CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024

Notice of no auditor review of condensed consolidated interim financial statements

The accompanying unaudited condensed consolidated interim financial statements of Carbon Streaming Corporation (the “**Company**” or "**Carbon Streaming**") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

	As at March 31, 2024	As at December 31, 2023
Assets		
Current assets		
Cash	**$ 49,008**	$ 51,416
Carbon credit inventory (Note 5)	**61**	201
Prepaid expenses	**678**	814
Early deposit interest receivable (Note 8)	**307**	307
Other receivables	**1,075**	994
	51,129	53,732
Non-current assets		
Carbon credit streaming and royalty agreements (Note 6)	**26,980**	60,122
Preferred Shares (Note 7)	**2,558**	2,558
Investment in associate (Note 9)	**152**	177
Finance lease receivable (Note 10)	**327**	372
Other non-current assets	**450**	150
Total assets	**$ 81,596**	$ 117,111
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,764**	$ 1,686
Warrant liabilities (Note 11)	**496**	830
Current portion of share unit liabilities (Note 14)	**879**	652
Current portion of lease liability (Note 10)	**158**	157
	3,297	3,325
Non-current liabilities		
Derivative liabilities (Note 15)	**680**	680
Non-current portion of share unit liabilities (Note 14)	**201**	178
Non-current portion of lease liability (Note 10)	**178**	225
Total liabilities	**4,356**	4,408
Shareholders' equity		
Share capital (Note 12)	**194,605**	194,433
Share-based compensation reserve	**7,618**	7,482
Deficit	**(124,983)**	(89,212)
Total shareholders' equity	**77,240**	112,703
Total liabilities and shareholders' equity	**$ 81,596**	$ 117,111

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

	Three months ended March 31, 2024	**Three months ended March 31, 2023**
Revaluation of carbon credit streaming and royalty agreements (Note 6)	**$ (33,136)**	$ 711
Revenue from sale of purchased carbon credits	**488**	21
Cost of purchased carbon credits sold (Note 5)	**(399)**	(12)
Other operating expenses		
Salaries and fees	**(933)**	(1,158)
Share-based compensation (Note 14)	**(611)**	(1,037)
Marketing	**(109)**	(120)
Professional & regulatory fees	**(79)**	(346)
Consulting fees	**(183)**	(323)
Insurance	**(184)**	(227)
Office and general	**(73)**	(127)
Foreign exchange loss	**(164)**	(41)
Amortization of right-of-use asset	**-**	(26)
Corporate restructuring (Note 4)	**(1,373)**	-
Other operating expenses	**(3,709)**	(3,405)
Operating loss	**(36,756)**	(2,685)
Other items		
Loss from investment in associate (Note 9)	**(25)**	(121)
Revaluation of warrant liabilities (Note 11)	**334**	1,181
Finance income	**676**	653
Net loss and comprehensive loss	**(35,771)**	(972)
Basic and diluted loss per share ($/share)	**(0.75)**	(0.02)
Weighted average number of Common Shares outstanding – basic and diluted	**47,628,505**	46,952,032

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

	Three months ended March 31, 2024	Three months ended March 31, 2023
Operating activities		
Net loss	**$ (35,771)**	$ (972)
Settlements from carbon credit streaming agreements (Note 6)	**406**	4
Cash paid in settlement of share-unit liabilities	**(117)**	-
Items not affecting cash		
Revaluation of carbon credit streaming and royalty agreements (Note 6)	**33,136**	(711)
Revaluation of warrant liabilities (Note 11)	**(334)**	(1,181)
Other non-cash adjustments (Note 18)	**866**	1,249
Changes in non-cash operating working capital items (Note 18)	**262**	(1,368)
Net cash used in operating activities	**(1,552)**	(2,979)
Investing activities		
Additions to carbon credit streaming and royalty agreements (Note 6)	**(400)**	(1,541)
Lease payments received from finance lease	**47**	-
Other investment	**(300)**	(100)
Net cash used in investing activities	**(653)**	(1,641)
Financing activities		
Lease payments	**(47)**	-
Net cash used in financing activities	**(47)**	-
Net change in cash	**(2,252)**	(4,620)
Effect of foreign exchange on cash	**(156)**	31
Cash, beginning of period	**51,416**	70,345
Cash, end of period	**49,008**	65,756

(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 14)	**-**	**-**	**332**	**-**	**332**
Net loss and comprehensive loss	**-**	**-**	**-**	**(972)**	**(972)**
Balance, March 31, 2023	**46,952,032**	**$ 193,899**	**$ 6,784**	**$ (54,683)**	**$ 146,000**

	Share Capital				
	Number	**Amount**	**Share-based payment reserve**	**Deficit**	**Total**
Balance, December 31, 2023	**47,421,219**	**$ 194,433**	**$ 7,482**	**$ (89,212)**	**$ 112,703**
Share-based compensation (Note 14)	**-**	**-**	**136**	**-**	**136**
Restricted share units converted (Note 14)	**319,713**	**172**	**-**	**-**	**172**
Net loss and comprehensive loss	**-**	**-**	**-**	**(35,771)**	**(35,771)**
Balance, March 31, 2024	**47,740,932**	**$ 194,605**	**$ 7,618**	**$ (124,983)**	**$ 77,240**

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 creating shareholder value primarily through the acquisition and sale of carbon credits. We provide capital to carbon projects globally, primarily by entering into or acquiring streaming, royalty or royalty-like arrangements for the purchase of carbon credits from the underlying project and then generate cash flow from the sale of these carbon credits. Through the use of these financing arrangements, our strategic interests are aligned with our project partners so we are able to source high-integrity projects that advance global climate action and additional United Nations Sustainable Development Goals. This helps position us as a trusted source for buyers seeking high quality carbon credits. Our aim is to accelerate a net-zero future by making an impact with our capital and facilitating immediate climate action.

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, being the acquisition of carbon credit streaming and royalty arrangements focused on projects located globally.

These unaudited condensed interim consolidated financial statements (the "**Interim Financial Statements**") of the Company for the three months ended March 31, 2024, were approved and authorized for issue by the Board of Directors on May 15, 2024.

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

2. Statement of compliance and basis of presentation

Statement of compliance

These Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("**IAS 34**"). The accounting policies applied in these Interim Financial Statements are based on International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and have been prepared using the same material accounting policies and methods of application as disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2023 (the "**Annual Financial Statements**") and were consistently applied to all the periods presented unless otherwise stated below.

These Interim Financial Statements do not include all the information and note disclosures required by IFRS for annual consolidated financial statements and therefore should be read in conjunction with the Annual Financial Statements.

Basis of presentation

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

Basis of consolidation

These Interim Financial Statements include the financial position, financial performance and cash flows of the Company and its subsidiary and associate. Intercompany balances, transactions, income and expenses, profits and losses, including gains and losses relating to its subsidiary and associate have been eliminated on consolidation. The Company's subsidiary and interest in an associate are as follows:

Entity	Relationship	Geographic location	Economic interest	Basis of accounting
1253661 B.C. Ltd.	Subsidiary	Canada	100%	Consolidation
Carbon Fund Advisors Inc.	Associate	United States	50%	Equity method

New and revised accounting standards and interpretations effective for the current reporting period

During the three months ended March 31, 2024, the Company has applied the following new amendments to IFRS that are mandatorily effective for reporting periods beginning on or after January 1, 2024:

- Amendments to IFRS 16, *Leases* changes 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 Interim 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* clarifies 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 Interim Financial Statements on account of this amendment.

- Amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments: Disclosures* requires 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 Interim Financial Statements on account of this amendment.

In addition to the above, the Company has not applied the following amendments to IFRS 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.

3. Significant accounting estimates, judgments and assumptions

Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these Interim Financial Statements for the three months ended March 31, 2024, are consistent with those included in Note 4 to the Annual Financial Statements, except as noted below:

Valuation of the Rimba Raya Stream
Management has applied significant judgment in the determination of fair value of the Rimba Raya Stream as at March 31, 2024. The Company was informed that the local concession license holder at the Rimba Raya project has had its Forest Utilization Business License (the "**Concession License**") revoked by the Indonesian Government's Ministry of Environment and Forestry (the "**MOEF**"). As a result, the Company has determined the fair value of the Rimba Raya Stream to be nil as at March 31, 2024. The Company will re-evaluate the fair value of the Rimba Raya Stream in the event there is a change in the facts and circumstances surrounding the Rimba Raya project, the revocation of the Concession License and the Indonesian national carbon emission regulations. Please refer to Note 6 for further information.

4. Corporate restructuring

In 2023, the Company initiated an ongoing corporate restructuring plan, focused on cash flow optimization that resulted in personnel reductions. For the three months ended March 31, 2024, the Company recognized corporate restructuring charges of $1,373 (three months ended March 31, 2023 – $nil) primarily related to severance and other termination benefits.

5. 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 three months ended March 31, 2024, the Company recognized $399 in cost of purchased carbon credits sold (three months ended March 31, 2023 – $12). Carbon credit inventory does not include any carbon credits delivered under the Company's carbon credit streaming agreements.

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

6. Carbon credit streaming and royalty agreements

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

	Balance December 31, 2023	Additions	Settlements	Fair value adjustments	Balance March 31, 2024
Rimba Raya Stream	33,728	-	-	(33,728)	-
Magdalena Bay Blue Carbon Stream	3,227	-	-	80	3,307
Cerrado Biome Stream	456	-	-	-	456
Waverly Biochar Stream	2,460	-	-	60	2,520
Sustainable Community Stream	2,972	-	-	85	3,057
Community Carbon Stream (i)	7,672	-	(406)	214	7,480
Nalgonda Rice Farming Stream	1,212	400	-	-	1,612
Enfield Biochar Stream	822	-	-	-	822
Sheep Creek Reforestation Stream	1,435	-	-	65	1,500
Feather River Reforestation Stream	280	-	-	-	280
Baccala Ranch Reforestation Stream (ii)	-	-	-	-	-
Waverly Biochar Royalty	600	-	-	-	600
Bonobo Peace Forest Royalty	1,519	-	-	-	1,519
Amazon Portfolio Royalty	3,464	-	-	88	3,552
Enfield Biochar Royalty	275	-	-	-	275
Total	60,122	400	(406)	(33,136)	26,980

(Unaudited; 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 three months ended March 31, 2024, the Company recognized $406 in settlements related to the Community Carbon Stream (year ended December 31, 2023 – $55).

Fair value adjustments

As at March 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 $33,136 for the three months ended March 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 three months ended March 31, 2024, was primarily related to the Rimba Raya Stream as discussed in further detail below, partially offset by accretion due to the passage of time at the Company's other carbon credit streaming and royalty agreements.

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 has 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. The Company will re-evaluate the fair value of the Rimba Raya Stream in the event there is a change in the facts and circumstances surrounding the Rimba Raya project, the revocation of the

Concession License and the Indonesian national carbon emission regulations. At the present time, the Company is evaluating all legal avenues to protect its investment in Rimba Raya and to strictly enforce its legal and contractual rights under the Rimba Raya Stream.

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.

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

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 below table are per individual project on a 100% project basis, and not aggregated.

Description of unobservable inputs	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Three months ended March 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:** 0.034 million to 6.580 million carbon credits produced and sold per year, over 29-year to 31-year terms, with an average of 1.499 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: 0.011 million to 0.391 million carbon credits produced and sold per year, over 2-year to 8-year terms, with an average of 0.251 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: 0.075 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.	**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.

(Unaudited; 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 – Three months ended March 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:** $7.00 to $10.00 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 $30.00 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: $5.50 to $7.00 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 – Three months ended March 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:** 10.6% to 60.9%, with an average discount rate of 25.6%.	**Agriculture, forestry and other land-use projects:** 10.6% to 60.9%, with an average discount rate of 23.7%.
	Other nature-based projects: 12.3% to 20.6%, with an average discount rate of 15.1%.	**Other nature-based projects**: 12.3% to 20.6%, with an average discount rate of 15.1%.
	Biochar projects: 13.0% to 17.0%, with an average discount rate of 15.0%.	**Biochar projects**: 13.0% to 17.0%, with an average discount rate of 15.0%.
	Other projects: 11.9% to 26.6%, with an average discount rate of 19.3%.	**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 three months ended March 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 a decrease in the fair value of the carbon credit streaming and royalty agreements of $1,911 and $1,842, respectively (year ended December 31, 2023 – $5,766 and $5,746, respectively).

For the three months ended March 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 a decrease in the fair value of the carbon credit streaming and royalty agreements of $1,859 and $1,750, respectively (year ended December 31, 2023 – $5,754 and $5,533, respectively).

For the three months ended March 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 an increase in the fair value of the carbon credit streaming and royalty agreements of $1,849 and $2,350, 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 three months ended March 31, 2024. For a complete summary of the Company's carbon credit streaming and royalty agreements, refer to Note 7 of the Annual Financial Statements.

(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 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 (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.

7. Preferred Shares

In May 2023, the Company invested $2,000 into the parent company of Mast ("**DroneSeed**") through a convertible note (the "**Convertible Note**"). The Convertible Note had a face value of $2,000 and bore an annual compound interest at 6%, with a maturity date of December 31, 2024.

In October 2023, the Convertible Note converted into preferred shares of DroneSeed (“**Preferred Shares**”) upon the execution of a qualifying financing event, resulting in 1.3 million Preferred Shares being issued to the Company. The Company recognized a gain on revaluation of the Convertible Note of $558 for the year ended December 31, 2023, prior to the conversion to Preferred Shares in the fourth quarter of 2023. No gain or loss on revaluation of the Preferred Shares has been recognized by the Company for the three months ended March 31, 2024.

Holders of Preferred Shares of DroneSeed are voted 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 shares of Preferred Shares then outstanding, together with all other equity holders shall be entitled to be paid out of the assets of DroneSeed available for distribution.

8. 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 restoration project and is seeking repayment of the upfront funding.

9. Investment in associate

The Company holds a 50% equity interest in Carbon Fund Advisors Inc. ("**Carbon Fund Advisors**"). Carbon Fund Advisors was the fund sponsor of the Carbon Strategy ETF (NYSE: KARB) and the investment supported Carbon Fund Advisors’ launch and ongoing management of the Carbon Strategy ETF, an exchange traded fund that aims to provide investors exposure to the growing compliance carbon markets. In the fourth quarter of 2023, as a result of continued operating losses and deteriorating outlook pertaining to future sources of income, Carbon Fund Advisors initiated activities for dissolution.

With two other shareholders owning 40% and 10% of the remaining equity interest, respectively, the Company determined that it had significant influence over Carbon Fund Advisors. As the relevant activities of Carbon Fund Advisors are directed by its board of directors, the Company exercises its significant influence by virtue of its right to appoint one out of two directors to the board of directors of Carbon Fund Advisors. Hence, the Company has accounted for its investment in Carbon Fund Advisors under the equity accounting method.

As at September 30, 2023, the Company reviewed and assessed indicators of impairment for the investment in Carbon Fund Advisors under IAS 28 *Investments in Associates and Joint Ventures* (“**IAS 28**”) and determined that, as a result of the aforementioned dissolution process, indicators of impairment existed as at September 30, 2023. As a result, the Company referenced IAS 36 *Impairment of Assets* (“**IAS 36**”) to determine the impairment amount. The Company measured Carbon Fund Advisors’ recoverable amount as its fair value less costs of disposal, in accordance with IAS 36. The Company measured its investment in Carbon Fund Advisors’ fair value less costs of disposal, represented by its expected liquidation value, and recognized an impairment loss of $1,044 in September 2023. As at March 31, 2024, the Company did not identify any further indicators of impairments or indicators of impairment reversal.

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

The following table reflects the final balance of the Company's investment in Carbon Fund Advisors, after recognising the Company's share of loss from investment in associate (as per IAS 28) and the impairment loss (as per IAS 36):

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**

Summarized financial information for Carbon Fund Advisors as at and for the three months ended March 31, 2024 were as follows:

Statements of Financial Position

		As at March 31, 2024		**As at December 31, 2023**
Total assets	**$**	**514**	$	500
Total liabilities		**-**		1
Net assets		**514**		499
Proportion of the Company's ownership interest (50%)		**257**		250
Goodwill		**-**		-
Less: Costs to sell		**(105)**		(73)
Investment in associate	**$**	**152**	$	177

Statements of Loss and Comprehensive Loss

		Three months ended March 31, 2024		**Year ended December 31, 2023**
Operating expenses				
Marketing	**$**	**(1)**	$	156
Professional fees		**50**		5
Consulting fees		**-**		582
Office and general		**1**		9
Total Operating expenses		**50**		752
Non-operating income		**(1)**		-
Net loss and comprehensive loss		**(49)**		(752)
Loss from investment in associate (50%), excluding impairment loss	**$**	**(25)**	$	(376)

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

10. Leases

In July 2022, the Company entered into an office lease. The Company recorded the office lease as a right-of-use asset and lease liability in the consolidated statements of financial position. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 12%, which is the lease specific incremental borrowing rate. The right-of-use asset was amortized over 3.75 years.

Effective November 1, 2023, the Company entered into a sub-lease arrangement for the same office space for the remaining term of the head lease. The Company classified the sub-lease as a finance lease.

As a result, the Company derecognized the right-of-use asset on November 1, 2023, and recognized a net investment in lease. At the commencement date of the sub-lease, the net investment in lease was measured at the present value of the finance lease receivables under the sub-lease arrangement, after adjusted for initial direct costs, and discounted using an interest rate of 12%, which is the lease specific incremental borrowing rate used in the head lease described above.

i) As a lessee

The continuity of the lease liability is presented in the table below:

	Three months ended March 31, 2024	**Year ended December 31, 2023**
Balance, beginning of period	**$ 381**	$ 408
Additions	**-**	49
Payments	**(47)**	(137)
Accretion	**11**	51
Foreign exchange	**(9)**	10
Balance, end of period	**336**	381
Current portion	**158**	156
Non-current portion	**$ 178**	$ 225

Maturity analysis - contractual undiscounted cash flows

As of March 31, 2024	
Less than one year	**$ 188**
One to five years	**188**
Total undiscounted lease obligations	**$ 376**

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

ii) As a lessor

The following table captures the maturity analysis of the finance lease receivables, showing the undiscounted lease payments to be received after the reporting date:

Less than one year	$	188
One to two years		176
Total undiscounted lease payments receivable	**$**	**364**
Unearned finance income		**(37)**
Net investment in the lease		**327**

11. Warrant liabilities

The following table summarizes the changes in the warrant liabilities for the Company's C$ denominated warrants for the three months ended March 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	-		(334)
Balance, March 31, 2024	**12,309,539**	**$**	**496**

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 March 31, 2024		As at December 31, 2023
Spot price (in C$)	**$**	**0.80**	$	0.90
Risk-free interest rate		**4.20 %**		3.91 %
Expected annual volatility		**80 %**		76 %
Expected life (years)		**1.87**		2.12
Dividend		**nil**		nil

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

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

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**	

12. 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 March 31, 2024, there were 47,740,932 issued and fully paid Common Shares (December 31, 2023 – 47,421,219).

During the three months ended March 31, 2024, the Company issued 319,713 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.

13. Warrants

During the three months ended March 31, 2024 and the three months ended March 31, 2023, there was no activity with respect to the issued warrants of the Company. As at these two dates, 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 March 31, 2024:

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

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	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	

14. Stock options and share unit liabilities

The Company has a long-term incentive plan ("**LTIP**"), which was last approved by the shareholders on November 12, 2021, 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, restricted share units (“**RSUs**”) and performance share units (“**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 share units (“**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 director share units (“**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 three months ended March 31, 2024 and the year ended December 31, 2023:

	Number of stock options	**Weighted average exercise price (C$)**
Balance, December 31, 2022 and March 31, 2023	1,506,000	9.63

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

	Number of stock options	Weighted average exercise price (C$)
Balance, December 31, 2023	**1,191,000**	**9.64**
Expiries	(20,000)	10.05
Balance, March 31, 2024	**1,171,000**	**9.64**

For the three months ended March 31, 2024, the Company recorded share-based compensation expense for these stock options of $113, respectively (three months ended March 31, 2023 – $332).

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

Options outstanding	Options exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)	Expiry Date
470,000	470,000	3.75	0.80	March 31, 2026
40,000	40,000	5.00	0.07	June 7, 2026
10,000	10,000	11.05	0.02	October 1, 2026
641,000	443,988	14.13	1.47	December 1, 2026
10,000	6,666	15.43	0.02	January 10, 2027
1,171,000	**970,654**	**9.64**	**2.38**	

RSUs, PSUs, Phantom Units, and DSUs

The following table reflects the continuity of RSUs, PSUs, Phantom Units, and DSUs for the three months ended March 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	-	-	-
Balance, March 31, 2023	1,911,671	500,000	523,000	-

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

	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	-	(33,795)	-	-
Converted into Common Shares and cash	(358,164)	-	(174,330)	-
Balance, March 31, 2024	**1,677,175**	**280,719**	**348,670**	**870,000**

During the three month period ended March 31, 2024, the Company granted 915,000 RSUs and 870,000 DSUs (three months ended March 31, 2023 – 15,000 RSUs) to officers, directors, employees and advisors. For the three months ended March 31, 2024, forfeitures in the period were due to corporate restructuring (Note 4).

As at March 31, 2024, the fair value of RSUs, PSUs, Phantom Units, and DSUs is $1,080, of which the Company considers $879 to be the current portion of the liabilities, with the remaining $201 considered non-current.

For the three months ended March 31, 2024, the Company recorded share-based compensation expense for these RSUs, PSUs, Phantom Units, and DSUs of $498 (three months ended March 31, 2023 – share-based compensation expense of $705).

15. 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 a portion of the Original Magdalena Bay Blue Carbon Stream, as defined in Note 7 of the Annual Financial Statements (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. The fair value of the Magdalena Bay Blue Carbon Stream Participation Royalty is $680 as at March 31, 2024 (December 31, 2023 - $680).

16. Financial instrument and 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. During the three months ended March 31, 2024 and the three months ended March 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 11). The Preferred Shares (Level 2) are valued using the intrinsic method based on the valuation of the counterparty's enterprise determined using its latest round of financing which closed in the fourth quarter of 2023. 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 6).

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 March 31, 2024, the Company held cash of C$8.4 million in Canadian dollars and had accounts payable and other monetary liabilities of C$1.0 million in

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

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 $259 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 was 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.

17. Commitments

In connection with the acquisition of carbon credit streaming 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 March 31, 2024, such conditions had not been met.

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

Less than 1 year	$	18,101[1]
1 to 3 years		2,554
Over 3 years		56
Total	**$**	**20,711**

1. *The payment of the upfront deposit installments is subject to certain milestones and conditions being met. In the case of the Magdalena Bay Blue Carbon Stream, the upfront deposit installment payments of $6,000 related to validation and verification are contingent on the concession rights of federal mangroves being transferred from the Secretariat of Environment and Natural Resources ("**SEMARNAT**"), Mexico's environment ministry, to Mexico's National Commission for Protected Natural Areas. The timing of SEMARNAT's approval of this transfer remains unknown at this time.*

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.

(Unaudited; amounts expressed in thousands of United States dollars, unless otherwise indicated)

Under its carbon credit streaming agreements, the Company is typically required to pay 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 is 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**"). As at March 31, 2024, Osisko has exercised its right to participate and acquired a portion of the Original Magdalena Bay Blue Carbon Stream.

18. Supplemental cash flow information

	Three months ended March 31, 2024	Three months ended March 31, 2023
Other non-cash adjustments		
Foreign exchange loss	**$ 167**	$ 53
Amortization of right-of-use asset	**-**	26
Accretion (net of interest income on sub-lease) (Note 10)	**-**	12
Share-based compensation	**674**	1,037
Loss from investment in associate	**25**	121
Total other non-cash adjustments	**$ 866**	$ 1,249
Change in non-cash operating working capital items		
Prepaid	**$ 136**	$ 157
Other receivables	**(81)**	5
Carbon credit inventory	**140**	12
Accounts payable and accrued liabilities	**67**	(1,542)
Total change in non-cash operating working capital items	**$ 262**	$ (1,368)