CARBON STREAMING

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

Notice of no auditor review of condensed interim consolidated financial statements

The accompanying unaudited condensed interim consolidated 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 September 30, 2024	As at December 31, 2023
Assets		
Current assets		
Cash	**$ 41,888**	$ 51,416
Carbon credit inventory (Note 6)	**13**	201
Prepaid expenses	**799**	814
Early deposit interest receivable (Note 9)	**-**	307
Other receivables	**432**	994
	43,132	53,732
Non-current assets		
Carbon credit streaming and royalty agreements (Note 7)	**20,605**	60,122
Preferred Shares (Notes 4 and 8)	**3,183**	2,558
Investment in associate (Note 10)	**-**	177
Finance lease receivable	**251**	372
Other non-current assets	**-**	150
Total assets	**$ 67,171**	$ 117,111
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,711**	$ 1,686
Warrant liabilities (Note 11)	**231**	830
Current portion of share unit liabilities (Note 14)	**472**	652
Current portion of lease liability	**168**	157
	3,582	3,325
Non-current liabilities		
Derivative liabilities (Note 15)	**-**	680
Non-current portion of share unit liabilities (Note 14)	**212**	178
Non-current portion of lease liability	**92**	225
Total liabilities	**3,886**	4,408
Shareholders' equity		
Share capital (Note 12)	**195,278**	194,433
Share-based compensation reserve	**7,656**	7,482
Deficit	**(139,649)**	(89,212)
Total shareholders' equity	**63,285**	112,703
Total liabilities and shareholders' equity	**$ 67,171**	$ 117,111

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revaluation of carbon credit streaming and royalty agreements (Note 7)	**$ (11,700)**	$ 1,792	**$ (44,965)**	$ (8,945)
Revenue from sale of purchased carbon credits	**53**	260	**595**	325
Cost of purchased carbon credits sold (Note 6)	**(31)**	(208)	**(462)**	(254)
Other operating expenses				
Salaries and fees	**(771)**	(757)	**(2,600)**	(2,859)
Share-based compensation (Note 14)	**103**	(246)	**(824)**	(1,165)
Marketing	**(111)**	(269)	**(338)**	(581)
Professional & regulatory fees	**(385)**	(326)	**(973)**	(961)
Consulting fees	**(77)**	(345)	**(365)**	(872)
Insurance	**(135)**	(166)	**(491)**	(637)
Office and general	**(288)**	(97)	**(541)**	(356)
Foreign exchange gain/(loss)	**33**	(255)	**(230)**	(72)
Amortization of right-of-use asset	**-**	(29)	**-**	(87)
Corporate restructuring (Note 5)	**(322)**	(119)	**(2,218)**	(1,754)
Other operating expenses	**(1,953)**	(2,609)	**(8,580)**	(9,344)
Operating loss	**(13,631)**	(765)	**(53,412)**	(18,218)
Other items				
Loss from investment in associate (Note 10)	**-**	(45)	**(25)**	(250)
Impairment loss on investment in associate (Note 10)	**-**	(1,044)	**-**	(1,044)
Gain on dissolution of associate (Note 10)	**-**	-	**104**	-
Impairment loss on early deposit interest receivable (Note 9)	**-**	-	**(307)**	-
Revaluation of derivative liabilities	**680**	-	**680**	686
Revaluation of warrant liabilities (Note 11)	**532**	1,230	**599**	6,451
Revaluation of Convertible Note	**-**	558	**-**	558
Finance income	**525**	784	**1,924**	2,408
Net (loss) income and comprehensive (loss) income	**(11,894)**	718	**(50,437)**	(9,409)
Basic (loss) earnings per share ($/share)	**(0.23)**	0.02	**(1.06)**	(0.20)
Diluted (loss) earnings per share ($/share)	**(0.23)**	0.02	**(1.06)**	(0.20)
Weighted average number of Common Shares outstanding – basic	**52,430,539**	47,208,609	**47,795,684**	47,048,382
Weighted average number of Common Shares outstanding – diluted	**52,430,539**	47,722,183	**47,795,684**	47,048,382

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Operating activities				
Net (loss) income	**$ (11,894)**	$ 718	**$ (50,437)**	$ (9,409)
Settlements from carbon credit streaming and royalty agreements (Note 7)	**124**	13	**1,037**	55
Cash paid in settlement of share-unit liabilities	**-**	-	**(269)**	-
Items not affecting cash				
Revaluation of carbon credit streaming and royalty agreements (Note 7)	**11,700**	(1,792)	**44,965**	8,945
Revaluation of derivative liabilities (Note 15)	**(680)**	-	**(680)**	(686)
Revaluation of Convertible Note (Note 8)	**-**	(558)	**-**	(558)
Revaluation of warrant liabilities (Note 11)	**(532)**	(1,231)	**(599)**	(6,451)
Impairment of early deposit interest receivable (Note 9)	**-**	-	**307**	-
Impairment loss on investment in associate (Note 10)	**-**	1,044	**-**	1,044
Other non-cash adjustments (Note 18)	**(348)**	595	**794**	1,604
Changes in non-cash operating working capital items (Note 18)	**1,078**	(1,398)	**1,550**	(1,265)
Net cash used in operating activities	**(552)**	(2,608)	**(3,332)**	(6,721)
Investing activities				
Additions to carbon credit streaming and royalty agreements (Note 7)	**(1,058)**	(2,080)	**(5,885)**	(7.026)
Dissolution of associate (Note 10)	**-**	-	**256**	-
Lease payments received from finance lease	**47**	-	**140**	-
Investment in Convertible Note	**-**	-	**-**	(2,000)
Other investment	**-**	-	**(350)**	(100)
Net cash used in investing activities	**(1,011)**	(2,080)	**(5,839)**	(9,126)
Financing activities				
Lease payments	**(46)**	(46)	**(140)**	(92)
Net cash used in financing activities	**(46)**	(46)	**(140)**	(92)
Net change in cash	**(1,609)**	(4,734)	**(9,311)**	(15,939)
Effect of foreign exchange on cash	**39**	(264)	**(217)**	(5)
Cash, beginning of period	**43,458**	59,399	**51,416**	70,345
Cash, end of period	**41,888**	54,401	**41,888**	54,401

(Unaudited; 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)	**-**	**-**	**725**	**-**	**725**
Restricted share units converted (Note 14)	**430,745**	**510**	**-**	**-**	**510**
Net loss and comprehensive loss	**-**	**-**	**-**	**(9,409)**	**(9,409)**
Balance, September 30, 2023	**47,382,777**	**$ 194,409**	**$ 7,177**	**$ (63,120)**	**$ 138,466**

	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)	**-**	**-**	**174**	**-**	**174**
Restricted share units converted (Note 14)	**549,103**	**342**	**-**	**-**	**342**
Shares issued for acquisition of Blue Dot (Note 4)	**4,559,333**	**503**	**-**	**-**	**503**
Net loss and comprehensive loss	**-**	**-**	**-**	**(50,437)**	**(50,437)**
Balance, September 30, 2024	**52,529,655**	**$ 195,278**	**$ 7,656**	**$ (139,649)**	**$ 63,285**

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 to purchase carbon credits from the underlying project and generate cash flows from the sale of these carbon credits. The Company's focus is on projects that generate high-quality carbon credits and have a positive impact in addition to their carbon reduction or removal potential. This approach aligns our strategic interests with those of project partners to create long-term relationships built on a shared commitment to sustainability and accountability and positions 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 and nine months ended September 30, 2024, were approved and authorized for issue by the Board of Directors on November 12, 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 International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*. The accounting policies applied in these Interim Financial Statements are based on the IFRS® Accounting Standards (the "**IFRS Accounting Standards**") as issued by the International Accounting Standards Board 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 the IFRS Accounting Standards 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 have been 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 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 September 30, 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

In May 2024, the Company's associate, Carbon Fund Advisors Inc. dissolved and the Company received proceeds from the dissolution. Please refer to Note 10 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 4 for further information.

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

During the three and nine months ended September 30, 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 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* 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 Interim Financial Statements on account of this amendment.

- Amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments: Disclosures* 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 Interim 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.

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 and nine months ended September 30, 2024, are consistent with those included in Note 4 to the Annual Financial Statements, except as noted below:

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 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 4 and Note 8 for further information.

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 September 30, 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 7 for further information.

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 the Sustainable Community Stream being terminated, the fair value of the Sustainable Community Stream was determined to be $nil as at September 30, 2024. Please refer to Note 7 for further information.

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 "**Notice of Abandonment**"), with a proposed date of abandonment of October 21, 2024. Pursuant to the 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 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 September 30, 2024. Please refer to Note 7 for further information.

4. 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.

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

	As at July 3, 2024
Assets	
Cash	$ 18
Preferred shares (Note 8)	625
Liabilities	
Accounts payable and accrued liabilities	140
Fair value of the assets acquired and liabilities assumed	**503**

5. 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 three and nine months ended September 30, 2024, the Company recognized corporate restructuring charges of $322 and $2,218, respectively (three and nine months ended September 30, 2023 – $119 and $1,794, respectively) primarily related to severance and other termination benefits and professional fees.

6. 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 and nine months ended September 30, 2024, the Company recognized $31 and $462 in cost of purchased carbon credits sold, respectively (three and nine months ended September 30, 2023 – $208 and $254, respectively). 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)

7. Carbon credit streaming and royalty agreements

The following table is a summary of the changes in carbon credit streaming and royalty agreements for the nine months ended September 30, 2024 and the year ended December 31, 2023:

	Balance December 31, 2023	Additions	Settlements	Fair value adjustments	Balance September 30, 2024
Rimba Raya Stream	33,728	-	-	(33,728)	-
Magdalena Bay Blue Carbon Stream	3,227	-	-	(3,227)	-
Cerrado Biome Stream	456	132	(49)	(202)	337
Waverly Biochar Stream	2,460	750	-	(708)	2,502
Sustainable Community Stream	2,972	-	-	(2,972)	-
Community Carbon Stream (i)	7,672	3,313	(563)	(3,211)	7,211
Nalgonda Rice Farming Stream	1,212	400	-	(86)	1,526
Enfield Biochar Stream	822	-	-	(127)	695
Sheep Creek Reforestation Stream	1,435	820	-	65	2,320
Feather River Reforestation Stream	280	370	-	60	710
Baccala Ranch Reforestation Stream (ii)	-	-	-	-	-
Azuero Reforestation Stream (iii)	-	700	-	-	700
Waverly Biochar Royalty	600	-	-	(28)	572
Bonobo Peace Forest Royalty	1,519	-	-	(932)	587
Amazon Portfolio Royalty	3,464	-	(425)	131	3,170
Enfield Biochar Royalty	275	-	-	-	275
Total	60,122	6,485	(1,037)	(44,965)	20,605

(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 and nine months ended September 30, 2024, the Company recognized $124 and $1,037, respectively, in settlements related to the Amazon Portfolio Royalty and the Community Carbon Stream (year ended December 31, 2023 – $55).

Fair value adjustments

As at September 30, 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 $44,965 for the nine months ended September 30, 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 nine months ended September 30, 2024 was primarily related to the decrease in the fair value of each of the Rimba Raya Stream, the Magdalena Bay Blue Carbon Stream, and the Sustainable Community Stream to $nil (see below) and a reduction to the carbon credit production and sales profile and a decrease in the carbon credit pricing assumption at the Community Carbon Stream.

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.

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 Limited or PT InfiniteEARTH Nusantara. 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**"). 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. 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 remains $nil as at September 30, 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.

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 determined to be $nil as at September 30, 2024. The Company intends to strictly enforce its legal and contractual rights under the Sustainable Community Stream.

In the third quarter of 2024, MarVivo delivered the Notice of Abandonment. Pursuant to the 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 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 September 30, 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.

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.

(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 – Nine months ended September 30, 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 1.661 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: 0.004 to 0.391 million carbon credits produced and sold per year, over 2-year to 26-year terms, with an average of 0.091 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: 0.006 million to 3.216 million carbon credits produced and sold per year, over 13-year terms, with an average of 2.294 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 – Nine months ended September 30, 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 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 $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: $3.50 to $5.50 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 – Nine months ended September 30, 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:** 12.3% to 60.9%, with an average discount rate of 22.3%.	**Agriculture, forestry and other land-use projects:** 10.6% to 60.9%, with an average discount rate of 23.7%.
	Other nature-based projects: 11.7% to 20.6%, with an average discount rate of 14.2%.	**Other nature-based projects**: 12.3% to 20.6%, with an average discount rate of 15.1%.
	Biochar projects: 15.0% to 20.0%, with an average discount rate of 17.5%.	**Biochar projects**: 13.0% to 17.0%, with an average discount rate of 15.0%.
	Other projects: 25.3% to 27.9%, with an average discount rate of 26.6%.	**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 nine months ended September 30, 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 $624 and $536, respectively (year ended December 31, 2023 – $5,766 and $5,746, respectively).

For the nine months ended September 30, 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 $447 and $378, respectively (year ended December 31, 2023 – $5,754 and $5,533, respectively).

For the nine months ended September 30, 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 $1,566 and $1,909, 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 nine months ended September 30, 2024, and subsequent to the period end. For a complete summary of the Company's carbon credit streaming and royalty agreements, refer to Note 7 of the Company's 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 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.

(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.

8. 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 upon the execution of a qualifying financing event, resulting in 1.3 million preferred shares of DroneSeed being issued to the Company at a fair value of $2,558.

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.

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 4. 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 DroneSeed and the preferred shares of Imperative (collectively, 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. Based on the evaluation performed, there was no change in the fair value of the Preferred Shares as at September 30, 2024. As at September 30, 2024, the fair value of the preferred shares in DroneSeed was $2,558 and the fair value of the preferred shares in Imperative was $625.

9. 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. 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 nine months ended September 30, 2024. The Company intends to pursue all available options to enforce its rights and recover the upfront funding provided.

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

10. 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 nine months ended September 30, 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**

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

11. Warrant liabilities

The following table summarizes the changes in the warrant liabilities for the Company's C$ denominated warrants for the nine months ended September 30, 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	-		(599)
Balance, September 30, 2024	**12,309,539**	**$**	**231**

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 September 30, 2024		As at December 31, 2023
Spot price (in C$)	**$**	**0.54**	$	0.90
Risk-free interest rate		**2.94 %**		3.91 %
Expected annual volatility		**89 %**		76 %
Expected life (years)		**1.37**		2.12
Dividend		**nil**		nil

The following table reflects the Company's C$ denominated warrants outstanding and exercisable as at December 31, 2023 and September 30, 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**	

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

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 September 30, 2024, there were 52,529,655 issued and fully paid Common Shares (December 31, 2023 – 47,421,219).

During the nine months ended September 30, 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 4 for further information.

During the nine months ended September 30, 2024, the Company also issued 549,103 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

For the three and nine months ended September 30, 2024 and September 30, 2023, there was no activity with respect to the issued warrants of the Company. As at September 30, 2024 and September 30, 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 September 30, 2024:

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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	

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

14. 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, 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 nine months ended September 30, 2024 and the nine months ended September 30, 2023:

	Number of stock options	**Weighted average exercise price (C$)**
Balance, December 31, 2022	**1,506,000**	**9.63**
Forfeitures	(61,752)	14.13
Expiries	(253,248)	8.49
Balance, September 30, 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	(39,333)	14.13
Expiries	(338,667)	8.18
Balance, September 30, 2024	**1,463,000**	**5.99**

For the three and nine months ended September 30, 2024, the Company recorded share-based compensation expense for these stock options of $138 and $363, respectively (three and nine months ended September 30, 2023 – $197 and $725, respectively).

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

The following table reflects the Company's stock options outstanding and exercisable as at September 30, 2024:

Options outstanding	Options exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)	Expiry Date
310,000	310,000	3.75	0.32	March 31, 2026
10,000	10,000	5.00	0.01	June 7, 2026
10,000	10,000	11.05	0.01	October 1, 2026
473,000	315,322	14.13	0.70	December 1, 2026
10,000	6,666	15.43	0.02	January 10, 2027
350,000	-	0.87	1.14	July 11, 2029
300,000	-	0.97	1.17	June 10, 2030
1,463,000	**651,988**	**5.99**	**3.37**	

RSUs, PSUs, Phantom Units, and DSUs

The following table reflects the continuity of RSUs, PSUs, Phantom Units, and DSUs for the nine months ended September 30, 2024 and the nine months ended September 30, 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	-	-	-
Converted into Common Shares and cash	(452,154)	-	-	-
Forfeitures	(204,508)	(155,486)	-	-
Balance, September 30, 2023	1,255,009	344,514	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	(22,000)	(33,795)	-	-
Converted into Common Shares and cash	(627,168)	-	(249,664)	(270,000)
Balance, September 30, 2024	**1,386,171**	**280,719**	**273,336**	**600,000**

During the nine months ended September 30, 2024, the Company granted 915,000 RSUs and 870,000 DSUs (nine months ended September 30, 2023 – 15,000 RSUs) to officers, directors, employees and advisors. During the three and nine months ended September 30, 2024, forfeitures in the period were due to corporate restructuring (Note 5).

As at September 30, 2024, the fair value of RSUs, PSUs, Phantom Units, and DSUs is $684, of which the Company considers $472 to be the current portion of the liabilities, with the remaining $212 considered non-current.

For these RSUs, PSUs, Phantom Units, and DSUs, the Company recorded a share-based compensation recovery of $240 for the three months ended September 30, 2024 and a share-based compensation expense of $462 for the nine months ended September 30, 2024, respectively (three months ended September 30, 2023 – share-based compensation recovery of $41; nine months ended September 30, 2023 – share-based compensation expense of $350).

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 Company's 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.

For the three and nine months ended September 30, 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 Notice of Abandonment as described in Note 7. This resulted in its fair value being $nil as at September 30, 2024 (December 31, 2023 - $680).

16. 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. During the nine months ended September 30, 2024, the preferred shares in DroneSeed were transferred from Level 2 to Level 3 of the fair value hierarchy. During the three months ended September 30, 2024, and the three and nine months ended September 30, 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 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 7).

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 September 30, 2024, the Company held cash of C$3.5 million in Canadian dollars and had accounts payable and other monetary liabilities of C$3.9 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 $11 to profit or loss.

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

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.

17. 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 September 30, 2024, such conditions had not been met.

As at September 30, 2024, the Company had the following commitments relating to its carbon credit streaming and royalty agreements:

Less than 1 year	$ 8,872
1 to 3 years	2,732
Over 3 years	2,462
Total	**$ 14,065**

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.

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

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**").

18. Supplemental cash flow information

	Three months ended September 30, 2024	Three months ended September 30, 2023	**Nine months ended September 30, 2024**	Nine months ended September 30, 2023
Other non-cash adjustments				
Foreign exchange (gain)/loss	**$ (34)**	$ 254	**$ 235**	$ 54
Amortization of right-of-use asset	**-**	29	**-**	87
Accretion (net of interest income on sub-lease)	**-**	12	**-**	39
Share-based compensation	**(314)**	255	**638**	1,174
Gain on dissolution of investment in associate	**-**	-	**(104)**	-
Loss from investment in associate	**-**	45	**25**	250
Total other non-cash adjustments	**$ (348)**	$ 595	**$ 794**	$ 1,604
Change in non-cash operating working capital items				
Prepaid	**$ (312)**	$ (361)	**$ 15**	$ (334)
Other receivables	**203**	(56)	**463**	(53)
Carbon credit inventory	**16**	191	**188**	237
Accounts payable and accrued liabilities	**1,171**	(1,172)	**884**	(1,115)
Total change in non-cash operating working capital items	**$ 1,078**	$ (1,398)	**$ 1,550**	$ (1,265)