CARBON STREAMING

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Deloitte.

Deloitte LLP
410 West Georgia Street
Vancouver, BC V6B 1Z3
Canada

Tel: 604-669-4466
Fax: 778-374-0496

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Carbon Streaming Corporation

Opinion

We have audited the consolidated financial statements of Carbon Streaming Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matters is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Carbon Credit Streaming and Royalty Agreements – Refer to Notes 3(d) and 8 of the financial statements.

Key Audit Matter Description

The Company's valuation for carbon credit streaming and royalty interests requires the Company to assess for changes in observable and unobservable inputs into their fair value models at each reporting date, according to IFRS 13, Fair Value Measurement. At each reporting date, the fair value of each streaming contract is determined using discounted cash flow models taking into consideration various observable and unobservable inputs, including the expected volumes and timing of the delivery and sale of verified carbon credits, assumptions around carbon credit pricing, an applicable risk-adjusted discount rate and other contractual terms of the agreement. Changes in these assumptions could have a significant impact on the fair value of the Company's carbon credit streaming and royalty interests.

Given the significant judgements made by management to estimate the fair value of carbon credit streaming and royalty interests relating to the determination of the various assumptions, such as discount rate, carbon credit pricing, and carbon credit generation, specifically due to the nature of the voluntary carbon credit industry, there is a high degree of significant auditor judgement required, as these estimates are subject to a high degree of estimation uncertainty. We also considered the nature and extent of audit effort needed to address the matter and included the use of fair value specialists with a specialized skill or knowledge needed to apply audit procedures to address the matter.

How the Key Audit Matter Was Addressed in the Audit
Our audit procedures related to assessing management's determination of the fair value of carbon credit streaming and royalty interests included the following, among others:

- Perform risk assessment procedures to determine the agreements and inputs which are most susceptible to the risk of material misstatement;
- Obtain management's assessment of changes to observable and unobservable inputs since the initial fair value model;
- Involve our valuation and carbon credits specialists to assess the following changes to inputs into the fair value model;
  - Assess management's estimates of carbon credit production profiles
  - Assess management's valuation methodology
  - Develop an independent estimate of the discount rates for respective streams
  - Assess management's estimates of future carbon credit pricing
  - Assess the disclosure of carbon credit streaming and royalty agreements, including disclosure relating to Level 3 financial instruments under IFRS 7, Financial Instruments: Disclosures

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Brenton Francis.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 31, 2025

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

	As at December 31, 2024	As at December 31, 2023
Assets		
Current assets		
Cash	**$ 37,350**	$ 51,416
Carbon credit inventory (Note 7)	**10**	201
Prepaid expenses	**591**	814
Early deposit interest receivable (Note 10)	**-**	307
Other receivables	**828**	994
	38,779	53,732
Non-current assets		
Carbon credit streaming and royalty agreements (Note 8)	**9,081**	60,122
Preferred Shares (Notes 5 and 9)	**625**	2,558
Investment in associate (Note 11)	**-**	177
Finance lease receivable	**198**	372
Other non-current assets	**-**	150
Total assets	**$ 48,683**	$ 117,111
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,359**	$ 1,686
Warrant liabilities (Note 12)	**188**	830
Current portion of share unit liabilities (Note 15)	**442**	652
Current portion of lease liability	**166**	157
	2,155	3,325
Non-current liabilities		
Derivative liabilities (Note 17)	**-**	680
Non-current portion of share unit liabilities (Note 15)	**67**	178
Non-current portion of lease liability	**45**	225
Total liabilities	**2,267**	4,408
Shareholders' equity		
Share capital (Note 13)	**195,337**	194,433
Share-based compensation reserve	**7,660**	7,482
Deficit	**(156,581)**	(89,212)
Total shareholders' equity	**46,416**	112,703
Total liabilities and shareholders' equity	**$ 48,683**	$ 117,111

Approved on behalf of the Board:

"Marin Katusa", Director

"Marcel DeGroot", Director

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

	Year ended December 31, 2024	Year ended December 31, 2023
Revaluation of carbon credit streaming and royalty agreements (Note 8)	**$ (58,155)**	$ (32,897)
Revenue from sale of purchased carbon credits	**640**	1,166
Cost of purchased carbon credits sold (Note 7)	**(480)**	(1,236)
Other operating expenses		
Salaries and fees	**(3,132)**	(4,057)
Share-based compensation (Note 15)	**(839)**	(1,564)
Marketing	**(435)**	(859)
Professional & regulatory fees	**(1,269)**	(1,436)
Consulting fees	**(434)**	(1,113)
Insurance	**(604)**	(800)
Office and general	**(761)**	(461)
Foreign exchange (loss)/gain	**(305)**	100
Amortization of right-of-use asset	**-**	(97)
Corporate restructuring (Note 6)	**(2,561)**	(1,748)
Other operating expenses	**(10,340)**	(12,035)
Operating loss	**(68,335)**	(45,002)
Other items		
Loss from investment in associate (Note 11)	**(25)**	(376)
Impairment of investment in associate (Note 11)	**-**	(1,044)
Gain on dissolution of associate (Note 11)	**104**	-
Impairment of early deposit interest receivable (Note 10)	**(307)**	-
Revaluation of derivative liabilities	**680**	686
Revaluation of warrant liabilities (Note 12)	**642**	6,530
Revaluation of Convertible Note	**-**	558
Revaluation of preferred shares (Note 9)	**(2,558)**	-
Finance income	**2,430**	3,147
Net loss and comprehensive loss	**(67,369)**	(35,501)
Basic and Diluted loss per share ($/share)	**(1.34)**	(0.75)
Weighted average number of Common Shares outstanding – basic and diluted	**50,118,983**	47,056,992

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

	Year ended December 31, 2024	Year ended December 31, 2023
Operating activities		
Net loss	**$ (67,369)**	$ (35,501)
Settlements from carbon credit streaming and royalty agreements (Note 8)	**1,550**	55
Cash paid in settlement of share-unit liabilities	**(357)**	-
Items not affecting cash		
Revaluation of carbon credit streaming and royalty agreements (Note 8)	**58,155**	32,897
Revaluation of derivative liabilities (Note 17)	**(680)**	(686)
Revaluation of Convertible Note (Note 9)	**-**	(558)
Revaluation of preferred shares (Note 9)	**2,558**	-
Revaluation of warrant liabilities (Note 12)	**(642)**	(6,530)
Impairment of early deposit interest receivable (Note 10)	**307**	-
Impairment of investment in associate (Note 11)	**-**	1,044
Other non-cash adjustments (Note 21)	**851**	1,906
Changes in non-cash operating working capital items (Note 21)	**31**	(270)
Net cash used in operating activities	**(5,596)**	(7,643)
Investing activities		
Additions to carbon credit streaming and royalty agreements (Note 8)	**(8,064)**	(9,076)
Dissolution of associate (Note 11)	**256**	-
Lease payments received from finance lease	**186**	23
Investment in Convertible Note (Note 9)	**-**	(2,000)
Other investment	**(350)**	(250)
Net cash used in investing activities	**(7,972)**	(11,303)
Financing activities		
Lease payments	**(186)**	(137)
Net cash used in financing activities	**(186)**	(137)
Net change in cash	**(13,754)**	(19,083)
Effect of foreign exchange on cash	**(312)**	154
Cash, beginning of period	**51,416**	70,345
Cash, end of period	**37,350**	51,416

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

	Share Capital				
	Number	**Amount**	**Share-based payment reserve**	**Deficit**	**Total**
Balance, December 31, 2022	**46,952,032**	**$ 193,899**	**$ 6,452**	**$ (53,711)**	**$ 146,640**
Share-based compensation (Note 15)	-	-	1,030	-	1,030
Restricted share units converted (Note 15)	469,187	534	-	-	534
Net loss and comprehensive loss	-	-	-	(35,501)	(35,501)
Balance, December 31, 2023	**47,421,219**	**$ 194,433**	**$ 7,482**	**$ (89,212)**	**$ 112,703**
Share-based compensation (Note 15)	**-**	**-**	**178**	**-**	**178**
Restricted share units converted (Note 15)	**724,201**	**401**	**-**	**-**	**401**
Shares issued for acquisition of Blue Dot (Note 5)	**4,559,333**	**503**	**-**	**-**	**503**
Net loss and comprehensive loss	**-**	**-**	**-**	**(67,369)**	**(67,369)**
Balance, December 31, 2024	**52,704,753**	**$ 195,337**	**$ 7,660**	**$ (156,581)**	**$ 46,416**

1. Nature of operations

Carbon Streaming Corporation was incorporated on September 13, 2004, under the *Business Corporations Act* (British Columbia).

Carbon Streaming is a carbon credit streaming and royalty company focused on providing capital to carbon projects globally, primarily by entering into or acquiring streaming, royalty or other similar arrangements to purchase carbon credits from the underlying project and then generate cash flow from the sale of carbon credits.

The Company's common shares ("**Common Shares**") are listed on Cboe Canada (formerly the Neo Exchange) under the symbol "NETZ", common share purchase warrants, exercisable at Canadian dollar ("**C$**") 7.50 until March 2, 2026 (the "**March 2026 Warrants**") are listed on Cboe Canada under the symbol "NETZ.WT" and the common share purchase warrants exercisable at $7.50 until September 19, 2026 ("**September 2026 Warrants**") are listed on Cboe Canada under the symbol "NETZ.WT.B". The Common Shares are also listed on the Frankfurt Stock Exchange under the symbol "M2Q" and trade on the OTCQB Markets under the symbol "OFSTF".

The Company's registered address is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

All financial information in this document is presented in thousands of United States dollars ("**$**" or "**US$**") unless otherwise indicated. The Company has one operating segment related to carbon credit streaming and royalty agreements focused on projects located globally.

These consolidated financial statements (the "**Financial Statements**") of the Company for the year ended December 31, 2024, were approved and authorized for issue by the Board of Directors on March 31, 2025.

2. Statement of compliance and basis of presentation

Statement of compliance

These Financial Statements have been prepared in accordance with the IFRS® Accounting Standards as issued by the International Accounting Standards Board (the "**IFRS Accounting Standards**").

Basis of presentation

These Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

These Financial Statements include the financial position, financial performance and cash flows of the Company and its subsidiaries. Intercompany balances, transactions, income and expenses, profits and losses, including gains and losses relating to its subsidiaries have been eliminated on consolidation. The Company's subsidiaries as at December 31, 2024 are as follows:

Entity	Relationship	Geographic location	Economic interest	Basis of accounting
1253661 B.C. Ltd.	Subsidiary	Canada	100%	Consolidation
Blue Dot Carbon Corp.	Subsidiary	Canada	100%	Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

In May 2024, the Company's associate, Carbon Fund Advisors Inc. dissolved and the Company received proceeds from the dissolution. Please refer to Note 11 for further information.

In July 2024, the Company acquired a 100% interest in Blue Dot Carbon Corp. ("**Blue Dot**"), a subsidiary located in Canada. Please refer to Note 5 for further information.

3. Material accounting policy information

(a) Cash

Cash on the consolidated statements of financial position is comprised of cash at banks or held in trust, which are subject to insignificant risk of changes in value.

(b) Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. These Financial Statements are presented in United States dollars which is the parent Company's functional and presentation currency. The functional currency of the Company's subsidiary and associate is also the United States dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(c) Carbon credit inventory

The Company retains control over carbon credits that are purchased outside its carbon credit streaming agreements, treating them as inventory and initially recognizing them at their cost. Cost comprises all costs of purchase, including the purchase price, and other costs directly attributable to the purchase. Subsequent to initial recognition, carbon credits are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. In the current year, all inventory relates to carbon credits purchased directly by the Company outside of its carbon credit streaming agreements.

(d) Carbon credit streaming and royalty agreements

Carbon credit streaming and royalty agreements consist of both agreements for the purchase and sale of carbon credits (streaming agreements) and royalty agreements on the sale of carbon credits or biochar/other co-products. A carbon credit streaming agreement is a contractual agreement whereby the Company, as the stream purchaser, makes an upfront deposit (in the form of cash, shares or other consideration) to a project partner, in return for the right to purchase all or a portion of the future carbon credits (including the emission reductions/removals and associated co-benefits) generated by a project or an asset over the term of the agreement.

Carbon credit streaming agreements are agreements that are settled through the delivery of carbon credits to the Company, the sale of said carbon credits by the Company to a third-party customer, and the remittance of an ongoing delivery payment, which is calculated based on the aforementioned sale of carbon credits, back to the project partner. This sequence results in the carbon credit streaming agreements generating net cash settlements for the Company ("**settlements**"). Additionally, these contractual arrangements, in certain circumstances, could result in the Company receiving cash upon expiry or termination of the contracts.

Under the contractual terms of these arrangements, the upfront deposit amount (as a contractual mechanism) is reduced as the carbon credit streaming agreements generate settlements to the Company. If, at the end of the term of the agreement, a minimum cumulative value of settlements has not been realized, the Company is entitled to receive the uncredited amount of the upfront deposit.

Additionally, although the Company's business model for these agreements is to take delivery and legal title of the carbon credits and subsequently sell the carbon credits for purposes of generating a profit, a portion of the proceeds from the sale of the carbon credits must be remitted to the project partner through the ongoing delivery payment described above. Typically, the Company retains a minority of the proceeds from each sale. Moreover, the Company's carbon credit streaming agreements may include certain parameters relating to sales to third-party customers, and therefore the Company cannot unilaterally direct the use of the carbon credits received under the carbon credit streaming agreements. For these reasons, the Company does not control (in accordance with IFRS Accounting Standards) the carbon credits received under the carbon credit streaming agreements before those carbon credits are sold to the final third party customer, and the carbon credit streaming agreements are only realized through settlements. For the foregoing reasons, the carbon credit streaming agreements are accounted for as financial instruments. These agreements are initially and subsequently measured at fair value through profit or loss. At each reporting date, the fair value of each active streaming contract is determined using discounted cash flow models taking into consideration various observable and unobservable inputs, including the expected volumes and timing of the delivery and sale of carbon credits, assumptions around carbon credit pricing, an applicable risk-adjusted discount rate and other contractual terms of the agreement. Settlements generated through the delivery and sale of carbon credits under the streaming agreement (which are net of ongoing delivery payments) are recorded against the carrying value of the financial instrument.

Royalty agreements are settled in cash based on the sale of carbon credits or biochar by the project partner. As a result, royalty agreements are also accounted for as financial instruments. These agreements are initially and subsequently measured at fair value through profit or loss. At each reporting date, the fair value of each active royalty contract is calculated using discounted cash flow models taking into consideration various observable and unobservable inputs, including the expected volumes and timing of the sale of verified carbon credits or biochar, assumptions around carbon credit or biochar pricing, the royalty percentage, an applicable risk-adjusted discount rate, and other contractual terms of the agreement.

The Company's carbon credit streaming and royalty agreements are described further in Note 8.

(e) Preferred shares

Preferred shares held by the Company are initially and subsequently measured at fair value through profit or loss. At each reporting date, the fair value of the preferred shares is determined based on management's evaluation of both investee-specific and market-based factors. Factors that are considered include changes in the performance of the investee, changes in the market price for carbon credits, changes in interest rates, changes in the valuation of comparable publicly-traded entities, and evidence from other transactions in the investee's equity. Changes to these variables could result in an increase or decrease in the fair value of the preferred shares. The preferred shares held by the Company are described further in Note 9.

(f) Financial instruments

i) Recognition

The Company recognizes a financial asset or financial liability on the consolidated statements of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled, or expired. An impairment of a financial asset (or a portion thereof) constitutes a derecognition event. An impairment occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

ii) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss ("**FVTPL**") or through other comprehensive income ("**FVTOCI**"); and,
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivative liabilities); or
- FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at FVTOCI or amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

Financial instruments measured at amortized cost utilize the effective interest method of accounting. The 'effective interest rate' is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. Interest expense is reported in profit or loss.

The Company classifies its financial assets and liabilities under IFRS 9, *Financial Instruments* ("**IFRS 9**"), as follows:

Financial assets / liabilities	Classification
Cash	FVTPL
Other receivable	Amortized cost
Carbon credit streaming and royalty agreements	FVTPL
Preferred shares	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Warrant liabilities	FVTPL
Derivative liabilities	FVTPL

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(g) Earnings (loss) per share

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. When a loss is incurred during the period, basic and diluted losses per share are the same as the exercise of the stock options and warrants is considered to be anti-dilutive.

(h) Share capital and warrants

Share capital represents the value of the shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital.

From time to time, the Company may issue units consisting of common shares and share purchase warrants. The Company accounts for unit offering proceeds between common shares and share purchase warrants using the residual value method, wherein the fair value of the common shares is based on recent transactions or the quoted market price and the balance, if any, is allocated to the attached warrants.

(i) Share-based compensation

The Company follows the fair value method of accounting for the issuance of stock options, restricted share units ("**RSUs**"), performance share units ("**PSUs**"), phantom share units ("**Phantom Units**") and director share units (“**DSUs**”) granted to officers, employees, directors, and advisors.

The grant date fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Company’s common shares, and the expected life of the options. The number of stock option awards expected to vest is estimated using a forfeiture rate based on historical experience and future expectations.

The fair values of the RSUs, PSUs Phantom Units, and DSUs are determined by the quoted market price of the Company's common shares at date of grant. Share-based compensation is amortized to profit or loss over the vesting period of the related option, RSU, PSU, Phantom Unit or DSU.

At the discretion of the Board of Directors (or committee), RSUs and PSUs may be settled in equity, cash, or a combination of both. The entity has a past practice of settling its RSUs and PSUs in cash. Additionally, Phantom Units and DSUs are settled in cash. Therefore, the fair value of the RSUs, PSUs, Phantom Units, and DSUs are recognized as a share-based compensation expense with a corresponding increase in liabilities, over the vesting period.

The Company uses graded or accelerated amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

Option-pricing models require the use of subjective estimates and assumptions including the expected stock price volatility due to the short period of time the shares have traded on an active market relative to the life of the stock options. Changes in the underlying assumptions can materially affect the estimated fair value.

In situations where equity instruments are issued to non-employees and the fair value of some or all of the goods or services received by the Company as consideration cannot be estimated reliably, they are measured at the fair value of the share-based compensation. Otherwise, share-based compensation is measured at the fair value of goods or services received.

(j) Revenue recognition

The Company recognizes revenue from the sale of carbon credits purchased, which are carbon credits that are acquired separate and apart from the Company's carbon credit streaming agreements and are initially recognized as inventory. The Company sells carbon credits to customers whereby the Company transfers the carbon credits directly to the customer or retires the carbon credits on the customer's behalf. Revenue from the sale of carbon credits is recorded when the carbon credits have been retired or transferred and the Company's performance obligation has been satisfied. Refer to the material accounting policy information related to "Carbon credit streaming and royalty agreements" for further information.

(k) Finance income

Finance income includes interest earned on the Company's cash. Finance income is recognized on an accrual basis.

(l) Income taxes

Current income tax

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(m) Adoption of amendments to the IFRS Accounting Standards

For the year ended December 31, 2024, the Company has applied the following new amendments to the IFRS Accounting Standards that are mandatorily effective for reporting periods beginning on or after January 1, 2024:

- Amendments to IFRS 16, *Leases* change the requirement of sale and leaseback arrangement allowing the seller-lessee to recognize gain or loss relating to the partial or full termination of a lease. Management assessed no impact on these Financial Statements on account of this amendment as the Company currently does not have any sale and leaseback arrangements.

- Amendments to IAS 1, *Presentation of Financial Statements* ("**IAS 1**") clarify the classification of liabilities as current or non-current. The first amendment to IAS 1 clarifies that a liability can be classified as non-current if the Company has the right to defer settlement of the liability for at least twelve months after the reporting period. The right must have substance and exist at the end of the reporting period and the classification of the liability must be unaffected by the likelihood that the Company will exercise that right. The second amendment to IAS 1 clarifies that if the Company is required to comply with covenants on or before the end of the reporting period, these covenants will affect whether such a right exists at the end of the reporting period. Management assessed no impact on these Financial Statements on account of this amendment.

- Amendments to IAS 7, *Statement of Cash Flows* ("**IAS 7**") and IFRS 7, *Financial Instruments: Disclosures* ("**IFRS 7**") require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Management assessed no impact on these Financial Statements on account of this amendment.

In addition to the above, the Company has not applied the following amendments to the IFRS Accounting Standards that have been issued but are not yet effective:

- Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates* (effective January 1, 2025) provides guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Management is currently assessing the impact of this amendment.

- Issuance of IFRS 18, *Presentation and Disclosures in Financial Statements* ("**IFRS 18**") (effective January 1, 2027) that is intended to replace IAS 1 by carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements such as presentation of specified categories and defined subtotals in the statement of profit or loss, provision of disclosures on management-defined performance measures in the notes to the financial statements, and improved aggregation and disaggregation. The issuance of IFRS 18 also includes minor amendments to IAS 7 and IAS 33, *Earnings Per Share*. Management anticipates that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods.

- Amendments to IFRS 9 (effective for annual periods beginning on or after January 1, 2026) permits an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. The amendments also provide further guidance on the classification of financial assets by enhancing the description of the term 'non-recourse' and clarifying the characteristics of contractually linked instruments. Management is currently assessing the impact of this amendment.

- Amendments to IFRS 7 (effective for annual periods beginning on or after January 1, 2026) requires an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period. The amendments also require the disclosure of contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortized cost or fair value through other comprehensive income and each class of financial liability measured at amortized cost. Management is currently assessing the impact of this amendment.

4. Significant accounting estimates, judgments and assumptions

Significant accounting judgments and estimates

The preparation of these Financial Statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses historical experience and various other factors that it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The effects related to accounting estimates are recognized prospectively by including it in profit or loss in the periods of change, if the change affects that period only, or in the period of the change or future periods, if the change affects both.

The preparation of these Financial Statements in accordance with IFRS Accounting Standards requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments and estimates in applying accounting policies in these Financial Statements include:

Functional currency
The determination of an entity's functional currency requires judgment where the operations of the Company are changing, or currency indicators are mixed. Additionally, the timing of a change in functional currency is a judgment as the balance of currency indicators may change over time.

Accounting for and valuation of carbon credit streaming and royalty agreements
The Company holds carbon credit streaming and royalty agreements which are required to be remeasured at fair value at the end of each reporting period. Each carbon credit streaming or royalty agreement has its own unique terms and significant judgment is required to assess the appropriate accounting treatment. Significant estimates and assumptions in the fair value assessment are included in Note 8. Specifically, significant judgment has been applied in determining the fair value of the following streaming and royalty agreements:

(i) Valuation of the Rimba Raya Stream

Management has applied significant judgment in the determination of fair value of the Rimba Raya Stream. In the first quarter of 2024, the Company was informed that the local concession license holder at the Rimba Raya project had its Forest Utilization Business License (the "**Concession License**") revoked by the Indonesian Government's Ministry of Environment and Forestry (the "**MOEF**"). Additionally, the Company has initiated arbitration proceedings and court action against the project partner of the Rimba Raya project.

As a result, the Company has determined the fair value of the Rimba Raya Stream to be $nil as at December 31, 2024. The Company will re-evaluate the fair value of the Rimba Raya Stream in the event there is a resolution reached concerning the Rimba Raya project. Please refer to Note 8 for further information.

(ii) Valuation of the Sustainable Community Stream

Management has applied significant judgment in the determination of fair value of the Sustainable Community Stream. In the third quarter of 2024 the Company exercised its contractual rights to terminate the Sustainable Community Stream. As a result of this termination, the fair value of the Sustainable Community Stream was determined to be $nil as at December 31, 2024. Please refer to Note 8 for further information.

(iii) Valuation of the Magdalena Bay Blue Carbon Stream

Management has applied significant judgment in the determination of fair value of the Magdalena Bay Blue Carbon Stream. In the third quarter of 2024, Fundación MarVivo Mexico, A.C. and MarVivo Corporation (collectively, "**MarVivo**") delivered a notice of intent to abandon the project (the "**MarVivo Notice of Abandonment**"), with a proposed date of abandonment of October 21, 2024. Pursuant to the MarVivo Notice of Abandonment, MarVivo claims that the failure to transfer the concession rights from the Secretariat of Environment and Natural Resources ("**SEMARNAT**"), Mexico's environment ministry, to the jurisdiction of Mexico's National Commission for Protected Natural Areas ("**CONANP**"), constitutes an event of force majeure and that it is no longer economical to develop or continue to operate the project. As a result of the MarVivo Notice of Abandonment and the assertions of MarVivo, the Company has determined the fair value of the Magdalena Bay Blue Carbon Stream to be $nil as at December 31, 2024. Please refer to Note 8 for further information.

(iv) Valuation of the Sheep Creek Reforestation Stream, Feather River Reforestation Stream and preferred shares in Droneseed

Management has exercised significant judgment in assessing the fair value of the Sheep Creek Reforestation Stream, Feather River Reforestation Stream, and the preferred shares in Droneseed. In early 2025, the Company was informed that higher-than-expected seedling mortality rates and slower growth among surviving seedlings at the Sheep Creek Reforestation project had rendered the existing project plan not viable. As a result, the Company no longer anticipates generating cash flow from these assets and has determined their fair values to be $nil as of December 31, 2024. Please refer to Note 8 and Note 9 for further information.

(v) Valuation of the Bonobo Peace Forest Royalty

Management has exercised significant judgment in evaluating the fair value of the Bonobo Peace Forest Royalty. Given the ongoing delays and lack of secured financing, the Company considers the probability of project development—and consequently, the receipt of royalty payments—to be remote. As a result, the Company no longer expects to generate cash flows from the royalty and has determined its fair value to be $nil as of December 31, 2024. Please refer to Note 8 for further information.

Share-based compensation

The Company includes an estimate of share price volatility and share price on the date of issue in the calculation of the fair value for share-based compensation. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact profit and loss.

Warrant liabilities

The fair value of the warrant liabilities is measured using quoted prices or the Black-Scholes Option Pricing Model. For warrant liabilities that are valued using the Black-Scholes Option Pricing Model, assumptions and estimates are made in determining an appropriate share price volatility and share price on the date of issue. Any significant adjustments to the unobservable inputs would have a direct impact on the fair value of the warrant liabilities.

Acquisition of Blue Dot and fair value of assets and liabilities acquired

Management has applied significant judgment in the accounting for the acquisition of Blue Dot as an asset acquisition and in the determination of the fair value of the assets and liabilities acquired. The acquisition was accounted for as an asset acquisition, as Blue Dot did not meet the criteria for a business under IFRS 3, *Business Combination* ("**IFRS 3**") as the significant inputs and processes that constitute a business were not identified. As a result, the Common Shares issued by the Company as purchase consideration were valued based on the fair value of the assets acquired and liabilities assumed. Please refer to Note 5 and Note 9 for further information.

5. Acquisition of Blue Dot

On July 3, 2024, the Company completed its previously announced acquisition of Blue Dot, a private company with an equity investment in a carbon project developer and certain option rights to invest in future carbon projects of one of Blue Dot's partners. On closing, the Company issued to the shareholders of Blue Dot an aggregate of 4,559,333 Common Shares of the Company.

The acquisition was accounted for as an asset acquisition, as Blue Dot did not meet the criteria for a business under IFRS 3 as the significant inputs and processes that constitute a business were not identified. As a result, the Common Shares issued as consideration were valued at $503 based on the fair value of the assets acquired and liabilities assumed based on available information at the time of the acquisition.

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

	As at July 3, 2024
Assets	
Cash	$ 18
Preferred shares (Note 9)	625
Liabilities	
Accounts payable and accrued liabilities	140
Fair value of the assets acquired and liabilities assumed	**503**

6. Corporate restructuring

In 2023, the Company initiated an ongoing corporate restructuring plan, focused on cash flow optimization that resulted in personnel reductions and lower ongoing operating costs. For the year ended December 31, 2024, the Company recognized corporate restructuring charges of $2,561 (year ended December 31, 2023 – $1,748) primarily related to severance and other termination benefits and professional fees.

7. Carbon credit inventory

The Company holds carbon credit inventory which are carbon credits purchased and acquired separately and apart from its carbon credit streaming agreements. For the year ended December 31, 2024, the Company recognized $480 in cost of purchased carbon credits sold (year ended December 31, 2023 – $1,236). Carbon credit inventory does not include any carbon credits delivered under the Company's carbon credit streaming agreements.

The cost of purchased carbon credits sold recognized as an expense for the year ended December 31, 2023 includes $50 in respect of write-down of inventory to their net realizable value.

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

8. Carbon credit streaming and royalty agreements

The following table is a summary of the changes in carbon credit streaming and royalty agreements for the year ended December 31, 2024 and the year ended December 31, 2023:

	Balance December 31, 2023	Additions	Settlements	Fair value adjustments	Balance December 31, 2024
Rimba Raya Stream	33,728	-	-	(33,728)	-
Magdalena Bay Blue Carbon Stream	3,227	-	-	(3,227)	-
Cerrado Biome Stream	456	132	(50)	(475)	63
Waverly Biochar Stream	2,460	750	-	(1,602)	1,608
Sustainable Community Stream	2,972	-	-	(2,972)	-
Community Carbon Stream (i)	7,672	5,126	(1,071)	(8,041)	3,686
Nalgonda Rice Farming Stream	1,212	400	-	(666)	946
Enfield Biochar Stream	822	-	-	(548)	274
Sheep Creek Reforestation Stream	1,435	820	(3)	(2,252)	-
Feather River Reforestation Stream	280	370	(1)	(649)	-
Baccala Ranch Reforestation Stream (ii)	-	-	-	-	-
Azuero Reforestation Stream (iii)	-	1,066	-	(462)	604
Waverly Biochar Royalty	600	-	-	(208)	392
Bonobo Peace Forest Royalty	1,519	-	-	(1,519)	-
Amazon Portfolio Royalty	3,464	-	(425)	(1,645)	1,394
Enfield Biochar Royalty	275	-	-	(161)	114
Total	**60,122**	**8,663**	**(1,550)**	**(58,155)**	**9,081**

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

	Balance December 31, 2022	Additions	Settlements	Fair value adjustments	Balance December 31, 2023
Rimba Raya Stream	**61,263**	**-**	**-**	**(27,535)**	**33,728**
Magdalena Bay Blue Carbon Stream	**3,400**	**-**	**-**	**(173)**	**3,227**
Cerrado Biome Stream	**405**	**67**	**(42)**	**26**	**456**
Waverly Biochar Stream	**744**	**1,000**	**-**	**716**	**2,460**
Sustainable Community Stream	**4,388**	**-**	**-**	**(1,416)**	**2,972**
Community Carbon Stream (i)	**6,887**	**4,675**	**(13)**	**(3,877)**	**7,672**
Nalgonda Rice Farming Stream	**1,400**	**-**	**-**	**(188)**	**1,212**
Enfield Biochar Stream	**225**	**500**	**-**	**97**	**822**
Sheep Creek Reforestation Stream	**-**	**1,379**	**-**	**56**	**1,435**
Feather River Reforestation Stream	**-**	**280**	**-**	**-**	**280**
Waverly Biochar Royalty	**-**	**600**	**-**	**-**	**600**
Bonobo Peace Forest Royalty	**1,900**	**575**	**-**	**(956)**	**1,519**
Amazon Portfolio Royalty	**3,111**	**-**	**-**	**353**	**3,464**
Enfield Biochar Royalty	**275**	**-**	**-**	**-**	**275**
Total	**83,998**	**9,076**	**(55)**	**(32,897)**	**60,122**

Settlements

Settlements reflect the net cash proceeds generated from the Company's carbon credit streaming and royalty agreements. For the year ended December 31, 2024, the Company recognized $1,550 in settlements related to the Community Carbon Stream and the Amazon Portfolio Royalty (year ended December 31, 2023 – $55).

Fair value adjustments

As at December 31, 2024, management assessed the fair value of the carbon credit streaming and royalty agreements by considering changes in the respective inputs into the fair value model as described below.

The Company recognized a net loss on the revaluation of the carbon credit streaming and royalty agreements of $58,155 for the year ended December 31, 2024 (year ended December 31, 2023 – net loss of $32,897). The net loss on revaluation of carbon credit streaming and royalty agreements for the year ended December 31, 2024 was primarily related to the decrease in the fair value of each of the Rimba Raya Stream, the Magdalena Bay Blue Carbon Stream, the Sustainable Community Stream and the Sheep Creek Reforestation Stream to $nil (see below) and an increase to the risk-adjusted discount rate applied to the entire portfolio. Additionally, reductions to the carbon credit production and sales profile and a decrease in the carbon credit pricing assumptions further contributed to the net loss on revaluation of carbon credit streaming and royalty agreements.

<u>Rimba Raya Stream</u>

On April 26, 2024, the Company announced that it was informed that the local concession license holder at the Rimba Raya project had its Concession License revoked by the MOEF. The information regarding the revocation of the Concession License was first made publicly available in March 2024. With the Concession License revoked, the Company determined the fair value of the Rimba Raya Stream to be $nil as at March 31, 2024. Under the terms of the Rimba Raya Stream, the delivery of carbon credits requires the Concession License to be valid, in good standing and in compliance with Indonesian laws and regulations.

In July 2024, the State Administrative Court of Jakarta (the “**Court of Jakarta**”) reached a decision on PT Rimba’s claim and declared that the revocation by the MOEF of the Concession License is void. The MOEF appealed the decision of the Court of Jakarta and in September 2024, the State Administrative High Court of Jakarta (the “**High Court of Jakarta**”) upheld the Court of Jakarta’s decision declaring that the revocation by the MOEF of the Concession License is void. The MOEF submitted an appeal of the decision of the High Court of Jakarta and as such, the decision of the High Court of Jakarta upholding that the revocation by the MOEF of the Concession is void does not yet have permanent legal force. While the appeal process is underway, the interlocutory decision issued by the Court of Jakarta on May 16, 2024, requiring the MOEF to suspend the implementation of its decree in respect of the revocation of the Concession License, will remain in place.

In October 2024, InfiniteEARTH Limited and its Indonesian subsidiary PT InfiniteEARTH Nusantara, the project operators of the Rimba Raya project (collectively “**InfiniteEARTH**”) delivered a notice of intent to abandon the project (the “**RR Notice of Abandonment**”). Pursuant to the RR Notice of Abandonment, InfiniteEARTH claims that a Regulation entitled *Regulation of the Ministry of Environment and Forestry Number 7 Year of 2023* issued on June 14, 2023 by the Indonesian Government (“**Regulation No. 7 2023**”), prohibits the issuance and transfer of carbon rights from PT Rimba to InfiniteEARTH. InfiniteEARTH claims that as a result of Regulation No. 7 2023, it has been unable to economically develop or continue to operate the Rimba Raya project and that this is a force majeure event under the Rimba Raya Stream. The Company has notified InfiniteEARTH that it rejects the assertion that Regulation No. 7 2023 is an event of force majeure and has commenced an arbitration seeking, among other things, an order that the RR Notice of Abandonment is invalid or void.

In October 2024, the Company commenced an arbitration administered by the International Centre of Dispute Resolution against InfiniteEARTH in accordance with the Rimba Raya Stream; and against the shareholders of InfiniteEARTH Limited in accordance with the Strategic Alliance Agreement (the "**SAA**"). The arbitration has since been bifurcated into two arbitration proceedings, dealing with (i) the Rimba Raya Stream; and (ii) the SAA.

In October 2024, the Company issued a Notice of Action in the Ontario Superior Court of Justice seeking declaratory relief against the principals of InfiniteEARTH Limited and their related entities, seeking to enforce its rights in relation to guarantees and non-competition agreements related to the Rimba Raya Stream and the SAA. Some of the defendants have counterclaimed. The dispute between the Company and InfiniteEARTH arises out of acts and omissions that the Company alleges are improper and in breach of the Rimba Raya Stream, the SAA and related agreements. Delivering the Notice of Arbitration and issuing the Notice of Action in the Ontario Superior Court of Justice are important steps in preserving the Company's legal and contractual rights.

As a result, the fair value of the Rimba Raya Stream was $nil as at December 31, 2024. The Company will re-evaluate the fair value of the Rimba Raya Stream in the event there is a change in the aforementioned facts and circumstances.

Sustainable Community Stream
In the third quarter of 2024, the Company exercised its contractual rights to terminate the Sustainable Community Stream as a result of, among other things, the failure of Will Solutions Inc. ("**Will Solutions**") to meet its milestone related to the registration of its Ontario project and its failure to develop and implement the project in accordance with the project plan (including continued delays in project development activities and lower-than-expected project enrollments). As a result of the Sustainable Community Stream being terminated, the fair value of the Sustainable Community Stream was $nil as at December 31, 2024. The Company intends to strictly enforce its legal and contractual rights under the Sustainable Community Stream.

Magdalena Bay Blue Carbon Stream
In the third quarter of 2024, MarVivo delivered the MarVivo Notice of Abandonment. Pursuant to the MarVivo Notice of Abandonment, MarVivo claims that the failure to transfer the concession rights from the SEMARNAT, Mexico's environment ministry, to the jurisdiction of CONANP, constitutes an event of force majeure and that it is no longer economical to develop or continue to operate the project. The Company's position is that the attempt to abandon the project constitutes a breach of the terms of the Magdalena Bay Blue Carbon Stream. The Company has notified MarVivo that it rejects the assertion that the failure to transfer the concession rights constitutes an event of force majeure, and that if MarVivo abandons the project or takes steps to wind-down, this will amount to a breach of the terms of the Magdalena Bay Blue Carbon Stream. As a result of the MarVivo Notice of Abandonment and the assertions of MarVivo, the fair value of the Magdalena Bay Blue Carbon Stream was $nil as at December 31, 2024. The Company reserves all rights with respect to the agreements between the parties and intends to strictly enforce its legal and contractual rights under the Magdalena Bay Blue Carbon Stream.

Sheep Creek Reforestation Stream and Feather River Reforestation Stream
In early 2025, the Company was informed that the fourth-quarter monitoring report for the Sheep Creek Reforestation project revealed higher-than-expected seedling mortality rates and slower growth among surviving seedlings, rendering the existing project plan not viable. The higher mortality rates and slower seedlings growth were the result of conditions that existed as of December 31, 2024 (such as soil erosion, drought, and other performance issues) and were identified when the monitoring report was completed. As a result, the Company no longer anticipates generating cash flow from these assets and has determined their fair values to be $nil as of December 31, 2024.

Bonobo Peace Forest Royalty

Throughout 2024, the underlying project experienced continued delays, with no substantive progress reported. Additionally, the project has yet to secure a financing partner, further diminishing the likelihood of its advancement. Without adequate funding, the project remains stalled, and its ability to generate future carbon credits or other revenue streams is highly uncertain. Given these factors, the Company considers the probability of the project's development—and, by extension, the likelihood of receiving royalty payments—to be remote. As a result, the Company no longer expects to generate cash flows from the royalty and has determined its fair value to be $nil as of December 31, 2024.

For the year ended December 31, 2024, the Company has applied a higher risk-adjusted discount rate to the entire portfolio due to several factors affecting the carbon credit industry. These factors include increased market volatility, growing concerns about over-crediting and project integrity, regulatory uncertainties, shifting investor sentiment and the overall decline in demand for carbon credits. Additionally, the Company has increased the project-specific risk premiums for various streams and royalties in the portfolio, reflecting the slower-than-anticipated progress of key projects and the liquidity challenges faced by project developers.

For the year ended December 31, 2024, the Company decreased the carbon credit pricing assumptions and decreased the carbon credit production and sales profile at the Community Carbon Stream, resulting in a loss on revaluation. The decrease in the carbon credit production and sales profile at the Community Carbon Stream was primarily as a result of a lower expected cookstove unit deployments over the term of the project.

The fair value of carbon credit streaming and royalty agreements is estimated using discounted cash flow models taking into consideration the following observable and non-observable inputs:

- Management's estimates of expected volumes and timing of the delivery and sale of carbon credits ("**carbon credit production and sales profiles**");
- Changes to carbon credit pricing assumptions, taking into consideration historical realized prices and overall market volatility of voluntary carbon credit pricing ("**carbon credit pricing assumptions**");
- Changes to the contractual terms of the underlying stream and royalty agreements;
- Changes in the risk-free interest rate;
- Changes to the inflation assumption applied to the nominal cash flows;
- Changes in project-specific risk factors, taking into consideration, among other things, legal, regulatory, political, and methodology risks; and
- Accretion due to the passage of time.

The following significant level 3 unobservable inputs were used to measure the Company's carbon credit streaming and royalty agreements using the discounted cash flow models. Note that the carbon credit production and sales estimated values provided in the table below are per individual project on a 100% project basis and not aggregated.

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

Description of unobservable inputs	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2024**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2023**
Carbon credit production and sales profiles	**Agriculture, forestry and other land-use projects:** 0.002 million to 0.160 million carbon credits produced and sold per year, over 24-year terms, with an average of 0.038 million carbon credits per year.	**Agriculture, forestry and other land-use projects:** 0.034 million to 6.580 million carbon credits produced and sold per year, over 29-year to 51-year terms, with an average of 1.633 million carbon credits per year.
	Other nature-based projects: 0.026 to 0.441 million carbon credits produced and sold per year, over 9-year to 26-year terms, with an average of 0.161 million carbon credits per year.	**Other nature-based projects**: 0.011 million to 0.391 million carbon credits produced and sold per year, over 2-year to 7-year terms, with an average of 0.270 million carbon credits per year.
	Biochar projects: 0.001 million to 0.011 million carbon credits produced and sold per year, over 25-year to 30-year terms, with an average of 0.006 million carbon credits per year.	**Biochar projects**: 0.001 million to 0.011 million carbon credits produced and sold per year, over 25-year to 30-year terms, with an average of 0.006 million carbon credits per year.
	Other projects: 0.002 million to 1.539 million carbon credits produced and sold per year, over 11-year terms, with an average of 1.334 million carbon credits per year.	**Other projects**: 0.777 million to 7.324 million carbon credits produced and sold per year, over 13-year to 14-year terms, with an average of 2.208 million carbon credits per year.

The relationship of the unobservable input to fair value is that as the carbon credit production and sales profiles increase, the fair value increases.

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

Description of unobservable inputs	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2024**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2023**
Carbon credit pricing assumptions	**Agriculture, forestry and other land-use projects:** $5.00 per carbon credit produced and sold.	**Agriculture, forestry and other land-use projects:** $7.00 to $13.50 per carbon credit produced and sold.
	Other nature-based projects: $8.00 to $75.00 per carbon credit produced and sold.	**Other nature-based projects**: $8.00 to $30.00 per carbon credit produced and sold.
	Biochar projects: $110.00 per carbon credit produced and sold.	**Biochar projects**: $110.00 per carbon credit produced and sold.
	Other projects: $2.00 to $3.50 per carbon credit produced and sold.	**Other projects**: $5.50 to $7.00 per carbon credit produced and sold.

The relationship of the unobservable input to fair value is that as the carbon credit pricing assumptions increase, the fair value also increases.

Description of unobservable inputs	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2024**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2023**
Risk-adjusted discount rate	**Agriculture, forestry and other land-use projects:** 25.6% to 26.3%, with an average discount rate of 25.9%.	**Agriculture, forestry and other land-use projects:** 10.6% to 60.9%, with an average discount rate of 23.7%.
	Other nature-based projects: 18.1% to 27.2%, with an average discount rate of 22.6%.	**Other nature-based projects**: 12.3% to 20.6%, with an average discount rate of 15.1%.
	Biochar projects: 26.0% to 28.0%, with an average discount rate of 27.0%.	**Biochar projects**: 13.0% to 17.0%, with an average discount rate of 15.0%.
	Other projects: 29.8%	**Other projects**: 11.9% to 24.9%, with an average discount rate of 18.4%.

The relationship of the unobservable input to fair value is that as the risk-adjusted discount rate increases, the fair value decreases.

For the year ended December 31, 2024, the impact of a reasonable 10% increase and 10% decrease in the estimated carbon credit production and sales profiles, with all other variables held constant, would result in an increase and decrease in the fair value of the carbon credit streaming and royalty agreements of $608 and $612, respectively (year ended December 31, 2023 – $5,766 and $5,746, respectively).

For the year ended December 31, 2024, the impact of a reasonable 10% increase and 10% decrease in the estimated carbon credit pricing assumptions, with all other variables held constant, would result in an increase and decrease in the fair value of the carbon credit streaming and royalty agreements of $556 and $559, respectively (year ended December 31, 2023 – $5,754 and $5,533, respectively).

For the year ended December 31, 2024, the impact of a reasonable 10% increase and 10% decrease in the risk-adjusted discount rate (as a percentage increase or decrease applied to the risk-adjusted discount rate), with all other variables held constant, would result in a decrease and increase in the fair value of the carbon credit streaming and royalty agreements of $845 and $1,004, respectively (year ended December 31, 2023 – $6,324 and $7,914, respectively).

The following is a summary of changes to the Company's carbon credit streaming and royalty agreements for the year ended December 31, 2024.

(i) On May 8, 2024, the Company amended the terms of the Community Carbon Stream resulting in, among other things, adjusting the portfolio composition to remove the Zambia and Mozambique water purification projects, leaving three cookstove and two water purification projects in the portfolio; adjusting the milestone payments to redirect the balance of the installments towards the remaining five projects; and revising the Company's economic interest to provide for a tiered streaming structure which is adjusted as certain return on invested capital thresholds are achieved. Pursuant to this amendment, the term of the stream will end on December 31, 2040, unless the project is able to deploy cookstoves and water purification devices ahead of the projected schedule. This amendment did not have a material impact on the fair value of the Community Carbon Stream.

(ii) On February 9, 2024, the Company entered into a carbon credit streaming agreement with Mast Reforestation SPV I, LLC ("**Mast**") for a post-wildfire reforestation project in Tehama and Plumas Counties, California, USA (the "**Baccala Ranch Reforestation Stream**"). Under the terms of the Baccala Ranch Reforestation Stream, Mast will deliver 100% of the Forecast Mitigation Units ("**FMUs**") (referred to herein as carbon credits) created by the project to the Company, which are expected to be issued in 2026. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to Mast for each carbon credit that is sold by the Company. As of December 31, 2024, no payments have been made under the Baccala Ranch Reforestation Stream, and the Company does not expect the project to advance.

(iii) On May 21, 2024, the Company in collaboration with Microsoft Corporation ("**Microsoft**") and Rubicon Carbon Capital LLC ("**Rubicon**") entered into a carbon credit streaming agreement (the

"**Azuero Reforestation Stream**") with Azuero Reforestación Colectiva, S.A. ("**ARC**"), a wholly owned subsidiary of leading project developer Ponterra Ltd. ("**Ponterra**"), for the ARC Restauro Azura project located in Panama. Under the terms of the Azuero Reforestation Stream, ARC will deliver 13.5% of the carbon credits created by the project to the Company. Additionally, Microsoft has entered into an offtake agreement to purchase 100% of the Company's carbon credits delivered under the terms of the Azuero Reforestation Stream through to 2040.

9. Preferred Shares

In May 2023, the Company invested $2,000 into the parent company of Mast, Droneseed Co. d/b/a Mast Reforestation ("**Droneseed**") through a convertible note (the "**Convertible Note**"). In October 2023, the Convertible Note converted into preferred shares of Droneseed upon the execution of a qualifying financing event, resulting in 1.3 million preferred shares of Droneseed being issued to the Company.

Holders of preferred shares of Droneseed vote as a single class together with other equity holders of Droneseed. In the event of any voluntary or involuntary liquidation, dissolution or winding up of Droneseed or a deemed liquidation event, the holders of preferred shares of Droneseed then outstanding, together with all other equity holders shall be entitled to be paid out of the assets of Droneseed available for distribution.

For the year ended December 31, 2024, management evaluated both investee-specific and market-based factors to determine whether a significant change in the fair value of the preferred shares of Droneseed has occurred. The challenges experienced by the Sheep Creek Reforestation Stream, as described above, has materially impacted the viability of Droneseed's business model. As a result, the Company has determined that the fair value of its preferred shares of Droneseed is $nil as of December 31, 2024.

In July 2024, the Company acquired 0.2 million preferred shares in Imperative Global Group Inc. ("**Imperative**") through the acquisition of Blue Dot described in Note 5. Holders of preferred shares in Imperative vote as a single class together with other equity holders of Imperative. In the event of any voluntary or involuntary liquidation, dissolution or winding up of Imperative or a deemed liquidation event, the holders of preferred shares of Imperative then outstanding shall be entitled to be paid out of the assets of Imperative available for distribution prior to the other equity holders.

As there are no observable quoted prices for the preferred shares of Imperative (the "**Preferred Shares**"), management evaluated both investee-specific and market-based factors to determine whether a significant change in the fair value of the Preferred Shares may have occurred. Factors that were considered include changes in the performance of the investee, changes in the market price for carbon credits, changes in interest rates, changes in the valuation of comparable publicly-traded entities, and evidence from other transactions in the investee's equity. Changes to these variables could result in an increase or decrease in the fair value of the Preferred Shares. There was no change to the fair value of the preferred shares in Imperative as at December 31, 2024.

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

10. Early deposit interest receivable

On July 12, 2022, the Company executed a term sheet with Citadelle Maple Syrup Producers' Cooperative ("**Citadelle**") pursuant to which the Company provided $307 of upfront funding for a grouped sugar maple afforestation, reforestation, revegetation and ecosystem restoration project in Quebec, Canada. The initial funding from the Company enabled Citadelle to achieve initial planting in the Fall 2022 and was intended to support additional plantings. In the third quarter of 2023, the Company decided not to move forward with Citadelle's project. As a result of sustained uncertainty regarding the timing and collectability of the early deposit interest receivable, the Company has recognized an impairment loss on the entire carrying amount of $307 for the year ended December 31, 2024. The Company intends to pursue all available options to enforce its rights and recover the upfront funding provided.

11. Investment in associate

Until the second quarter of 2024, the Company held a 50% equity interest in Carbon Fund Advisors Inc. ("**Carbon Fund Advisors**"). Carbon Fund Advisors was the fund sponsor of the Carbon Strategy ETF (formerly listed on the NYSE: KARB) and the investment supported Carbon Fund Advisors' launch and ongoing management of the Carbon Strategy ETF, an exchange traded fund that aimed to provide investors exposure to the growing compliance carbon markets.

In the fourth quarter of 2023, due to continued operating losses and deteriorating outlook pertaining to future sources of income, Carbon Fund Advisors initiated activities for dissolution. In May 2024, Carbon Fund Advisors was dissolved, and the Company received $256 in proceeds from the dissolution. As a result, the Company recognized a gain on dissolution of $104 for the year ended December 31, 2024.

The following table reflects the Company's investment and gain on dissolution of investment in Carbon Fund Advisors:

Balance – December 31, 2022	**$**	**1,597**
Additions		-
Loss from investment in associate		(376)
Impairment loss		(1,044)
Balance – December 31, 2023	$	**177**
Loss from investment in associate		(25)
Balance – March 31, 2024	$	152
Proceeds from dissolution		(256)
Gain on dissolution of investment in associate	$	**104**

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

12. Warrant liabilities

The following table summarizes the changes in the warrant liabilities for the Company's C$ denominated warrants for the year ended December 31, 2024 and the year ended December 31, 2023:

	Number of warrants		Amount
Balance, December 31, 2022	**12,309,539**	**$**	**7,359**
Revaluation of warrant liabilities	-		(6,529)
Balance, December 31, 2023	**12,309,539**	**$**	**830**
Revaluation of warrant liabilities	-		(642)
Balance, December 31, 2024	**12,309,539**	**$**	**188**

The March 2026 Warrants are C$ denominated and listed on Cboe Canada. For these warrants, the fair value has been determined by reference to the quoted closing price at the date of the statement of financial position. The fair value of the Company's remaining C$ denominated unlisted warrants has been determined using the Black-Scholes Option Pricing Model and the following weighted average assumptions:

		As at December 31, 2024		As at December 31, 2023
Spot price (in C$)	**$**	**0.50**	$	0.90
Risk-free interest rate		**2.92 %**		3.91 %
Expected annual volatility		**89 %**		76 %
Expected life (years)		**1.11**		2.12
Dividend		**nil**		nil

The following table reflects the Company's C$ denominated warrants outstanding and exercisable as at December 31, 2023 and December 31, 2024:

Expiry date	Warrants outstanding and exercisable	Weighted average exercise price (C$)	Fair value methodology
April 22, 2025	312,000	0.625	Black-Scholes Option Pricing Model
December 16, 2025	128,000	0.625	Black-Scholes Option Pricing Model
December 22, 2025	648,000	0.625	Black-Scholes Option Pricing Model
January 27, 2026	2,615,500	3.75	Black-Scholes Option Pricing Model
March 2, 2026	8,606,039	7.50	Quoted price
	12,309,539	**6.10**	

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

13. Share capital

Authorized share capital

The Company has an unlimited number of voting Common Shares without par value and unlimited number of preferred shares without par value authorized.

Issued share capital

As at December 31, 2024, there were 52,704,753 issued and fully paid Common Shares (December 31, 2023 – 47,421,219).

During the year ended December 31, 2024, the Company issued 4,559,333 Common Shares to the shareholders of Blue Dot as consideration for the acquisition of Blue Dot. The common shares were valued at the fair value of the assets acquired and liabilities assumed of $503. Please refer to Note 5 for further information.

During the year ended December 31, 2024, the Company also issued 724,201 Common Shares for the settlement of RSUs.

During the year ended December 31, 2023, the Company issued 469,187 Common Shares for the settlement of RSUs.

14. Warrants

For the years ended December 31, 2024 and December 31, 2023, there was no activity with respect to the issued warrants of the Company. As at December 31, 2024 and December 31, 2023, the total number of outstanding warrants issued by the Company was 33,230,789.

The weighted average exercise price of the C$ and US$ denominated warrants was C$6.10 and US$7.50, respectively. The following table reflects all of the Company's warrants outstanding and exercisable as at December 31, 2024:

.

	Warrants outstanding and exercisable	Exercise price
April 22, 2025	312,000	C$ 0.625
December 16, 2025	128,000	C$ 0.625
December 22, 2025	648,000	C$ 0.625
January 27, 2026	2,615,500	C$ 3.75
March 2, 2026 (March 2026 Warrants)	8,606,039	C$ 7.50
September 19, 2026 (September 2026 Warrants)	20,921,250	US$ 7.50
	33,230,789	

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

15. Stock options and share unit liabilities

The Company has a long-term incentive plan ("**LTIP**") which was last approved by the shareholders on July 24, 2024, at the annual and special general meeting of shareholders. The Company adopted the LTIP as a means to provide incentives to eligible directors, officers, employees and advisors. The LTIP facilitates the grant of stock options, RSUs, and PSUs, representing the right to receive one Common Share of the Company (and in the case of RSUs or PSUs, one Common Share of the Company, the cash equivalent of one Common Share of the Company, or a combination thereof) in accordance with the terms of the LTIP.

Additionally, the Company adopted a phantom share unit plan and a deferred share unit plan to provide additional incentives to eligible directors. The Company's phantom share unit plan facilitates the grant of Phantom Units to directors representing the right to receive the cash equivalent of one Common Share of the Company. The Company's deferred share unit plan facilitates the grant of DSUs to directors representing the right to receive the cash equivalent of one Common Share of the Company upon departure from the Company's Board of Directors. The DSUs are recorded as a current financial liability in the statements of financial position of the Company.

Stock options

The following table reflects the continuity of stock options for the year ended December 31, 2024 and the year ended December 31, 2023:

	Number of stock options	**Weighted average exercise price (C$)**
Balance, December 31, 2022	**1,506,000**	**9.63**
Forfeitures	(61,752)	13.41
Expiries	(253,248)	8.49
Balance, December 31, 2023	**1,191,000**	**9.64**

	Number of stock options	**Weighted average exercise price (C$)**
Balance, December 31, 2023	**1,191,000**	**9.64**
Grants	650,000	0.92
Forfeitures	(346,000)	2.72
Expiries	(338,667)	8.18
Balance, December 31, 2024	**1,156,333**	**7.24**

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

For the year ended December 31, 2024, the Company recorded share-based compensation expense for these stock options of $404 (year ended December 31, 2023 – $1,119).

The following table reflects the Company's stock options outstanding and exercisable as at December 31, 2024:

Options outstanding	Options exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)	Expiry Date
310,000	310,000	3.75	0.33	March 31, 2026
10,000	10,000	5.00	0.01	June 7, 2026
10,000	10,000	11.05	0.02	October 1, 2026
466,333	466,333	14.13	0.77	December 1, 2026
10,000	10,000	15.43	0.02	January 10, 2027
350,000	-	0.87	1.37	July 11, 2029
1,156,333	**806,333**	**7.24**	**2.52**	

RSUs, PSUs, Phantom Units, and DSUs

The following table reflects the continuity of RSUs, PSUs, Phantom Units, and DSUs for the year ended December 31, 2024 and the year ended December 31, 2023:

	Number of RSUs	Number of PSUs	Number of Phantom Units	Number of DSUs
Balance, December 31, 2022	1,896,671	500,000	523,000	-
Granted	15,000	-	-	-
Forfeitures	(283,628)	(185,486)	-	-
Converted into Common Shares and cash	(507,704)	-	-	-
Balance, December 31, 2023	1,120,339	314,514	523,000	-

	Number of RSUs	Number of PSUs	Number of Phantom Units	Number of DSUs
Balance, December 31, 2023	**1,120,339**	**314,514**	**523,000**	**-**
Granted	915,000	-	-	870,000
Forfeitures	(85,909)	(33,795)	-	-
Converted into Common Shares and cash	(918,336)	-	(386,328)	(270,000)
Balance, December 31, 2024	**1,031,093**	**280,719**	**136,672**	**600,000**

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

During the year ended December 31, 2024, the Company granted 915,000 RSUs and 870,000 DSUs (year ended December 31, 2023 – 15,000 RSUs) to officers, directors, employees and advisors. During the year ended December 31, 2024, forfeitures in the period were due to corporate restructuring (Note 6).

As at December 31, 2024, the fair value of RSUs, PSUs, Phantom Units, and DSUs is $509, of which the Company considers $442 to be the current portion of the liabilities, with the remaining $67 considered non-current.

For these RSUs, PSUs, Phantom Units, and DSUs, the Company recorded a share-based compensation expense of $435 for the year ended December 31, 2024 (year ended December 31, 2023 – share-based compensation expense of $445).

16. Key Management Personnel

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors. The Company has no other related party transactions.

Remuneration of key management personnel of the Company was as follows:

	Year ended December 31, 2024	**Year ended December 31, 2023**
Salaries and fees [1]	**$ 1,536**	$ 2,309
Consulting fees[2]	**55**	60
Share-based compensation	**872**	1,222
Restructuring[3]	**1,333**	1,505
Total	**$ 3,796**	$ 5,096

(1) Salaries and fees paid to the executive officers and directors for their services.
(2) Consulting fees relate to amounts paid to a director of the Company for consulting services.
(3) Restructuring relates to severance and other termination benefits. Please refer to Note 6.

17. Derivative liabilities

On December 7, 2022, Osisko Gold Royalties Ltd ("**Osisko**") exercised its Stream Participation Right, as defined herein, and entered into a royalty agreement with the Company to participate in the Magdalena Bay Blue Carbon Stream Participation Royalty. Under the Magdalena Bay Blue Carbon Stream Participation Royalty, Osisko paid $600 of the upfront deposit, and is obligated to fund a portion of the remaining upfront deposit of the Original Magdalena Bay Blue Carbon Stream as such amounts are due.

For the year ended December 31, 2024, the Company recognized a gain of $680 pursuant to the decrease in fair value of the Magdalena Bay Blue Carbon Stream Participation Royalty due to the MarVivo Notice of Abandonment as described in Note 8. This resulted in its fair value being $nil as at December 31, 2024 (December 31, 2023 - $680).

18. Financial instrument fair value and risk factors

Fair value

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. For the year ended December 31, 2024, the preferred shares in Droneseed were reclassified from Level 2 to Level 3 of the fair value hierarchy. This reclassification was driven by the increased passage of time between the reporting date and the initial transaction date, thus requiring a more comprehensive valuation approach, reflecting evolving market conditions and the availability of observable inputs. For the year ended December 31, 2023, no transfers took place.

The Company's financial instruments include cash, other receivables, carbon credit streaming and royalty agreements, Preferred Shares, accounts payable and accrued liabilities, warrant liabilities and derivative liabilities. The carrying value of cash, other receivables, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. Cash is measured at fair value based on Level 1 of the fair value hierarchy. Certain C$ denominated warrant liabilities with a quoted trading price are valued based on Level 1 of the fair value hierarchy. Certain C$ denominated warrant liabilities (Level 2) where no quoted prices exist have been valued using a Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, the spot market price of the Common Shares, volatility of the expected market price of the Common Shares and the expected life of the warrants (see Note 12). The Preferred Shares (Level 3) are valued by taking into consideration various observable and unobservable inputs, including changes in the performance of the investee, changes in the market price for carbon credits, changes in interest rates, changes in the valuation of comparable public-traded entities and evidence from other transactions in the investees' equity. Carbon credit streaming and royalty agreements and the derivative liabilities (Level 3) are valued by taking into consideration various observable and unobservable inputs, including the carbon credit production and sales profiles, the carbon credit pricing assumptions, an applicable risk-adjusted discount rate and other contractual terms of the agreements (see Note 8).

Risk Factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Carbon Market Risk

Carbon market risk is the risk that the fair value of a financial instrument will fluctuate from changes in market forces including, but not limited to, interest rates, voluntary carbon credit prices, and timing and number of anticipated carbon credit deliveries and sales.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's cash balance is held in credit-worthy financial institutions. Credit risk has been assessed as low.

Currency Risk

Foreign currency risk is the risk that the fair value of financial instruments will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs certain expenditures that are denominated in Canadian dollars while its functional and presentation currency is the United States dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. As at December 31, 2024, the Company held cash of C$2.8 million in Canadian dollars and had accounts payable and other monetary liabilities of C$2.1 million in Canadian dollars.

Assuming all other variables remain constant, a 5% weakening or strengthening of the US dollar against the Canadian dollar would result in a change of approximately $22 to profit or loss.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on the cash held in its bank accounts. The income earned on the bank account is subject to the movements in interest rates. The Company has no-interest bearing debt. Therefore, interest rate risk has been assessed as nominal.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash balances. Under current market conditions and available cash on hand, liquidity risk has been assessed as low.

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

19. Commitments

In connection with the acquisition of carbon credit streaming and royalty agreements, the Company pays an upfront deposit to the project partner for the stream or investment. In certain instances, the payment of the upfront deposit is paid in installments, subject to certain milestones and conditions being met. While the timing of such payments is event-driven, the Company has made assumptions on the timing and likelihood of such payments, based on the information currently available. As at December 31, 2024, such conditions had not been met.

As at December 31, 2024, the Company had the following commitments relating to its carbon credit streaming and royalty agreements:

Less than 1 year	$ 5,754
1 to 3 years	2,768
Over 3 years	1,986
Total	**$ 10,508**

Under its carbon credit streaming agreements, the Company pays an upfront deposit to its project partner as specified negotiated milestones are reached by the project and/or achieved by the project partners. The Company regularly assesses the likelihood of its project partners meeting various milestones and adjusts its estimates for commitments accordingly. Commitments are disclosed in the table above unless the possibility of them occurring is assessed to be remote.

Under its carbon credit streaming agreements, the Company is typically required to make an ongoing delivery payment to the project partner for each carbon credit that is delivered to the Company and sold under the stream. The timing and amount of such payments are dependent on the timing of delivery and sale of carbon credits, the net realized price obtained on the sale of the carbon credits and the terms of the applicable carbon credit streaming agreement.

From time to time, the Company may enter into sales contracts with customers for the future sale of carbon credits. Under these agreements, payment and delivery of the credits may occur at a future date, once credits are delivered to the Company.

Osisko and the Company are currently parties to an investor rights agreement dated February 18, 2021 which governs various aspects of the relationship between Osisko and the Company (the "**Investor Rights Agreement**"). Under the Investor Rights Agreement, Osisko has the exclusive right to participate in, and acquire up to 20% of, any stream, forward sale, prepay, royalty, off-take or similar transaction between the Company, as purchaser and/or creditor, and one or more third-party counterparties (the "**Stream Participation Right**").

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

20. Income taxes

The income tax expense differs from the amount resulting from the application of the combined Canadian statutory income tax rate as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Loss before taxes	$ (67,369)	$ (35,501)
Statutory tax rate	27.00 %	27.00 %
Expected income tax expense (recovery) based on statutory rate	(18,190)	(9,585)
Adjustment to expected income tax (recovery) expense:		
Change in unrecognized deferred income tax assets and others	1,866	2,010
Loss on revaluation of carbon credit streaming and royalty agreements	15,702	8,882
Gain on dissolution of associate	(28)	-
Loss from investment in associate	7	102
Impairment loss on investment in associate	-	282
Gain on revaluation of Convertible Note	-	(151)
Loss on revaluation of preferred shares	691	-
Impairment loss on early deposit interest receivable	83	-
Non-taxable loss on derivative liabilities	(184)	(185)
Non-taxable gain on warrant liability	(173)	(1,763)
Share-based compensation	227	409
Total income tax (recovery) expense	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	As at December 31, 2024	As at December 31, 2023
Carbon credit streaming and royalty arrangements	$ 21,112	$ 7,318
Non-capital losses	8,433	6,986
Exploration and evaluation assets	235	256
Investment in associate	-	425
Preferred shares	371	539
Share issuance costs	46	91
Unrealized loss on foreign exchange	(83)	(31)
	30,114	15,584
Unrecognized deferred income tax assets	(30,114)	(15,584)
Deferred tax assets (liabilities)	$ -	$ -

(Amounts expressed in thousands of United States dollars, unless otherwise indicated)

The Company's significant temporary differences, unused tax credits, and unused tax losses that have not been recognized as deferred income tax assets as at December 31, 2024, are as follows:

	Exploration and evaluation assets	Non-capital losses
Expiry 2026 to 2044	**$ -**	**$ 31,232**
No expiry	**$ 870**	**$ -**

Tax attributes are subject to review and potential adjustments by tax authorities.

21. Supplemental cash flow information

	Year ended December 31, 2024	Year ended December 31, 2023
Other non-cash adjustments		
Foreign exchange loss/(gain)	**$ 310**	$ (115)
Amortization of right-of-use asset	**-**	97
Accretion (net of interest income on sub-lease)	**1**	43
Loss on de-recognition of right-of-use assets and lease liability adjustments	**-**	(70)
Share-based compensation	**616**	1,575
Gain on dissolution of investment in associate	**(104)**	-
Loss from investment in associate	**25**	376
Other adjustments	**3**	-
Total other non-cash adjustments	**$ 851**	$ 1,906
Change in non-cash operating working capital items		
Prepaid	**$ 223**	$ (247)
Other receivables	**67**	(570)
Carbon credit inventory	**191**	818
Accounts payable and accrued liabilities	**(450)**	(271)
Total change in non-cash operating working capital items	**$ 31**	$ (270)