CARBON STREAMING

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

CARBON STREAMING CORPORATION
Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars) (Unaudited)

	As at September 30, 2022	As at June 30, 2022
Assets		
Current Assets		
Cash	**$ 72,682,752**	$ 93,238,372
Carbon credit inventory (Note 4)	**1,633,630**	1,644,455
Prepaid	**1,152,677**	800,399
Other receivables	**383,449**	340,713
	75,852,508	96,023,939
Non-Current Assets		
Carbon credit streaming and royalty agreements (Note 5)	**78,698,088**	65,681,286
Early deposit interest (Note 6)	**306,800**	1,361,250
Investment in associate (Note 7)	**1,723,533**	-
Other investment (Note 7)	**-**	400,750
Right-of-use asset (Note 8)	**358,463**	-
Total Assets	**$ 156,939,392**	$ 163,467,225
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 487,590**	$ 3,154,779
Warrant liabilities (Note 9)	**13,816,842**	16,745,916
Restricted share unit liabilities (Note 12(b))	**695,354**	532,257
Lease liabilities (Note 8)	**33,624**	-
	15,033,410	20,432,952
Non-Current Liabilities		
Restricted share unit liabilities (Note 12(b))	**526,700**	399,243
Lease liabilities (Note 8)	**362,082**	-
Total Liabilities	**15,922,192**	20,832,195
Shareholders' Equity		
Share capital (Note 10(b))	**193,664,890**	193,624,443
Share-based payment reserve	**5,828,618**	5,076,920
Deficit	**(58,476,308)**	(56,066,333)
Total Shareholders' Equity	**141,017,200**	142,635,030
Total Liabilities and Shareholders' Equity	**$ 156,939,392**	$ 163,467,225

Subsequent event (Note 16)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CARBON STREAMING CORPORATION
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars) (Unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Sale of carbon credits (Note 4)	**$ 27,298**	$ -
Cost of carbon credits sold	**(10,961)**	-
Gross profit	**16,337**	**-**
Expenses		
Salaries and fees	**933,157**	579,420
Share-based compensation (Note 12)	**1,042,252**	236,442
Marketing	**199,044**	246,784
Professional fees	**508,404**	63,935
Consulting fees	**1,091,622**	373,628
Foreign exchange loss	**1,097,068**	741,443
Insurance	**234,397**	169,880
Loss from investment in associate (Note 7)	**26,467**	-
Regulatory fees	**76,395**	218,461
Office and general	**135,536**	116,446
Operating loss	**(5,328,005)**	**(2,746,439)**
Other items		
Revaluation of warrant liabilities (Note 9)	**2,918,030**	(40,505,705)
Net and Comprehensive Loss for the Period	**$ (2,409,975)**	$ (43,252,144)
Basic Loss per Share	**$ (0.05)**	$ (1.84)
Diluted Loss per Share	**$ (0.05)**	$ (1.84)
Weighted Average Number of Common Shares Outstanding - Basic	**46,809,354**	**23,491,030**
Weighted Average Number of Common Shares Outstanding - Diluted	**46,809,354**	**23,491,030**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CARBON STREAMING CORPORATION
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars) (Unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Operating Activities		
Net loss for the period	**$ (2,409,975)**	$ (43,252,144)
Items not affecting cash		
Unrealized portion of foreign exchange loss	**1,510,257**	755,244
Amortization (Note 8)	**25,605**	-
Accretion (Note 8)	**11,638**	-
Share-based compensation	**1,042,252**	236,442
Loss from investment in associate	**26,467**	-
Revaluation of warrant liabilities	**(2,918,030)**	40,505,705
Changes in working capital items		
Prepaid and other receivable	**(418,216)**	(719,157)
Carbon credit inventory	**10,825**	(1,770,265)
Accounts payable and accrued liabilities	**(2,629,479)**	97,642
Net Cash Used in Operating Activities	**(5,748,656)**	(4,146,533)
Investing Activities		
Carbon credit streaming and royalty agreements (Note 5)	**(11,655,552)**	(27,960,155)
Early deposit interest	**(306,800)**	-
Investment in associate	**(1,349,250)**	-
Net Cash Used in Investing Activities	**(13,311,602)**	(27,960,155)
Financing Activities		
Common shares issued on exercise of warrants (Note 10(b))	**29,403**	106,878
Special warrants subscriptions (Note 10(c))	**-**	32,990,616
Net Cash Provided by Financing Activities	**29,403**	33,097,494
Net change in Cash	**(19,030,855)**	990,806
Effect of foreign exchange on cash	**(1,524,765)**	(755,244)
Cash, Beginning of Period	**93,238,372**	108,380,802
Cash, End of Period	**$ 72,682,752**	$ 108,616,364

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CARBON STREAMING CORPORATION
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars) (Unaudited)

	Share Capital					
	Number	Amount	Subscriptions received	Share-based payment reserve	Deficit	Total
Balance, June 30, 2021	**20,672,831**	**$ 51,705,862**	**$ 71,511,660**	**$ 3,200,033**	**$ (18,375,185)**	**$ 108,042,370**
Receipts for special warrants	-	-	33,389,596	-	-	33,389,596
Share issuance costs	-	-	(398,980)	-	-	(398,980)
Share consideration for carbon credit streaming agreements (Note 5)	4,539,180	31,547,647	-	-	-	31,547,647
Exercise of warrants (Note 10(b))	18,000	132,003	-	-	-	132,003
Share-based compensation (Note 12)	-	-	-	236,442	-	236,442
Reclassification of warrant liabilities (Note 9)	-	-	-	-	(24,791,075)	(24,791,075)
Net loss for the period	-	-	-	-	(43,252,144)	(43,252,144)
Balance, September 30, 2021	**25,230,011**	**$ 83,385,512**	**$ 104,502,276**	**$ 3,436,475**	**$ (86,418,404)**	**$ 104,905,859**
Balance, June 30, 2022	**46,803,919**	**$ 193,624,443**	**$ -**	**$ 5,076,920**	**$ (56,066,333)**	**$ 142,635,030**
Exercise of warrants (Note 10(b))	10,000	40,447	-	-	-	40,447
Share-based compensation (Note 12)	-	-	-	751,698	-	751,698
Net loss for the period	-	-	-	-	(2,409,975)	(2,409,975)
Balance, September 30, 2022	**46,813,919**	**$ 193,664,890**	**$ -**	**$ 5,828,618**	**$ (58,476,308)**	**$ 141,017,200**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Nature of operations

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

Carbon Streaming uses streaming and royalty arrangements to scale high-integrity carbon credit projects to accelerate global climate action and advance the United Nations Sustainable Development Goals. The Company has carbon credit streams and royalties on projects around the world, including projects focused on nature-based solutions, the distribution of fuel-efficient cookstoves and water filtration devices, waste avoidance and energy efficiency, methane avoidance in agricultural and biochar carbon removal.

The Company's common shares ("**Common Shares**") are listed on the Neo Exchange Inc. ("**NEO Exchange**") under the symbol "NETZ", the March 2026 Warrants (as defined herein) are listed on the NEO Exchange under the symbol "NETZ.WT" and the September 2026 Warrants (as defined herein) are listed on the NEO Exchange under the symbol "NETZ.WT.B". The Company's 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 head office and principal address of the Company are located at 155 University Avenue, Suite 1240, Toronto, Ontario, Canada, M5H 3B7. The Company's registered address is Suite 2500, Park Place, 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

All financial information in this document is presented in 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 in North America, South America, Africa, and Asia.

These condensed interim consolidated financial statements (the "**Interim Financial Statements**") of the Company for the three months ended September 30, 2022 were approved and authorized for issue by the Audit Committee on November 8, 2022.

1. Nature of operations (continued)

Uncertainties due to COVID-19

During the first quarter of calendar 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". The COVID-19 pandemic and the measures attempting to contain and mitigate the effects of the virus (including travel bans and restrictions, quarantines, shelter-in-place orders, shutdowns and restrictions on trade) have caused heightened uncertainty in the global economy. The duration and full financial effect of the COVID-19 pandemic and related supply-demand market imbalances continues to evolve. Despite successful vaccine rollouts in many jurisdictions, the risk of local or regional resurgences continue, as well as the outbreak of variants strains of the initial COVID-19 virus. As a result, it is difficult to predict how significant the longer-term impacts of the COVID-19 pandemic or other potential pandemics, including any responses to it, will be on the global economy and our business. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse impacts to its business as a result of the pandemic's global economic impact, and could materially adversely affect our business, financial position and results of operations.

In the current environment, the assumptions and judgments made by the Company are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to the potential impacts of the COVID-19 pandemic and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions extends, but is not limited to, the Company's valuation of its long-term assets. Actual results may differ materially from these estimates.

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**") as issued by the International Accounting Standards Board ("**IASB**"). The accounting policies applied in these Interim Financial Statements are based on International Financial Reporting Standards ("**IFRS**") as issued by IASB and have been prepared using the same accounting policies and methods of application as disclosed in note 4 to the audited consolidated financial statements for the year ended June 30, 2022 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 audited consolidated financial statements for the year ended June 30, 2022.

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.

2. Statement of compliance and basis of presentation (continued)

Basis of consolidation

These Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiary, 1253661 B.C. Ltd.

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

New accounting policies

(i) Investment in associates

The Company holds an equity investment in an associate. An associate is an entity over which the Company has significant influence and is neither a controlled subsidiary nor a jointly controlled entity. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for equity investments in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and is subsequently increased or decreased to recognize the Company's share of earnings or losses of the associate, and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings or losses of associates are recognized through net income or loss during the year. Cash distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized.

2. Statement of compliance and basis of presentation (continued)

New accounting policies (continued)

(ii) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently amortized on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is amortized from the commencement date to the end of the useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of capital assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method and is re-measured when there is a change in future lease payments. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Adoption of new and revised accounting standards and interpretations

During the three months ended September 30, 2022, the Company did not adopt any new amendments to IFRS that had a significant impact on the Company's Interim Financial Statements. Several new accounting standards, and amendments to standards and interpretations, have been issued but are not yet effective. None of these changes have been early adopted nor are they considered by management to be significant or likely to have a material impact on the Company's Interim Financial Statements.

(Expressed in United States Dollars, unless otherwise noted) (Unaudited)

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 September 30, 2022, are consistent with those included in Note 5 to the audited consolidated financial statements for the year ended June 30, 2022, with the exception of the below.

Significant influence

Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Company and the associate, managerial personnel in common, provision of essential technical information and operating involvement.

4. Carbon credit inventory

In September 2021, the Company acquired Rimba Raya Biodiversity Reserve project verified carbon units ("**VCUs**"), which are carbon credits that are issued by Verra, an international institution based in Washington D.C. that manages carbon credit standards, separate and apart from its carbon credit streaming and royalty agreements. The VCUs were acquired at a cost of $1,770,265. During the three months ended September 30, 2022, the Company sold VCUs with a cost of $10,961 for gross proceeds of $27,298. As at September 30, 2022, the Company held VCUs with a cost of $1,633,630.

5. Carbon credit streaming and royalty agreements

As at September 30, 2022, the following cash payments and share issuances for carbon credit streaming and royalty agreements were made in accordance with project milestones and subject to conditions being met by all parties within the agreements. The Company classifies its carbon credit streaming and royalty agreements as Level 3 within the fair value hierarchy.

	Balance June 30, 2022	Addition	Balance September 30, 2022
Rimba Raya Stream (i)	$ 57,833,360	$ -	$ 57,833,360
Community Carbon Stream (ii)	-	6,500,000	6,500,000
Sustainable Community Stream (iii)	4,000,000	-	4,000,000
Magdalena Bay Blue Carbon Stream (iv)	3,000,000	-	3,000,000
Nalgonda Rice Farming Stream (v)	-	1,550,000	1,550,000
Waverly Biochar Stream (vi)	600,000	-	600,000
Cerrado Biome Stream (vii)	247,925	66,803	314,728
Bonobo Royalty (viii)	-	1,900,000	1,900,000
Future Carbon Royalty (ix)	-	3,000,000	3,000,000
Total	$ 65,681,285	$ 13,016,803	$ 78,698,088

5. Carbon credit streaming and royalty agreements (continued)

As at September 30, 2022, management assessed the fair value of the respective carbon credit streaming and royalty agreements by considering changes in the respective inputs into the fair value model as described below. No material changes in fair value of carbon credit streaming arrangements were identified during the period. The fair value of each streaming contract is estimated using internal discounted cash flow models taking into consideration the contractual terms of the underlying project agreements that rely on the recent trading prices for comparable carbon credit methodologies and vintages and overall market volatility of voluntary carbon credit pricing. Other variables that impact the fair value of the carbon streaming agreements include the expected volumes and timing of the delivery and sale of the verified carbon credits, changes in expected costs and cash flows associated with the agreement, changes in the risk-free interest rate, and other potential factors.

(i) On July 30, 2021, the Company entered into a carbon credit streaming agreement with InfiniteEARTH Limited ("**InfiniteEARTH**"), the developer of the Rimba Raya project, a REDD+ (Reducing Emissions from Deforestation and Forest Degradation) project that has been conserving tropical lowland peat swamp forests in Central Kalimantan, Indonesia for over a decade (the "**Rimba Raya Stream**"). Under the terms of the Rimba Raya Stream, InfiniteEARTH will deliver 100% of the carbon credits created by the project up to July 31, 2051 (unless otherwise extended) for sale by the Company, less up to 635,000 carbon credits per annum which are already committed to previous buyers. To acquire the Rimba Raya Stream, the Company paid an upfront deposit of $22.3 million. In addition, the Company will make ongoing delivery payments to InfiniteEARTH for each carbon credit that is sold under the Rimba Raya Stream.

In conjunction with the Rimba Raya Stream, the Company and the founders of InfiniteEARTH ("**Founders**") also entered into a strategic alliance agreement (the "**SAA**"). Carbon Streaming issued 4,539,180 Common Shares (valued at $31,547,647) and paid $4 million to the Founders as consideration for entering into the SAA. Under the SAA, the Founders have agreed to provide consulting services to the Company, which will consist of carbon project advisory services, carbon credit marketing and sales services, as well as assisting the Company with due diligence initiatives on new potential carbon investment opportunities. In addition, the SAA provides Carbon Streaming with a right of first refusal on any carbon credit streaming or royalty financing transaction for projects that are planned in the future, which includes a portfolio of blue carbon credit projects throughout the Americas. The Rimba Raya Stream includes the cash and share consideration paid to enter into the SAA and the cash consideration paid for the stream agreement, which together represent the fair value of the Rimba Raya Stream.

Osisko Gold Royalties Ltd ("**Osisko**") has provided notice to the Company that it intends to exercise its Stream Participation Right (as defined herein) in respect of the Rimba Raya Stream. See "Commitments" (Note 15).

(ii) On May 16, 2022, the Company entered into a carbon credit streaming agreement with Community Carbon and UpEnergy Group to bring fuel-efficient cookstoves and safe water solutions to millions of households in eastern and southern Africa under a grouped project model (the "**Community Carbon Stream**"). Under the terms of the Community Carbon Stream, Community Carbon will deliver a portion of the carbon credits created by the seven projects to the Company, for a term of 15 years. The agreement closed on August 16, 2022. To acquire the Community Carbon Stream, the Company agreed to pay Community Carbon an upfront deposit of $20 million. As at September 30, 2022, the Company has paid $6.5 million (June 30, 2022 - $nil) of the upfront deposit, with additional installments to be paid upon specific project milestones being met.

5. Carbon credit streaming and royalty agreements (continued)

(iii) On June 20, 2022, the Company entered into a carbon credit streaming agreement with Will Solutions Inc. ("**Will Solutions**") to scale its Sustainable Community project in Quebec, Canada and develop and scale its Sustainable Community project in Ontario, Canada (the "**Sustainable Community Stream**"). Under the terms of the Sustainable Community Stream, Will Solutions will deliver 50% of the carbon credits created by the projects to the Company, of up to a maximum of 44.1 million credits to the Company. To acquire the Sustainable Community Stream, the Company agreed to pay an upfront deposit of $20 million. As at September 30, 2022, $4 million (June 30, 2022 - $4 million) of the upfront deposit has been paid, with the balance to be paid as the projects achieve implementation and new member enrollment milestones. In addition, the Company will make ongoing delivery payments to Will Solutions for each carbon credit that is sold under the Sustainable Community Stream.

(iv) On May 13, 2021, the Company entered into a carbon credit streaming agreement with Fundación MarVivo Mexico, A.C. and MarVivo Corporation ("**MarVivo**") to implement the proposed Magdalena Bay Blue Carbon Conservation Project in Magdalena Bay in Baja California Sur, Mexico which is focused on the conservation of mangrove forests and their associated marine habitat (the "**Magdalena Bay Blue Carbon Stream**"). Under the terms of the Magdalena Bay Blue Carbon Stream, MarVivo will deliver the greater of 200,000 carbon credits or 20% of verified credits generated by the project on an annual basis, for a term of 30 years starting on date of the first delivery of carbon credits. To acquire the Magdalena Bay Blue Carbon Stream, the Company agreed to pay MarVivo an upfront deposit of $6 million. As at September 30, 2022, the Company has paid $3 million (June 30, 2022 - $3 million) of the upfront deposit, with the balance to be paid in three additional installments upon specific milestones being met during project development. In addition, the Company will make ongoing delivery payments to MarVivo for each carbon credit that is sold under the Magdalena Bay Blue Carbon Stream.

Osisko has provided notice to the Company that it intends to exercise its Stream Participation Right in respect of the Magdalena Bay Blue Carbon Stream.

(v) On September 28, 2022, the Company entered into a carbon credit streaming agreement with Core CarbonX Solutions Pvt Ltd. and its services provider, Core CarbonX Solutions Private Limited (collectively, "**Core CarbonX**"), to develop its Nalgonda Rice Farming methane avoidance grouped project located in the Nalgonda District, Telangana State, India (the "**Nalgonda Rice Farming Stream**"). Under the terms of the Nalgonda Rice Farming Stream, Core CarbonX will deliver 100% of the carbon credits generated by the project. To acquire the Nalgonda Rice Farming Stream, the Company agreed to pay an upfront deposit of $3.3 million. As at September 30, 2022, the Company has paid $1.6 million (June 30, 2022 - $nil) of the upfront deposit, with additional installments to be paid upon specific project milestones being met. In addition, the Company will make ongoing delivery payments to Core CarbonX for each carbon credit that is sold under the Nalgonda Rice Farming Stream.

(vi) On May 11, 2022, the Company entered into a carbon credit streaming agreement with Waverly RB SPE LLC ("**Waverly RB**"), a subsidiary of Restoration Bioproducts LLC, to support the construction of a biochar production facility in Waverly, Virginia, United States (the "**Waverly Biochar Stream**"). Under the terms of the Waverly Biochar Stream, Waverly RB will deliver 100% of the CO_2 removal certificates ("**CORCs**") generated by the project to the Company, for a term of 25 years starting on the date of the first delivery of CORCs. To acquire the Waverly Biochar Stream, the Company agreed to pay an upfront deposit of $1.4 million. As at September 30, 2022, the Company has paid $0.6 million (June 30, 2022 - $0.6 million) of the upfront deposit, with additional installments to be paid upon specific project milestones being met. In addition, the Company will make ongoing delivery payments to Waverly RB for each carbon credit that is sold under the Waverly Biochar Stream.

5. Carbon credit streaming and royalty agreements (continued)

(vii) On September 8, 2021, the Company entered into a carbon credit streaming agreement with ERA Cerrado Assessoria e Projectos Ambientais Ltd (formerly ERA Assessoria e Projectos Ambientais e Agricolas Ltd.) (“**ERA**”), to implement and scale the Cerrado Biome project, which is aimed at protecting native forests and grasslands in the Cerrado Biome, Brazil (the "**Cerrado Biome Stream**"). Under the terms of the Cerrado Biome Stream, ERA will deliver 100% of the carbon credits created by the project to the Company, less any preexisting delivery obligations, for a term of 30 years. To acquire the Cerrado Biome Stream, the Company agreed to pay ERA an upfront deposit of $0.5 million. As at September 30, 2022, the Company has paid $0.3 million (June 30, 2022 - $0.2 million) of the upfront deposit to ERA, with the balance to be paid in subsequent installments upon specific project milestones being met. In addition, the Company will make ongoing delivery payments to ERA for each carbon credit that is sold under the Cerrado Biome Stream.

(viii) On May 25, 2021, the Company entered into an exclusive term sheet with the Bonobo Conservation Initiative (“**BCI**”) to provide initial funding of $0.5 million to BCI to develop two carbon credit projects within the Bonobo Peace Forest ("**Bonobo Peace Forest Projects**") located in the Democratic Republic of the Congo. On December 30, 2021, the term sheet was amended and restated to increase the amount of the initial funding to $1.3 million. On September 8, 2022, the Company amended and restated its term sheet with BCI, providing an additional $0.6 million of funding to BCI to develop the Bonobo Peace Forest Projects. In connection with the signing of the amendment and restatement, BCI and the Company entered into a 5% royalty agreement (the "**Bonobo Royalty**") covering the carbon credit revenues generated from the Bonobo Peace Forest Projects. As at June 30, 2022, the Company recorded the initial funding of $1.3 million as an 'early deposit interest', however after entering into the royalty agreement, the Company transferred the Bonobo Royalty to 'carbon credit streaming and royalty agreements'. As at September 30, 2022, the Company has paid $1.9 million (June 30, 2022 - $1.3 million) to BCI.

(ix) On September 8, 2022, the Company entered into a term sheet with Future Carbon International LLC (“**Future Carbon**”) covering four REDD+ projects in the Amazon, Brazil (the “**FCG Amazon Portfolio**”). Pursuant to the terms of the term sheet, the Company has advanced $3 million and entered into a 5% royalty agreement (the “**Future Carbon Royalty**”) covering the carbon credit revenues generated by Future Carbon from its interest in the FCG Amazon Portfolio.

6. Early deposit interest

On July 13, 2022, Carbon Streaming executed a term sheet with Citadelle Maple Syrup Producers’ Cooperative (“**Citadelle**”). As part of the term sheet, the Company provided $0.3 million of upfront funding for a grouped sugar maple Afforestation, Reforestation, Revegetation and ecosystem restoration project in Quebec, Canada. The initial funding from Carbon Streaming is designed to enable Citadelle to achieve the Fall 2022 and Spring 2023 planting windows and positions Carbon Streaming with a right of first refusal on future carbon credit-based financings.

(Expressed in United States Dollars, unless otherwise noted) (Unaudited)

7. Investment in associate

During the year ended June 30, 2022, Carbon Streaming acquired a 18.6% equity interest in Carbon Fund Advisors Inc. ("**Carbon Fund Advisors**") at a cost of $400,750 which was recorded as other investment in the consolidated statements of financial position. On July 6, 2022, the Company invested an additional $1.35 million in Carbon Fund Advisors and increased its equity interest from 18.6% to 50%. Carbon Fund Advisors is the sub-advisor of Carbon Strategy ETF (NYSE: KARB) and the additional investment supports Carbon Fund Advisors' launch of the Carbon Strategy ETF, an actively managed thematic exchange-traded fund that aims to provide investors exposure to the growing compliance carbon markets.

As of the date of funding the additional $1.35 million, and as at September 30, 2022, the Company maintains significant influence of Carbon Fund Advisors and has accounted for its investment in Carbon Fund Advisors under the equity accounting method. For the three months ended September 30, 2022, a share of loss of investment in associate of $26,467 was recognized under the Company's profit and loss, reducing the investment in associate balance as a result.

8. Right-of-use asset and lease liabilities

In July 2022, the Company entered into an office lease. The Company has recorded the office lease as a right-of-use asset and lease liability in the consolidated statements of financial position as at September 30, 2022. 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 is amortized over 3.75 years.

	Three Months Ended September 30, 2022	**Year Ended June 30, 2022**
Additions	**384,068**	-
Amortization	**(25,605)**	-
Balance, end of period	**$ 358,463**	$ -

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

	Three Months Ended September 30, 2022	**Year Ended June 30, 2022**
Balance, beginning of period	**$ -**	$ -
Additions	**384,068**	-
Accretion	**11,638**	-
Balance, end of period	**395,706**	-
Current portion	**(33,624)**	-
Non-current portion	**$ 362,082**	$ -

(Expressed in United States Dollars, unless otherwise noted) (Unaudited)

8. Right-of-use asset and lease liabilities (continued)

Maturity analysis - contractual undiscounted cash flows

As at September 30, 2022	
Less than one year	$ 81,739
One to five years	421,545
Total undiscounted lease obligations	$ 503,284

9. Warrant liabilities

The following table summarizes the changes in the warrant liabilities for the Company's C$ denominated warrants for the period ending September 30, 2022:

	Number of warrants	Amount
Balance, June 30, 2021	**12,794,452**	**$ -**
Fair value recognized on change in functional currency	-	24,791,075
Warrants exercised	(474,913)	(3,328,499)
Revaluation of warrant liabilities	-	(4,716,660)
Balance, June 30, 2022	**12,319,539**	**16,745,916**
Warrants exercised	(10,000)	(11,044)
Revaluation of warrant liabilities	-	(2,918,030)
Balance, September 30, 2022	**12,309,539**	**$ 13,816,842**

The March 2026 Warrants are C$ denominated and listed on the NEO Exchange. 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 pricing model and the following weighted average assumptions:

	As at September 30, 2022	As at June 30, 2022
Spot price (in C$)	$ 3.50	$ 3.33
Risk-free interest rate	3.44 %	3.09 %
Expected annual volatility	60 %	60 %
Expected life (years)	3.25	3.50
Dividend	nil	nil

(Expressed in United States Dollars, unless otherwise noted) (Unaudited)

9. Warrant liabilities (continued)

The following table reflects the Company's C$ denominated warrants outstanding and exercisable as at September 30, 2022:

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

10. Share capital

a) 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.

b) Issued share capital

As at September 30, 2022, there were 46,813,919 issued and fully paid Common Shares (June 30, 2022 – 46,803,919).

During the three months ended September 30, 2022, the Company:

- issued 10,000 Common Shares for the exercise of warrants for gross proceeds of $29,404 and having an estimated fair value of $11,044, which were transferred to share capital. The market price at the date of exercise was C$4.58.

During the three months ended September 30, 2021, the Company:

- issued 18,000 Common Shares for the exercise of warrants for gross proceeds of $106,878 and having an estimated fair value of $25,125, which were transferred to share capital. The market price at the date of exercise was C$12.50.

c) Special Warrants

On November 20, 2021, the Company’s special warrants (“**Special Warrants**”) automatically converted into one Common Share and one full Common Share purchase warrant which expire on September 19, 2026, at an exercise price of $7.50 per warrant (the “**September 2026 Warrants**”). The Special Warrants had been issued on July 19, 2021, at a price of $5.00 per Special Warrant for aggregate gross proceeds to the Company of $104.9 million. With the conversion, a total of 20,980,250 Common Shares and 20,980,250 September 2026 Warrants were issued to Special Warrant holders.

(Expressed in United States Dollars, unless otherwise noted) (Unaudited)

11. Warrants

The following table reflects the continuity of all the Company's warrants for the three months ended September 30, 2022 and 2021:

	Number of warrants	Exercise price	
Balance, June 30, 2021	**12,794,452**		
Exercised (Note 10(b))	(18,000)	C$	7.50
Balance, September 30, 2021	**12,776,452**		
Balance, June 30, 2022	**33,240,789**		
Exercised	(10,000)	C$	3.75
Balance, September 30, 2022	**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, 2022:

Expiry date	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		

12. Stock options and restricted share units

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 has adopted the LTIP as a means to provide incentives to eligible directors, officers, employees and advisors. The LTIP will facilitate granting of stock options, RSUs and performance share units ("**PSU**s"), 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. Upon vesting, the RSUs can be cash-settled or share-settled under the LTIP, as determined by the Board of Directors. The Company may settle RSUs in cash or equity based on the relevant facts and circumstances of each settlement, including but not limited to the Company’s share ownership policy and accordingly they are recorded as a financial liability on the statement of financial position.

As per the terms of the LTIP, the maximum aggregate number of Common Shares reserved for issuance under the LTIP shall not exceed 10% of the Company’s issued and outstanding Common Shares.

(Expressed in United States Dollars, unless otherwise noted) (Unaudited)

12. Stock options and restricted share units (continued)

(a) Stock options

The following table reflects the continuity of stock options for the three months ended September 30, 2022 and 2021:

	Number of stock options	Weighted average exercise price (C$)
Balance, June 30, 2021 and September 30, 2021	**640,000**	**3.85**
Balance, June 30, 2022 and September 30, 2022	**1,506,000**	**9.63**

The following table reflects the Company's stock options outstanding and exercisable as at September 30, 2022:

Options outstanding	Options exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)	Expiry date
570,000	570,000	3.75	3.50	March 31, 2026
50,000	50,000	5.00	3.69	June 7, 2026
10,000	10,000	11.05	4.01	October 1, 2026
100,000	100,000	11.15	4.01	October 4, 2026
746,000	-	14.13	4.17	December 1, 2026
10,000	-	15.43	4.17	January 10, 2027
20,000	-	10.05	4.42	March 1, 2027
1,506,000	730,000	9.63	3.89	

(b) Restricted share units

The following table reflects the continuity of RSUs for the three months ended September 30, 2022 and 2021:

	Number of RSUs	Fair value of RSU liabilities
Balance, June 30, 2021 and September 30, 2021	**500,000**	**$ 203,392**
Balance, June 30, 2022	**865,835**	**931,500**
Granted	15,000	38,302
Change in value of RSU liabilities	-	252,252
Balance, September 30, 2022	**880,835**	**$ 1,222,054**

(Expressed in United States Dollars, unless otherwise noted) (Unaudited)

12. Stock options and restricted share units (continued)

As at September 30, 2022, the total fair value of restricted share unit liabilities is $1,222,054, of which the Company considers $695,354 to be the current portion of the liabilities, with the remaining $526,700 considered non-current.

During the three months ended September 30, 2022, the Company granted 15,000 RSUs (three months ended September 30, 2021 - nil RSUs) to an employee. These RSUs vest a third on each of the first, second and third anniversaries of the date of grant. The grant date fair value of the RSUs was $38,302.

For the three months ended September 30, 2022, the Company recorded share-based compensation expense for these RSU's of $290,554 (three months ended September 30, 2021 - $236,442).

13. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties include key management personnel and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

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

	Three Months Ended September 30, 2022	2021
Salaries and fees [1]	**$ 496,250**	$ 408,157
Consulting fees	**15,000**	17,000
Share-based compensation	**679,373**	172,784
	$ 1,190,623	$ 597,941

[1] Salaries and fees paid to the executive officers and directors for their services.

14. Financial instrument fair value and risks 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 September 30, 2022, no transfers took place.

The Company's financial instruments include cash, carbon credit streaming and royalty agreements, accounts payable and accrued liabilities, warrant liabilities and restricted share unit liabilities. The carrying value of cash 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, volatility of the expected market price of the Company's Common Shares and the expected life of the options. Carbon credit streaming and royalty agreements (Level 3) are valued using recent trading prices for comparable carbon credit methodologies and vintages and overall market volatility of voluntary carbon credit pricing. Other variables that impact the fair value of the carbon streaming agreements include the expected volumes and timing of the delivery and sale of the verified carbon credits, changes in expected costs and cash flows associated with the agreement, an applicable risk adjusted discount rate, and other potential factors.

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, foreign exchange, and timing and number of anticipated carbon credit deliveries and sales.

Assuming all other variables remain constant, a 5% weakening or strengthening of voluntary carbon credit prices would result in a fair value adjustment of approximately $3.9 million to the Company's profit or loss.

14. Financial instrument fair value and risks factors (continued)

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 instrument 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, 2022, the Company held cash of C$23.2 million in Canadian dollars and had accounts payable of C$0.3 million in Canadian dollars. As the Company has a number of transactions in foreign currencies, currency risk has been assessed as moderate.

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 $0.8 million 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 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.

15. 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 of such payments, based on the information currently available. As at September 30, 2022 such conditions had not been met. See Notes 5 and 6 for a description of project specific commitments.

Under its carbon credit streaming agreements, the Company is typically required to pay an ongoing delivery payment to the project partner for each credit that is delivered to Carbon Streaming and sold under the carbon 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. Under this 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 September 30, 2022, Osisko has provided notice to the Company that it has elected in principle to participate in the Magdalena Bay Blue Carbon Stream, the Rimba Raya Stream and the SAA (see Note 5).

16. Subsequent event

On November 1, 2022, the Company entered into a carbon credit streaming agreement and associated royalty agreement with Standard Biocarbon Corporation (“**Standard Biocarbon**”) to support the construction of a biochar pyrolysis pilot facility in Enfield, Maine, United States (the “**Enfield Biochar Stream**”). Under the terms of the Enfield Biochar Stream, Standard Biocarbon will deliver 100% of the CORCs generated by the project to the Company, for a term of 30 years starting on the date of the first delivery of CORCs. Carbon Streaming will also receive a revenue royalty on volume of biochar sold. To acquire the Enfield Biochar Stream, the Company agreed to pay an upfront deposit of $1.3 million. At closing the Company paid $0.5 million of the upfront deposit, with additional installments to be paid upon specific project milestones being met. In addition, the Company will make ongoing delivery payments to Standard Bio for each carbon credit that is sold under the Enfield Biochar Stream.