering into the promissory note, Tstamp Incentive Holdings (“TSIH”) entered into a guaranty and stock pledge agreement with SCV (“Secured Party”) on April 22, 2020. As part of this agreement the payment and performance of the note are secured by 65,000 Class A Shares of the Common Stock of the Company pledged through TSIH. In addition, we pledged 15,000 shares for the underlying warrants and transferred the total of 80,000 to SCV as of June 30th, 2020 to hold as collateral. As stated in the agreement the following rights exist for the Secured Party:

Rights With Respect to Distributions: During the continuance of an Event of Default (as defined in the Note), all rights of Pledgor to receive dividends, cash, securities, instruments and other distributions shall cease and all rights to dividends, cash, securities and other distributions shall thereupon be vested in the Secured Party; the Secured Party shall thereupon have the sole right to receive and hold as Pledged Collateral such dividends, cash, securities, instruments and other distributions.

Irrevocable Proxy/Voting Rights: So long as no Event of Default exists, subject to any other applicable provision of this Agreement, Pledgor shall be entitled to exercise all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not prohibited by the terms of this Agreement.

Release of Pledge: Anything to the contrary herein notwithstanding, the Secured Party shall release the Pledged Collateral from pledge hereunder upon full payment to the Secured Party of all Pledge Obligations and upon such release the Secured Party shall deliver to Pledgor all Pledged Collateral then in the Secured Party’s possession.

We do not have a history of dividends or other distributions, we maintain all voting rights, and currently expect to repay the note prior to or on the maturity date. The shares are held solely as pledged collateral for the promissory note we obtained. We determined there was no impact recorded to the financial statements for the period ended June 30, 2020 other than we are reflecting them as outstanding as of period end in the statement of Stockholders’ Equity. After June 30, 2020, SCV determined they would return the shares held as collateral and they will be reflected within treasury stock as of the end of this year.

On June 11, 2020 we entered into an agreement with Emergent, as described below, whereby their SAFE would be extinguished in exchange for several forms of consideration. As part of that agreement, one form of consideration is that the Company issued promissory notes to Emergent in the amount of \$387 thousand which is due in two tranches in August and September 2020. No interest is due and payable under these notes if we pay by the maturity dates previously described. As of the date of these financial statements, but after June 30th, 2020, we have paid \$200 thousand of the total balance due in line with the terms of the agreement.

Warrants. As of June 30, 2020, the Company has issued to an investor a warrant to purchase 186,442 shares of the Company’s Class A Shares of Common Stock at an exercise of \$8.00 per share in exchange for the cancellation of a \$100 thousand SAFE issued on August 18, 2017 by the Company’s affiliate Trusted Mail Inc. with an agreed value of \$125 thousand. See Note 4 for the reduction in SAFE liability for this amount. The warrants were issued on January 23, 2020. There is no vesting period, and the warrants expire on December 20, 2024.

As of June 30, 2020, the Company has issued to an investor a warrant to purchase 932,111 shares of the Company’s Class A Shares of Common Stock at a strike price of \$8.00 per share in exchange for \$300 thousand in cash and “Premium” sponsorship status with a credited value of \$100 thousand per year for 3 years totaling \$300 thousand. This “premium” sponsorship status provides the Company with certain benefits in marketing and networking, such as the Company being listed on the investor’s website, as well providing the Company certain other promotional opportunities organized by the investor. The warrants were issued on January 23, 2020. There is no vesting period, and the warrants expire on December 20, 2024.

The fair value of the two warrants above issued in January 2020 was estimated on the date of grant using the Black-Scholes-Merton model and was valued using the following assumptions: fair value of Class A Shares of Common Stock of \$7.79, exercise price of \$8.00 risk free interest rate of 1.58%, dividend yield of 0%, expected volatility of 44%, and contractual term of two years. The total fair value of these warrants was determined to be \$2.1 million and is recorded in the statement of Stockholders’ Equity. Thus, fair value is \$1.4 million in excess of the total consideration received for the warrants of \$725 thousand. This amount is expensed within the income statement as discussed above.

Emergent and Tripartite Agreement

The Company and Emergent entered into a SAFE in which Emergent obtained the right to shares of the Company’s stock (purchase amount of approximately \$2.1 million and valuation cap of \$20 million) that would be exercised upon a qualified equity financing. A put option also exists in this agreement in which at the earlier of 18 months from the agreement date and the date on which the Company has raised more than \$7 million of qualified equity financing, Emergent may require repayment of the unrepaid element of the purchase amount and the Company would be required to make such repayment.

On February 4, 2020, the Company entered into a tripartite agreement with Emergent and 10Clouds whereby:

- The Company received a Purchase Order from Emergent in which Emergent requested \$300 thousand worth of services to be provided by the Company under mutually agreed Statements of Work from the effective date through December 31, 2020. The intention of these services are to reduce the Emergent SAFE amount owed by the Company.
- The Company will enter into Statements of Work with 10Clouds for appropriate sub-contract work under the Purchase Order.
- The Company issued an additional SAFE to 10Clouds for \$200 thousand subject to an absolute right for the Company at its option to redeem that \$200 thousand for cash or settle it through the conversion to Series A Preferred Stock. This is the only remaining SAFE outstanding as of June 30th, 2020.
- Emergent reduces the balance due on the Emergent SAFE by \$500 thousand with immediate effect and asserts the outstanding balance to be \$1.6 million.

On June 11, 2020, the Company entered into additional agreement with Emergent whereby:

- Emergent will issue an irrevocable Purchase Order for \$500 thousand worth of services to be provided by the Company under mutually agreed Statements of Work from the effective date through December 31, 2020. We subsequently entered into an SOW with 10Clouds for \$500 thousand to provide the requested services.
- Emergent will forgive \$104 thousand of the value of the SAFE to represent expected profit margin for the \$500 thousand worth of services described above.
- The Company will issue \$400 thousand of Class A Shares of Common Stock to Emergent's designated assignees at a price of \$7.79 per share (51,348 shares). This has been reflected in the statement of stockholders' equity as of June 30th, 2020
- The Company will pay Emergent \$220 thousand and this has been reflected in the statement of cashflows
- The Company will enter into a promissory note with Emergent for \$387 thousand payable in 2020. See Note 2 for further discussion.

The intention of the above services and transactions is to wholly settle the \$1.6 million and as of June 30, 2020, the Emergent SAFE was extinguished in full.

Pro Forma Capitalization

The table below presents our pro forma capitalization that results after the conversion of our Series A Preferred Stock to Class A Shares of Common Stock on September 10, 2020 as compared to our capitalization as of June 30, 2020. Along with the shares of Series A Preferred Stock sold in this offering net of direct issuance costs disclosed above, the table below reflects capital events, defined as those involving our outstanding debt or equity balance as of June 30, 2020, that have occurred after June 30, 2020 but before September 8, 2020. It also reflects the conversion of all Stock to shares of Class A Common Stock, which was effected on September 8, 2020 by vote in favor of such conversion by a majority of the existing outstanding Stock shareholders. The conversion was reflected as of September 10, 2020. All instruments previously convertible into Series A Convertible Preferred Stock is now convertible into Class A Common Stock under otherwise consistent terms and conditions. This table does not reflect any potential impacts from our proposed Euronext listing. It does reflect all capital movement through September 22, 2020.

	(Unaudited) June 30, 2020	Post Conversion(1)(2) (3)(4)(5)(6)(7)(8)(9)
ASSETS		
Cash	\$ 976,336	\$ 5,647,385
Current Non-Convertible Notes	671,102	471,102
Current Convertible Notes	40,000	40,000
Total Current Liabilities	2,723,324	2,523,324
Long Term Convertible Note	17,688	17,688
Warrant Liability	287,750	287,750
SAFE Note	200,000	200,000
Total Liabilities	3,228,762	3,028,762
Series A Preferred Stock	\$ 3,751,971	-
Class A Shares of Common Stock	20,819	32,600
Additional paid-in capital	8,998,007	17,617,215
Noncontrolling interest	163,213	163,213
Stockholders' notes receivable	(225,000)	(232,969)
Stock subscription receivable	-	-
Accumulated other comprehensive loss	1,502	1,502
Accumulated deficit	(10,811,530)	(10,788,160)
Total Stockholders' Equity (Deficit)	1,898,982	6,793,401
Total Liabilities and Stockholders' Equity (Deficit)	5,127,744	9,822,163

The Pro forma capitalization column considers the following factual capital transactions completed by the Company between June 30, 2020 and September 10, 2020, the date that the shareholders voted to convert all shares of Stock to an equal number of Class A Common Stock.

Transactions in debt securities

- (1) The payment in cash of the first debt tranche of \$200 thousand due to Emergent per the terms of the SAFE extinguishment as disclosed above.

Transactions in Series A Preferred Stock

- (2) The additional issuance of 564,104 shares of Series A Preferred Stock for cash consideration of \$4.4 million, net of offering costs, on the SeedInvest Platform.
- (3) The additional issuance, through private placement, of 52,788 shares of Series A Preferred Stock for cash consideration of \$411 thousand, outside of the Seed Invest Platform.
- (4) The issuance of 1,833 shares of Series A Preferred Stock in exchange for a recourse note for \$8 thousand due from current employees of the Company

Transactions in Class A Common Stock

- (5) The return of 80,000 shares of Class A Common Stock from SCV, which was returned to Class A Common Stock within treasury stock as held by TSIH originally. There was no consideration exchanged in either providing the collateral or receiving it back. However, it reduced common stock outstanding by 80,000 shares and increased treasury stock issued by 80,000 shares.
- (6) The additional issuance of 9,980 shares of Class A Common Stock for cash consideration of \$76 thousand, outside of the SeedInvest Platform. Of these shares, 4,500 were issued from treasury stock for a net issuance of 4,380 new shares of Class A Common Stock.
- (7) There were 3,000 shares of Class A Common Stock issued from Treasury Stock as a performance bonus in July 2020 to certain employees and contractors. This would amount to additional expense of \$23 thousand which is reflected in pro forma accumulated deficit above.

The conversion transaction

- (8) The conversion of 1,227,459 shares of Series A Preferred Stock in exchange for 1,227,459 shares of Class A Common Stock on September 10, 2020.

The below table represents a rollforward of shares from the unaudited June 30, 2020 balance sheet to September 22, 2020:

Date	Series A Preferred Stock	Class A Common Stock issued and outstanding	Class A Common Stock – Treasury Shares issued	Total Class A Common Stock issued
June 30, 2020 Balance (unaudited)	608,734	2,081,876	222,322	2,304,198
Activity July 1, 2020- September 10, 2020	618,725	(49,320)	54,800	5,480
September 10, 2020 Balance	1,227,459	2,032,556	277,122	2,309,678
Conversion	(1,227,459)	1,227,459	-	1,227,459
Outstanding post conversion September 22, 2020	-	3,260,015	277,122	3,537,137

Issued and Outstanding Shares of Our Capital Stock

The following table presents our outstanding shares of our capital stock as of September 22, 2020, reflecting the conversion of the Series A Preferred Stock into the Class A Shares of Common Stock of the Company:

Class of Shares	Issued and Outstanding Shares(1)(2)
Class A Common Stock	3,537,137
Class B Common Stock	0
Series A Preferred Stock	0

- On September 10, 2020, 1,227,459 shares of our Series A Preferred stock converted into the Class A Shares of Common Stock of the Company. We currently have 280 direct shareholders, with one shareholder holding for the benefit of 2,700 individual shareholders.
- As described above and in Note 3 to the financial statements, for certain convertibles notes of the Company, pursuant to the terms of the notes issued December 3, 2019 and December 16, 2016, all conditions precedent for the conversion of the notes to Class A Shares of Common Stock have been reached (and had been as of June 30, 2020) and the shares will be issued following the preparation of customary subscription documentation. Those shares, which total 89,859 and 68,203 individually and 158,062 in total, are included as issued and outstanding in this table. The remaining 3,379,075 shares of Class A Common Stock are held by and registered with our transfer agent as of September 22, 2020, who is disclosed below.

Trend Information

By 2023, mobile biometrics will annually authenticate \$2 trillion of in-store and mobile payments, according to a 2019 report published by Juniper Research on Biometric Authentication & Tokenization in 2019-2024. Revenue from the global biometrics services market is projected to grow to \$42.9 billion in 2025, a CAGR of 16.3 percent from 2019, according to a 2019 report published by 360research on the global biometrics market. We believe the size of this market presents an exciting opportunity for our Company. Based on those market projections, we believe that securing even a small percentage of the addressable market could result in significant revenues to the Company in the future.

While the Company continues to rely on its two largest customers, it expects to dilute its concentration of customers using the funds raised from the Series A offering. Use of funds includes significant investments in R&D as well as sales and marketing operation growth in the U.S., U.K., and E.U. regions. As discussed in Note 1 and throughout this document, the Company has raised significant funds through its Series A offering which has resulted in the Company having sufficient liquidity for a period of not less than 12 months from the issuance of these financials statements. Prior to 2020, the Company has relied heavily upon its two largest customers, Synchrony Financial and Mastercard.

Item 2. Other Information

Security Ownership of Management and Certain Security Holders

The following table sets out, as of September 22, 2020, the voting securities of the Company that are owned by executive officers and directors, and other persons holding more than 10% of any class of the Company's voting securities or having the right to acquire those securities. The table assumes that all options and warrants have vested.

Name and Address of Beneficial Owner	Title of class	Amount and nature of beneficial ownership	Amount and nature of beneficial ownership acquirable	Percent of class
Officers and Directors				
Gareth Genner, Chief Executive Officer, 3017 Bolling Way NE, Floors 1 and 2, Atlanta, Georgia, 30305 (1)	Common Stock (Class A)	800,571	0	23.69%
Alex Valdes, Chief Financial Officer, 3017 Bolling Way NE, Floors 1 and 2, Atlanta, Georgia, 30305	Common Stock (Class A)	35,257	0	1.04%
Andrew Scott Francis, Chief Technology Officer, 3017 Bolling Way NE, Floors 1 and 2, Atlanta, Georgia, 30305	Common Stock (Class A)	35,257	0	1.04%
Officers and Directors as a Group (5 Total Persons)	Common Stock (Class A)	871,799	0	25.77%
Significant Owners				

FSH Capital LLC, 5 Concourse Pkwy, Suite 200, Atlanta GA 30328 (2)	Common Stock (Class A)	195,887	0	5.80%
10Clouds, Finlandzka 10, 03-903 Warszawa, Poland (3)	Common Stock (Class A)	67,366(4)	0	2.00%
Emergent Technology, 109 N. Post Oak Lane, Houston, TX 77024 (4)	Common Stock (Class A)	669,802	0	19.82%

- (1) Represents shares held by T Stamp LLC, a company owned by FSH Capital LLC (35.2%), Andrew Gomasack (30.4%), GC Capital, LLC, a company owned and controlled by Mr. Genner's family (25.5%), Alex Valdes (4.4%), Katherine Lambert (2.2%), and Michael Lindenau (2.2%). Gareth Genner is the manager of T Stamp LLC, and has voting and dispositive control over the shares held by this entity.
- (2) FSH Capital LLC is a company owned and controlled by Frank Hanna and Sally Hanna, each of whom has dispositive power over the shares of the Company held by FSH Capital LLC. This number does not include the 62,874 shares of Series A Preferred Stock held by FSH Capital LLC, which could be converted into 62,874 shares of Class A Common Stock of the Company, giving FSH Capital LLC total holdings of 195,887, or 8.72% of the issued and outstanding Class A Common Stock.
- (3) 10Clouds is owned by Maciej Cielecki (50%) and Michal Klujszo (50%), each of whom have voting and dispositive control over the shares held by this entity.
- (4) Emergent Technology has 42 limited partners with voting units. No one limited partner has excess of 17% ownership of Emergent Technology's voting units. The voting and dispositive control over the shares of T Stamp Inc. vests in the Board of Directors of Emergent Technology Holdings GP Ltd., the General Partner of Emergent Technology, consisting of Brent de Jong, Jason LeBlanc, and Tony Moreau, none of whom individually have voting or dispositive powers of the shares of T Stamp Inc.

Transfer Agent and Registrar

Colonial Stock Transfer will serve as transfer agent to maintain shareholder information on a book-entry basis. We will not issue shares in physical or paper form. Instead, our shares will be recorded and maintained on our shareholder register.

Item 3.

T STAMP, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED BALANCE SHEETS

	June 30, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 976,336	\$ 331,761
Accounts receivable	101,785	87,759
Related party receivables	15,144	16,322
Prepaid expenses and other current assets	641,047	122,690
Total Current Assets	1,734,312	558,532
Property and equipment, net	1,128,148	1,167,147
Goodwill	1,248,664	1,248,664
Intangible assets, net	7,610	8,772
Investment in related party, at cost	962,000	962,000
Other assets	47,010	47,010
Total Assets	\$ 5,127,744	\$ 3,992,125

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

T STAMP, INC. AND SUBSIDIARIES

(UNAUDITED) CONSOLIDATED BALANCE SHEETS (CONTINUED)

	June 30, 2020	December 31, 2019
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	\$ 219,203	\$ 150,539
Accrued expenses	250,088	53,835
Related party payables	534,404	198,744
Non-Convertible Notes plus accrued interest of \$5,304 and \$-0-, respectively	671,102	-
Convertible notes payable plus accrued interest of \$-0- and \$15,000, respectively	40,000	115,000
Deferred revenue	1,008,527	141,000
Total Current Liabilities	2,723,324	659,118
Convertible notes payable plus accrued interest of \$2,688 and \$2,250, respectively	17,688	717,250
Warrant liabilities	287,750	287,750
SAFE liabilities	200,000	2,236,953
Total Liabilities	3,228,762	3,901,071
Commitments and Contingencies, Note 8		
Stockholders' Equity (Deficit):		
Series A Preferred Stock \$.01 par value, 2,000,000 shares authorized, 608,734 and 186,137 shares issued and outstanding at June 30, 2020 and December 31, 2019	3,751,971	1,450,000
Common stock \$.01 par value, 7,500,000 shares authorized, 2,081,876 and 1,924,996 shares issued and outstanding at June 30, 2020 and December 31, 2019	20,819	19,250
Additional paid-in capital	8,998,007	6,151,054
Noncontrolling interest	163,213	163,245
Stockholders' notes receivable	(225,000)	(225,000)
Accumulated other comprehensive loss	1,502	(33)
Accumulated deficit	(10,811,530)	(7,467,462)
Total Stockholders' Equity (Deficit)	1,898,982	91,054
Total Liabilities and Stockholders' Equity (Deficit)	\$ 5,127,744	\$ 3,992,125

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

T STAMP, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF OPERATIONS

	For the periods ended June 30	
	2020	2019
Net sales	\$ 1,056,541	\$ 870,563
Operating Expenses:		
Cost of services provided	336,495	336,953
Research and development	600,590	310,835
Selling, general, and administrative	1,790,908	1,109,298
Depreciation and amortization	193,072	151,523
Total Operating Expenses	<u>2,921,065</u>	<u>1,908,609</u>
Operating Loss	<u>(1,864,524)</u>	<u>(1,038,046)</u>
Other Income (Expense):		
Interest income	2,601	-
Interest expense	(124,992)	(74,028)
Warrant expense	(1,413,273)	-
Other income	56,255	39
Other expense	(167)	(1,374)
Total Other Expense, Net	<u>(1,479,576)</u>	<u>(75,363)</u>
Net Loss before Taxes	<u>(3,344,100)</u>	<u>(1,113,409)</u>
Income tax expense	-	(5,638)
Net loss including noncontrolling interest	<u>(3,344,100)</u>	<u>(1,119,047)</u>
Net loss attributable to noncontrolling interest	<u>(32)</u>	<u>(32)</u>
Net loss attributable to T Stamp, Inc.	<u>\$ (3,344,068)</u>	<u>\$ (1,119,015)</u>
Basic and diluted net loss per share attributable to T Stamp, Inc.	<u>\$ (1.70)</u>	<u>\$ (0.76)</u>
Weighted-average shares used to compute basic and diluted net loss per share	<u>1,967,285</u>	<u>1,464,876</u>

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

T STAMP, INC. AND SUBSIDIARIES**(UNAUDITED) CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	For the period ended June	
	30th	
	2020	2019
Net loss including noncontrolling interest	\$ (3,344,100)	\$ (1,119,047)
Other Comprehensive Income:		
Foreign currency translation adjustments	1,535	2,350
Total Other Comprehensive Income	1,535	2,350
Comprehensive loss	(3,342,565)	(1,116,697)
Comprehensive loss attributable to noncontrolling interest	(32)	(32)
Comprehensive loss attributable to T Stamp, Inc.	\$ (3,342,533)	\$ (1,116,665)

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

T STAMP, INC. AND SUBSIDIARIES

(UNAUDITED) CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

PERIODS ENDED JUNE 30, 2020 AND 2019

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Noncontrolling Interest	Stockholders' Notes Receivable	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount		Shares	Amount						
Balance, January 1, 2019	-	-	1,379,006	13,790	5,194,515	-	-	164,698	(225,000)	(500,000)	(2,384)	(5,323,956)	(678,337)
Vesting of stock awards	-	-	89,936	899	(899)	-	-	-	-	-	-	-	-
Issuance of shares into T stamp Incentive Holdings	-	-	-	-	-	320,513	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	-	-	-	-	-	2,350	-	2,350
Net loss attributable to noncontrolling interest	-	-	-	-	-	-	-	(32)	-	-	-	-	(32)
Net loss attributable to T Stamp, Inc.	-	-	-	-	-	-	-	-	-	-	-	(1,119,015)	(1,119,015)
June 30, 2019	-	-	1,468,942	14,689	5,193,616	320,513	-	164,666	(225,000)	(500,000)	(34)	(6,442,971)	(1,795,034)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Noncontrolling Interest	Stockholders' Notes Receivable	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount		Shares	Amount						
Balance, January 1, 2020	186,137	1,450,000	1,924,996	19,250	6,151,054	320,513	-	163,245	(225,000)	-	(33)	(7,467,462)	91,054
Issuance of Preferred Series A Warrants	-	-	-	-	2,138,273	-	-	-	-	-	-	-	2,138,273
Issuance of common warrants	-	-	-	-	88,000	-	-	-	-	-	-	-	88,000
Issuance of Common stock	-	-	76,884	769	508,236	(18,191)	-	-	-	-	-	-	509,005
Common stock issued as collateral	-	-	80,000	800	(800)	(80,000)	-	-	-	-	-	-	-
Conversion of notes to Series A preferred stock	158,062	817,500	-	-	100,000	-	-	-	-	-	-	-	917,500
Issuance of Series A preferred stock, net of issuance costs	264,535	1,484,471	-	-	-	-	-	-	-	-	-	-	1,484,471
Share-based compensation	-	-	-	-	13,244	-	-	-	-	-	-	-	13,244
Currency translation adjustment	-	-	-	-	-	-	-	-	-	-	1,535	-	1,535
Net loss attributable to noncontrolling interest	-	-	-	-	-	-	-	(32)	-	-	-	-	(32)
Net loss attributable to T Stamp, Inc.	-	-	-	-	-	-	-	-	-	-	-	(3,344,068)	(3,344,068)
June 30, 2020	608,734	3,751,971	2,081,876	20,819	8,998,007	222,322	-	163,213	(225,000)	-	1,502	(10,811,530)	1,898,982

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

T STAMP, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF CASH FLOWS

	For periods ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net loss attributable to T Stamp, Inc.	\$ (3,344,068)	\$ (1,119,015)
Net loss attributable to noncontrolling interest	(32)	(32)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation and amortization	193,072	151,523
Stock-based compensation	174,533	17,000
Noncash warrant expense	1,413,273	-
Noncash interest	124,864	74,028
Changes in assets and liabilities:		
Accounts receivable	(14,026)	(27,573)
Related party receivables	1,178	(183,275)
Prepaid expenses and other current assets	(218,357)	(78,532)
Other assets	-	-
Accounts payable and accrued expenses	103,795	149,077
Related party payables	335,660	124,642
Deferred revenue	(37,250)	-
Net cash flows from operating activities	<u>(1,267,358)</u>	<u>(892,157)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(169)	(4,391)
Capitalized internally developed software costs	(150,306)	(277,378)
Patent application costs	(2,436)	-
Net cash flows from investing activities	<u>(152,911)</u>	<u>(281,769)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	108,837	-
Proceeds from issuance of common stock warrants	88,000	-
Proceeds from issuance of Series A preferred stock, net issuance costs	1,524,472	-
Proceeds from issuance of Series A preferred warrants	300,000	-
Proceeds from stock subscription receivable	-	1,000,000
Proceeds from borrowings under a factoring agreement	-	100,000
Repayment of borrowings under a factoring agreement	-	(7,640)
Repayment of SAFE note	(220,000)	-
Proceeds from issuance of venture debt, net of discount	262,000	-
Net cash flows from financing activities	<u>2,063,309</u>	<u>1,092,360</u>
Effect of foreign currency translation on cash	1,535	2,350
Net change in cash and cash equivalents	644,575	(79,216)
Cash and cash equivalents, beginning of period	331,761	167,702
Cash and cash equivalents, end of period	<u>\$ 976,336</u>	<u>\$ 88,486</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of noncash activities:		
Conversion of Convertible Notes payable to Series A preferred stock	<u>\$ 817,500</u>	<u>\$ -</u>
Issuance of RidgeGrowth note for marketing services	<u>\$ 40,000</u>	<u>\$ -</u>
Extinguishment of SAFE for common stock warrants	<u>\$ 125,000</u>	<u>\$ -</u>
Issuance of common stock warrants for a prepaid sponsorship	<u>\$ 300,000</u>	<u>\$ -</u>
Extinguishment of Emergent SAFE note for common stock, short term note, and deferred revenue in the amounts of \$400 thousand, \$387 thousand, and \$905 thousand, respectively	<u>\$ 1,691,953</u>	<u>\$ -</u>
Assignment of Emergent SAFE note to 10Clouds	<u>\$ 200,000</u>	<u>\$ -</u>

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

T STAMP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1—Description of business and summary of significant accounting policies

Description of Business - T Stamp, Inc. was incorporated on April 11, 2016 in the State of Delaware. T Stamp, Inc. and Subsidiaries (“Trust Stamp” or the “Company”) develops and markets identity authentication software solutions for enterprise partners and peer-to-peer markets. The Company’s patented proof of liveness technology allows the Company to provide a unique suite of facial biometric based products that address critical needs in the financial, real estate, healthcare, insurance and P2P markets. The Company’s target markets and existing partnerships are characterized by the growing use of cyber connections to establish relationships requiring secure identification. The Company’s products address compliance issues such as Know Your Customer and Anti-Money Laundering as well as safety issues in various industries. Wherever there is a cyber relationship and/or a need for the trusted, secure identification/recognition of the parties to a transaction, Trust Stamp is developing unique products for which there are a growing demand.

Series A Preferred offering -

On July 17, 2020, we closed our Stock offering, which launched in September 2019, through a combination of private placements, including convertible notes and investments through the Seed Invest platform. We issued through conversion of convertible instruments or sold a total of 1,227,459 shares of preferred A stock at an offering price of \$7.79 per share. As of June 30th, we received gross proceeds of \$3.3 million and \$2.8 million in cash, net of offering costs of \$467 thousand, from this offering through a combination of cash and original investment in convertible notes issued in 2019 that have converted as of June 30th, 2020. Subsequent to the balance sheet date, the Company received the remaining gross proceeds of \$5.1 million and cash of \$4.7 million, net of offering costs of \$385 thousand. Gross proceeds were \$8.4 million in total and offering costs were \$852 thousand resulting in net cash proceeds of \$7.5 million. A total of \$467 thousand of these offering costs were incurred and \$21 thousand remains accrued as of June 30th, 2020.

As part of this Stock offering, two buyers were also able to purchase shares of Class A Shares of Common Stock for \$0.01 per share while paying a price of \$7.79 per share for Stock for a total purchase price of \$475 thousand. As a result, the proceeds were allocated between the Stock and Class A Shares of Common Stock on a relative fair value basis resulting in the recognition of \$366 thousand as preferred A and \$109 thousand to Class A Shares of Common Stock. This transaction occurred prior to June 30th, 2020. Gross and net proceeds disclosed above have been adjusted for this allocation.

In addition to the gross cash proceeds above, as part of the Stock capital raise, the Company also reserved Stock for stock options and restricted stock awards granted to employees in 2020 with a grant date fair value of \$452 thousand, exchanged \$400 thousand of Class A Shares of Common Stock for a portion of the outstanding Emergent SAFE as discussed in Note 4, and we sold warrants for Series A Convertible Preferred shares for \$600 thousand which is further discussed in Note 3 below.

As of September 8, 2020, the Company and a majority of the Stock stockholders voted to convert all preferred A shares to Class A Shares of Common Stock and it was affected on that date.

Employee Loans - In July 2020, the Company lent funds to certain employees to be used for stock purchases of the Company. The promissory notes are recourse as to the stock and were executed in the amount of \$8 thousand.

Liquidity - The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is a business that has not yet generated profits with a loss in the six-month period ended June 30th, 2020 of \$3.34 million, operating cash outflows of \$1.3 million for the same period, and an accumulated deficit of \$10.8 million as of June 30th, 2020.

The Company's ability to continue as a going concern in the next twelve months following the date the consolidated financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. We believe that the recent completion of our Series A Preferred offering results in capital that is sufficient to fund our operations for a period at least 12 months from the issuance of these financial statements.

Reclassifications and revisions – we previously disclosed on form 1-A for the year ended December 31, 2019 that 130,240 shares of Series A Convertible Preferred Stock were issued and outstanding as of December 31, 2019. This number has been revised in this current report on form 1-SA to 186,137 shares issued and outstanding as of December 31, 2019. There was no impact to the financial statements as the total value of the preferred shares recorded in the statement of stockholders’ equity as of December 31, 2019 remains \$1.45 million.

Basis of Consolidation and Presentation – The accompanying unaudited consolidated financial statements reflect the activity of the Company and its subsidiaries, Trusted Mail Inc. (“Trusted Mail”), Sunflower Artificial Intelligence Technologies (“SAIT”), Finnovation

LLC (“Finnovation”), Trust Stamp Malta, AIID Payments Limited, and Biometrics Limited Innovations (“Biometrics”). All significant intercompany transactions and accounts have been eliminated.

Further, we continue to consolidate TSIH which we consider to be a variable interest entity.

Variable Interest Entity - On April 9, 2019, management created a new entity, Tstamp Incentive Holdings (“TSIH”). Furthermore, on April 25, 2019, the Company issued 320,513 shares of Class A Shares of Common Stock to TSIH that the Board can use for employee stock awards in the future and this full amount was outstanding and recorded as treasury stock as of December 31, 2019. On April 23, 2020, 80,000 of these shares were transferred to SCV as collateral as discussed in Note 2 below, reducing the total shares at June 30, 2020 to 222,322 recorded as treasury stock. Additionally, 206,667 shares have been allocated to various employees as a restricted stock award that would only vest upon the Company being listed on a public market. The Company does not own a majority of the stock in TSIH. However, the Company considers this entity to be a variable interest entity (“VIE”) because it is thinly capitalized and holds no cash. Because the Company does not own shares in TSIH, management believes that this gives the Company a variable interest. Further, management of the Company also acts as management of TSIH and is the decision maker as management grants shares held by TSIH to employees of the Company. As this VIE owns only shares in the Company and no other liabilities or assets, the Company is the primary beneficiary of TSIH and will consolidate the VIE.

Unaudited Interim Results – These unaudited consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”), pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures have been condensed or omitted pursuant to such rules and regulations. The accompanying Consolidated Balance Sheet as of December 31, 2019 is derived from audited financial statements as of that date but does not include all of the information and footnotes required by U.S. GAAP for complete statements. The unaudited consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the period presented. The results of operations for the six months ended June 30, 2020 are not necessarily indicative of the results to the expected for the year ending December 31, 2020 or for other semiannual periods or for future years. These consolidated financial statements should be read in conjunction with the Company’s audited financial statements and accompanying notes for the year ended December 31, 2019 included in the Company’s Annual Report. The Company’s significant accounting policies are described in Note 1 to those audited financial statements.

Use of Estimates – The preparation of the consolidated financial statements in conformity with U.S. GAAP which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may be materially different from those estimates.

Loss per Share – Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by giving effect to all potentially dilutive Class A Shares of Common Stock equivalents for the period. For purposes of this calculation, options to purchase Class A Shares of Common Stock, warrants, and the conversion option of convertible notes are considered to be potential common shares outstanding. Since the Company incurred net losses for each of the periods presented, diluted net loss per share is the same as basic net loss per share. The Company’s potential common shares outstanding were not included in the calculation of diluted net loss per share as the effect would be anti-dilutive.

Income Taxes - The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is created for deferred tax assets unless it is considered more likely than not that deferred tax assets will be realized. We continue to record a full valuation allowance on all deferred tax assets given our continued history of operating losses and have an effective tax rate of 0% for the periods ended June 30, 2020 and 2019, respectively. Management has evaluated all other tax positions that could have a significant effect on the consolidated financial statements and determined the Company had no uncertain income tax positions at June 30, 2020 or December 31, 2019, respectively.

Risks and Uncertainties – The Company is dependent upon additional capital resources for its planned full-scale operations and is subject to significant risks and uncertainties, including failing to secure funding to continue to operationalize the Company’s plans or failing to profitably operate the business.

Impacts of COVID-19 – The Company assessed the impacts of the novel coronavirus pandemic (“COVID-19”) on its various accounting estimates and significant judgments, including those that require consideration of forecasted financial information in the context of the unknown future impacts of COVID-19, using information that is reasonably available at this time. The accounting estimates and other matters assessed included, but were not limited to, capitalized internal-use software, the recoverability of goodwill, long-lived assets and investments recorded at cost, useful lives associated with intangible assets and capitalized internal-use software, and the valuation and assumptions underlying stock-based compensation, warrant liabilities, and Simple Agreements for Future Equity (“SAFE”) liabilities. Based on the Company’s current assessment of these estimates, there was not a material impact to the consolidated financial statements as of and for the six months ended June 30, 2020. As additional information becomes available, the Company’s future assessment of these estimates, including updated expectations at the time regarding the duration, scope and severity of the pandemic, could materially and adversely impact its consolidated financial statements in future reporting periods.

Revenue Recognition – The Company derives its revenue primarily from professional services. Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, the Company includes an estimate of the amount it expects to receive or the total transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur.

The Company determines the amount of revenue to be recognized through the application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

At contract inception, the Company will assess the services agreed upon within each contract and assess whether each service is distinct and determine those that are performance obligations. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. In general, each contract with a customer consists of a single performance obligation to perform services in which revenue is recognized when the service has been delivered. Based on the Company deriving its revenue primarily from professional services, the Company does not disclose a disaggregation of revenue other than customer concentrations disclosed below.

Capitalized Software Development Costs – The Company capitalizes eligible costs to develop internal-use software that are incurred subsequent to the preliminary project stage through the development stage. The estimated useful life of costs capitalized is evaluated for each specific project. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in estimated useful lives and therefore changes in amortization expense in future periods. Capitalized internal-use software is included in property and equipment in the accompanying consolidated balance sheets. As of June 30, 2020, and December 31, 2019, the Company has capitalized \$1.8 million and \$1.7 million of software development costs, respectively.

Major Customers and Concentrations – During the six-month period ended June 30, 2020, the Company sold to two customers for a total of approximately \$1.1 million. During the comparable six-month period ended June 30, 2019, the Company sold to two customers for a total of approximately \$870 thousand. The loss of or a substantial reduction in Statements of Work from the Company’s major customers could have a material effect on the consolidated financial statements.

New Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the Company for the calendar year ending December 31, 2021. The Company is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Adopted Pronouncement - As of January 1, 2020, the Company has adopted, on a prospective basis, ASU 2018-07, *Improvements to Nonemployee Share-based Payment Accounting*, which results in ASC 505-50, *Equity Based Payments to Non-Employees*, no longer being applicable to those awards. As a result, non-employee awards will initially be measured consistent with employee awards and revaluation will no longer be required until a counterparty’s performance is complete. The Company did not have a material amount of non-employee awards at adoption and therefore the impact of the adoption of this standard was immaterial and no entry was recorded to retained earnings.

Note 2—Borrowings

Convertible Promissory Notes Payable

Convertible notes payable at June 30, 2020 and December 31, 2019 consisted of the following:

Date Issued	Valuation Cap	June 30, 2020	December 31, 2019
Multiple dates in 2020 (Advisor Notes)	\$ n/a	\$ 40,000	\$ -
December 3, 2019	n/a	-	700,000
August 18, 2017	13,000,000	-	-
December 16, 2016	4,900,000	-	100,000
November 14, 2016	2,500,000	15,000	15,000
September 30, 2016	4,500,000	-	-
Total principal outstanding		55,000	815,000
Plus accrued interest		2,688	17,250
Total convertible notes payable		\$ 57,688	\$ 832,250

On August 18, 2017 and September 30, 2016, the Company entered into convertible promissory notes with an investor in which the Company received \$2 million and \$500 thousand, respectively, through the issuance of the convertible promissory notes. The convertible notes payable accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest, was initially due prior to December 31, 2019 and is not pre-payable unless there is a change in control. The convertible promissory notes were assumed by Emergent on July 1, 2019 in exchange for a SAFE in relation to the Settlement Agreement with Emergent described in Note 4. As a result, while there was activity in 2019, the balance is no longer recorded as of December 31, 2019 and June 30, 2020, respectively.

On December 16, 2016, the Company entered into a convertible promissory note with an investor in which the Company received \$100 thousand through the issuance of the convertible promissory note and a warrant to purchase \$50 thousand of common stock. The convertible notes payable accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest, was initially due on December 16, 2018 and is not pre-payable unless there is a change in control. An extension was granted by the investor to extend the maturity date to June 30, 2020.

This convertible promissory note, issued on December 16, 2016, include the following conversion terms:

(a) Automatic Conversion – Qualified Financing: Upon the consummation of a Qualified Financing, the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) automatically shall convert into a number of shares of Stock in the Borrower equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the Conversion Price.

(b) Optional Conversion – Non-Qualified Financing: At any time concurrently with or within thirty (30) days after the consummation of a Non-Qualified Financing, the Majority Holders, subject to the terms and conditions set forth herein, shall have the right to convert all, but not less than all, of the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) into a number of shares of Stock in the Borrower equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the Conversion Price.

(c) Optional Conversion: On any date after the date of this Note, the Majority Holders, subject to the terms and conditions set forth herein, shall have the right to convert all, but not less than all, of the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) into a number of shares of Common Stock equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the price per share equal to the quotient of (x) the Valuation Cap divided by (y) the aggregate number of shares of the Common Stock outstanding immediately prior to the effective date of such election (assuming full conversion or exercise of all convertible and exercisable securities then outstanding or reserved, including, without limitation, all issued options and equity grants, the balance of any authorized (but unissued) equity incentive pool and any shares of treasury stock, but excluding the Notes).

Conversion Price: The conversion price for each note is to be at the lesser of (a) the price per share of Stock received by Borrower in a Qualified or Non-Qualified Financing and (b) the price per share equal to the quotient of (i) the Valuation Cap divided by (ii) the aggregate number of shares of Borrower's common stock ("Common Stock") outstanding.

Qualified Financing: The Borrower's next equity financing occurring on or before the Maturity Date, in which the Borrower raises \$2 million or more in cash through the sale and issuance of preferred stock.

The qualified financing term was triggered for this convertible note payable as \$2 million was raised prior June 30, 2020. Therefore, this convertible note, along with all accrued interest, totaling \$118 thousand was converted to 68,203 shares of Preferred A Stock, taking into account the valuation cap, and is no longer reflected as outstanding as of June 30, 2020.

On December 3, 2019, the Company entered into a convertible promissory note with a customer in which it received \$700 thousand. Interest accrues at a rate of 0% through December 31, 2020, then 5% thereafter. All unpaid principal and accrued interest shall be due on December 31, 2020 (i.e. the maturity date). However, in the event that the note is not converted into equity securities of the Company, the maturity date shall be extended to December 31, 2025.

This convertible note payable, issued on December 3, 2019, included the following conversion terms:

Automatic Conversion: If a Qualified Financing occurs on or prior to the Maturity Date, then the outstanding principal amount of this Note shall automatically convert into fully paid and nonassessable shares of the preferred stock issued in such Qualified Financing at the Conversion Price.

Voluntary Conversion if a Non-Qualified Financing Occurs: If a transaction or series of transactions, pursuant to which the Company issues and sells shares of its preferred stock with the principal purpose of raising capital, that does not constitute a Qualified Financing (a "Non-Qualified Financing") occurs on or prior to December 31, 2020 and prior to the automatic conversion

of this Note, then the outstanding principal amount of this Note shall be convertible at the option of Investor into fully paid and nonassessable shares of the Company’s preferred stock issued in the Non-Qualified Financing (the “Non-Qualified Preferred Shares”) at a price per share equal to the price per share paid by the other purchasers of the preferred stock sold in the Non-Qualified Financing (subject to appropriate adjustment from time to time for any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification or other similar event).

Conversion Price: price per share equal to the lowest price per share paid by other purchasers of the preferred stock sold in the Qualified Financing

Qualified Financing: a transaction or series of transactions pursuant to which the Company issues and sells shares of its preferred stock for aggregate gross proceeds of at least \$3 million (including this Note but excluding all proceeds from the incurrence of all other prior indebtedness that is converted into such preferred stock, or otherwise cancelled in consideration for the issuance of such preferred stock) with the principal purpose of raising capital.

The qualified financing term was triggered for this convertible note payable as \$3 million was raised prior June 30, 2020 as discussed in Note 1. Therefore, the convertible note was converted to 89,859 shares of Preferred A Stock and is no longer reflected as outstanding as of June 30, 2020. In total, convertible notes in the amount of \$817,500 were converted in to shares of Preferred A Stock and this total balance is included in the supplemental non-cash transaction schedule to the Statement of Cashflows.

Advisor Notes

As part of our raise of Series A Preferred stock, we agreed to issue to certain of our advisors \$10 thousand per month in convertible promissory notes, convertible to Series A Preferred shares. The following relevant terms are stated in the agreement:

Equity Compensation. In addition to the Fixed Fees, Service Provider will receive convertible notes in Client in an amount equal to \$10 thousand per month during the Term, based on a per-share dollar value reasonably determined by the Board of Directors of Client (but in no event will the per-share dollar value be more than \$7.79 per share for purposes of determining the number of shares to be issued to Service Provider) (the “Equity Compensation”). Any Equity Compensation that accrues during the term of this agreement shall be issued within sixty (60) days after the expiration or termination of the Services or this Agreement (whichever occurs first). As of June 30th, 2020, we have issued \$40 thousand in convertible debt to our advisors. As we have completed the raise after the balance sheet date, we have converted this note the year to Series A Preferred stock at a value of \$7.79 per share. This amount is also included in the transaction costs that are capitalized to the Preferred A stock raise as an issuance cost as described in Note 1.

Non-Convertible Promissory Notes Payable

Date Issued	June 30, 2020	December 31, 2019
June 11, 2020	\$ 387,176	-
April 22, 2020	350,000	\$ -
Total principal outstanding	737,176	-
Less discount	(71,378)	
Debt net of discount	665,798	
Plus accrued interest	5,304	-
Total promissory notes payable	\$ 671,102	\$ -

On April 22, 2020, the Company entered into a promissory note for \$350 thousand with Second Century Ventures (“SCV”) in which the Company received net proceeds of \$345 thousand after issuance costs. The unpaid principal, together with any then unpaid and accrued interest and any other amounts payable shall be due and payable on April 22, 2021 or in an event of default or a change in control as defined in the agreement. The note accrues interest at a rate of 8% per annum, compounded monthly.

Concurrently with the issuance of the note on April 22, 2020, the Company entered into a warrant agreement to purchase Class A Shares of Common Stock of the Company with SCV. The warrant agreement issued SCV a warrant to purchase 15,000 shares at a strike price of \$0.01 per share through April 22, 2021. At the expiration of the warrant agreement the warrants will be automatically exercised if the fair market value of the exercise shares exceeds the exercise price. If at any time during the term the fair market value of the exercise shares exceeds five times the exercise price the Company shall provide SCV written notice and SCV may elect to exercise the warrant. If at any time during the term of the warrant agreement any portion of the Class A Shares of Common Stock are converted to other securities the warrants shall become immediately exercisable for that number of shares of the other securities that would have been received if the warrant agreement had been exercised in full prior to the conversion and the exercise price shall be adjusted. We determined that the appropriate classification of this warrant was as an equity instrument that will not be subject to fair value remeasurement going forward.

As the promissory notes payable issued included equity classified warrants issued, U.S. GAAP requires that the proceeds from the sale of debt instruments with a separate equity instrument be allocated to the two elements based upon the relative fair values of the debt instrument without the warrant and of the warrant itself at the time of issuance. The portion of the proceeds allocated to the Class A Shares of Common Stock shall be accounted for within stockholders' equity as additional paid-in capital and recorded as a debt discount and be charged to interest expense over the life of the convertible notes. The remainder of the proceeds shall be allocated to the debt instrument portion of the transaction. The value of the promissory note was allocated on a relative fair value basis between the note and the warrants. This allocation based upon relative fair values of the promissory note and warrant resulted in an amount of \$88 thousand being allocated to the equity warrants and \$262 thousand being allocated to the promissory notes, resulting in the same amount representing a discount to the promissory note. Accretion expense of \$17 thousand was recorded and interest payable of \$5, thousand was accrued related to these notes during the period ended June 30th, 2020.

In conjunction with the Company entering into this promissory note, TSIH entered into a guaranty and stock pledge agreement with SCV ("Secured Party") on April 22, 2020. As part of this agreement the payment and performance of the note are secured by 65,000 Class A Shares of the Common Stock of the Company pledged through TSIH. In addition, we pledged 15,000 shares for the underlying warrants and transferred the total of 80,000 to SCV as of June 30th, 2020 to hold as collateral. As stated in the agreement the following rights exist for the Secured Party:

Rights With Respect to Distributions: During the continuance of an Event of Default (as defined in the Note), all rights of Pledgor to receive dividends, cash, securities, instruments and other distributions shall cease and all rights to dividends, cash, securities and other distributions shall thereupon be vested in the Secured Party; the Secured Party shall thereupon have the sole right to receive and hold as Pledged Collateral such dividends, cash, securities, instruments and other distributions.

Irrevocable Proxy/Voting Rights: So long as no Event of Default exists, subject to any other applicable provision of this Agreement, Pledgor shall be entitled to exercise all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not prohibited by the terms of this Agreement.

Release of Pledge: Anything to the contrary herein notwithstanding, the Secured Party shall release the Pledged Collateral from pledge hereunder upon full payment to the Secured Party of all Pledge Obligations and upon such release the Secured Party shall deliver to Pledgor all Pledged Collateral then in the Secured Party's possession.

We do not have a history of dividends or other distributions, we maintain all voting rights, and currently expect to repay the note prior to or on the maturity date. The shares are held solely as pledged collateral for the promissory note we obtained. We determined there was no impact recorded to the financial statements for the period ended June 30, 2020 other than we are reflecting them as outstanding as of period end in the statement of Stockholders' Equity.

On June 11, 2020, we entered into an agreement with Emergent, as described in Note 4, whereby their SAFE would be extinguished in exchange for several forms of consideration. As part of that agreement, one form of consideration is that the Company issued promissory notes to Emergent in the amount of \$387 thousand which is due in two tranches of \$200 thousand and \$187 thousand in August and September 2020, respectively. No interest is due and payable under these notes if we pay by the maturity dates previously described. As of the date of these financial statements, but after June 30th, 2020, we have paid \$200 thousand of the total balance due in line with the terms of the agreement.

Debt Maturity

As of June 30, 2020, the following is a schedule of principal amount maturities for all convertible and non-convertible promissory notes:

	<u>Convertible</u>	<u>Non-Convertible</u>
2020	\$ 40,000	\$ 387,176
2021	-	350,000
2022 and beyond	<u>15,000</u>	<u>-</u>
Principle, net of unamortized discount	55,000	737,176
Less discount	<u>-</u>	<u>(71,378)</u>
Debt net of discount	55,000	665,798
Plus accrued interest	<u>2,688</u>	<u>5,304</u>
Balance recorded	<u>\$ 57,688</u>	<u>\$ 671,102</u>

As of June 30, 2020, all amounts due, except for \$15 thousand, are designated as short term debt on the statement of financial position as they are all due on or before June 30, 2021.

Note 3— Warrants

Liability Classified Warrants

The following table presents the change in the liability balance associated with the liability-classified warrants, which are classified in Level 3 of the fair value hierarchy from December 31, 2019 to June 30, 2020. There were no changes in the balance from December 31, 2018 to June 30th, 2019:

	Warrants (\$)
Balance, beginning of period	\$ 287,750
Additional warrants issued	-
Change in fair value	-
Balance, end of period	<u>\$ 287,750</u>

As of June 30, 2020, the Company has issued a customer a warrant to purchase up to \$1 million of capital stock in a future round of financing at a 20% discount of the lowest price paid by another investor. The warrant was issued on November 9, 2016. There is no vesting period, and the warrant expires in 10 years from the issuance date. The Company evaluated the provisions of ASC 480, *Distinguishing Liabilities from Equity*, noting the warrant should be classified as a liability due to its settlement being for a variable number of shares and potentially for a class of shares not yet authorized. The warrant was determined to have a fair value of \$250 thousand which was recorded as a deferred contract acquisition asset and to a warrant liability during the year ended December 31, 2016 and was amortized as a revenue discount prior to the current periods presented. The fair value of the warrant was estimated on the date of grant by estimating the warrant's intrinsic value on issuance using the estimated fair value of the Company as a whole in relation and continues to be recorded as of June 30th, 2020.

The Company has issued an investor warrants to purchase \$50 thousand of Class A Shares of Common Stock. The warrants were issued on December 16, 2016. There is no vesting period, and the warrants expire in 10 years from the issuance date. The Company recorded the warrants at fair value and classified the warrant as a liability. This liability continues to be recorded as of June 30th, 2020.

Equity Classified Warrants

As of June 30, 2020, the Company has issued a warrant to purchase 8,013 shares of Class A Shares of Common Stock with an exercise price of the lower of (i) the last 409a valuation of the Company's Class A Shares of Common Stock or (ii) the quotient of \$1,000,000 divided by the aggregate number of the Company's fully diluted capitalization upon exercise. The warrants were issued on January 4, 2016 under an accelerator program. There is no vesting period, and the warrants expire in 10 years from the issuance date.

The Company has issued a customer a warrant to purchase 80,128 shares of Class A Shares of Common Stock with an exercise price of \$3.12 per share. The warrant was issued on November 9, 2016. There is no vesting period, and the warrant expires in 10 years from the issuance date. The Company used a Black-Scholes-Merton pricing model to determine the fair value of the warrant. The fair value of the warrant issued in connection with the customer contract was determined to be \$2.29 per share and had a fair value of \$183 thousand which was recorded as a deferred contract acquisition asset and to additional paid-in capital during the year ended December 31, 2016 and which was amortized as a revenue discount in the periods prior to those presented. The fair value of the warrant issued is recorded as a revenue discount as it is considered a sales incentive. The fair value of the warrant was estimated on the date of grant using the Black-Scholes-Merton model and was valued using the following assumptions: fair value of Class A Shares of Common Stock of \$2.71, exercise price of \$3.12 risk free interest rate of 5%, dividend yield of 0%, expected volatility of 83%, and contractual term of ten years. This warrant remains outstanding as of June 30, 2020.

As of June 30, 2020, the Company has issued to an investor a warrant to purchase 186,442 shares of the Company's Class A Shares of Common Stock at an exercise of \$8.00 per share in exchange for the cancellation of a \$100 thousand SAFE issued on August 18, 2017 by the Company's affiliate Trusted Mail Inc. with an agreed value of \$125 thousand. See Note 4 for the reduction in SAFE liability for this amount. The warrants were issued on January 23, 2020. There is no vesting period, and the warrants expire on December 20, 2024.

As of June 30, 2020, the Company has issued to an investor a warrant to purchase 932,111 shares of the Company's Class A Shares of Common Stock at a strike price of \$8.00 per share in exchange for \$300 thousand in cash and "Premium" sponsorship status with a credited value of \$100 thousand per year for 3 years totaling \$300 thousand. This "premium" sponsorship status provides the Company with certain benefits in marketing and networking, such as the Company being listed on the investor's website, as well providing the Company certain other promotional opportunities organized by the investor. The warrants were issued on January 23, 2020. There is no vesting period, and the warrants expire on December 20, 2024.

The fair value of the two warrants above issued in January 2020 was estimated on the date of grant using the Black-Scholes-Merton model and was valued using the following assumptions: fair value of Class A Shares of Common Stock of \$7.79, exercise price of \$8.00 risk free interest rate of 1.58%, dividend yield of 0%, expected volatility of 44%, and contractual term of two years. The total fair

value of these warrants was determined to be \$2.1 million and is recorded in the statement of Stockholders' Equity. Thus, fair value is \$1.4 million in excess of the total consideration received for the warrants of \$725 thousand. This amount is expensed within the income statement.

As discussed in Note 2, the Company issued equity classified warrants in conjunction with the venture debt issued to SCV on April 22, 2020. As the warrants vested immediately and had a \$.01 strike price, we did not calculate the value using a Black-Scholes-Merton model. Rather we valued them at the price per share of the Series A Preferred Stock, \$7.79, given the immediate exercisability and nominal strike price. This value was then used to perform the allocation between the debt and equity to arrive at a warrant value of \$88 thousand.

Note 4—SAFE liabilities

The following tables present the change in the SAFE liabilities balance, which are classified in Level 3 of the fair value hierarchy, for the six-month period ended June 30, 2020 and the year ended December 31, 2019:

	June 30, 2020	December 31, 2019
Balance, beginning of period	\$ 2,236,953	\$ 867,708
Issuance of SAFEs	200,000	2,111,953
Settlement of SAFEs	(2,111,953)	-
Exchange of SAFEs for Warrants	(125,000)	-
Conversion of SAFE to Series A preferred stock	-	(750,000)
Accretion of discount	-	7,292
Balance, end of period	<u>\$ 200,000</u>	<u>\$ 2,236,953</u>

Trusted Mail

On July 13, 2017, Trusted Mail entered into a Common Stock Purchase Agreement with an investor and issued 150 shares of Trusted Mail common stock in exchange for \$1.5 thousand, which represented 15% of the authorized capital as of the agreement date. Subsequently on August 18, 2017, Trusted Mail entered into a SAFE with this same investor in exchange for \$100 thousand. Under the terms of the SAFE, Trusted Mail issued the right to receive \$100,000 worth of Preferred Stock in a future equity financing at a 20% discount. The Company accreted the SAFE liability to its fair value including this 20% discount over an expected outstanding period of two years. Noncash interest expense recognized on this SAFE liability during the six-month period ended June 30, 2020 and June 30, 2019 totaled \$0 and \$7 thousand, respectively. The outstanding balance of the SAFE liability at June 30, 2020 and December 31, 2019 totaled \$0 and \$125 thousand, respectively.

There is also a Put Right related to the investor's 15% ownership in Trusted Mail. In the event that (i) Trusted Mail enters into an agreement with a third party that has a competitive business model that would result in competitive business activities by Trusted Mail, or (ii) Trusted Mail engages in competitive business activities, the investor has the right to require Trusted Mail to repurchase all but not less than all the shares or securities of Trusted Mail owned by the investor and its affiliates. The fair market value of this put right was \$0 at both June 30, 2020 and December 31, 2019. On January 23, 2020, this SAFE liability was extinguished in exchange for warrants granted by the Company. See Note 3 for further discussion of this transaction.

On September 27, 2019, the Company issued 89,859 shares of Series A preferred stock to an investor for \$700 thousand. In conjunction with the issuance of Series A preferred stock to another investor on September 27, 2019, the Company's SAFE liability for \$750 thousand automatically converted into Series A preferred stock. This automatic conversion took place due to the implied pre-money valuation at which the 89,859 Series A preferred stock were issued in exchange for \$700 thousand. The automatic conversion occurred as the same price paid per share resulting in the Company issuing 96,278 shares of Series A preferred stock in relation to the automatic conversion of the \$750 thousand SAFE.

Emergent and Tripartite Agreement

The Company and Emergent entered into a SAFE in which Emergent obtained the right to shares of the Company's stock (purchase amount of \$2.1 million and valuation cap of \$20 million) that would be exercised upon a qualified equity financing. A put option also exists in this agreement in which at the earlier of 18 months from the agreement date and the date on which the Company has raised more than \$7 million of qualified equity financing, Emergent may require repayment of the unrepaid element of the purchase amount and the Company would be required to make such repayment.

On February 4, 2020, the Company entered into a tripartite agreement with Emergent and 10Clouds whereby:

- The Company received a Purchase Order from Emergent in which Emergent requested \$300 thousand worth of services to be provided by the Company under mutually agreed Statements of Work from the effective date through December 31, 2020. The intention of these services is to reduce the Emergent SAFE amount owed by the Company.
- The Company will enter into Statements of Work with 10Clouds for appropriate sub-contract work under the Purchase Order.
- The Company issued an additional SAFE to 10Clouds for \$200 thousand subject to an absolute right for the Company at its option to redeem that \$200 thousand for cash or settle it through the conversion to Series A preferred stock. This is the only remaining SAFE outstanding as of June 30th, 2020.
- Emergent reduces the balance due on the Emergent SAFE by \$500 thousand with immediate effect and asserts the outstanding balance to be \$1.6 million.

On June 11, 2020, the Company entered into additional agreement with Emergent whereby:

- Emergent will issue an irrevocable Purchase Order for \$500 thousand worth of services to be provided by the Company under mutually agreed Statements of Work from the effective date through December 31, 2020. We subsequently entered into an SOW with 10Clouds for \$500 thousand to provide the requested services.
- Emergent will forgive \$104 thousand of the value of the SAFE to represent expected profit margin for the \$500 thousand worth of services described above.
- The Company will issue \$400 thousand of Class A Shares of Common Stock to Emergent's designated assignees at a price of \$7.79 per share (51,348 shares). This has been reflected in the statement of stockholders' equity as of June 30th, 2020
- The Company will pay Emergent \$220 thousand and this has been reflected in the statement of cashflows
- The Company will enter into a promissory note with Emergent for \$387 thousand payable in 2020. See Note 2 for further discussion.

The intention of the above services and transactions is to wholly settle the \$1.6 million and as of June 30, 2020, the Emergent SAFE was extinguished in full.

Following June 30, 2020, the Company converted the \$200 thousand SAFE note into 25,674 shares of Series A Convertible Preferred Stock which was subsequently converted to Class A Common Stock on September 8, 2020 along with all shares of Series A Convertible Preferred Stock.

As it pertains to the SOWs and profit margin discussed above, Emergent has approached the Company for assistance building a software solution that incorporates several of our proprietary technologies to be built with the assistance of 10Clouds, a related party. As of the balance sheet date of June 30th, 2020 the full scope of the project has not been agreed upon with Emergent and as a result, we do not believe that this arrangement meets the definition of a contract under ASC 606, Revenue from Contracts with Customers, due to the fact that both parties cannot identify all rights and obligations as is required by the standard to identify a contract. As a result, we have recorded deferred revenue of \$904 thousand and capitalized costs prepaid and other assets of \$279 thousand related to fulfilling this potential performance obligations of this arrangement once it meets the definition of a contract. The capitalized costs are due to 10Clouds, a related party as further discussed in Note 6. We expect the arrangement to continue to develop in the second half of 2020. We will further evaluate this arrangement under the standard once all terms of the contract are known to the relevant parties.

Note 5— Stock Awards and Stock-Based Compensation

From time to time the Company may issue stock awards in the form of Class A Shares of Common Stock grants or Class A Shares of Common Stock options with vesting/service terms. Stock awards are valued on the grant date using the post-money valuation of the most recent round of financing for the Company. Stock Options are valued using the Black-Scholes-Merton pricing model to determine the fair value of the options. We generally issue our awards in terms of a fixed monthly value resulting in a variable number of shares being issued. This results in liability classification for a substantial majority of the issued awards.

During the six-month period ended June 30, 2020, the Company entered into agreements with new advisory board members to issue cash payments and stock grants and stock options in exchange for services rendered to the Company on a monthly basis.

In addition to issuing stock awards and stock options to advisory board members, during the six-month period ended June 30, 2020, the Company granted stock-based awards to multiple employees based on a fixed dollar amount in stock earned per month. In addition, the Company will pay a fixed amount of \$156 thousand in Class A Shares of Common Stock for its Euronext advisor upon listing. As this is a contingent event, there has been no expense recorded as of June 30, 2020. As a result, the Company has accrued a share liability for \$202 thousand and \$40 thousand which is included in accrued expenses in the accompanying consolidated balance sheets as of June 30, 2020 and December 31, 2019, respectively.

Stock-based compensation recognized during the six-month periods ended June 30, 2020 and June 30, 2019 totaled \$175 thousand and \$17 thousand, respectively, and is included in selling, general, and administrative in the accompanying consolidated statements of operations. Of the 2020 expense, \$161 thousand represents a share liability and \$13 thousand was recorded to APIC as an equity award. All of the expense for 2019 was recorded as a share liability.

The Company entered into a stock buyback agreement with several employees after June 30, 2020 as described in Note 1.

Awards contingent on a public listing

On January 18, 2020, the Company allocated a total of 206,667 shares of Class A Shares of Common Stock held by TSIH to various employees. The stock awards only vest upon the Company being listed on a public market. The allocation would also vest immediately with no hold period upon a Company transaction that would result in a third-party acquiring control of the Company as the Company will seek to have the acquirer agree to purchase reserved stock for cash.

In the event of a listing or public market allocation, there will be a hold period for the stock after issuance. Once issued, 25% will be saleable immediately, then 25% will be saleable each 90 days thereafter. The Company will pay a (taxable) cash bonus to cover the issue value of the shares when allocated. There is no entitlement to a cash bonus in lieu of our issuing and paying for the stock allocation. No expense has been recorded to date given the performance based condition of listing on a public exchange which we do not can be considered probable to occur until it does.

Note 6—Related Party Transaction

In August 2018, Emergent and three of the Company's shareholders entered into a stock purchase agreement, in conjunction with the Stock Subscription Agreement between the Company and Emergent, whereby Emergent acquired 447,115 shares of Class A Shares of Common Stock in the Company in a non-monetary exchange from those shareholders whereby the shareholders obtained 9.62 Class A Units of Emergent.

In July 2019, the Company acquired those 9.62 Class A Units of Emergent from the Company's shareholders in exchange for 447,115 shares of Class A Shares of Common Stock in the Company. We do not have any employees on the Emergent Board of Directors or other abilities to influence the Company and our investment. Management recorded the value of these shares on the transaction date at a fair value of \$962 thousand, which the Company determined by reference to transactions in the Company's units, as well as information obtained from Emergent regarding the value of the Emergent units exchanged at the time of the original transaction in August 2018.

The Company does not believe these shares have a readily determinable fair value as defined in ASC 321, *Investments - Equity Securities* and as a result measures the investment at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company is also not aware of other transactions involving Emergent units that would provide a material change in fair value as of the end of this six-month period, and we did not record an impairment as of June 30, 2020 after performing an assessment searching for such indicators of impairment. See Note 4 for further discussion of our transactions with Emergent during the periods presented.

Related party receivables of \$15 and \$16 thousand at June 30, 2020 and December 31, 2019, respectively, relate to amounts owed from other organizations as reimbursements for employees that participated in the Company's Professional Employer Organization ("PEO"). These other organizations share common management with the Company as well as a certain investor. During certain months in 2018, employees from these other organizations sublet space in the offices that the Company occupied and share benefit plans in order to gain competitive rates for both the Company and these other organizations. Subsequent to December 31, 2019, these other organizations moved out of the Company's offices, no longer share in the PEO, nor have common management. Amounts owed from these other organizations as reimbursements at June 30, 2020 and December 31, 2019 totaled \$7 and \$16 thousand, respectively.

Related party payables of \$534 thousand and \$199 thousand at June 30, 2020 and December 31, 2019, respectively, primarily relate to amounts owed to 10Clouds, the Company's third party contractor for software development and investor in the Company through the Series A preferred stock, and smaller amounts payable to members of management as expense reimbursements. Total costs incurred in relation to 10Clouds for the six-month period ended June 30, 2020 and June 30, 2019, totaled approximately \$850 thousand and \$239 thousand, respectively, of which certain amounts were recorded as capitalized internal-use software, research and development, cost of services, or capitalized during 2020 as described under the Emergent arrangement in Note 4.

The Company has entered joint ventures with Trust Stamp Fintech Limited and Trust Stamp Cayman. Trust Stamp Fintech Limited is a company incorporated in the United Kingdom by the Company's management. The purpose of this entity was to establish beachhead operations in the country in order to service a contract entered by the Company with the National Association of Realtors and Property Mark. This entity remains separate from the Company's operations and serves as a sales and marketing function for the product "NAEA" which was developed for the contract between the listed parties. Trust Stamp Cayman was established with the intention of taking advantage of enterprise grants which were offered by the Cayman National Government's Enterprise Zone. No operations were established. Due to common ownership of the Company and these two entities, the Company has funded all operating expenses since inception and as a result, the operations of these entities are included in the consolidated financial statements. On June 11, 2020, the Company entered into a stock exchange with Trust Stamp Fintech Limited, becoming a 100% owner. At June 30, 2020, Trust Stamp Fintech Limited is included as a consolidated entity within the June 30, 2020 financial statements.

A member of management provides legal services to the Company from a law firm privately owned and separate from the Company. Certain services are provided to the Company through this law firm. Total expenses incurred by the Company in relation to these services totaled \$50 thousand and \$0 during the six-month period ended June 30, 2020 and June 30, 2019, respectively. Amounts payable as of June 30, 2020 or December 31, 2019 were \$5 and \$0 thousand, respectively.

Note 7—Malta

During July 2019, the Company entered into an agreement with the Republic of Malta that would provide for a grant of up to €200 thousand as reimbursement for operating expenses over the first 12 months following incorporation in the Republic of Malta. The Company must provide an initial capital amount of €50 thousand euros, which is matched with a €50 thousand grant. The remaining €150 thousand are provided as reimbursement of operating expenses 12 months following incorporation.

During May 2020, the Company formed a subsidiary in the Republic of Malta, Trust Stamp Malta Limited, with the intent to establish a research and development center with the assistance of potential grants and loans from the Maltese government. As part of the creation of this entity, we entered into an agreement with the government of Malta for a potential repayable advance of up to €800 thousand to assist in covering the costs of 75% of the first 24 months of payroll costs for any employee who begins 36 months from the execution of the agreement on May 1, 2020. No amounts of this repayable advance were received as of June 30, 2020.

No amounts have been received under either of the agreements as June 30, 2020.

Note 8—Commitments and Contingencies

Operating Leases – The Company leased office space in Georgia and North Carolina under various operating lease arrangements on a quarter by quarter basis. As of June 30, 2020, there were no minimum lease commitments. Rental expense totaled \$18,613 and \$19,116 for the six-month periods ended June 30, 2020 and June 30, 2019, respectively.

Litigation – The Company is not currently involved with and does not know of any pending or threatening litigation against the Company or any of its officers or directors in connection with its business.

Item 4.

INDEX TO EXHIBITS

- [2.1 Amended and Restated Certificate of Incorporation, as amended \(Included as Exhibit 2.1 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename4.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename4.htm)
- [2.2 Bylaws \(Included as Exhibit 2.2 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename5.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename5.htm)
- [2.3 Certificate of Amendment to Amended and Restated Certificate of Incorporation, as amended \(Included as Exhibit 2.3 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920043251/tm2014436d1_ex2-3.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920043251/tm2014436d1_ex2-3.htm)
- [3.1 Investors' Rights Agreement \(Included as Exhibit 3.1 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename6.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename6.htm)
- [3.2 Form of Warrant dated January 23, 2020 \(Included as Exhibit 3.14 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex3-14.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex3-14.htm)
- [3.3 Form of Warrant dated January 23, 2020 \(Included as Exhibit 3.15 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex3-15.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex3-15.htm)
- [6.1 Settlement Agreement dated July 1, 2019 between Emergent Technology Holdings, LP and the Company \(Included as Exhibit 6.1 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex6-1.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex6-1.htm)
- [6.2 Stock Purchase Agreement dated September 27, 2019 between FSH Capital LLC and the Company \(\\$700,000\) \(Included as Exhibit 6.2 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex6-2.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex6-2.htm)
- [6.3 Secured Loan Agreement dated August 16, 2017 between Alex Valdes and the Company \(Included as Exhibit 6.3 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename21.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename21.htm)
- [6.4 Secured Loan Agreement dated August 16, 2017 between Andrew Scott Francis and the Company \(Included as Exhibit 6.4 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename22.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename22.htm)
- [6.5 Lease Agreement Amendment between the Company and Georgia Advanced Technology Ventures, Inc. dated April 24, 2018 \(Included as Exhibit 6.5 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename23.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465919076565/filename23.htm)
- [6.6 Service Agreement between 10Clouds and Sunflower AI Technologies \(a subsidiary of T. Stamp Inc.\) dated January 4, 2018 \(Included as Exhibit 6.6 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex6-6.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex6-6.htm)
- [6.7 SAFE Amendment Agreement between Emergent Technology Holdings LP and T Stamp Inc. and 10Clouds dated February 4, 2020 \(Included as Exhibit 6.7 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex6-7.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920032293/tm1926748d2_ex6-7.htm)
- [6.8 Secured Promissory Note between the Company \(as Debtor\) and Second Century Ventures, LLC. \(as Creditor\) dated April 22, 2020 \(Included as Exhibit 6.8 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920054561/tm2014436d7_ex6-8.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920054561/tm2014436d7_ex6-8.htm)
- [6.9 Warrant to Purchase Common Stock between the Company and Second Century Ventures, LLC dated April 22, 2020 \(Included as Exhibit 6.9 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920054561/tm2014436d7_ex6-9.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920054561/tm2014436d7_ex6-9.htm)
- [6.10 Guaranty and Stock Pledge Agreement between the Company and Second Century Ventures, LLC dated April 22, 2020 \(Included as Exhibit 6.10 to our Form 1-A, available here, https://www.sec.gov/Archives/edgar/data/1718939/000110465920054561/tm2014436d7_ex6-10.htm\)](https://www.sec.gov/Archives/edgar/data/1718939/000110465920054561/tm2014436d7_ex6-10.htm)
- [6.11 Emergent Agreement dated June 11, 2020 \(included herein\)](#)

SIGNATURES

Pursuant to the requirements of Regulation A, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Atlanta, State of Georgia, on September 28, 2020.

T STAMP INC.

/s/ Gareth Genner

Gareth Genner, Chief Executive Officer
Trust Stamp

The following persons in the capacities and on the dates indicated have signed this Offering Statement.

/s/ Gareth Genner

Gareth Genner, Chief Executive Officer, Director
Date: September 28, 2020

/s/ Alex Valdes

Alex Valdes, Principal Financial Officer, Principal Accounting Officer
Date: September 28, 2020

/s/ Andrew Gomasack

Andrew Gomasack, President, Director
Date: September 28, 2020

/s/ Mark Birschbach

Mark Birschbach, Director
Date: September 28, 2020

AGREEMENT

Between: Emergent Technology Holdings LP (“EmTech”), T Stamp Inc. (“Trust Stamp”) and TStamp Incentive Holdings Inc. (“TSI Holdings”).

Whereas:

- 1) Trust Stamp issued to EmTech a Simple Agreement for Future Equity on July 1, 2019 with an initial outstanding balance of \$2,111,953 (“the EmTech SAFE”).
- 2) In consideration of a Purchase Order for software services, the outstanding balance on the EmTech SAFE was reduced to \$1,611,593 on February 4, 2020.
- 3) EmTech wishes to engage Trust Stamp to perform future software development services (“Future Services”).
- 4) EmTech wishes to have issued to its assignees \$400,000 in value of Trust Stamp common stock at an issue price of \$7.79 per share.
- 5) EmTech and Trust Stamp wish to eliminate the EmTech SAFE in exchange for a promissory note with fixed payments on certain dates.

It is now agreed as follows:

1. This transaction will close on June 11, 2020.
2. At closing:
 - a. EmTech will issue to Trust Stamp an irrevocable purchase order for Future Services in the sum of \$500,000 payable in a single instalment at closing, solely by a reduction in the outstanding balance of the EmTech SAFE, to be credited against mutually agreed Statements of Work for services in 2020. The Payment is non-refundable and the credit is non-assignable other than to EmTech subsidiaries with prior notice to Trust Stamp.
 - b. Trust Stamp will issue a total of 51,348 shares of common stock, fully paid, to TSI Holdings who will hold the shares in trust to transfer the shares to assignees identified by EmTech upon receiving written instructions from EmTech. It is understood and agreed that the shares cannot be issued to EmTech or any affiliate thereof.

- c. Trust Stamp will pay \$220,000 to EmTech by wire transfer of immediately available funds to EmTech's account.
- d. Trust Stamp will deliver to EmTech a promissory note for \$387,176 payable by Trust Stamp to EmTech (without interest if paid in a timely fashion) with instalment payments:
 - i. On or before August 30th 2020 - \$200,000,
 - ii. On or before September 30th 2020 - \$187,176
- e. EmTech will issue to Trust Stamp confirmation that the EmTech SAFE has been satisfied in full and is cancelled as at closing.

Signed for Trust Stamp:
Andrew Gowasack
President
June 11, 2020

Andrew Gowasack

Signed for EmTech:
Brent de Jong
Chairman
June 11, 2020

Brent de Jong

Signed for TSI Holdings:
Gareth Genner
CEO
June 11, 2020

Gareth N Genner

PROMISSORY NOTE

June 11, 2020

\$387,176.00 USD

FOR VALUE RECEIVED, T Stamp Inc. (“Borrower”) hereby promises to pay to the order of Emergent Technology Holdings LP (“Lender”) the principal amount of Three Hundred Eighty Seven Thousand One Hundred Seventy Six United States Dollars and no cents (\$387,176.00) in accordance with the provisions of this Note.

1. Payments on Note.

(a) Scheduled Payment. Payment of the outstanding principal amount of this Note shall be due and payable as follows:

- (i) \$200,000.00 on or before August 31, 2020, and
- (ii) \$187,176 on or before September 30, 2020.

(b) Optional Prepayments. Borrower may, at any time and from time to time without premium or penalty, prepay all or any portion of the outstanding principal amount of this Note.

(c) Application of Payments. Payments under this Note shall be applied (i) first, to the payment of any accrued interest hereunder until all such interest is paid and (ii) second, to the repayment of the principal outstanding hereunder.

2. Events of Default.

(a) Definition. For purposes of this Note, an “Event of Default” shall be deemed to have occurred if:

(i) Borrower fails to pay within five (5) days after the date when due, the full amount of any principal payment; or

(ii) Borrower makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due; or an order, judgment or decree is entered adjudicating Borrower bankrupt or insolvent; or any order for relief with respect to Borrower is entered under the Federal Bankruptcy Code; or Borrower petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator of any substantial part of Borrower's assets, or commences any proceeding relating to Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Borrower and either (A) Borrower by any act indicates its approval thereof, consent thereto or acquiescence therein or (B) such petition, application or proceeding is not dismissed within 60 days.

(b) Consequences of Events of Default.

If an Event of Default of the type described in subparagraph 3(a)(ii) has occurred the aggregate principal amount of the Note (together with all other amounts payable in connection therewith) shall become immediately due and payable without any action on the part of the Lender, and Borrower shall immediately pay to the Lender all amounts due and payable with respect to the Note.

If an Event of Default of the type described in subparagraph 3(a)(i) has occurred and continues for 5 days, the Lender may declare all or any portion of the outstanding principal amount of the Note (together with all other amounts due in connection therewith) due and payable and demand immediate payment of all or any portion of the outstanding principal amount of the Note.

Borrower, or its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest and demand, dishonor and nonpayment of this Note, and expressly agrees that this Note, or any payment hereunder, may be extended from time to time and that the Lender may accept security for this Note or release security for this Note, all without in any way affecting the liability of Borrower hereunder.

In the event that Borrower fails to pay any amounts due hereunder when due, Borrower shall pay to Lender, in addition to such amounts due:

- (i) interest accruing on a daily basis at a rate equal to 15% per annum, on the sum of the unpaid principal amount of this Note then outstanding, and
- (ii) all costs of collection, including reasonable attorneys fees.

3. Assignment. Borrower may not assign its rights or delegate its obligations under this Note without the written consent of Lender.

4. Amendment. This Note may only be amended or modified by a written agreement signed by Borrower and Lender.

5. Cancellation. After all principal and accrued interest at any time owed on this Note has been paid in full, this Note shall be surrendered to Borrower for cancellation and shall not be reissued.

6. Governing Law. This Note is made under and governed by the internal law, not the laws of conflicts, of the State of Delaware.

* * * * *

IN WITNESS WHEREOF, Borrower has executed and delivered this Promissory Note as of the date first written above.

BORROWER:

T Stamp Inc.

Andrew Gowasack

By: Andrew Gowasack
Its: President

Signature Page to Promissory Note

Appendix 2

T STAMP, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

T STAMP, INC. AND SUBSIDIARIES
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Report of Independent Auditor

To the Board of Directors
T Stamp, Inc. and Subsidiaries
Atlanta, Georgia

We have audited the accompanying consolidated financial statements of T Stamp, Inc. and Subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive loss, stockholders’ equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, since its inception, the Company's revenues have been lower than its operating expenses and has incurred significant losses, negative cash flows from operations, and has an accumulated deficit, all of which result in substantial doubt about the ability of the Company to continue as a going concern. Management's evaluation of the events and conditions and management's plans in regard to that matter hinge upon successfully raising additional capital as described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Cherry Bekawt LLP

Atlanta, Georgia
February 28, 2020

(Except for the retrospective restatement of the consolidated balance sheets and consolidated statements of stockholders' equity (deficit) to reflect the October 24, 2019 1602.56-for-1 forward stock split and the common and diluted loss per share and weighted average shares data included in the consolidated statements of operations which the date is April 2, 2020, and for the disclosure of the promissory note, guaranty and stock pledge agreement, and warrant agreement issued to Second Century Ventures on April 22, 2020 in Note 20 which the date is April 28, 2020.)

T STAMP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 331,761	\$ 167,702
Accounts receivable	87,759	17,968
Related party receivables	16,322	97,894
Stock subscription receivable asset	-	1,000,000
Prepaid expenses and other current assets	<u>122,690</u>	<u>77,006</u>
Total Current Assets	558,532	1,360,570
Property and equipment, net	1,167,147	903,757
Goodwill	1,248,664	1,248,664
Intangible assets, net	8,772	16,070
Investment in related party, at cost	962,000	-
Other assets	<u>47,010</u>	<u>94,394</u>
Total Assets	<u>\$ 3,992,125</u>	<u>\$ 3,623,455</u>

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

T STAMP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	\$ 150,539	\$ 34,341
Accrued expenses	53,835	79,232
Related party payables	198,744	191,691
Convertible notes payable plus accrued interest of \$15,000 and \$-0-, respectively	115,000	-
Deferred revenue	141,000	25,000
Total Current Liabilities	<u>659,118</u>	<u>330,264</u>
Convertible notes payable plus accrued interest of \$2,250 and \$201,070, respectively	717,250	2,816,070
Warrant liabilities	287,750	287,750
SAFE liabilities	2,236,953	867,708
Total Liabilities	<u>3,901,071</u>	<u>4,301,792</u>
Commitments and Contingencies, Note 8		
Stockholders' Equity (Deficit):		
Series A convertible preferred stock \$.01 par value, 2,000,000 shares authorized, 130,240 and 0 shares issued and outstanding at December 31, 2019 and 2018	1,450,000	-
Common stock \$.01 par value, 7,500,000 shares authorized, 1,924,996 and 1,379,006 shares issued and outstanding at December 31, 2019 and 2018	19,250	13,970
Additional paid-in capital	6,151,054	5,194,515
Noncontrolling interest	163,245	164,698
Stockholders' notes receivable	(225,000)	(225,000)
Stock subscription receivable	-	(500,000)
Accumulated other comprehensive loss	(33)	(2,384)
Accumulated deficit	(7,467,462)	(5,323,956)
Total Stockholders' Equity (Deficit)	<u>91,054</u>	<u>(678,337)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 3,992,125</u>	<u>\$ 3,623,455</u>

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

T STAMP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Net sales	\$ 2,108,884	\$ 834,660
Operating Expenses:		
Cost of services provided	702,744	270,485
Research and development	854,590	556,249
Selling, general, and administrative	2,284,613	2,206,522
Depreciation and amortization	303,054	179,719
Total Operating Expenses	4,145,001	3,212,975
Operating Loss	(2,036,117)	(2,378,315)
Other Income (Expense):		
Interest income	70	2,452
Interest expense	(98,612)	(230,668)
Change in fair value of warrant liability	-	(10,331)
Other income	82	2,802
Other expense	(2,198)	(3,186)
Total Other Expense, Net	(100,658)	(238,931)
Net Loss before Taxes	(2,136,775)	(2,617,246)
Income tax expense	(8,184)	(6,932)
Net loss including noncontrolling interest	(2,144,959)	(2,624,178)
Net loss attributable to noncontrolling interest	(1,453)	(666)
Net loss attributable to T Stamp, Inc.	\$ (2,143,506)	\$ (2,623,512)
Basic and diluted net loss per share attributable to T Stamp, Inc.	\$ (1.26)	\$ (2.13)
Weighted-average shares used to compute basic and diluted net loss per share	1,698,196	1,233,630

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

T STAMP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Net loss including noncontrolling interest	\$ (2,144,959)	\$ (2,624,178)
Other Comprehensive Loss:		
Foreign currency translation adjustments	2,351	(2,384)
Total Other Comprehensive Loss	2,351	(2,384)
Comprehensive loss	(2,142,608)	(2,626,562)
Comprehensive loss attributable to noncontrolling interest	(1,453)	(666)
Comprehensive loss attributable to T Stamp, Inc.	<u>\$ (2,141,155)</u>	<u>\$ (2,625,896)</u>

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

T STAMP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

YEARS ENDED DECEMBER 31, 2019 AND 2018

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In	Treasury Stock		Noncontrolling	Stockholders' Notes	Stock Subscription	Accumulated Other Comprehensive	Accumulated	Total		
	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Interest	Receivable	Receivable	Loss	Deficit			
Balance, January 1, 2018			-	\$ -	1,152,244	\$ 11,522	\$ 1903,527	-	\$ -	\$ 165,364	\$ (225,000)	-	\$ -	(2,700,444)	\$ (845,030)
Issuance of common stock			-	-	202,724	2,027	2,677,973	-	-	-	-	-	-	-	2,680,000
Issuance of common stock through conversi on of converti ble notes payable			-	-	24,038	240	319,760	-	-	-	-	-	-	-	320,000
Issuance of stockhol ders' note receivab le			-	-	-	-	-	-	-	-	-	-	-	-	-
Stock- based compens ation			-	-	-	-	293,255	-	-	-	-	-	-	-	293,255
Currency translati on adjustm ent			-	-	-	-	-	-	-	-	-	(2,384)	-	(2,384)	
Stock subscrip tion receivab le			-	-	-	-	-	-	-	-	(500,000)	-	-	(500,000)	
Net loss attribut able to noncont rolling interest			-	-	-	-	-	-	(666)	-	-	-	-	(666)	
Net loss attribut able to T Stamp, Inc.			-	-	-	-	-	-	-	-	-	-	(2,623,512)	(2,623,512)	
Balance, December 31, 2018			-	-	1,379,006	13,790	5,194,515	-	-	164,698	(225,000)	(500,000)	(2,384)	(5,323,956)	(678,337)
Vesting of stock awards			-	-	98,874	989	(989)	-	-	-	-	-	-	-	-
Issuance of common stock in exchang e for Emergen t Class A Units			-	-	447,115	4,471	957,528	-	-	-	-	-	-	-	962,000
Issuance of Series A converti ble preferre d stock			62,874	700,000	-	-	-	-	-	-	-	-	-	-	700,000

Conversion of SAFE liability to Series A convertible preferred stock	67,366	750,000	-	-	-	-	-	-	-	-	-	-	750,000
Issuance of shares into T stamp Incentive Holdings	-	-	-	-	-	320,513	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	-	-	-	-	-	2,351	-	2,351
Stock subscription receivable extinguishment	-	-	-	-	-	-	-	-	-	500,000	-	-	500,000
Net loss attributable to noncontrolling interest	-	-	-	-	-	-	-	(1,453)	-	-	-	-	(1,453)
Net loss attributable to T Stamp, Inc.	-	-	-	-	-	-	-	-	-	-	-	(2,143,506)	(2,143,506)
Balance, December 31, 2019	<u>130,240</u>	<u>\$ 1,450,000</u>	<u>1,924,996</u>	<u>\$ 19,250</u>	<u>\$ 6,151,054</u>	<u>320,513</u>	<u>\$ -</u>	<u>\$ 163,245</u>	<u>\$ (225,000)</u>	<u>\$ -</u>	<u>(33)</u>	<u>\$ (7,467,462)</u>	<u>\$ 91,054</u>

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

T STAMP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Net loss attributable to T Stamp, Inc.	\$ (2,143,506)	\$ (2,623,512)
Net loss attributable to noncontrolling interest	(1,453)	(666)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	303,054	179,719
Stock-based compensation	40,218	293,255
Change in fair value of warrant liability	-	10,331
Noncash revenue discount	-	202,220
Noncash interest	72,083	228,893
Noncash revenue related to Emergent termination	(274,593)	-
Extinguishment of liability related to Emergent termination	137,935	-
Recognition (utilization) of R&D credit receivable against payroll tax	-	375
Changes in assets and liabilities:		
Accounts receivable	(69,791)	(17,968)
Related party receivables	81,572	6,137
Prepaid expenses and other current assets	(45,684)	14,520
Other assets	47,384	-
Accounts payable and accrued expenses	50,583	(1,473)
Related party payables	7,053	189,327
Deferred revenue	116,000	(768,425)
Net cash flows from operating activities	<u>(1,679,145)</u>	<u>(2,287,267)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,391)	(21,539)
Capitalized internally developed software costs	(554,756)	(636,271)
Patent application costs	-	(17,015)
Net cash flows from investing activities	<u>(559,147)</u>	<u>(674,825)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of stock subscription receivable	-	1,499,999
Proceeds from stock subscription receivable	1,000,000	-
Proceeds from issuance of Series A convertible preferred stock	700,000	-
Proceeds from borrowings under a factoring agreement	100,000	-
Repayment of borrowings under a factoring agreement	(100,000)	-
Proceeds from issuance of convertible notes payable	700,000	-
Net cash flows from financing activities	<u>2,400,000</u>	<u>1,499,999</u>
Effect of foreign currency translation on cash	<u>2,351</u>	<u>(2,384)</u>
Net change in cash and cash equivalents	164,059	(1,464,477)
Cash and cash equivalents, beginning of year	167,702	1,632,179
Cash and cash equivalents, end of year	<u>\$ 331,761</u>	<u>\$ 167,702</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 26,529</u>	<u>\$ 1,775</u>
Supplemental disclosure of noncash activities:		
Issuance of common stock in exchange for investment in related party	<u>\$ 962,000</u>	<u>\$ -</u>
Conversion of SAFE liability to Series A convertible preferred stock	<u>\$ 750,000</u>	<u>\$ -</u>
Assignment of convertible notes payable plus accrued interest	<u>\$ 2,748,611</u>	<u>\$ -</u>
Issuance of SAFE liability	<u>\$ 2,111,953</u>	<u>\$ -</u>
Stock subscription receivable extinguishment	<u>\$ 500,000</u>	<u>\$ -</u>

Issuance of stock subscription receivable	\$ -	\$ 1,500,000
Conversion of notes payable and accrued interest	\$ -	\$ 320,000

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

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Description of business and summary of significant accounting policies

Description of Business – T Stamp, Inc. was incorporated on April 11, 2016 in the State of Delaware. T Stamp, Inc. and Subsidiaries (“Trust Stamp” or the “Company”) develops and markets identity authentication software solutions for enterprise partners and peer-to-peer markets. The Company’s patented proof of liveness technology that allows the Company to provide a unique suite of facial biometric based products that address critical needs in the financial, real estate, healthcare, insurance and P2P markets. The Company’s target markets and existing partnerships are characterized by the growing use of cyber connections to establish relationships requiring secure identification. The Company’s products address compliance issues such as Know Your Customer and Anti-Money Laundering as well as safety issues in various industries. Wherever there is a cyber relationship and/or a need for the trusted, secure identification/recognition of the parties to a transaction, Trust Stamp is developing unique products for which there are a growing demand.

Principles of Consolidation – The accompanying consolidated financial statements reflect the activity of the Company and its subsidiaries, Trusted Mail Inc. (“Trusted Mail”), Sunflower Artificial Intelligence Technologies (“SAIT”), and Finnovation LLC (“Finnovation”). All significant intercompany transactions and accounts have been eliminated.

Use of Estimates – The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may be materially different from those estimates.

Assets and liabilities which are subject to judgment and use of estimates include capitalized internal-use software, the recoverability of goodwill, long-lived assets and investments recorded at cost, useful lives associated with intangible assets and capitalized internal-use software, and the valuation and assumptions underlying stock-based compensation, warrant liabilities, and Simple Agreements for Future Equity (“SAFE”) liabilities.

Risks and Uncertainties – The Company is dependent upon additional capital resources for its planned full-scale operations and is subject to significant risks and uncertainties, including failing to secure funding to continue to operationalize the Company’s plans or failing to profitably operate the business.

Liabilities Related to Warrants to Purchase a Variable Number of Common Stock – The Company records certain common stock warrants issued (see Note 14 for more detailed information) at fair value and recognizes the change in the fair value of such warrants as a gain or loss which is reported in the other income (expense) section in the consolidated statements of operations. In accordance with Accounting Standards Codification (“ASC”) Topic 480, *Distinguishing Liabilities from Equity*, the Company reports the warrants recorded at fair value as liabilities because they contain certain provisions that may require the Company to issue a variable number of shares to settle such obligations. At the end of each reporting period, management determines the fair value of liabilities related to particular outstanding warrants by measuring the fair value of a common stock based on third party sales of common stock near the reporting date or the intrinsic value associated with the terms of certain warrants. The Company considered the use of a binomial model to value certain warrants at each reporting period but noted due to the limited number of warrants issued and underlying fair value of the common stock, differences in valuation would be immaterial to the consolidated financial statements taken as a whole.

Revenue Recognition – Prior to 2019, the Company generated revenue from rendering services under a funded software development arrangement as the technological feasibility of the computer software product being developed on the customer’s behalf had not been established. The arrangement was accounted for as a service contract and amounts received from the funding party was recognized as revenue as the services were rendered.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Description of business and summary of significant accounting policies (continued)

Additionally, the Company had also generated revenue from exclusivity clauses granted under a funded software-development arrangement, whereby the Company agrees that it will not provide certain products or services to others or will do so only on a limited basis. The Company's policy is to treat exclusivity payments as a separately bargained for exclusivity arrangement and is considered a separate deliverable in which revenue is recognized ratably over the exclusivity period. All services rendered under the funded software development arrangement and revenue generated from exclusivity clauses was fully recognized prior to December 31, 2018 and the contract was completed.

The Company adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606") as of January 1, 2019, utilizing the modified retrospective method of transition. Adoption of the new revenue standard resulted in changes to the Company's accounting policies for revenue recognition as detailed below. Based on the results of the Company's evaluation, the adoption of the new revenue standard did not have an impact on its revenue for the year ended December 31, 2019, as all revenue generated under contracts entered into prior to January 1, 2019 were completed as of December 31, 2018. Furthermore, the Company has not had a history of paying commissions and as a result there are no incremental commission costs to obtain contracts.

For the year ended, December 31, 2019, the Company derives its revenue primarily from professional services. Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, the Company includes an estimate of the amount it expects to receive or the total transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur.

The Company determines the amount of revenue to be recognized through the application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

At contract inception, the Company will assess the services agreed upon within each contract and assess whether each service is distinct and determine those that are performance obligations. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. In general each contract with a customer consists of a single performance obligation to perform services in which revenue is recognized when the service has been delivered. Based on the Company deriving its revenue primarily from professional services, the Company does not disclose a disaggregation of revenue other than customer concentrations disclosed in Note 4.

Deferred Revenue – Deferred revenue includes amounts collected or billed in excess of recognizable revenue. Such amounts are recognized by the Company over the life of the contract upon meeting the revenue recognition criteria.

Cost of Services – Cost of services provided generally consists of the cost of hosting fees, and cost of labor associated with professional services rendered. Depreciation and amortization expense is not included in cost of services.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Description of business and summary of significant accounting policies (continued)

Research and Development – Research and development costs are expensed as incurred and consist primarily of personnel costs, including salaries and benefits and relate primarily to time spent during the preliminary project stage and post implementation maintenance and bug fixes associated with capitalized internal-use software activities, front end application development in which technological feasibility has not been established, and services rendered to customers under funded software-development arrangements. Depreciation and amortization expense is not included in research and development.

Advertising – Advertising costs are expensed as incurred. Advertising and marketing expense totaled \$86,813 and \$93,181 for the years ended December 31, 2019 and 2018, respectively.

Fair Value of Assets and Liabilities – The Company follows the relevant U.S. GAAP guidance regarding the determination and measurement of the fair value of assets/liabilities in which fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction valuation hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance describes the following three levels of inputs that may be used in the methodology to measure fair value:

Level 1 – Quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date; and

Level 3 – Unobservable inputs, which are to be used in situations where there is little or no market activity for the asset or liability and wherein the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The estimated fair values of cash, accounts receivable, related party receivables, stock subscription receivable asset, accounts payable, accrued expenses, related party payables, deferred revenue, convertible notes payable, SAFE liabilities approximate their carrying values. The Company accounts for its financial assets and liabilities at fair value regularly. The Company evaluates the fair value of its non-financial assets and liabilities on a nonrecurring basis.

Cash and Cash Equivalents – The Company considers all highly liquid instruments purchased with an original maturity of three months or less when purchased to be cash equivalents. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Company from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2019 and 2018, the Company had \$42,975 and \$0, respectively, which exceeded these insured amounts.

Accounts Receivable – No allowance for bad debts has been established. Bad debts are recognized when they are deemed uncollectible, and management considers all present receivables fully collectible.

Property and Equipment – Property and equipment are recorded at cost. Additions and major improvements are capitalized, while routine maintenance and repairs are charged to expense as incurred. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Description of business and summary of significant accounting policies (continued)

Capitalized Software Development Costs – The Company capitalizes eligible costs to develop internal-use software that are incurred subsequent to the preliminary project stage through the development stage. The estimated useful life of costs capitalized is evaluated for each specific project. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in estimated useful lives and therefore changes in amortization expense in future periods. Capitalized internal-use software is included in property and equipment in the accompanying consolidated balance sheets.

Long-Lived Assets – The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company determined that as of December 31, 2019 and 2018, no property and equipment, including capitalized internal-use software costs, was impaired.

Goodwill – In accordance with ASC Topic 350, *Intangibles – Goodwill and Other*, the Company does not amortize goodwill. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate the goodwill might be impaired. Such conditions may include an economic downturn or a change in the assessment of future operations.

The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. The impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Company estimates the fair value of its reporting unit using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. The amount the carrying value of the reporting unit exceeds the reporting unit's fair value, if any, is recognized as an impairment loss. Management does not believe that the carrying values of intangible assets, including goodwill, are impaired as of December 31, 2019.

Stock-Based Compensation – The Company accounts for its stock-based compensation arrangements at fair value. Fair value of each option grant is estimated on the date of grant using either the Black-Scholes-Merton Model for stock options granted or using the fair value of a common stock for restricted stock grants. The calculated fair value is recognized as expense over the requisite service period, net of estimated forfeitures, using the straight-line method.

Foreign Currency Translation – The functional currency for the Company's foreign subsidiary is the local currency. For that subsidiary, the assets and liabilities are translated into U.S. dollars at the exchange rate method at the balance sheet date. The Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments related to the Company's foreign subsidiary. Income and expenses are translated at the average exchange rates for the period. Foreign currency exchange gain and losses are recorded in other income (expense).

Income Taxes – The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is created for deferred tax assets unless it is considered more likely than not that deferred tax assets will be realized.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—Description of business and summary of significant accounting policies (continued)

Management has evaluated all other tax positions that could have a significant effect on the consolidated financial statements and determined the Company had no uncertain income tax positions at December 31, 2019 or 2018.

Simple Agreements for Future Equity (“SAFEs”) – The Company has issued several SAFEs in exchange for cash financing. These funds have been classified as long-term liabilities (See Note 15). The Company has accounted for its SAFEs as liability derivatives under ASC 815, *Derivatives and Hedging*. If any changes in the fair value of the SAFEs occur, the Company will record such changes through earnings, under the guidance prescribed by ASC 825-10. As of December 31, 2019 and December 31, 2018, the fair values of the SAFEs are equal to their face amounts that are the amounts originally transacted for, as evidenced by the SAFE amounts being transacted in arm’s length transactions with unrelated parties.

Loss per Share – Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents for the period. For purposes of this calculation, options to purchase common stock, warrants, and the conversion option of convertible notes are considered to be potential common shares outstanding. Since the Company incurred net losses for each of the periods presented, diluted net loss per share is the same as basic net loss per share. The Company’s potential common shares outstanding were not included in the calculation of diluted net loss per share as the effect would be anti-dilutive.

New Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2021. The Company is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements. See Note 8 for the Company’s operating leases.

Note 2—Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is a business that has not yet generated profits, has sustained net losses of (\$2,143,506) and (\$ 2,623,512) during the years ended December 31, 2019 and 2018, respectively, and has an accumulated deficit of (\$7,467,462) as of December 31, 2019.

The Company’s ability to continue as a going concern in the next 12 months following the date the consolidated financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. No assurance can be given that the Company will be successful in these efforts.

These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities.

Note 3—Variable interest entity

On April 9, 2019, management created a new entity, Tstamp Incentive Holdings (“TSIH”). Furthermore, on April 25, 2019, the Company issued 320,513 shares of common stock to TSIH that the Board can use for employee stock awards in the future. None of these shares are outstanding as of December 31, 2019. The Company does not own a majority of the stock in TSIH. However, the Company considers this entity to be a variable interest entity (“VIE”) because it is thinly capitalized and holds no cash. Because the Company does not own shares in TSIH, management believes that this gives the Company a variable interest. Further, management of the Company also acts as management of TSIH and is the decision maker as management grants shares held by TSIH to employees of the Company. As this VIE owns only shares in the Company and no other liabilities or assets, the Company is the primary beneficiary of TSIH and will consolidate the VIE.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4—Major customer and concentrations

Prior to 2019, the Company has been economically dependent on one customer for which this customer comprised 100% of the Company's revenues. During the year ended December 31, 2019, the Company was economically dependent on two customers which made up approximately 87% of total revenue. The remaining revenue recognized during the year ended December 31, 2019, which made up approximately 13% of total revenue, related to the termination of the Emergent Technology Holdings LP ("Emergent") Subscription Agreement as described in Note 11. The loss of or a substantial reduction in Statements of Work from the Company's major customers could have a material effect on the consolidated financial statements.

Note 5—Property and equipment

Property and equipment at December 31, 2019 and 2018 consisted of the following:

	<u>Useful Lives</u>	<u>2019</u>	<u>2018</u>
Computer equipment	3 Years	\$ 24,718	\$ 21,539
Internally developed software	5 Years	1,696,258	1,141,502
Property and equipment, gross		1,720,976	1,163,041
Less accumulated depreciation		(553,829)	(259,284)
Property and equipment, net		<u>\$ 1,167,147</u>	<u>\$ 903,757</u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled \$295,756 and \$174,225, respectively.

Note 6—Investment in related party

In August 2018, Emergent and three of the Company's shareholders entered into a stock purchase agreement, in conjunction with the Stock Subscription Agreement between the Company and Emergent as described in Note 10, whereby Emergent acquired 447,115 shares of common stock in the Company in a non-monetary exchange from those shareholders whereby the shareholders obtained 9.62 Class A Units of Emergent. As this transaction was between shareholders of the Company there was no impact on the Company's consolidated financial statements for the year ended December 31, 2018.

In July 2019, the Company acquired those 9.62 Class A Units of Emergent from the Company's shareholders in exchange for 447,115 shares of common stock in the Company. We do not have any employees on the Emergent Board of Directors or other abilities to influence the Company and our investment. Management recorded the value of these shares on the transaction date at a fair value of \$962,000, which the Company determined by reference to transactions in the Company's units, as well as information obtained from Emergent regarding the value of the Emergent units exchanged at the time of the original transaction in August 2018.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6—Investment in related party (continued)

The Company adopted ASU 2016-01, *Financial Instruments*, during the year ended December 31, 2019. As a result, the Company accounts for this investment under ASC 321, *Investments - Equity Securities*. The Company does not believe these shares have a readily determinable fair value as defined in the standard and as a result measures the investment at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company is also not aware of other transactions involving Emergent units that would provide a material change in fair value as of the end of the year, and we did not record an impairment as of December 31, 2019 after performing an assessment searching for such indicators of impairment.

Note 7—Goodwill and intangible assets

There were no changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018.

Intangible assets at December 31, 2019 and 2018 consisted of the following:

	<u>Useful Lives</u>	<u>2019</u>	<u>2018</u>
Patent application costs	3 Years	\$ 24,216	\$ 24,216
Accumulated amortization		(15,444)	(8,146)
Intangible assets, net		<u>\$ 8,772</u>	<u>\$ 16,070</u>

Amortization expense for the years ended December 31, 2019 and 2018 totaled \$7,298 and \$5,494, respectively.

Estimated future amortization expense of intangible assets is as follows:

<u>Years Ending December 31,</u>	
2020	\$ 7,467
2021	1,305
	<u>\$ 8,772</u>

Note 8—Commitments and contingencies

Operating Leases – The Company leased office space in Georgia and North Carolina under various operating lease arrangements on a quarter by quarter basis. As of December 31, 2019 there were no minimum lease commitments. Rental expense totaled \$40,227 and \$73,130 for the years ended December 31, 2019 and 2018, respectively.

Litigation – The Company is not currently involved with, and does not know of any pending or threatening litigation against the Company or any of its officers or directors in connection with its business.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 9—Borrowings

Convertible Notes Payable

Convertible notes payable at December 31, 2019 and 2018 consisted of the following:

Date Issued	Valuation	
	Cap	
August 18, 2017	\$ 13,000,000	\$ -
December 16, 2016	4,900,000	100,000
November 14, 2016	2,500,000	15,000
September 30, 2016	4,500,000	-
December 3, 2019	n/a	700,000
Total principal outstanding		815,000
Plus accrued interest		17,250
Total convertible notes payable		\$ 832,250
		\$ 2,816,070

On August 18, 2017 and September 30, 2016, the Company entered into convertible promissory notes with an investor in which the Company received \$2,000,000 and \$500,000, respectively, through the issuance of the convertible promissory notes. The convertible notes payable accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest, was initially due prior to December 31, 2019 and is not pre-payable unless there is a change in control. The convertible promissory notes were assumed by Emergent on July 1, 2019 in exchange for a SAFE in relation to the Settlement Agreement with Emergent described in Note 11.

On December 16, 2016, the Company entered into a convertible promissory note with an investor in which the Company received \$ 100,000 through the issuance of the convertible promissory note and a warrant to purchase \$50,000 of common stock. The convertible notes payable accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest, was initially due on December 16, 2018 and is not pre-payable unless there is a change in control. An extension was granted by the investor to extend the maturity date to June 30, 2020, and as a result is included as a current liability in the accompanying consolidated balance sheets.

As certain of the convertible notes payable issued include warrants issued, U.S. GAAP requires that the proceeds from the sale of debt instruments with a separate equity instrument be allocated to the two elements based upon the relative fair values of the debt instrument without the warrant and of the warrant itself at the time of issuance. The portion of the proceeds allocated to the common stock shall be accounted for within stockholders' equity as additional paid-in capital and recorded as a debt discount and be charged to interest expense over the life of the convertible notes. The remainder of the proceeds shall be allocated to the debt instrument portion of the transaction. Also, any embedded conversion features present in the convertible instrument shall be recognized separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in-capital. The convertible notes payable issued include the following conversion terms:

(a) *Automatic Conversion – Qualified Financing*: Upon the consummation of a Qualified Financing, the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) automatically shall convert into a number of shares of Stock in the Borrower equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the Conversion Price.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 9—Borrowings (continued)

(b) *Optional Conversion – Non-Qualified Financing:* At any time concurrently with or within thirty (30) days after the consummation of a Non-Qualified Financing, the Majority Holders, subject to the terms and conditions set forth herein, shall have the right to convert all, but not less than all, of the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) into a number of shares of Stock in the Borrower equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the Conversion Price.

(c) *Optional Conversion:* On any date after the date of this Note, the Majority Holders, subject to the terms and conditions set forth herein, shall have the right to convert all, but not less than all, of the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) into a number of shares of Common Stock equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the price per share equal to the quotient of (x) the Valuation Cap divided by (y) the aggregate number of shares of the Common Stock outstanding immediately prior to the effective date of such election noted below (assuming full conversion or exercise of all convertible and exercisable securities then outstanding or reserved, including, without limitation, all issued options and equity grants, the balance of any authorized (but unissued) equity incentive pool and any shares of treasury stock, but excluding the Notes).

Conversion Price: The conversion price for each note is to be at the lesser of (a) the price per share of Stock received by Borrower in a Qualified or Non-Qualified Financing and (b) the price per share equal to the quotient of (i) the Valuation Cap divided by (ii) the aggregate number of shares of Borrower's common stock ("Common Stock") outstanding.

Qualified Financing: The Borrower's next equity financing occurring on or before the Maturity Date, in which the Borrower raises \$2,000,000 or more in cash through the sale and issuance of preferred stock.

The conversion features described above include changes to the conversion terms that would only be triggered by future events not controlled by the Company and are considered contingent conversion options and as a result the intrinsic value of such conversion and repayment options shall not be recognized until and unless the triggering event occurs.

The fair value of the warrant issued in connection with the convertible promissory note on September 30, 2016 was determined to be \$4,033 per share and had a relative fair value of \$201,750, which was recorded as a debt discount to the convertible notes payable and to additional paid-in capital during the year ended December 31, 2016, and which was amortized to interest expense in the amounts of \$-0- and \$75,656 during the years ended December 31, 2019 and 2018, respectively. The fair value of the warrant was estimated on the date of grant using the Black-Scholes-Merton model and was valued using the following assumptions: fair value of common stock of \$4,349, exercise price of \$1,333, risk free interest rate of 5%, dividend yield of 0%, expected volatility of 83%, and contractual term of ten years.

The warrant issued in connection with the convertible promissory note on December 16, 2016 was determined to have a relative fair value of approximately \$20,000 which was recorded as a debt discount to the convertible notes payable and to a warrant liability (due to the variable number of shares that can be issued to satisfy the warrant) during the year ended December 31, 2016, and which was amortized to interest expense in the amounts of \$0 and \$10,000 during the years ended December 31, 2019 and 2018, respectively.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 9—Borrowings (continued)

On November 14, 2016, the Company entered into a convertible promissory note with an investor in which the Company received \$15,000 through the issuance of a convertible promissory note. The convertible note accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest, was initially due on November 14, 2018 and is not pre-payable without the consent of the investor. This convertible note payable had an auto-conversion feature upon a Qualified Financing in which the Company sells at least \$1,000,000 of any capital stock. The conversion price equals the lesser of (i) 80% of the per share price based by other investors or (ii) the price equal to the quotient of \$2,500,000 divided by the aggregate number of outstanding shares of the Company's common stock as of immediately prior to the initial closing of the Qualified Financing. The Company notes that the 20% discount on the conversion price represents a beneficial conversion feature and shall be recognized separately at issuance by allocating a portion of proceeds equal to its intrinsic value as additional paid-in capital and a corresponding debt discount which resulted in approximately \$3,000 in interest expense recognized over the two year term. The auto-conversion feature was triggered by the Emergent subscription agreement entered into on August 22, 2018. The Company notes the \$15,000 convertible note payable is convertible into 8,013 shares of the Company's common stock. Such shares were not issued and outstanding at December 31, 2018 but are considered by management to be the rights of the investor. Due to the conversion, the \$15,000 is included as a noncurrent liability in the accompanying consolidated balance sheets.

The Company entered into two separate convertible promissory notes for \$160,000 with Emergent on June 29, 2018 and July 26, 2018. The convertible notes payable accrued interest at 5% per annum and converted into common stock in conjunction with the Emergent subscription agreement entered into on August 22, 2018 as described in Note 10.

On December 3, 2019, the Company entered into a convertible promissory note with a customer in which it received \$700,000. Interest accrues at a rate of 0% through December 31, 2020, then 5% thereafter. All unpaid principal and accrued interest shall be due on December 31, 2020 (i.e. the maturity date). However, in the event that the note is not converted into equity securities of the Company, the maturity date shall be extended to December 31, 2025. There are several ways the note can be converted, including automatic conversion and voluntary conversion. In conjunction with this agreement, the Company also entered into a side letter agreement with the customer in which the parties established their rights with respect to sales transactions, subject party investments, etc.

Factoring Agreement

On June 18, 2019, the Company entered into a factoring agreement with a creditor that provided the Company with \$100,000 upfront in exchange for the Company providing \$133,000 of future cash receipts over the next year (weekly increments of \$2,558). At December 31, 2019, the balance on this agreement was paid off and total interest expense incurred under the arrangement was \$26,529.

Note 10—Stockholders' equity

At December 31, 2019, the Company was authorized to issue 9,500,000 shares, consisting of (a) 7,500,000 shares of common stock and (b) 2,000,000 shares of preferred stock. Shares of common stock are designated as Class A Shares or Class B Shares. The Class A Shares and Class B Shares are identical in all respects except as stated below. The holders of Class A Shares are entitled to one vote for each Class A Share held at all meetings of stockholders. Except as required by applicable law, the holders of Class B Shares shall have no voting rights with respect to such shares; provided, that the holders of Class B shares shall be entitled to vote (one vote for each Class B Share held) to the same extent that the holders of Class A Shares would be entitled to vote on matters as to which non-voting equity interests are permitted to vote. There were no Class B Shares issued and outstanding as of December 31, 2019 and 2018.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 10—Stockholders' equity (continued)

Shares of preferred stock are designated as Series A preferred stock. The holders of Series A preferred stock have liquidation preference over the holders of common stock in the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company or any Deemed Liquidation Event as defined by the Amended and Restated Certificate of Incorporation. The holders of Series A preferred stock are entitled to a number of votes equal to the number of whole shares of common stock into which the share of preferred stock are convertible as of the record date. The Series A preferred stock is convertible into common stock at the option of the holder by dividing the original issue price of the Series A preferred stock by the Conversion Price for the common stock as defined by the Amended and Restated Certificate of Incorporation. The Series A preferred stock is also subject to a mandatory conversion upon either (1) the closing of the sale of shares of common stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities ACT of 1933, or (2) the date and time, or the occurrence of an event, specified by a vote of the majority holders of Series A preferred stock.

The Company may declare dividends that would be pro rata on the common stock and Series A preferred stock on a pari passu basis according to the number of shares of common stock held by the holders or the number of shares of common stock issuable upon conversion of the Series A preferred stock. No dividends have been declared during the years ended December 31, 2019 or 2018.

The Company entered into three Secured Loan Agreements with various employees on August 16, 2017. The Company issued 105,769 shares of the Company's common stock in exchange for \$225,000 in stockholders' notes receivable. Interest accrues on these Secured Loan Agreements at a rate equal to the Wall Street Journal Prime Rate and accrues interest on a compounded basis annually, provided, however, that so long as the loan holders remain employed by the Company, the interest rate shall be abated to the Applicable Federal rate at August 2017 of 0.96% per annum.

The Company entered into a Subscription Agreement on August 22, 2018 with Emergent. The Company issued 226,763 shares of common stock, which represented approximately 15% of the outstanding shares of common stock, in exchange for a cash investment of \$3,000,000 from Emergent. Emergent agreed to provide cash contributions based on the following schedule:

- (a) \$500,000 less repayment of two bridge loans of \$160,000 each plus accrued interest received on August 22, 2018, and
- (b) \$250,000 on the first business day in September 2018 and then an additional \$250,000 each month for the next nine calendar months.

During the years ended December 31, 2019 and 2018, the Company received \$1,000,000 and \$1,500,000, respectively, from Emergent under the Subscription Agreement.

At December 31, 2018, \$1,000,000 is reflected as a stock subscription receivable asset in the accompanying consolidated balance sheets since the cash was received in 2019 prior to the issuance of these consolidated financial statements.

At December 31, 2018, \$500,000 is reflected as a stock subscription receivable contra equity in the accompanying consolidated balance sheets since the cash was never received in 2019 prior to the Settlement Agreement entered into as described in Note 11.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 10—Stockholders' equity (continued)

Furthermore, in addition to the \$3,000,000 paid for 15% of the Company's issued and outstanding common stock, Emergent, without further payment, will be issued additional common stock to maintain the interest acquired at 15%, or a lesser percentage will be purchased based on a fraction of the \$3,000,000 funded through the calculation date, of the outstanding shares of the Company in the event that any convertible note, SAFE or other convertible instrument is converted or warrant or other right exercised resulting in a dilution of Emergent's interest. These additional shares of common stock shall be duly authorized, validly issued, fully paid, and nonassessable, and free and clear of all encumbrances. No such additional shares were ever issued to Emergent under these terms prior to the Settlement Agreement entered into that terminated the Subscription Agreement as described in Note 11.

On September 27, 2019, the Company issued 62,874 shares of Series A preferred stock to an investor for \$700,000.

In conjunction with the issuance of Series A preferred stock to an investor on September 27, 2019, the Company's SAFE liability for \$750,000 automatically converted into Series A preferred stock. This automatic conversion took place due to the implied pre-money valuation at which the 62,874 Series A preferred stock were issued in exchange for \$ 700,000. The automatic conversion occurred as the same price paid per share resulting in the Company issuing 67,366 shares of Series A preferred stock in relation to the automatic conversion.

On October 24, 2019, by written consent of the stockholders, the Company effected a 1602.564102-for-1 forward stock split. All share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the stock split.

Note 11—Stock subscription termination agreement

Effective July 1, 2019, the Company entered into a settlement agreement with Emergent in which the following terms were agreed upon:

- 1) The subscription agreement, dated August 22, 2018, was terminated, and the remaining \$500,000 that Emergent owed the Company under the agreement was extinguished.
- 2) Emergent assumed two convertible notes payable totaling \$2,500,000 plus accrued interest of \$248,611 and extinguished the Company's obligation to reimburse Emergent for the convertible notes.
- 3) Emergent extinguished the Company's obligation to reimburse Emergent for the Company's \$137,935 of expenses that were previously covered by Emergent.
- 4) The Company and Emergent entered into a technical services agreement in which the Company will provide certain technical services to Emergent for \$274,593.
- 5) The Company and Emergent entered into a license agreement in which the Company assigned all rights/title to the Emergent Implementation to Emergent and issued a perpetual, irrevocable license to Emergent of the General Purpose Material and the Intellectual Property Rights.
- 6) The Company and Emergent entered into a referral agreement in which Emergent can act as a channel partner and sell the Company's products in exchange for commissions on those sales.
- 7) The Company and Emergent entered into a SAFE in which Emergent obtained the right to shares of the Company's stock (purchase amount of \$2,111,953 and valuation cap of \$20,000,000) that would be exercised upon a qualified equity financing. A put option also exists in this agreement in which at the earlier of 18 months from the agreement date and the date on which the Company has raised more than \$7,000,000 of qualified equity financing, Emergent may require repayment of the unrepaid element of the purchase amount and the Company would be required to make such repayment.
- 8) The Company had to issue an additional 447,115 shares because three of the Company's investors exchanged their 9.62 Emergent A Units for 447,115 shares of common stock of the Company.
- 9) Reach Ventures transferred its warrant to purchase 80,128 shares of common stock to Emergent.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 12—Noncontrolling interest related to joint ventures

The Company developed several operating activities that evolved into valuable business ventures with Trusted Mail and Finnovation. Eventually the Company decided to incorporate, staff, and capitalize these entities as they were not perfectly aligned with the overall business objectives. The Company's plan is to hire a new CEO for Trusted Mail in 2020 and relaunch the business using the existing technology it has developed.

The Company holds a controlling interest in both Trusted Mail and Finnovation and as a result consolidates both joint ventures into its consolidated financial statements.

Note 13—Stock awards and stock-based compensation

From time to time the Company may issue stock awards in the form of common stock grants or restricted stock grants with vesting/service terms. Stock awards are valued on the grant date using the post-money valuation of the most recent round of financing for the Company. Stock-based compensation recognized during the years ended December 31, 2019 and 2018 totaled \$40,218 and \$293,255, respectively, and is included in selling, general, and administrative in the accompanying consolidated statements of operations. Prior to 2019, all stock grants were fully vested and there was no unrecognized stock-based compensation as of December 31, 2018 for awards granted through December 31, 2018.

During the year ended December 31, 2019, the Company granted stock-based awards to two employees based on a fixed dollar amount in stock earned per month. As a result, the Company has accrued a share liability for \$40,218 which is included in accrued expenses in the accompanying consolidated balance sheets.

Note 14—Warrants

As of December 31, 2019, the Company has issued an investor a warrant to purchase 80,128 shares of common stock with an exercise price of \$1,333.33 per share. The warrant was issued on September 30, 2016. There is no vesting period, and the warrant expires in 10 years from the issuance date. The Company used a Black-Scholes-Merton pricing model to determine the fair value of the warrant as described in Note 9.

As of December 31, 2019, the Company has issued a customer a warrant to purchase 80,128 shares of common stock with an exercise price of \$5,000 per share. The warrant was issued on November 9, 2016. There is no vesting period, and the warrant expire in 10 years from the issuance date. The Company used a Black-Scholes-Merton pricing model to determine the fair value of the warrant. The fair value of the warrant issued in connection with the customer contract was determined to be \$3,665 per share and had a fair value of \$183,250 which was recorded as a deferred contract acquisition asset and to additional paid-in capital during the year ended December 31, 2016 and which was amortized as a revenue discount in the amounts of \$- and \$ 85,532 during the years ended December 31, 2019 and 2018, respectively. The fair value of the warrant issued is recorded as a revenue discount as it is considered a sales incentive. The fair value of the warrant was estimated on the date of grant using the Black-Scholes-Merton model and was valued using the following assumptions: fair value of common stock of \$4,349, exercise price of \$5,000 risk free interest rate of 5%, dividend yield of 0%, expected volatility of 83%, and contractual term of ten years.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 14—Warrants (continued)

As of December 31, 2019, the Company has issued a customer a warrant to purchase up to \$1,000,000 of capital stock in a future round of financing at a 20% discount of the lowest price paid by another investor. The warrant was issued on November 9, 2016. There is no vesting period, and the warrant expires in 10 years from the issuance date. The Company evaluated the provisions of ASC 480, *Distinguishing Liabilities from Equity*, noting the warrant should be classified as a liability due to its settlement being for a variable number of shares and potentially for a class of shares not yet authorized. The warrant was determined to have a fair value of \$250,000 which was recorded as a deferred contract acquisition asset and to a warrant liability during the year ended December 31, 2016 and was amortized as a revenue discount in the amounts of \$-0- and \$116,668 during the years ended December 31, 2019 and 2018, respectively. The fair value of the warrant was estimated on the date of grant by estimating the warrant's intrinsic value on issuance using the estimated fair value of the Company as a whole in relation.

As of December 31, 2019, the Company has issued an investor warrants to purchase \$50,000 of common stock. The warrants were issued on December 16, 2016. There is no vesting period, and the warrants expire in 10 years from the issuance date. The Company recorded the warrants at fair value and classified the warrant as a liability as described in Note 9.

As of December 31, 2019, the Company has issued a warrant to purchase five shares of common stock with an exercise price of the lower of (i) the last 409a valuation of the Company's common stock or (ii) the quotient of \$1,000,000 divided by the aggregate number of the Company's fully diluted capitalization upon exercise. The warrants were issued on January 4, 2016 under an accelerator program. There is no vesting period, and the warrants expire in 10 years from the issuance date.

The following table presents the change in the liability balance associated with the liability-classified warrants, which are classified in Level 3 of the fair value hierarchy for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$ 287,750	\$ 277,419
Change in fair value	-	10,331
Balance, end of period	<u>\$ 287,750</u>	<u>\$ 287,750</u>

Note 15—SAFE liabilities

As of December 31, 2019 and 2018, the Company had SAFE liabilities of \$2,236,953 and \$867,708, respectively. See Note 10 regarding the conversion of the \$750,000 SAFE liability to Series A preferred stock during the year ended December 31, 2018. See Note 11 regarding the SAFE issued to Emergent for \$2,111,953.

On July 13, 2017, Trusted Mail entered into a Common Stock Purchase Agreement with an investor and issued 150 shares of Trusted Mail common stock in exchange for \$ 1,500, which represented 15% of the authorized capital as of the agreement date. Subsequently on August 18, 2017, Trusted Mail entered into a SAFE with this same investor in exchange for \$100,000. Under the terms of the SAFE, Trusted Mail issued the right to receive \$100,000 worth of Preferred Stock in a future equity financing at a 20% discount. The Company is accreting the SAFE liability to its fair value including this 20% discount over an expected outstanding period of two years. Noncash interest expense recognized on this SAFE liability during the years ended December 31, 2019 and 2018 totaled \$7,292 and \$12,500, respectively. The outstanding balance of the SAFE liability at December 31, 2019 and December 31, 2018 totaled \$125,000 and \$117,708, respectively.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 15—SAFE liabilities (continued)

There is also a Put Right related to the investor's 15% ownership in Trusted Mail. In the event that (i) Trusted Mail enters into an agreement with a third party that has a competitive business model that would result in competitive business activities by Trusted Mail, or (ii) Trusted Mail engages in competitive business activities, the investor has the right to require Trusted Mail to repurchase all but not less than all the shares or securities of Trusted Mail owned by the investor and its affiliates. The fair market value of this put right was \$-0- at both December 31, 2019 and 2018. Subsequent to December 31, 2019, this SAFE liability was extinguished in exchange for warrants granted by the Company (see Note 20).

The following tables present the change in the SAFE liabilities balance, which are classified in Level 3 of the fair value hierarchy, for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$ 867,708	\$ 855,208
Issuance of SAFEs	2,111,953	-
Conversion of SAFE to Series A preferred stock	(750,000)	-
Accretion of discount	7,292	12,500
Balance, end of period	<u>\$ 2,236,953</u>	<u>\$ 867,708</u>

Note 16—Income taxes

The components of income tax expense are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Current:		
U.S. Federal	\$ -	\$ -
U.S. State	-	-
Non U.S.	8,184	6,932
	<u>\$ 8,184</u>	<u>\$ 6,932</u>
Deferred:		
U.S. Federal	\$ -	\$ -
U.S. State	-	-
Non U.S.	-	-
	<u>\$ -</u>	<u>\$ -</u>
Total income tax expense	<u>\$ 8,184</u>	<u>\$ 6,932</u>

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 16—Income taxes (continued)

Temporary differences that give rise to significant portions of the deferred tax assets are as follows at December 31:

	2019	2018
Deferred Tax Assets:		
Net operating losses	\$ 1,551,251	\$ 879,437
Property and equipment, net	36,125	189,368
Other - accruals	108,123	92,379
Total Deferred Tax Assets	<u>1,695,499</u>	<u>1,161,184</u>
Valuation allowance	<u>(1,695,499)</u>	<u>(1,161,184)</u>
Deferred Tax Assets, Net	<u>\$ -</u>	<u>\$ -</u>

Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, the reversal of deferred tax liabilities, the length of carry-back and carry-forward periods, and the implementation of tax planning strategies.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists. The Company's cumulative losses in recent years are the most compelling form of negative evidence considered by management in making this determination. For the years ended December 31, 2019 and 2018, the net increase in the total valuation allowance was \$534,315 and \$515,191, respectively, and management has determined that based on all available evidence, a valuation allowance of \$1,695,499 and \$1,161,184 is appropriate at December 31, 2019 and 2018, respectively.

At December 31, 2019, the Company had net operating loss carrying forwards of \$5,750,929. Net operating losses generated prior to December 31, 2017 total \$574,051 and will expire in 2037. Net operating losses generated subsequent to December 31, 2019 total \$5,176,878 and have an indefinite life.

Note 17—Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following at December 31:

	2019	2018
Prepaid operating expenses	\$ 38,408	\$ 37,859
Rent deposit	1,626	1,626
VAT receivable associated with SAIT	34,232	37,521
R&D credit receivable against payroll taxes	47,384	-
Miscellaneous receivable	1,040	-
	<u>\$ 122,690</u>	<u>\$ 77,006</u>

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 18—Other assets

Other assets consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
R&D credit receivable against payroll taxes	\$ 47,010	\$ 94,394
	<u>\$ 47,010</u>	<u>\$ 94,394</u>

Note 19—Related party transactions

Related party receivables of \$16,322 and \$97,894 at December 31, 2019 and 2018, respectively, relate to amounts owed from other organizations as reimbursements for employees that participated in the Company’s Professional Employer Organization (“PEO”). These other organizations share common management with the Company as well as a certain investor. During certain months in 2018, employees from these other organizations sublet space in the offices that the Company occupied and share benefit plans in order to gain competitive rates for both the Company and these other organizations. Subsequent to December 31, 2019, these other organizations moved out of the Company’s offices, no longer share in the PEO, nor have common management. Amounts owed from these other organizations as reimbursements at December 31, 2019 and 2018 totaled \$16,322 and \$ 7,500, respectively. Related party receivables also consisted of amounts owed from an investor at December 31, 2019 and 2018 that totaled \$-0- and \$16,559, respectively, and amounts owed from Emergent at December 31, 2019 and 2018 that totaled \$-0- and \$73,835, respectively.

Related party payables of \$198,744 and \$191,691 at December 31, 2019 and 2018, respectively, primarily relate to amounts owed to 10Clouds, the Company’s third party contractor for software development and investor in the Company through the Series A preferred stock, and smaller amounts payable to members of management as expense reimbursements. Total costs incurred in relation to 10Clouds for the years ended December 31, 2019 and 2018 totaled approximately \$986,000 and \$905,000, respectively, of which certain amounts were recorded as capitalized internal-use software, research and development and cost of services.

The Company has entered joint ventures with Trump Stamp Fintech Limited and Trump Stamp Cayman. Trust Stamp Fintech Limited is a company incorporated in the United Kingdom by the Company’s management. The purpose of this entity was to establish beachhead operations in the country in order to service a contract entered by the Company with the National Association of Realtors and Property Mark. This entity remains separate from the Company’s operations and serves as a sales and marketing function for the product “NAEA” which was developed for the contract between the listed parties. Trust Stamp Cayman was established with the intention of taking advantage of enterprise grants which were offered by the Cayman National Government’s Enterprise Zone. No operations were established. Due to common ownership of the Company and these two entities, the Company has funded all operating expenses since inception and as a result, the operations of these entities are included in the consolidated financial statements. Total expenses incurred by the Company in relation to these joint ventures during the years ended December 31, 2019 and 2018 totaled \$-0- and \$94,343, respectively.

A member of management provides legal services to the Company from a law firm privately owned and separate from the Company. Certain services are provided to the Company through this law firm. Total expenses incurred by the Company in relation to these services totaled \$91,618 and \$-0- during the years ended December 31, 2019 and 2018, respectively. No amounts are payable as of December 31, 2019.

As described in Note 11, the Company rendered services to Emergent under a Statement of Work as part of the July 1, 2019 settlement agreement. Total revenue recognized under this Statement of Work totaled \$274,593 during the year ended December 31, 2019 and was a part of the extinguishment and not realized in cash.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 20—Subsequent events

Subsequent events have been evaluated through February 28, 2020, the date these consolidated financial statements were available to be issued.

Agreements with Advisory Board Members

During January and February 2020, the Company entered into agreements with new advisory board members and employees to issue payments and stock in exchange for services rendered to the Company on a monthly basis.

Stock Awards

On January 18, 2020, the Company allocated a total of 206,667 shares of common stock held by TSIH to various employees. The stock awards only vest upon the Company being listed on a public market. The allocation would also vest immediately with no hold period upon a Company transaction that would result in a third party acquiring control of the Company as the Company will seek to have the acquirer agree to purchase reserved stock for cash.

In the event of a listing or public market allocation, there will be a hold period for the stock after issuance. Once issued, 25% will be saleable immediately, then 25% will be saleable each 90 days thereafter. The Company will pay a (taxable) cash bonus to cover the issue value of the shares when allocated. There is no entitlement to a cash bonus in lieu of our issuing and paying for the stock allocation.

Tripartite Agreement

On February 4, 2020, the Company entered into a tripartite agreement with Emergent and 10Clouds whereby:

- 1) The Company received a Purchase Order from Emergent in which Emergent requested \$300,000 worth of services to be provided by the Company under mutually agreed Statements of Work from the effective date through December 31, 2020. The intention of these services are to reduce the Emergent SAFE amount owed by the Company.
- 2) The Company will enter into Statements of Work with 10Clouds for appropriate sub-contract work under the Purchase Order.
- 3) The Company issued an additional SAFE to 10Clouds for \$200,000 subject to an absolute right for the Company at its option to redeem that \$200,000 for cash or settle it through the conversion to Series A preferred stock. Emergent reduces the balance due on the Emergent SAFE by \$500,000 with immediate effect and asserts the outstanding balance to be \$1,611,953.

Issuance of Warrants

On January 23, 2020, the Company entered a warrant agreement with Second Century Ventures, LLC (“SCV”). The Company will issue to SCV a warrant to purchase 932,111 shares of the Company’s common stock at a strike price of \$8.00 per share in exchange for \$300,000 in cash and platinum sponsorship status with a credited value of \$100,000 per year for three years.

The Company also entered a warrant agreement with REach Ventures 2017 LP (“REach”). The Company will issue to REach a warrant to purchase 186,442 shares of the Company’s common stock at a strike price of \$8.00 per share in exchange for the cancellation of the \$100,000 SAFE issued on August 18, 2017 by the Company’s affiliated Trusted Mail with an agreed value of approximately \$120,000.

Note Payable and Additional Warrants

On April 22, 2020, the Company entered into a promissory note for \$350,000 with SCV in which the Company received net proceeds of \$345,000. The unpaid principal, together with any then unpaid and accrued interest and any other amounts payable shall be due and payable on April 22, 2021 or in an event of default or a change in control as defined in the agreement. The note accrues interest at a rate of 8% per annum, compounded monthly.

Concurrently with the issuance of the note on April 22, 2020, the Company entered into a warrant agreement to purchase Class A Shares of Common Stock of the Company with SCV. The warrant agreement issued SCV a warrant to purchase 15,000 shares at a strike price of \$0.01 per share through April 22, 2021. At the expiration of the warrant agreement the warrants will be automatically exercised if the fair market value of the exercise shares exceeds the exercise price. If at any time during the term the fair market value of the exercise shares exceeds five times the exercise price the Company shall provide SCV written notice and SCV may elect to exercise the warrant. If at any time during the term of the warrant agreement any portion of the Class A Shares of Common Stock are converted to other securities the warrants shall become immediately exercisable for that number of shares of the other securities that would have been received if the warrant agreement had been exercised in full prior to the conversion and the exercise price shall be adjusted.

In conjunction with the Company entering into the promissory note, TSIH entered into a guaranty and stock pledge agreement with SCV on April 22, 2020. As part of this agreement the payment and performance of the note are secured by 65,000 Class A Shares of the Common Stock of the Company pledged through TSIH.

Appendix 3

T STAMP INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended
December 31, 2018 and 2017 And
Report of Independent Auditor



T STAMP INC. AND SUBSIDIARIES
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Report of Independent Auditor

To the Board of Directors
T Stamp, Inc. and
Subsidiaries Atlanta,
Georgia

We have audited the accompanying consolidated financial statements of T Stamp, Inc. and Subsidiaries (the “Company”), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, comprehensive loss, stockholders’ equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, since its inception, the Company's revenues have been lower than its operating expenses and has incurred significant losses, negative cash flows from operations and has an accumulated deficit, all of which result in substantial doubt about the ability of the Company to continue as a going concern. Management's evaluation of the events and conditions and management's plans in regard to that matter hinge upon successfully raising additional capital as described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

/s/ Cherry Bekaert LLP

Atlanta,
Georgia
December 9,
2019

T STAMP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 167,702	\$ 1,632,179
Accounts receivable	17,968	-
Related party receivables	97,894	104,031
Stock subscription receivable asset	1,000,000	-
Prepaid expenses and other current assets	77,006	91,526
Total Current Assets	<u>1,360,570</u>	<u>1,827,736</u>
Property and equipment, net	903,757	420,172
Goodwill	1,248,664	1,248,664
Intangible assets, net	16,070	4,549
Other assets	94,394	296,990
Total Assets	<u>\$ 3,623,455</u>	<u>\$ 3,798,111</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	\$ 34,341	\$ 100,329
Accrued expenses	79,232	14,719
Related party payables	191,691	2,364
Deferred revenue	25,000	793,425
Total Current Liabilities	<u>330,264</u>	<u>910,837</u>
Convertible notes payable net of unamortized discount of \$-0- and \$85,656 plus accrued interest of \$201,070 and \$70,333, respectively	2,816,070	2,599,677
Warrant liabilities	287,750	277,419
SAFE liabilities	867,708	855,208
Total Liabilities	<u>4,301,792</u>	<u>4,643,141</u>
Commitments and Contingencies, Note 7		
Stockholders' Equity (Deficit):		
Common stock \$.01 par value, 2,000 shares authorized, 860.50 and 719.00 shares issued and outstanding at December 31, 2018 and 2017	9	8
Additional paid-in capital	5,208,296	1,915,042
Noncontrolling interest	164,698	165,364
Stockholders' notes receivable	(225,000)	(225,000)
Stock subscription receivable	(500,000)	-
Accumulated other comprehensive loss	(2,384)	-
Accumulated deficit	(5,323,956)	(2,700,444)
Total Stockholders' Equity (Deficit)	<u>(678,337)</u>	<u>(845,030)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 3,623,455</u>	<u>\$ 3,798,111</u>

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

T STAMP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Net sales	\$ 834,660	\$ 471,543
Operating Expenses:		
Cost of services provided	270,485	30,276
Research and development	556,249	1,120,146
Selling, general, and administrative	2,206,522	1,488,687
Depreciation and amortization	179,719	77,737
Total Operating Expenses	<u>3,212,975</u>	<u>2,716,846</u>
Operating Loss	<u>(2,378,315)</u>	<u>(2,245,303)</u>
Other Income (Expense):		
Interest income	2,452	3,252
Interest expense	(230,668)	(180,166)
Change in fair value of warrant liability	(10,331)	(7,419)
Other income	2,802	61,882
Other expense	(3,186)	(3,890)
Total Other Expense, Net	<u>(238,931)</u>	<u>(126,341)</u>
Net loss before taxes	<u>(2,617,246)</u>	<u>(2,371,644)</u>
Income tax expense	<u>(6,932)</u>	<u>-</u>
Net loss including noncontrolling interest	<u>(2,624,178)</u>	<u>(2,371,644)</u>
Net loss attributable to noncontrolling interest	<u>(666)</u>	<u>(46,136)</u>
Net Loss attributable to T Stamp, Inc.	<u>\$ (2,623,512)</u>	<u>\$ (2,325,508)</u>

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

T STAMP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Net loss including noncontrolling interest	\$ (2,624,178)	\$ (2,371,644)
Other comprehensive loss:		
Foreign currency translation adjustments	(2,384)	-
Total other comprehensive loss	(2,384)	-
Comprehensive loss	(2,626,562)	(2,371,644)
Comprehensive loss attributable to noncontrolling interest	(666)	(46,136)
Comprehensive loss attributable to T Stamp, Inc.	\$ (2,625,896)	\$ (2,325,508)

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

T STAMP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common Stock		Additional Paid-In Capital	Noncontrolling Interest	Stockholders' Notes Receivable	Stock Subscription Receivable	Accumulated Other Comprehensiv e Loss	Accumulated Deficit	Total
	Shares	Amount							
Balance, January 1, 2017	555.00	\$ 6	\$ 617,815	\$ -	\$ -	\$ -	\$ -	\$ (374,936)	\$ 242,885
Issuance of common stock	164.00	2	1,245,798	-	-	-	-	-	1,245,800
Recognition of noncontrolling interest	-	-	-	211,500	-	-	-	-	211,500
Issuance of stockholders' note receivable	-	-	-	-	(225,000)	-	-	-	(225,000)
Stock-based compensation	-	-	51,429	-	-	-	-	-	51,429
Net loss attributable to noncontrolling interest	-	-	-	(46,136)	-	-	-	-	(46,136)
Net loss attributable to TStamp, Inc.	-	-	-	-	-	-	-	(2,325,508)	(2,325,508)
Balance, December 31, 2017	719.00	8	1,915,042	165,364	(225,000)	-	-	(2,700,444)	(845,030)
Issuance of common stock	126.50	1	2,679,999	-	-	-	-	-	2,680,000
Issuance of common stock through conversion of convertible notes payable	15.00	-	320,000	-	-	-	-	-	320,000
Issuance of stockholders' note receivable	-	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	293,255	-	-	-	-	-	293,255
Currency translation adjustment	-	-	-	-	-	-	(2,384)	-	(2,384)
Stock subscription receivable	-	-	-	-	-	(500,000)	-	-	(500,000)
Net loss attributable to noncontrolling interest	-	-	-	(666)	-	-	-	-	(666)
Net loss attributable to TStamp, Inc.	-	-	-	-	-	-	-	(2,623,512)	(2,623,512)
Balance, December 31, 2018	860.50	\$ 9	\$ 5,208,296	\$ 164,698	\$ (225,000)	\$ (500,000)	\$ (2,384)	\$ (5,323,956)	\$ (678,337)

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

T STAMP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Net loss attributable to T Stamp, Inc.	\$ (2,623,512)	\$ (2,325,508)
Net loss attributable to noncontrolling interest	(666)	(46,136)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	179,719	77,737
Stock-based compensation	293,255	51,429
Change in fair value of warrant liability	10,331	7,419
Noncash revenue discount	202,220	202,220
Noncash interest	228,893	180,166
Recognition (utilization) of R&D credit receivable against payroll tax	375	(94,769)
Changes in assets and liabilities:		
Accounts receivable	(17,968)	100,000
Related party receivables	6,137	(92,831)
Prepaid expenses and other current assets	14,520	(90,261)
Accounts payable and accrued expenses	(1,473)	5,619
Related party payables	189,327	2,364
Deferred revenue	(768,425)	626,248
Net cash flows from operating activities	<u>(2,287,267)</u>	<u>(1,396,303)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(21,539)	-
Capitalized internally developed software costs	(636,271)	(277,786)
Patent application costs	(17,015)	(2,323)
Acquisition of SAIT, net of cash acquired	-	(498,664)
Net cash flows from investing activities	<u>(674,825)</u>	<u>(778,773)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	1,499,999	1,020,801
Proceeds related to noncontrolling interests	-	211,500
Proceeds from issuance of SAFE	-	100,000
Proceeds from issuance of convertible notes payable	-	2,000,000
Net cash flows from financing activities	<u>1,499,999</u>	<u>3,332,301</u>
Effect of foreign currency translation on cash	<u>(2,384)</u>	<u>-</u>
Net change in cash and cash equivalents	(1,464,477)	1,157,225
Beginning cash and cash equivalents	1,632,179	474,954
Ending cash and cash equivalents	<u>\$ 167,702</u>	<u>\$ 1,632,179</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,775	\$ -
Supplemental disclosure of noncash activities:		
Notes receivable issued to stockholders	\$ -	\$ 225,000
SAFE issued for acquisition of SAIT	\$ -	\$ 750,000
Issuance of stock subscription receivable	\$ 1,500,000	\$ -
Conversion of notes payable and accrued interest	\$ 320,000	\$ -

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

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Description of business and summary of significant accounting policies

Description of Business - T Stamp Inc. was incorporated on April 11, 2016 in the State of Delaware. T Stamp Inc. and subsidiaries (“Trust Stamp” or the “Company”) develops and markets identity authentication software solutions for enterprise partners and peer-to-peer markets. The Company’s patented proof of liveness technology that allows the Company to provide a unique suite of facial biometric based products that address critical needs in the financial, real estate, healthcare, insurance and P2P markets. The Company’s target markets and existing partnerships are characterized by the growing use of cyber connections to establish relationships requiring secure identification. The Company’s products address compliance issues such as Know Your Customer and Anti-Money Laundering as well as safety issues in various industries. Wherever there is a cyber relationship and /or a need for the trusted, secure identification / recognition of the parties to a transaction, Trust Stamp is developing unique products for which there are a growing demand.

Principles of Consolidation - The accompanying consolidated financial statements reflect the activity of the Company and its subsidiaries, Trusted Mail Inc. (“Trusted Mail”), Sunflower Artificial Intelligence Technologies (“SAIT”), and Finnovation LLC (“Finnovation”). All significant intercompany transactions and accounts have been eliminated.

Use of Estimates - The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may be materially different from those estimates.

Assets and liabilities which are subject to judgment and use of estimates include capitalized internal-use software, the recoverability of goodwill and long-lived assets, useful lives associated with intangible assets and capitalized internal-use software, and the valuation and assumptions underlying stock-based compensation, warrant liabilities and Simple Agreements for Future Equity (“SAFE”) liabilities.

Risks and Uncertainties - The Company is dependent upon additional capital resources for its planned full-scale operations and is subject to significant risks and uncertainties; including failing to secure funding to continue to operationalize the Company’s plans or failing to profitably operate the business.

Liabilities Related to Warrants to Purchase a Variable Number of Common Stock - The Company records certain common stock warrants issued (see Note 12 for more detailed information) at fair value and recognizes the change in the fair value of such warrants as a gain or loss which is reported in the other income (expense) section in the consolidated statements of operations. In accordance with Accounting Standards Codification (“ASC”) Topic 480 - *Distinguishing Liabilities from Equity*, the Company reports the warrants recorded at fair value as liabilities because they contain certain provisions that may require the Company to issue a variable number of shares to settle such obligations. At the end of each reporting period, management determines the fair value of liabilities related to particular outstanding warrants by measuring the fair value of a common stock based on third party sales of common stock near the reporting date or the intrinsic value associated with the terms of certain warrants. The Company considered the use of a binomial model to value certain warrants at each reporting period but noted due to the limited number of warrants issued and underlying fair value of the common stock, differences in valuation would be immaterial to the consolidated financial statements taken as a whole.

Revenue Recognition - The Company generates revenue from rendering services under a funded software-development arrangement under the scope of ASC Subtopic 730-20, *Research and Development Arrangements*, as the technological feasibility of the computer software product being developed on the customer’s behalf has not been established. The arrangement is accounted for as a service contract and amounts received from the funding party are recognized as revenue as the services are rendered.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Description of business and summary of significant accounting policies (continued)

The Company has also generated revenue from exclusivity clauses granted under a funded software-development arrangement, whereby the Company agrees that it will not provide certain products or services to others or will do so only on a limited basis. The Company's policy is to treat exclusivity payments as a separately bargained for exclusivity arrangement and is considered a separate deliverable in which revenue is recognized ratably over the exclusivity period.

Deferred Revenue - Deferred revenue includes amounts collected or billed in excess of recognizable revenue. Such amounts are recognized by the Company over the life of the contract upon meeting the revenue recognition criteria.

Cost of Services - Cost of services provided generally consists of the cost of hosting fees, and cost of labor associated with professional services rendered. Depreciation and amortization expense is not included in cost of services.

Research and Development - Research and development costs are expensed as incurred and consist primarily of personnel costs, including salaries and benefits and relate primarily to time spent during the preliminary project stage and post implementation maintenance and bug fixes associated with capitalized internal-use software activities, front end application development in which technological feasibility has not been established, and services rendered to customers under funded software-development arrangements. Depreciation and amortization expense is not included in research and development.

Advertising - Advertising costs are expensed as incurred. Advertising and marketing expense totaled \$93,181 and \$29,565 for the years ended December 31, 2018 and 2017, respectively.

Fair Value of Assets and Liabilities - The Company follows the relevant U.S. GAAP guidance regarding the determination and measurement of the fair value of assets/liabilities in which fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction valuation hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance describes the following three levels of inputs that may be used in the methodology to measure fair value:

Level 1 - Quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date; and

Level 3 - Unobservable inputs, which are to be used in situations where there is little or no market activity for the asset or liability and wherein the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The estimated fair values of cash, accounts receivable, related party receivables, stock subscription receivable asset, accounts payable, accrued expenses, related party payables, deferred revenue, convertible notes payable, SAFE liabilities approximate their carrying values. The Company accounts for its financial assets and liabilities at fair value regularly. The Company evaluates the fair value of its non-financial assets and liabilities on a nonrecurring basis.

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Description of business and summary of significant accounting policies (continued)

Cash and Cash Equivalents - The Company considers all highly liquid instruments purchased with an original maturity of three months or less when purchased to be cash equivalents. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Company from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2018 and 2017, the Company had \$-0- and \$1,381,679, respectively, which exceeded these insured amounts.

Accounts Receivable - No allowance for bad debts has been established. Bad debts are recognized when they are deemed uncollectible, and management considers all present receivables fully collectible.

Property and Equipment - Property and equipment are recorded at cost. Additions and major improvements are capitalized, while routine maintenance and repairs are charged to expense as incurred. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives.

Capitalized Software Development Costs - The Company capitalizes eligible costs to develop internal-use software that are incurred subsequent to the preliminary project stage through the development stage. The estimated useful life of costs capitalized is evaluated for each specific project. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in estimated useful lives and therefore amortization expense in future periods. Capitalized internal-use software is included in property and equipment in the accompanying consolidated balance sheets.

Long-Lived Assets - The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company determined that as of December 31, 2018 and 2017, no property and equipment, including capitalized internal-use software costs, was impaired.

Goodwill - In accordance with ASC Topic 350, *Intangibles - Goodwill and Other*, the Company does not amortize goodwill. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate the goodwill might be impaired. Such conditions may include an economic downturn or a change in the assessment of future operations.

The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. The impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Company estimates the fair value of its reporting unit using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. The amount the carrying value of the reporting unit exceeds the reporting unit's fair value, if any, is recognized as an impairment loss. Management does not believe that the carrying values of intangible assets, including goodwill, are impaired as of December 31, 2018.

Stock-Based Compensation - The Company accounts for its stock-based compensation arrangements at fair value. Fair value of each option grant is estimated on the date of grant using either the Black-Scholes-Merton Model for stock options granted or using the fair value of a common stock for restricted stock grants. The calculated fair value is recognized as expense over the requisite service period, net of estimated forfeitures, using the straight-line method.

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Description of business and summary of significant accounting policies (continued)

Foreign Currency Translation - The functional currency for the Company's foreign subsidiary is the local currency. For that subsidiary, the assets and liabilities are translated into U.S. dollars at the exchange rate method at the balance sheet date. The Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments related to the Company's foreign subsidiary. Income and expenses are translated at the average exchange rates for the period. Foreign currency exchange gain and losses are recorded in other income (expense).

Income Taxes - The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is created for deferred tax assets unless it is considered more likely than not that deferred tax assets will be realized.

Management has evaluated all other tax positions that could have a significant effect on the consolidated financial statements and determined the Company had no uncertain income tax positions at December 31, 2018 or 2017.

Simple Agreements for Future Equity ("SAFEs") - The Company has issued several SAFEs in exchange for cash financing. These funds have been classified as long-term liabilities (See Note 13). The Company has accounted for its SAFEs as liability derivatives under ASC 815, *Derivatives and Hedging*. If any changes in the fair value of the SAFEs occur, the Company will record such changes through earnings, under the guidance prescribed by ASC 825-10. As of December 31, 2018 and December 31, 2017, the fair values of the SAFEs are equal to their face amounts that are the amounts originally transacted for, as evidenced by the SAFE amounts being transacted in arm's length transactions with unrelated parties.

New Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014- 09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount and timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019. The Company is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2021. The Company is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements. See Note 7 for the Company's operating leases.

Note 2—Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is a business that has not yet generated profits, has sustained net losses of (\$2,623,512) and (\$2,325,508) during the years ended December 31, 2018 and 2017, respectively, and has an accumulated deficit of (\$5,323,956) as of December 31, 2018.

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Going concern (continued)

The Company's ability to continue as a going concern in the next 12 months following the date the consolidated financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. No assurance can be given that the Company will be successful in these efforts.

These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities.

Note 3—Acquisition

On October 5, 2017, the Company entered into an agreement with their third party software development contractor, 10Clouds SPA. ZOO. ("10Clouds"), pursuant to which it purchased all of the stock of 10Clouds AI Technologies, subsequently renamed Sunflower Artificial Intelligence Technologies for a purchase price of approximately \$1,250,000. The purchase price was funded from the Company's cash and cash equivalents in the amounts of \$500,000, and the issuance of a SAFE. The SAFE provides 10Clouds the right to receive Standard Preferred Stock in an Equity Financing, as defined in the SAFE agreement, for a number of shares equal to (1) \$750,000 divided by the price per share of the Standard Preferred Stock, if the pre-money valuation is less than or equal to a valuation cap of \$25,000,000 or (2) \$750,000 divided by the price per share equal to the valuation cap of \$25,000,000 divided by the Company Capitalization, as defined in the SAFE agreement, if the pre-money valuation is greater than a valuation cap of \$25,000,000, as defined in the SAFE agreement. The fair value of the SAFE upon issuance was determined to be \$750,000.

The Company acquired SAIT to bring software development in-house. The total cost of the acquisition was allocated to the assets acquired based on their estimated respective fair values and was accounted for using the acquisition method of accounting. As the acquisition was for the purpose of acquiring a work force, the consideration was allocated to goodwill, net of cash acquired of \$1,336. The work force will be contracted with a requirement for 90-days' notice of termination on either side (absent a fundamental breach of the employment contract). The work force will also be required to give a non-binding good faith statement of their intent to remain employed by the Company for a minimum of one year. If any of the work force fail to remain employed by the Company for a minimum of 90-days from the closing, the balance payable under the SAFE will be reduced by \$75,000. The work force remained fully employed for 90 days and the amount of the SAFE was not reduced.

The results of operations have been included in the Company's consolidated statements of operations since December 28, 2017, the date the acquisition closed.

In conjunction with the acquisition of SAIT, the Company entered into an Agreement for Provision of Assistance Services with 10Clouds in which 10Clouds agreed to provide management services, office space and administrative support to SAIT in exchange for certain fees paid by the Company. Total fees incurred under this arrangement for the years ending December 31, 2018 and 2017 totaled \$116,445 and \$-0-, respectively.

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4—Major customer and concentrations

The Company has been economically dependent on one customer during the years ended December 31, 2018 and 2017 for which this customer comprises 100% of the Company's revenues. The Statement of Work under which all revenues recognized during the years ended December 31, 2018 and 2017 was completed as of December 31, 2018. Other Statements of Work have been entered into with this customer and another customer subsequent to December 31, 2018 (see Note 18 for subsequent events). The loss of or a substantial reduction in Statements of Work from the Company's major customer could have a material effect on the consolidated financial statements.

Note 5—Property and equipment

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	Useful Lives	201 8	201 7
Computer equipment	3 Years	\$ 21,539	\$ -
Internally developed software	5 Years	1,141,502	505,232
Property and equipment, gross		1,163,041	505,232
Less accumulated depreciation		(259,284)	(85,060)
Property and equipment, net		<u>\$ 903,757</u>	<u>\$ 420,172</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$174,225 and \$75,583, respectively.

Note 6—Goodwill and intangible assets

The changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017 are as follows:

	201 8	201 7
Balance, beginning of year	\$ 1,248,664	\$ -
Acquisition of SAIT	-	1,248,664
Balance, end of year	<u>\$ 1,248,664</u>	<u>\$ 1,248,664</u>

Intangible assets at December 31, 2018 and 2017 consisted of the following:

	Useful Lives	2018	2017
Patent application costs	3 Years	\$ 24,216	\$ 7,201
Accumulated amortization		(8,146)	(2,652)
Intangible assets, net		<u>\$ 16,070</u>	<u>\$ 4,549</u>

Amortization expense for the years ended December 31, 2018 and 2017 totaled \$5,494 and \$2,154, respectively.

DECEMBER 31, 2018 AND 2017

Note 6—Goodwill and intangible assets (continued)

Estimated future amortization expense of intangible assets is as follows:

<u>Years Ending December 31,</u>	
2019	\$ 7,467
2020	7,467
2021	1,136
	<u>\$ 16,070</u>

Note 7—Commitments and contingencies

Operating Leases - For the year ended December 31, 2018, the Company leased office space in Georgia under various operating lease arrangements on quarter by quarter basis. As of December 31, 2018 there were no minimum lease commitments. Rental expense totaled \$73,130 and \$104,478 for the years ended December 31, 2018 and 2017, respectively.

Litigation - The Company is not currently involved with, and does not know of any pending or threatening litigation against the Company or any of its officers or directors in connection with its business.

Note 8—Convertible notes payable

Convertible notes payable at December 31, 2018 and 2017 consisted of the following:

	Valuation Cap	2018	2017
Date Issued			
August 18, 2017	\$ 13,000,000	\$ 2,000,000	\$ 2,000,000
December 16, 2016	\$ 4,900,000	100,000	100,000
November 14, 2016	\$ 2,500,000	15,000	15,000
September 30, 2016	\$ 4,500,000	<u>500,000</u>	<u>500,000</u>
Total principal outstanding		2,615,000	2,615,000
Less debt discount		-	(85,656)
Plus accrued interest		<u>201,070</u>	<u>70,333</u>
Total convertible notes payable		<u>\$ 2,816,070</u>	<u>\$ 2,599,677</u>

On August 18, 2017, the Company entered into a convertible promissory note with an investor in which the Company received \$2,000,000 through the issuance of the convertible promissory note. The convertible notes payable accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest was initially due on August 18, 2019 and is not pre-payable unless there is a change in control. The convertible promissory note was assumed by Emergent Technology Holdings LP (“Emergent”) subsequent to December 31, 2018 in exchange for a SAFE in relation to the Settlement Agreement with Emergent described in Note 18. Due to the subsequent event transaction, the \$2,000,000 is included as a noncurrent liability in the accompanying consolidated balance sheets.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8—Convertible notes payable (continued)

On December 16, 2016, the Company entered into a convertible promissory note with an investor in which the Company received \$100,000 through the issuance of the convertible promissory note and a warrant to purchase \$50,000 of common stock. The convertible notes payable accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest was initially due on December 16, 2018 and is not pre-payable unless there is a change in control. An extension was granted by the investor to extend the maturity date to June 30, 2020 and as a result is included as a noncurrent liability in the accompanying consolidated balance sheets.

On September 30, 2016, the Company entered into a convertible promissory note with an investor in which the Company received \$500,000 through the issuance of the convertible promissory note and a warrant to purchase 50 shares of common stock. The convertible notes payable accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest was initially due on September 30, 2018 and is not pre-payable unless there is a change in control. No official waiver or extension was provided by the holder of the convertible notes payable on September 30, 2018 but was not considered to be in default and was assumed by Emergent subsequent to December 31, 2018 in exchange for a SAFE in relation to the Settlement Agreement with Emergent described in Note 18. Due to the subsequent event transaction, the \$500,000 is included as a noncurrent liability in the accompanying consolidated balance sheets.

As certain of the convertible notes payable issued include warrants issued, U.S. GAAP requires that the proceeds from the sale of debt instruments with a separate equity instrument be allocated to the two elements based upon the relative fair values of the debt instrument without the warrant and of the warrant itself at the time of issuance. The portion of the proceeds allocated to the common stock shall be accounted for within stockholders' equity as additional paid-in capital and recorded as a debt discount and be charged to interest expense over the life of the convertible notes. The remainder of the proceeds shall be allocated to the debt instrument portion of the transaction. Also, any embedded conversion features present in the convertible instrument shall be recognized separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in-capital. The convertible notes payable issued include the following conversion terms:

(a) Automatic Conversion - Qualified Financing: Upon the consummation of a Qualified Financing, the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) automatically shall convert into a number of shares of Stock in the Borrower equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the Conversion Price.

(b) Optional Conversion - Non-Qualified Financing: At any time concurrently with or within thirty (30) days after the consummation of a Non-Qualified Financing, the Majority Holders, subject to the terms and conditions set forth herein, shall have the right to convert all, but not less than all, of the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) into a number of shares of Stock in the Borrower equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the Conversion Price.

(c) Optional Conversion: On any date after the date of this Note, the Majority Holders, subject to the terms and conditions set forth herein, shall have the right to convert all, but not less than all, of the aggregate outstanding principal and accrued and unpaid interest on this Note (and the aggregate balances of all Notes) into a number of shares of Common Stock equal to the quotient obtained by dividing (i) the amount of such principal and interest by (ii) the price per share equal to the quotient of (x) the Valuation Cap divided by (y) the aggregate number of shares of the Common Stock outstanding immediately prior to the effective date of such election noted below (assuming full conversion or exercise of all convertible and exercisable securities then outstanding or reserved, including, without limitation, all issued options and equity grants, the balance of any authorized (but unissued) equity incentive pool and any shares of treasury stock, but excluding the Notes).

T STAMP, INC. AND SUBSIDIARIES
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Note 8—Convertible notes payable (continued)

Conversion Price: The conversion price for each note is to be at the lesser of (a) the price per share of Stock received by Borrower in a Qualified or Non- Qualified Financing and (b) the price per share equal to the quotient of (i) the Valuation Cap divided by (ii) the aggregate number of shares of Borrower's common stock ("Common Stock") outstanding.

Qualified Financing: Means the Borrower's next equity financing occurring on or before the Maturity Date, in which the Borrower raises \$2,000,000 or more in cash through the sale and issuance of preferred stock.

The conversion features described above include changes to the conversion terms that would only be triggered by future events not controlled by the Company and are considered contingent conversion options and as a result the intrinsic value of such conversion and repayment options shall not be recognized until and unless the triggering event occurs.

The fair value of the warrant issued in connection with the convertible promissory note on September 30, 2016 was determined to be approximately \$4,033 per share and had a relative fair value of approximately \$201,750 which was recorded as a debt discount to the convertible notes payable and to additional paid-in capital during the year ended December 31, 2016 and which was amortized to interest expense in the amounts of \$75,656 and \$100,875 during the years ended December 31, 2018 and 2017, respectively. The fair value of the warrant was estimated on the date of grant using the Black-Scholes-Merton model and was valued using the following assumptions: fair value of common stock of \$4,349, exercise price of \$1,333 risk free interest rate of 5%, dividend yield of 0%, expected volatility of 83%, and contractual term of ten years.

The warrant issued in connection with the convertible promissory note on December 16, 2016 was determined to have a relative fair value of approximately \$20,000 which was recorded as a debt discount to the convertible notes payable and to a warrant liability (due to the variable number of shares that can be issued to satisfy the warrant) during the year ended December 31, 2016 and which was amortized to interest expense in the amounts of \$10,000 and \$10,000 during the years ended December 31, 2018 and 2017, respectively. The fair value of the warrant estimated on the date of grant by estimating the warrant's intrinsic value on issuance using the estimated fair value of the Company as a whole in relation to the exercise price which is the lowest of: (i) The lowest per share price paid by investors in a financing in which Holder converts all or any part of the balance of their convertible note, (ii) The quotient of \$4,900,000 divided by the aggregate number of the Company's outstanding common stock prior to the exercise of the warrant and (iii) the Fair Market Value of one share of Common Stock as of the date that is the earlier of (A) the conversion of the Note into equity interests or (B) the maturity date of the note.

On November 14, 2016, the Company entered into a convertible promissory note with an investor in which the Company received \$15,000 through the issuance of a convertible promissory note. The convertible note accrues interest at 5% per annum. The principal, together with all accrued and unpaid interest was initially due on November 14, 2018 and is not pre-payable without the consent of the investor. This convertible note payable had an auto-conversion feature upon a Qualified Financing in which the Company sells at least \$1,000,000 of any capital stock. The conversion price equals the lesser of (i) 80% of the per share price based by other investors or (ii) the price equal to the quotient of \$2,500,000 divided by the aggregate number of outstanding shares of the Company's common stock as of immediately prior to the initial closing of the Qualified Financing. The Company notes that the 20% discount on the conversion price represents a beneficial conversion feature and shall be recognized separately at issuance by allocating a portion of proceeds equal to its intrinsic value as additional paid-in capital and a corresponding debt discount which resulted in approximately \$3,000 in interest expense recognized over the two year term. The auto-conversion feature was triggered by the Emergent subscription agreement entered into on August 22, 2018. The Company notes the \$15,000 convertible note payable is convertible into approximately 5 shares of the Company's common stock. Such shares were not issued and outstanding at December 31, 2018 but are considered by management to be the rights of the investor. Due to the conversion, the \$15,000 is included as a noncurrent liability in the accompanying consolidated balance sheets.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8—Convertible notes payable (continued)

The Company entered into two separate convertible promissory notes for \$160,000 with Emergent on June 29, 2018 and July 26, 2018. The convertible notes payable accrued interest at 5% per annum and converted into common stock in conjunction with the Emergent subscription agreement entered into on August 22, 2018 as described in Note 9.

Note 9—Stockholders' equity

At December 31, 2018, the Company was authorized to issue two thousand (2,000) shares of common stock, \$0.01 par value per share. Shares of common stock are designated as Class A Shares or Class B Shares. The Class A Shares and Class B Shares are identical in all respects except as stated below. The holders of Class A Shares are entitled to one vote for each Class A Share held at all meetings of stockholders. Except as required by applicable law, the holders of Class B Shares shall have no voting rights with respect to such shares; provided, that the holders of Class B shares shall be entitled to vote (one vote for each Class B Share held) to the same extent that the holders of Class A Shares would be entitled to vote on matters as to which non-voting equity interests are permitted to vote. There were not Class B Shares issued and outstanding as of December 31, 2018 and 2017.

The Company entered into a stock purchase agreement with an investor on January 12, 2017. The Company issued 50 shares of the Company's common stock in exchange for \$500,000.

The Company entered into a stock purchase agreement with an investor on July 14, 2017. The Company issued 33 shares of the Company's common stock in exchange for \$358,050.

The Company entered into a stock purchase agreement with an investor on July 17, 2017. The Company issued 5 shares of the Company's common stock in exchange for \$54,250.

The Company entered into a stock purchase agreement with an investor on July 17, 2017. The Company issued 10 shares of the Company's common stock in exchange for \$108,500.

The Company entered into three Secured Loan Agreements with various employees on August 16, 2017. The Company issued 66 shares of the Company's common stock in exchange for \$225,000 in stockholders' notes receivable. Interest accrues on these Secured Loan Agreements at a rate equal to the Wall Street Journal Prime Rate and accrues interest on a compounded basis annually, provided, however, that so long as the loan holders remain employed by the Company, the interest rate shall be abated to the Applicable Federal rate at August 2017 of 0.96% per annum.

The Company entered into a Subscription Agreement on August 22, 2018 with Emergent. The Company issued 141.5 shares of common stock, which represented approximately 15% of the outstanding shares of common stock, in exchange for a cash investment of \$3,000,000 from Emergent. Emergent agreed to provide cash contributions based on the following schedule:

- (a) \$500,000 less repayment of two bridge loans of \$160,000 each plus accrued interest received on August 22, 2018
- (b) On the first business day September 2018 and the next nine calendar months, the receipt of \$250,000

During the year ending December 31, 2018 \$1,500,000 was received from Emergent under the Subscription Agreement.

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 9—Stockholders' equity (continued)

At December 31, 2018 \$1,000,000 is reflected as a stock subscription receivable asset in the accompanying consolidated balance sheets since the cash was received in 2019 prior to the issuance of these consolidated financial statements.

At December 31, 2018 \$500,000 is reflected as a stock subscription receivable contra equity in the accompanying balance sheets since the cash was never received in 2019 prior to the Settlement Agreement entered into described in Note 18.

In addition, Emergent entered into a separate stock purchase agreements with three other shareholders at separate closings which resulted in Emergent purchasing an additional 279 shares of common stock from these shareholders in exchange for the issuance of 9.65 A Units in Emergent Technology Holdings LP to these shareholders. These additional transactions resulted in Emergent holding approximately 49% of the issued and outstanding common stock of the Company at December 31, 2018.

Furthermore, in addition to the \$3,000,000 paid for 15% of the Company's issued and outstanding common stock, Emergent, without further payment, will be issued additional common stock to maintain the interest acquired at 15%, or a lesser percentage will be purchased based on a fraction of the \$3,000,000 funded through the calculation date, of the outstanding shares of the Company in the event that any convertible note, SAFE or other convertible instrument is converted or warrant or other right exercised resulting in a dilution of Emergent's interest. These additional shares of common stock shall be duly authorized, validly issued, fully paid and nonassessable, and free and clear of all encumbrances. No such additional shares were ever issued to Emergent under these terms prior to the Settlement Agreement entered into that terminated the Subscription Agreement as described in Note 18.

Note 10—Noncontrolling interest related to joint ventures

The Company developed several operating activities that evolved into valuable business ventures with Trusted Mail and Finnovation. Eventually the Company decided to incorporate, staff, and capitalize these entities as they were not perfectly aligned with the overall business objectives. The Company's plan is to hire a new CEO for Trusted Mail in 2020 and relaunch the business using the existing technology it has developed.

On July 14, 2017, Trusted Mail entered into a stock purchase agreement with an investor and issued 225 shares of Trusted Mail common stock in exchange for \$150,000, which represented 22.5% of the authorized capital as of the agreement date.

On July 13, 2017, Trusted Mail entered into a Common Stock Purchase Agreement with an investor and issued 150 shares of Trusted Mail common stock in exchange for \$1,500, which represented 15% of the authorized capital as of the agreement date. Subsequently on August 18, 2017, Trusted Mail entered into a SAFE with this same investor in exchange for \$100,000. Under the terms of the SAFE, Trusted Mail issued the right to receive \$100,000 worth of Preferred Stock in a future equity financing at a 20% discount. The Company is accreting the SAFE liability to its fair value including this 20% discount over an expected outstanding period of two years. Noncash interest expense recognized on this SAFE liability during the years ended December 31, 2018 and 2017 totaled \$12,500 and \$5,208, respectively. The outstanding balance of the SAFE Liability at December 31, 2018 and December 31, 2017 totaled \$112,500 and \$105,208, respectively.

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 10—Noncontrolling interest related to joint ventures (continued)

There is also a Put Right related to the investor's 15% ownership in Trusted Mail. In the event that (i) Trusted Mail enters into an agreement with a third party that has a competitive business model that would result in competitive business activities by Trusted Mail, or (ii) Trusted engages in competitive business activities, the investor has the right to require Trusted Mail to repurchase all but not less than all the shares or securities of Trusted Mail owned by the investor and its affiliates. The fair market value of this put right was \$-0- at December 31, 2018 and 2017.

On June 5, 2017, Finnovation entered into a Common Stock Purchase Agreement with an investor and issued 50% of the authorized capital as of the agreement date in exchange for \$60,000. The Company holds the intellectual property in Finnovation but has currently ceased its operations.

The Company holds a controlling interest in both Trusted Mail and Finnovation and as a result consolidates both joint ventures into its consolidated financial statements.

Note 11—Stock awards and stock-based compensation

From time to time the Company may issue stock awards in the form of common stock grants or restricted stock grants with vesting/service terms. Stock awards are valued on the grant date using the post-money valuation of the most recent round of financing for the Company. Stock based compensation recognized during the years ended December 31, 2018 and 2017 totaled \$293,255 and \$51,429, respectively, and is included in selling, general, and administrative in the accompanying statements of operations. All stock grants are fully vested as of December 31, 2018 and there is no unrecognized stock-based compensation as of December 31, 2018 for awards granted through December 31, 2018. At December 31, 2018, there is a total of 64 shares of common stock earned by the recipients of stock awards granted but have not been formally issued. Such shares were not issued and outstanding at December 31, 2018 but are considered by management to be the rights of the stock award recipients.

Note 12—Warrants

As of December 31, 2018, the Company has issued an investor a warrant to purchase 50 shares of common stock with an exercise price of \$1,333.33 per share. The warrant was issued on September 30, 2016. There is no vesting period, and the warrant expires in 10 years from the issuance date. The Company used a Black-Scholes-Merton pricing model to determine the fair value of the warrant as described in Note 8.

As of December 31, 2018, the Company has issued a customer a warrant to purchase 50 shares of common stock with an exercise price of \$5,000 per share. The warrant was issued on November 9, 2016. There is no vesting period, and the warrant expire in 10 years from the issuance date. The Company used a Black-Scholes-Merton pricing model to determine the fair value of the warrant. The fair value of the warrant issued in connection with the customer contract was determined to be approximately \$3,665 per share and had a fair value of approximately \$183,250 which was recorded as a deferred contract acquisition asset and to additional paid-in capital during the year ended December 31, 2016 and which was amortized as a revenue discount in the amounts of \$85,532 and \$85,532 during the years ended December 31, 2018 and 2017, respectively. The fair value of the warrant issued is recorded as a revenue discount as it is considered a sales incentive. The fair value of the warrant was estimated on the date of grant using the Black-Scholes-Merton model and was valued using the following assumptions: fair value of common stock of \$4,349, exercise price of \$5,000 risk free interest rate of 5%, dividend yield of 0%, expected volatility of 83%, and contractual term of ten years.

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 12—Warrants (continued)

As of December 31, 2018, the Company has issued a customer a warrant to purchase up to \$1,000,000 of capital stock in a future round of financing at a 20% discount of the lowest price paid by another investor. The warrant was issued on November 9, 2016. There is no vesting period, and the warrant expires in 10 years from the issuance date. The Company evaluated the provisions of ASC 480, *Distinguishing Liabilities from Equity*, noting the warrant should be classified as a liability due to its settlement being for a variable number of shares and potentially for a class of shares not yet authorized. The warrant was determined to have a fair value of \$250,000 which was recorded as a deferred contract acquisition asset and to a warrant liability during the year ended December 31, 2016 and which was amortized as a revenue discount in the amounts of \$116,688 and \$116,668 during the years ended December 31, 2018 and 2017, respectively. The fair value of the warrant estimated on the date of grant by estimating the warrant's intrinsic value on issuance using the estimated fair value of the Company as a whole in relation

As of December 31, 2018, the Company has issued an investor warrants to purchase \$50,000 of common stock. The warrants were issued on December 16, 2016. There is no vesting period, and the warrants expire in 10 years from the issuance date. The Company recorded the warrants at fair value and classified the warrant as a liability as described in Note 8.

As of December 31, 2018, the Company has issued a warrant to purchase 5 shares of common stock with an exercise price of the lower of (i) the last 409a valuation of the Company's common stock or (ii) the quotient of \$1,000,000 divided by the aggregate number of the Company's fully diluted capitalization upon exercise. The warrants were issued on January 4, 2016 under an accelerator program. There is no vesting period, and the warrants expire in 10 years from the issuance date. The issuance of the warrants resulted in accelerator expense and additional paid-in capital being recognized in the amount of approximately \$21,745 during the year ended December 31, 2016.

The following tables present the change in the liability balance associated with the liability-classified warrants, which are classified in Level 3 of the fair value hierarchy, for the years ending December 31, 2018 and 2017:

	2018	2017
Balance at beginning of period	\$ 277,419	\$ 270,000
Change in fair value	10,331	7,419
Balance at end of period	<u>\$ 287,750</u>	<u>\$ 277,419</u>

Note 13—SAFE liabilities

As of December 31, 2018, the Company has raised \$850,000 via the issuance of SAFEs. The SAFE terms vary with discount rates and valuation caps. See Note 3 regarding the SAFE issued for \$750,000 in conjunction with the SAIT acquisition. See Note 10 regarding the SAFE issued for \$100,000 in conjunction with the Trusted Mail joint venture. As of December 31, 2018, there has not been any priced round of preferred stock financing that would trigger a conversion of the SAFE funds to preferred stock. The SAFEs are adjusted to fair value each reporting period as described in Note 1. As of December 31, 2018 and 2017, management has determined that the carrying value is considered the fair value.

T STAMP, INC. AND SUBSIDIARIES
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DECEMBER 31, 2018 AND 2017

Note 13—SAFE liabilities (continued)

The following tables present the change in the SAFE liabilities balance, which are classified in Level 3 of the fair value hierarchy, for the years ending December 31, 2018 and 2017:

	2018	2017
Balance at beginning of period	\$ 855,208	\$ -
Issuance of SAFEs	-	850,000
Accretion of discount	12,500	5,208
Balance at end of period	<u>\$ 867,708</u>	<u>\$ 855,208</u>

Note 14—Income taxes

The components of income tax expense for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Current:		
U.S. Federal	\$ -	\$ -
U.S. State	-	-
Non U.S.	6,932	-
	<u>\$ 6,932</u>	<u>\$ -</u>
Deferred:		
U.S. Federal	\$ -	\$ -
U.S. State	-	-
Non U.S.	-	-
	<u>\$ -</u>	<u>\$ -</u>
Total income tax	<u>\$ 6,932</u>	<u>\$ -</u>

Temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred tax assets:		
Net operating losses	\$ 879,437	\$ 154,994
Property and equipment, net	189,368	247,896
Other - accruals	92,379	243,103
Total deferred tax assets	1,161,184	645,993
Valuation allowance	<u>(1,161,184)</u>	-
		<u>(645,993)</u>
Deferred tax assets, net	<u>\$ -</u>	<u>\$ -</u>

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 14—Income taxes (continued)

Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, the reversal of deferred tax liabilities, the length of carry-back and carry-forward periods, and the implementation of tax planning strategies.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists. The Company's cumulative losses in recent years are the most compelling form of negative evidence considered by management in making this determination. For the years ended December 31, 2018 and 2017, the net increase in the total valuation allowance was \$515,191 and \$538,662, respectively, and management has determined that based on all available evidence, a valuation allowance of \$1,161,184 and \$645,993 is appropriate at December 31, 2018 and 2017, respectively.

At December 31, 2018, the Company had net operating loss carrying forwards of approximately \$3,257,174. Net operating losses generated prior to December 31, 2017 total approximately \$574,051 and will expire in 2037. Net operating losses generated subsequent to December 31, 2017 total approximately \$2,683,123 and have an indefinite life.

Note 15—Prepaid expenses and other current assets

Prepaid expenses and other current assets at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Prepaid operating expenses	\$ 37,859	\$ 10,141
Prepaid software development costs	-	80,201
Rent deposit	1,626	-
VAT receivable associated with SAIT	37,521	-
Miscellaneous receivable	-	1,184
	<u>\$ 77,006</u>	<u>\$ 91,526</u>

Note 16—Other assets

Other assets at December 31, 2018 and 2017 consisted of the following:

	2018	2017
R&D credit receivable against payroll taxes	\$ 94,394	\$ 94,769
Deferred contract acquisition asset	-	202,221
	<u>\$ 94,394</u>	<u>\$ 296,990</u>

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 17—Related party transactions

Related party receivables of \$97,894 and \$104,031 at December 31, 2018 and 2017 relate to amounts owed from other organizations as reimbursements for employees that participated in the Company's Professional Employer Organization ("PEO"). These other organizations share common management with the Company as well as a certain investor. During certain months in 2018 and 2017, employees from these other organizations sublet space in the offices that the Company occupied and share benefit plans in order to gain competitive rates for both the Company and these other organizations. Subsequent to December 31, 2018, these other organizations have since moved out of the Company's offices, no longer share in the PEO, nor have common management. Amounts owed from these other organizations as reimbursements at December 31, 2018 and 2017 totaled was \$7,500 and \$69,839, respectively. Related party receivables also consisted of amounts owed from an investor at December 31, 2018 and 2017 that totaled \$16,559 and \$34,192, respectively, and amounts owed from Emergent at December 31, 2018 that totaled \$73,835.

Related party payables of \$191,691 and \$2,364 at December 31, 2018 and 2017, respectively, primarily relate to amounts owed to 10Clouds, the Company's third party contractor for software development and investor in the Company through the SAFE agreement, and smaller amounts payable to members of management as expense reimbursements. Total costs incurred in relation to 10Clouds for the years ended December 31, 2018 and 2017 totaled approximately \$905,000 and \$1,105,000, respectively, of which certain amounts were recorded as capitalized internal-use software, research and development and cost of services.

The company has entered joint ventures with Trump Stamp Fintech Limited and Trump Stamp Cayman. Trust Stamp Fintech Limited is a company incorporated in the United Kingdom by the Company's management. The purpose of this entity was to establish beachhead operations in the country in order to service a contract entered by the Company with the National Association of Realtors and Property Mark. This entity remains separate from the Company's operations and serves as a sales and marketing function for the product "Propetymark Passport" which was developed for the contract between the listed parties. Trust Stamp Cayman was established with the intention of taking advantage of enterprise grants which were offered by the Cayman National Government's Enterprise Zone. No operations were established. Due to common ownership of the Company and these two entities, the Company has funded all operating expenses since inception and as a result the operations of these entities are including in the consolidated financial statements. Total expenses incurred by the Company in relation to these joint ventures during the years ending December 31, 2018 and 2017 totaled \$94,343 and \$123,820, respectively.

Note 18—Subsequent events

Subsequent events have been evaluated through December 9, 2019, the date these consolidated financial statements were available to be issued.

Settlement Agreement with Emergent Technology Holdings LP

Effective July 1, 2019, the Company entered into a settlement agreement with Emergent in which the following terms were agreed upon:

- 1) The subscription agreement, dated August 22, 2018, was terminated, and the remaining \$500,000 that Emergent owed the Company under the agreement was extinguished.
- 2) Emergent assumed two convertible notes payable totaling \$2,500,000 plus accrued interest of \$248,611 and extinguished the Company's obligation to reimburse Emergent for the convertible notes.
- 3) Emergent extinguished the Company's obligation to reimburse Emergent for the Company's approximately \$137,935 of expenses that were previously covered by Emergent.
- 4) The Company and Emergent entered into a technical services agreement in which the Company will provide certain technical services to Emergent for approximately \$274,593.

T STAMP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 18—Subsequent events (continued)

- 5) The Company and Emergent entered into a license agreement in which the Company assigned all rights/title to the Emergent Implementation to Emergent and issued a perpetual, irrevocable license to Emergent of the General Purpose Material and the Intellectual Property Rights.
- 6) The Company and Emergent entered into a referral agreement in which Emergent can act as a channel partner and sell the Company's products in exchange for commissions on those sales.
- 7) The Company and Emergent entered into a SAFE in which Emergent obtained the right to shares of the Company's stock (purchase amount of \$2,111,953 and valuation cap of \$20,000,000) that would be exercised upon a qualified equity financing. A put option also exists in this agreement in which at the earlier of 18 months from the agreement date and the date on which the Company has raised more than \$7,000,000 of qualified equity financing, Emergent may require repayment of the unrepaid element of the purchase amount and the Company would be required to make such repayment.
- 8) The Company had to issue an additional 279 shares because three of the Company's investors exchanged their 9.62 Emergent A Units for 279 shares of common stock of the Company.
- 9) Reach Ventures transferred its warrant to purchase 50 shares of common stock to Emergent

Statement of Work from Existing Customer

On January 25, 2019, the Company received a purchase order from its existing customer (see Note 4) requesting the Company to provide technology services for approximately \$556,000 during the year ending December 31, 2019.

Incorporation of Tstamp Incentive Holdings and Establishment of Option Pool

On April 9, 2019, the Company created a new entity, Tstamp Incentive Holdings. Further, on April 25, 2019, the Company issued 200 shares of common stock to Tstamp Incentive Holdings that the Board can use for employee stock awards in the future.

Factoring Agreement

On June 18, 2019 the Company entered into a factoring agreement with a creditor that provided the Company with \$100,000 upfront in exchange for the Company providing \$133,000 of future cash receipts over the next year (weekly increments of approximately \$2,558).

Malta Enterprise Cash Grant

On July 8, 2019, the Company received an approval letter from Malta Enterprise that it would provide a 200,000 Euro (approximately \$230,000) cash grant to a company that was to be established in Malta and primarily owned by the Company for the provision of digital trust, identity, and cryptography solutions and related research and development activities.

Creation of Series A preferred Stock Term Sheet

On September 18, 2019, the Company created a Series A preferred stock term sheet that detailed the terms related to the Company's offering of Series A preferred stock. Based on the term sheet, the Company plans to offer \$7,000,000 of Series A preferred stock at a price per share that is based on a fully diluted pre-money valuation of \$25,000,000 divided by the fully-diluted capitalization of the Company prior to the offering.

Issuance of Series A Preferred Stock

On September 27, 2019, the Company issued 39 shares of Series A preferred stock to an investor for \$700,000. This agreement was based on the Series A preferred stock term sheet dated September 18, 2019.

T STAMP, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 18—Subsequent events (continued)

Technology Services Agreement and Software License Agreement

Effective March 18, 2019, the Company entered into a technology services agreement with a new customer, resulting in multiple Statements of Work totaling approximately \$1,700,000 in fees. Effective September 3, 2019, the Company entered into a software license agreement with this same customer, resulting in per use fees with minimum total fees of \$150,000 in 2020, \$200,000 in 2021, and \$250,000 rising by 15% in each subsequent year but capped at \$1,000,000 for 2022 and beyond.

Grant of Stock-Based Awards

Since December 31, 2018, the Company granted stock-based awards to two employees (\$2,500 per month for one and \$2,000 per month for the other).

Convertible Note Agreement and Related Side Letter Agreement

On December 3, 2019, the Company entered into a convertible promissory note with a customer in which it received \$700,000. Interest accrues at a rate of 0% through December 31, 2020, then 5% thereafter. All unpaid principal and accrued interest shall be due on December 31, 2020 (i.e. the maturity date). However, in the event that the note is not converted into equity securities of the Company, the maturity date shall be extended to December 31, 2025. There are several ways the note can be converted, including automatic conversion and voluntary conversion. In conjunction with this agreement, the Company also entered into a side letter agreement with the customer in which the parties established their rights with respect to sales transactions, subject party investments, etc.

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