

ShiftCarbon (Formerly TraceSafe Inc.)

Management's Discussion and Analysis

On October 18, 2022 TraceSafe Inc. announced its official corporate name change to ShiftCarbon on the Canadian Securities Exchange and other corporate materials. "TraceSafe" will continue to be in use as the name for the company's strategic business unit for IoT and connectivity solutions.

Forward-Looking Information

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

The following management's discussion and analysis ("MD&A") of ShiftCarbon (the "Company"), is prepared as of Nov 25, 2022 and should be read together with the audited consolidated annual financial statements and related annual MD&A for the year ended December 31, 2021.

For the purpose of preparing this MD&A, Management in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in or would reasonably be expected to result in a significant change in the market price or value

of the Company’s common shares; (ii) there is substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management in conjunction with the Board of Directors evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

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

All amounts in this MD&A are expressed in United States dollars unless otherwise noted.

Description of Business

ShiftCarbon was incorporated on December 22, 2010 under the Business Corporations Act of British Columbia as a private company and continued into the British Virgin Islands on December 18, 2013.

The registered office of ShiftCarbon is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

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

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

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

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

Overall Objective

ShiftCarbon provides an intuitive platform for carbon accounting, offsetting and MRV (Measurement, Reporting and Verification) automation of carbon offsets using modular software and IoT sensor

technology. For enterprises, ShiftCarbon offers a measure and offset platform to embed carbon neutrality into businesses easily and efficiently.

ShiftCarbon also operates 'TraceSafe'-a leading connected technology company that offers Internet of Things (IoT) solutions. The company provides mission-critical data enabling safer and smarter enterprise environments. With presence across North America, Asia and Europe, TraceSafe's solutions are trusted by leading organizations in healthcare, hospitality, construction, events, education and government.

IoT Wearables

ShiftCarbon has signed a partnership with "solutions by stc" Saudi Arabia's top provider of IT solutions, to offer leading-edge Smart solutions for customers across the Kingdom of Saudi Arabia. The IoT wearables partnership will create opportunities for the two technology leaders to integrate their capabilities and offer the best of hardware assisted software solutions including advanced wearables for Smart City infrastructure and industries like hospitality, healthcare and construction. solutions by stc's diverse roster of customers includes some of the biggest organizations and associations in the region including government and private entities.

Tier 1 Semiconductor Manufacturer

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

Southeast Asian Conglomerate

A large Southeast Asian Conglomerate, primarily focused on technology, defense and engineering, received 120,000 wristbands in 2020 and is now ordering TraceSafe's software and hardware as needed based on tender offers or other similar arrangements.

Selected Financial Information

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

Three Months Ended	Total Revenue	Total Operating Expenses	Comprehensive Income (Loss)	Loss per Share
March 31, 2019	-	(144,585)	(144,585)	(0.01)
June 30, 2019	-	(215,581)	(215,581)	(0.01)
September 30, 2019	-	(130,650)	(130,650)	(0.01)
December 31, 2019	-	(197,357)	(197,357)	(0.01)
March 31, 2020	-	(848,780)	(833,383)	(0.04)
June 30, 2020	516,274	(962,019)	(940,397)	(0.03)
September 30, 2020	1,085,291	(878,243)	(511,341)	(0.02)
December 31, 2020	1,833,332	(3,585,483)	(5,439,911)	(0.13)
March 31, 2021	1,287,175	(4,051,679)	(4,017,808)	(0.08)
June 30, 2021	3,399,309	(1,994,564)	(1,806,850)	(0.01)

September 30, 2021	5,964,623	(1,383,933)	1,061,630	0.03
December 31, 2021	2,301,434	(2,127,879)	(3,019,279)	(0.23)
March 31, 2022	1,256,984	(2,747,098)	(1,787,944)	(0.03)
June 30, 2022	816,685	(1,900,375)	(1,213,524)	(0.03)
September 30, 2022	256,082	(1,017,264)	(851,463)	(0.02)

Development

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

Period	Development & Engineering Expense
April 1 – June 30, 2020	\$ 430,052
July 1 – September 30, 2020	402,633
October 1 – December 31, 2020	333,337
January 1 – March 31, 2021	455,914
April 1 – June 30, 2021	441,077
July 1 – September 30, 2021	496,422
October 1 – December 31, 2021	458,372
January 1 – March 31, 2022	438,979
April 1 – June 30, 2022	337,678
July 1 – September 30, 2022	57,933

The most recent quarter has seen reduction in development costs as we are strategizing and pivoting into new markets with the carbon management platform. The acquisition of an offset marketplace also allowed reduction in development costs.

Dividend Payment

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

Results of Operations for the Three Months Ended September 30, 2022

Revenue decreased to \$256,019 compared to the 2021 comparable period amount of \$5,964,623. Decrease is due to a shift in strategic and product focus from COVID tracking to carbon emissions tracking.

Cost of sales decreased significantly to \$52,082 compared to the 2021 comparable period amount of \$3,441,996. This is in line with the change in revenue.

Gross margin decreased significantly to \$203,937 compared to the 2021 comparable period amount of \$2,522,627. Even though gross margin from a dollar perspective decreased, gross margin percentage increased significantly from 42% to 80% on a year over year basis.

Total operating expenses decreased to \$1,017,264 compared to the 2021 comparable period amount of \$1,383,933 due to continuous containment efforts.

Market Expansion

ShiftCarbon— a comprehensive carbon management platform was launched in August 2022. ShiftCarbon is the company’s biggest launch since its award-winning platform for enterprise safety, AllSafe. ShiftCarbon will consolidate critical climate data for SMBs and will help them reduce their carbon footprint using high-quality offsets. It is a highly modular platform built to support organizations wherever they are in their journey toward carbon neutrality and net-zero.

Sales and Engineering are also focused on pivoting the TraceSafe platform to other data and location-based services. Current areas of expansion are asset tracking, carbon emissions tracking, employee time and attendance, marketing analytics, and worker safety. For customers currently using TraceSafe’s contact tracing hardware in the coming months, developments have been made to include add-ons to the various TraceSafe devices, such as including RFID access control modules and the option of rechargeable batteries.

Liquidity and Capital Resources

At September 30, 2022, the Company had a working capital deficit of \$2,399,339, compared to a working capital of \$1,271,424 for the same period of 2021. The deficit decrease is due to a combination of decrease in Cash, decrease in Accounts receivable, and increase in Loans payable.

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

The Company's working capital amounts are as follows:

	September 30, 2022	September 30, 2021
Cash	\$ (33,597)	\$ 1,505,874
Restricted term deposit	50,724	51,377
Accounts receivable	172,952	1,325,592
Prepays	198,233	90,892
Deposits	-	-
Inventory	426,710	-
Deferred contract asset	148,627	-
Accounts payable	(2,387,804)	(2,605,835)
Deferred Revenue	(358,049)	(354,273)
Due to related party	-	-
Loans payable	(617,135)	(347,825)
AR factoring	-	(937,226)
Consideration payable	-	-
	\$ (2,399,339)	\$ (1,271,424)

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

On Nov 25th, the Company announced closing of its private placement. There were two tranches combined for a total of \$656,000 through the sale of 6,560,000 Units at a price of C\$0.10 per Unit. The net proceeds from the Offering are intended to be used primarily for: (i) costs related to the development and creation of new technologies and ShiftCarbon projects and (ii) working capital and general corporate purposes.

Off-Balance Sheet Arrangements

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

Proposed Transactions and Change of Business

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

Going Concern

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

The Company's continued existence is dependent upon its ability to secure contracts and the achievement of profitable operations, or the ability of the Company to raise additional financing.

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

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

Related Party Transactions

Related parties include the Board of Directors, corporate officers, close family members, key management personnel, significant shareholders and enterprises that are controlled by these individuals as well as certain persons performing similar functions in material subsidiaries. This includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole and its subsidiaries.

	September 30, 2022	September 30, 2021
Management Fees	265,085	156,187
Professional Fees	-	-
Share-based compensation	-	-
	\$ 265,085	\$ 156,187

WiSilica is a non-voting majority shareholder of TraceSafe Tech. The transactions incurred with WiSilica during the three months ended September 30, 2022 and 2021 include the following:

	September 30, 2022	September 30, 2021
Inventory purchases, included in costs of revenue	\$ 15,550	\$ 256,166
Research and development	49,180	496,442
Finance costs	-	-
Other administration cost, included general and administration	11,662	-
	\$ 76,392	\$ 752,608

Share Capital and Outstanding Share Information

Authorized capital

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

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

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

Issued share capital

Information with respect to outstanding common is as follows:

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

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

Critical Accounting Policies and Estimates

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

Board Purpose and Function

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

The Board's purpose is to ensure corporate governance, risk, strategy, and shareholder interests are prioritized at all times. The Board currently consists of five directors.

Risk Factors

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

Financial Instruments

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

Risk management

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

Interest rate risk

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

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

Credit risk

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

Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations. The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash and cash equivalents to meet its working capital

requirements. At the current period ended, the Company had a working capital deficit. The Company will need to raise additional funding in the next 12 months to be able to meet its current obligations.

Foreign exchange risk

During the period, the Company's subsidiaries operate in various jurisdictions where many of its transactions are denominated in other currencies. Accordingly, the results of operations and financial position of the Company are subject to changes as the exchange rate between the US dollar ("USD") and the other currencies fluctuates. The Company's policy is to manage its foreign financial assets and liabilities using the best available foreign currency exchange rates. Due to the minimal activity of the Company and its subsidiaries, foreign exchange risk is believed to be limited.

Dependence on Key Personnel, Contractors, and Service Providers

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

Value of Our Common Shares

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

Additional Funding and Financing Risk

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

Conflicts of Interest

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

Regulatory Matters

The Company's business is subject to various federal, provincial, and local laws governing financial system technology development, taxes, labor standards, occupational health and safety, and other regulatory matters. Development of technologies are also potentially subject to various federal,

provincial, and local laws and regulations relating to the protection of the financial monetary markets. A violation of these laws may result in the imposition of substantial fines and other penalties.

Litigation Risk

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

Insufficient Revenues

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

New Business Venture and Technology Adoption Risk

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

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

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

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

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

Strategy and Outlook

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

Other Information

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

Corporate Office

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