CARBON STREAMING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2022

AND YEAR ENDED JUNE 30, 2022

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Carbon Streaming Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and June 30, 2022, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the six month period ended December 31, 2022 and the year ended June 30, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and June 30, 2022, and its financial performance and its cash flows for the six month period ended December 31, 2022 and the year ended June 30, 2022 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the six month period ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Carbon Credit Streaming and Royalty Agreements – Refer to Notes 3(d) and 6 of the financial statements

Key Audit Matter Description

The Company accounts for its carbon credit streaming and royalty agreements as financial instruments measured at fair value through profit or loss. At each reporting date, the fair value of each active contract is determined using discounted cash flow models taking into consideration various observable and unobservable inputs, including the expected volumes and timing of the delivery and sale of verified carbon credits, assumptions around carbon credit pricing, an applicable risk-adjusted discount rate and other contractual terms of the agreement.

While there are several estimates and assumptions required to determine the fair value of carbon credit streaming and royalty agreements those with the highest degree of subjectivity are the discount rates, carbon credit prices and future expected volume of carbon credit generation. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of fair value specialists and professionals with expertise in carbon credit markets.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to discount rates, carbon credit prices and future expected volume of carbon credit generation to determine the fair values of carbon credit streaming arrangements included the following, among others:

- Evaluated future expected volume of carbon credit generation by:
    - Assessing management's methodology; and
    - Comparing to historical data and available market trends;
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates and developed a range of independent estimates for the discount rates and compared to the discount rates selected by management;
- With the assistance of fair value specialists and professionals with expertise in carbon credit markets, evaluated the reasonableness of the carbon credit prices used by management by comparing to historical prices, third-party information and forecasts.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 28, 2023

CARBON STREAMING CORPORATION
Consolidated Statements of Financial Position
(Expressed in thousands of United States Dollars, except for per share amounts)

	As at December 31, 2022 (Note 2)	As at June 30, 2022
Assets		
Current assets		
Cash	**$ 70,345**	$ 93,238
Carbon credit inventory (Note 5)	**1,019**	1,644
Prepaid	**567**	801
Other receivables	**323**	341
	72,254	96,024
Non-current assets		
Carbon credit streaming and royalty agreements (Note 6)	**83,998**	65,681
Early deposit interest (Note 7)	**307**	1,361
Investment in associate (Note 8)	**1,597**	-
Other investment	**-**	401
Right-of-use asset (Note 9)	**333**	-
Total assets	**$ 158,489**	$ 163,467
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,856**	$ 3,155
Warrant liabilities (Note 10)	**7,359**	16,746
Current portion of share unit liabilities (Note 13(b))	**488**	532
Current portion of lease liability (Note 9)	**78**	-
	9,781	20,433
Non-current liabilities		
Derivative liabilities (Note 14)	**1,366**	-
Non-current portion of share unit liabilities (Note 13(b))	**372**	399
Non-current portion of lease liability (Note 9)	**330**	-
Total liabilities	**11,849**	20,832
Shareholders' equity		
Share capital (Note 11(b))	**193,899**	193,624
Share-based compensation reserve	**6,452**	5,077
Deficit	**(53,711)**	(56,066)
Total shareholders' equity	**146,640**	142,635
Total liabilities and shareholders' equity	**$ 158,489**	$ 163,467

Approved on behalf of the Board:

"Justin Cochrane", Director

"Saurabh Handa", Director

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

CARBON STREAMING CORPORATION
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of United States Dollars, except per share amounts)

	Six month period ended December 31, 2022 (Note 2)	Year ended June 30, 2022
Revenue from sale of carbon credits	**$ 1,086**	$ 147
Cost of purchased carbon credits sold (Note 5)	**(625)**	(126)
Gross profit	**461**	**21**
Other operating expenses		
Salaries and fees	**4,250**	6,206
Share-based compensation (Note 13)	**1,590**	3,945
Marketing	**349**	1,460
Professional fees	**1,463**	1,435
Consulting fees	**1,981**	1,941
Foreign exchange loss	**906**	922
Insurance	**475**	786
Loss from investment in associate (Note 8)	**153**	-
Regulatory fees	**110**	534
Office and general	**364**	409
Amortization of right of use asset (Note 9)	**51**	-
Other operating expenses	**11,692**	**17,638**
Operating loss	**(11,231)**	**(17,617)**
Other items		
Finance income	**176**	-
Revaluation of warrant liabilities (Note 10)	**9,376**	4,717
Revaluation of derivative liabilities (Note 14)	**(766)**	-
Revaluation of carbon credit streaming and royalty agreements (Note 6)	**4,800**	-
Net income (loss) and comprehensive income (loss) for the period	**$ 2,355**	$ (12,900)
Basic earnings (loss) per share	**$ 0.05**	$ (0.34)
Diluted earnings (loss) per share	**$ 0.05**	$ (0.34)
Weighted average number of Common Shares outstanding - basic	**46,834,795**	**37,732,846**
Weighted average number of Common Shares outstanding - diluted	**47,702,704**	**37,732,846**

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

CARBON STREAMING CORPORATION
Consolidated Statements of Cash Flows
(Expressed in thousands of United States Dollars, except for per share amounts)

	Six month period ended December 31, 2022 (Note 2)	Year ended June 30, 2022
Operating activities		
Net income (loss) for the period	**$ 2,355**	$ (12,900)
Items not affecting cash		
Foreign exchange loss	**906**	1,150
Amortization of right of use asset (Note 9)	**51**	-
Accretion (Note 9)	**24**	-
Share-based compensation	**1,590**	3,206
Loss from investment in associate	**153**	-
Revaluation of warrant liabilities (Note 10)	**(9,376)**	(4,717)
Revaluation of derivative liabilities (Note 14)	**766**	-
Revaluation of carbon credit streaming and royalty agreements (Note 6)	**(4,800)**	-
Changes in working capital items		
Prepaid	**234**	(608)
Other receivable	**3**	(341)
Carbon credit inventory	**625**	(1,644)
Accounts payable and accrued liabilities	**(1,054)**	2,165
Net cash used in operating activities	**(8,523)**	(13,689)
Investing Activities		
Carbon credit streaming and royalty agreements (Note 6)	**(12,156)**	(34,134)
Proceeds received from issuance of derivative liability (Note 14)	**600**	-
Early deposit interest (Note 7)	**(307)**	(861)
Investment in associate (Note 8)	**(1,349)**	-
Purchase of other investment	**-**	(401)
Net cash used in investing activities	**(13,212)**	(35,396)
Financing Activities		
Proceeds from exercise of warrants (Note 11(b))	**29**	2,142
Special warrants subscriptions (Note 11(c))	**-**	32,991
Net cash provided by financing activities	**29**	35,133
Net change in cash	**(21,706)**	(13,952)
Effect of foreign exchange on cash	**(1,187)**	(1,191)
Cash, beginning of period	**93,238**	108,381
Cash, end of period	**$ 70,345**	$ 93,238

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

CARBON STREAMING CORPORATION
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of United States Dollars, except for per share amounts)

	Share Capital		Subscriptions	Share-based payment		
	Number	**Amount**	**received**	**reserve**	**Deficit**	**Total**
Balance, June 30, 2021	**20,672,831 $**	**51,706 $**	**71,512 $**	**3,200 $**	**(18,375) $**	**108,043**
Receipts for Special Warrants	-	-	33,389	-	-	33,389
Special Warrants converted to Common Shares (Note 11(c))	20,980,250	104,502	(104,502)	-	-	-
Share issuance costs	-	-	(399)	-	-	(399)
Share consideration for carbon credit streaming agreements (Note 6)	4,539,180	31,548	-	-	-	31,548
Exercise of warrants (Note 11(b))	533,913	5,411	-	-	-	5,411
Exercise of stock options (Note 11(b))	20,000	105	-	(45)	-	60
Restricted share units converted	57,745	352	-	-	-	352
Share-based compensation (Note 13)	-	-	-	2,125	-	2,125
Reclassification of restricted share unit liabilities (Note 13(b))	-	-	-	(203)	-	(203)
Reclassification of warrant liabilities (Note 10)	-	-	-	-	(24,791)	(24,791)
Net loss and comprehensive loss	-	-	-	-	(12,900)	(12,900)
Balance, June 30, 2022	**46,803,919**	**193,624**	**-**	**5,077**	**(56,066)**	**142,635**
Exercise of warrants (Note 11(b))	10,000	40	-	-	-	40
Restricted share units converted	138,113	235	-	-	-	235
Share-based compensation (Note 13)	-	-	-	1,375	-	1,375
Net income and comprehensive income	-	-	-	-	2,355	2,355
Balance, December 31, 2022 (Note 2)	**46,952,032 $**	**193,899 $**	**- $**	**6,452 $**	**(53,711) $**	**146,640**

The accompanying notes are an integral part of these 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 aims to accelerate a net-zero future. The Company’s focus is on projects that have a positive impact on the environment, local communities, and biodiversity, in addition to their carbon reduction or removal potential. The Company currently has carbon credit streams and royalties on projects around the world, including projects involving nature-based solutions, the distribution of fuel-efficient cookstoves and water filtration devices, waste avoidance and energy efficiency, agricultural methane avoidance, and biochar carbon removal.

The Company’s common shares (“**Common Shares**”) are listed on the Neo Exchange Inc. (“**NEO Exchange**”) under the symbol “NETZ”, common share purchase warrants, exercisable at C$7.50 until March 2, 2026 (the “**March 2026 Warrants**”) 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 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 in North America, South America, Africa, and Asia.

These consolidated financial statements (the “**Financial Statements**”) of the Company for the six month period ended December 31, 2022, were approved and authorized for issue by the Board of Directors on March 28, 2023.

For the six month period ended December 31, 2022 and year ended June 30, 2022 (Expressed in thousands of United States Dollars, except for per share amounts)

2. Basis of presentation

Statement of compliance

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

Basis of presentation

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

To align the Company's financial reporting period with traditional financial, operational, and taxation cycles, the Company has changed its year end to December 31st. These Financial Statements reflect a six-month period from July 1, 2022 to December 31, 2022, and comparative twelve month period from July 1, 2021 to June 30, 2022.

Basis of consolidation

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

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

Subsidiaries

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

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 its investment in an 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.

3. Significant accounting policies

(a) Cash

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

(b) Foreign currency translation

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

Effective July 1, 2021, the Company determined that its functional currency had changed from the Canadian dollar ("C$") to the United States dollar. The Company made the determination considering the significance of the July 19, 2021 private placement of $104.9 million raised in US$, and that carbon credit streaming agreements are primarily based in US$. The change in functional currency was accounted for on a prospective basis from July 1, 2021 onwards. The Company operates in a mixture of currencies and therefore the determination of functional currency involves certain judgments to determine the primary economic environment in which the Company operates. The Company also reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Concurrent with the change in functional currency, effective July 1, 2021, the Company also changed its presentation currency from C$ to US$.

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

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

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

(c) Carbon credit inventory

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

(d) Carbon credit streaming and royalty agreements

Carbon credit streaming and royalty agreements consists of both agreements for the purchase and sale of carbon credits (streaming agreements) and royalty agreements on the sale of carbon credits or biochar. A carbon credit streaming agreement is a contractual agreement whereby the Company, as the stream purchaser, makes an upfront deposit (in the form of cash, shares or other consideration) to a project partner, in return for the right to purchase all or a portion of the future carbon credits (including the emission reductions/removals and associated co-benefits) generated by a project or an asset over the term of the agreement. Carbon credit streaming agreements are agreements that are expected to be settled through the delivery of carbon credits although the contractual arrangements, in certain circumstances, could result in the Company receiving cash upon expiry of the contracts. Under such arrangements, the upfront deposit amount is reduced as carbon credits are delivered to the Company. If, at the end of the term of the agreement, a minimum cumulative value of carbon credits have not been delivered, the Company is entitled to receive the uncredited amount of the upfront deposit. Additionally, the Company's business model for these agreements is to take delivery of the carbon credits and subsequently sell the carbon credits for purposes of generating a profit. A portion of the proceeds from the sale of the carbon credits must be remitted to the project operator. Accordingly, the carbon credit streaming agreements are accounted for as financial instruments. These agreements are initially and subsequently measured at fair value through profit or loss. At each reporting date, the fair value of each active streaming contract is determined using discounted cash flow models taking into consideration various observable and unobservable inputs, including the expected volumes and timing of the delivery and sale of verified carbon credits, assumptions around carbon credit pricing, an applicable risk-adjusted discount rate and other contractual terms of the agreement.

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

The Company's carbon credit streaming and royalty agreements are described further in Note 6.

(e) Financial instruments

i) Recognition

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

ii) Classification and measurement

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

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

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

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

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

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

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

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

Carbon credit streaming and royalty agreements are financial assets measured at FVTPL. The Company classifies its financial assets and liabilities under IFRS 9 as follows:

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

iii) Impairment of financial assets at amortized cost

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

(f) 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.

(g) Earnings (loss) per share

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

(i) Share capital and warrants

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

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

(j) Share-based compensation

The Company follows the fair value method of accounting for the issuance of stock options restricted share units ("**RSUs**"), performance share units ("**PSUs**") and phantom share units ("**Phantom Units**") granted to officers, employees, directors, and advisors. The grant date fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Company's common shares and the expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The fair values of the RSUs, PSUs and Phantom Units are determined by the quoted market price of the Company's common shares at date of grant. Share-based compensation is amortized to profit or loss over the vesting period of the related option, RSU, PSU or Phantom Unit.

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

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

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

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

(k) Revenue recognition

The Company recognizes revenue from the sale of carbon credits purchased. Revenue is recognized upon transfer of control of the carbon credits to customers in an amount that reflects the consideration the Company receives. The Company sells carbon credits to customers whereby the Company transfers the carbon credits directly to the customer or retires the carbon credits on the customer's behalf. Revenue from the sale of carbon credits is recorded when the carbon credits have been retired or transferred and the Company's performance obligation has been satisfied. In the current year, revenue recognized relates to carbon credits purchased directly by the Company.

(l) Income taxes

Current income tax

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

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

Deferred income tax

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

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

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

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

Accounting standards, amendments and interpretations issued but not yet effective

Certain accounting standards or amendments to existing accounting standards that have been issued are listed below:

IAS 1 - Presentation of Financial Statements
In January 2020, the IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature. The amendment includes:

a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
c) Clarifying how lending conditions affect classification; and
d) Clarifying if the settlement of a liability refers to the transfer of cash, equity instruments, other assets or services.

This amendment is not expected to have a significant impact on these Financial Statements. This amendment is effective for reporting periods beginning on or after January 1, 2024.

4. Significant accounting estimates, judgments, and assumptions

Significant accounting judgments and estimates

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

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the periods of change, if the change affects that period only, or in the period of the change of future periods, if the change affects both.

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

Functional currency

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

Accounting for and valuation of carbon credit streaming and royalty agreements

The Company from time to time will acquire carbon credit streaming and royalty agreements which are required to be remeasured at fair value at the end of each reporting period. Each carbon credit streaming or royalty agreement has its own unique terms and significant judgment is required to assess the appropriate accounting treatment. Significant estimates and assumptions in the fair value assessment are included in Note 6.

Share-based compensation

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

Warrant liabilities

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

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.

5. Carbon credit inventory

In September 2021, the Company purchased Rimba Raya Biodiversity Reserve project verified carbon units ("**VCUs**"), which are carbon credits that were issued by Verra, separate and apart from its Rimba Raya Stream (as defined below). For the six month period ended December 31, 2022, the Company recognized $625 in cost of purchased carbon credits sold (year ended June 30, 2022 - $126). As at December 31, 2022, the Company held VCUs with a cost of $1,019. Additionally, the Company retired 125 of its carbon credits which offset five times the Company's calendar year 2021 emissions. As a result of this retirement, the Company recognized an expense of $1 to office and general for the six month period ended December 31, 2022 (year ended June 30, 2022 – no credits retired).

For the six month period ended December 31, 2022 and year ended June 30, 2022 (Expressed in thousands of United States Dollars, except for per share amounts)

6. Carbon credit streaming and royalty agreements

The following table is a summary of the changes in carbon credit streaming and royalty agreements for the six month period ended December 31, 2022 and the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Fair value adjustments	Balance June 30, 2022
Rimba Raya Stream (i)	-	57,833	-	57,833
Sustainable Community Stream (iii)	-	4,000	-	4,000
Magdalena Bay Blue Carbon Stream (iv)	-	3,000	-	3,000
Waverly Biochar Stream (vi)	-	600	-	600
Cerrado Biome Stream (viii)	-	248	-	248
Total	-	65,681	-	65,681

	Balance June 30, 2022	Additions	Fair value adjustments	**Balance December 31, 2022**
Rimba Raya Stream (i)	57,833	-	3,430	**61,263**
Sustainable Community Stream (iii)	4,000	-	388	**4,388**
Magdalena Bay Blue Carbon Stream (iv)	3,000	-	400	**3,400**
Waverly Biochar Stream (vi)	600	-	144	**744**
Cerrado Biome Stream (viii)	248	67	90	**405**
Community Carbon Stream (ii)	-	6,500	387	**6,887**
Nalgonda Rice Farming Stream (v)	-	1,550	(150)	**1,400**
Enfield Biochar Stream (vii)	-	225	-	**225**
Bonobo Peace Forest Royalty (ix)	-	1,900	-	**1,900**
FCG Amazon Portfolio Royalty (x)	-	3,000	111	**3,111**
Enfield Biochar Production Royalty (vii)	-	275		**275**
Total	**65,681**	**13,517**	**4,800**	**83,998**

For the six month period ended December 31, 2022, there were $13,517 of additions relating to the acquisition of three carbon credit streaming agreements, the acquisition of three carbon credit royalty agreements, and milestone payments in relation to upfront deposits of carbon credit streaming agreements (year ended June 30, 2022 - $65,681).

As at December 31, 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. The Company recognized a net gain on the revaluation of the carbon credit streaming and royalty agreements of $4,800 for the six month period ended December 31, 2022 (year ended June 30, 2022 - $nil), of which $4,689 relates to the Company's carbon credit streaming agreements and $111 related to the Company's carbon credit royalty agreements.

For the six month period ended December 31, 2022 and year ended June 30, 2022 (Expressed in thousands of United States Dollars, except for per share amounts)

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

- 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 in project-specific risk factors; 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 below table are per individual project on a 100% project basis, and not aggregated.

Description of unobservable inputs	**Range of unobservable inputs – Six month period ended December 31, 2022**	**Range of unobservable inputs – Year ended June 30, 2022**	**Relationship of unobservable input to fair value**
Carbon credit production and sales profiles	0.001 million to 20.515 million carbon credits over 8-year to 51-year terms.	0.005 million to 20.515 million carbon credits over 9-year to 33-year terms.	As the carbon credit production and sales profile increases, the fair value increases.

Description of unobservable inputs	**Range of unobservable inputs – Six month period ended December 31, 2022**	**Range of unobservable inputs – Year ended June 30, 2022**	**Relationship of unobservable input to fair value**
Carbon credit pricing assumptions	$7.00 to $110.00	$6.50 to $100.00	As the carbon credit pricing assumptions increase, the fair value increases.

For the six month period ended December 31, 2022, the impact of a reasonable 10% increase and 10% decrease in the estimated carbon credit production and sales profile, 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 $8,474 and $7,739, respectively (year ended June 30, 2022 - $6,151 and $5,556).

For the six month period ended December 31, 2022, the impact of a reasonable 10% increase and 10% decrease in the estimated carbon credit pricing assumption, 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 $8,114 and $7,377, respectively (year ended June 30, 2022 - $5,181 and $5,070).

The following is a summary of the Company's carbon credit streaming and royalty agreements:

(i) On July 30, 2021, the Company entered into a carbon credit streaming agreement with InfiniteEARTH Limited , the project operator 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 Ltd. and its Indonesian subsidiary, PT InfiniteEARTH Nusantara (collectively "**InfiniteEARTH**") will deliver 100% of the carbon credits generated by Rimba Raya over the remaining 50-year life of the project (which is expected to run until 2073) for sale by the Company, less up to 635,000 carbon credits per annum that are already committed to previous buyers. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to InfiniteEARTH for each carbon credit that is sold by the Company.

Concurrent with the Rimba Raya Stream, the Company and the founders of InfiniteEARTH ("**Founders**") also entered into a strategic alliance agreement (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 the Company 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.

In December 2022, the Rimba Raya project received validation under the new Indonesian carbon regulation, Regulation No. 21 of 2022 ("**Reg 21**") and with the government-operated carbon registry, Sistem Registri Nasional Pengendalian Perubahan Iklim ("**SRN**"). Under Reg 21, all carbon projects in Indonesia must be registered, validated and verified on the SRN carbon registry. Under SRN program regulations, emission reductions for the Rimba Raya project extend now until 2073 (previously, until 2051) with reduced average expected carbon credits generated per year. The impact of these changes resulted in a fair value gain to the Rimba Raya Stream of $3,430 for the six month period ended December 31, 2022.

Osisko Gold Royalties Ltd ("**Osisko**") has provided notice to the Company that it has elected in principle to exercise its Stream Participation Right (as defined herein) in respect of the Rimba Raya Stream and the SAA. See Notes 14 and 17 for further information.

(ii) On August 16, 2022, the Company closed 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.

(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. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to Will Solutions based on the net revenue received from the sale of each carbon credit.

(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. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to MarVivo based on the net revenue received from the sale of each carbon credit.

On December 7, 2022, Osisko exercised its right to participate in and acquire 20% of the Magdalena Bay Blue Carbon Stream. Pursuant to the exercise of Osisko's Stream Participation Rights, Osisko entered into a royalty agreement with the Company (the "**Magdalena Bay Blue Carbon Stream Participation Royalty**"), pursuant to which it paid $0.6 million of the upfront deposit (representing 20% of the portion of the upfront deposit paid by the Company to MarVivo to date), and is obligated to fund 20% of the remaining upfront deposit as such amounts are due. See Note 14 for further information.

(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 for a term of seven (7) years. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and makes ongoing delivery payments to Core CarbonX based on the net revenue received from the sale of each carbon credit.

(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 carbon credits generated by the project to the Company, for a term of 25 years starting on the date of the first delivery of carbon credits. The Company is responsible for marketing and selling the carbon credits generated under the stream and will make ongoing delivery payments to Waverly RB based on the net revenue received from the sale of each carbon credit.

(vii) On November 1, 2022, the Company entered into a carbon credit streaming agreement and an 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 carbon credits generated by the project to the Company, for a term of 30 years starting on the date of the first delivery of carbon credits. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and makes ongoing delivery payments to Standard Biocarbon based on the net revenue received from the sale of each carbon credit. Concurrent with entering into the Enfield Biochar Stream, the Company also entered into a royalty agreement with Standard Biocarbon (the "**Enfield Biochar Production Royalty**"). Under the Enfield Biochar Production Royalty, Carbon Streaming will receive a revenue royalty on volume of biochar marketed and sold by Standard Biocarbon. The Enfield Biochar Production Royalty will be settled in cash.

(viii) On September 8, 2021, the Company entered into a carbon credit streaming agreement with ERA Cerrado Assessoria e Projectos Ambientais 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. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and makes ongoing delivery payments to ERA based on the net revenue received from the sale of each carbon credit.

(ix) On May 25, 2021, the Company entered into an exclusive term sheet with the Bonobo Conservation Initiative (“**BCI**”) to develop two carbon credit projects within the Bonobo Peace Forest ("**Bonobo Peace Forest Projects**") located in the Democratic Republic of the Congo. BCI and the Company entered into a 5% royalty agreement (the "**Bonobo Peace Forest Royalty**"), covering carbon credit revenues generated from the Bonobo Peace Forest Projects. The Bonobo Peace Forest Royalty will be settled in cash.

(x) On September 8, 2022, the Company entered into a 5% royalty agreement (the “**FCG Amazon Portfolio Royalty**”) with Future Carbon International LLC (“**Future Carbon**”) covering carbon credit revenues generated by Future Carbon from its interest in four REDD+ projects in the Amazon, Brazil (the “**FCG Amazon Portfolio**”). The FCG Amazon Portfolio Royalty will be settled in cash. .

7. Early deposit interest

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 will support the upcoming Spring 2023 planting window. This positions the Company to participate in the project alongside a number of Canadian partners, with an initial pilot project planned for 2023.

8. Investment in associate

On June 16, 2021, the Company acquired a 18.6% equity interest in Carbon Fund Advisors Inc. ("**Carbon Fund Advisors**") at a cost of $401 which was recorded as other investment in the consolidated statements of financial position. On July 6, 2022, the Company invested an additional $1,349 in Carbon Fund Advisors and increased its equity interest from 18.6% to 50%. Carbon Fund Advisors is the fund sponsor of Carbon Strategy ETF (NYSE: KARB), an actively managed thematic exchange-traded fund that aims to provide investors exposure to the growing compliance carbon markets.

Concurrent with increasing its equity interest in Carbon Fund Advisors from 18.6% to 50%, with two other shareholders owning 40% and 10% of the remaining equity interest, respectively, the Company determined that it had significant influence over Carbon Fund Advisors and transferred its interest in Carbon Fund Advisors from other investment to investment in associate at its fair value, which was deemed to be at cost on the date of transfer. As the relevant activities of Carbon Fund Advisors are directed by its board of directors, the Company exercises its significant influence by virtue of its right to appoint one out of two directors to the board of directors of Carbon Fund Advisors. Hence, the Company has accounted for its investment in Carbon Fund Advisors under the equity accounting method.

For the six month period ended December 31, 2022 and year ended June 30, 2022 (Expressed in thousands of United States Dollars, except for per share amounts)

Opening Balance – June 30, 2022	$	-
Additions		1,750
Loss from investment in associate		(153)
Closing Balance – December 31, 2022	$	1,597

Summarized financial information for Carbon Fund Advisors as at and for the six month period ended December 31, 2022 was as follows:

(a) Statements of Financial Position

		As at December 31, 2022
Total assets	$	1,318
Total liabilities		2
Net assets		1,316
Proportion of the Company's ownership interest (50%)		658
Goodwill		939
Investment in associate	$	1,597

(b) Statement of Income (Loss) and Comprehensive Income (Loss)

		Six month period ended December 31, 2022
Other operating expenses		
Marketing	$	62
Professional fees		27
Consulting fees		201
Office and general		16
Other operating expenses		306
Net loss and comprehensive loss		(306)
Loss from investment in associate (50%)	$	(153)

For the six month period ended December 31, 2022 and year ended June 30, 2022 (Expressed in thousands of United States Dollars, except for per share amounts)

9. Right-of-use asset and lease liability

In July 2022, the Company entered into a lease for office space. At the commencement date of the lease, the Company recognized a right-of-use asset and lease liability on the consolidated statements of financial position. 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 Company's incremental borrowing rate. The right-of-use asset is amortized over 3.75 years.

	Six month period ended December 31, 2022	Year ended June 30, 2022
Balance, beginning of period	**$ -**	$ -
Additions	**384**	-
Amortization	**(51)**	-
Balance, end of period	**$ 333**	$ -

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

	Six month period ended December 31, 2022	Year ended June 30, 2022
Balance, beginning of period	**$ -**	$ -
Additions	**384**	-
Accretion	**24**	-
Balance, end of period	**408**	-
Current portion	**78**	-
Non-current portion	**$ 330**	$ -

<u>Maturity analysis - contractual undiscounted cash flows</u>

As at December 31, 2022	
Less than one year	$ 123
One to five years	380
Total undiscounted lease obligations	$ 503

For the six month period ended December 31, 2022 and year ended June 30, 2022 (Expressed in thousands of United States Dollars, except for per share amounts)

10. Warrant liabilities

The following table summarizes the changes in the warrant liabilities for the Company's Canadian dollar (“C$”) denominated warrants for the six month period ended December 31, 2022 and the year ended June 30, 2022:

	Number of warrants		Amount
Balance, June 30, 2021	**12,794,452**	**$**	**-**
Fair value recognized on change in functional currency	-		24,791
Warrants exercised	(474,913)		(3,328)
Revaluation of warrant liabilities	-		(4,717)
Balance, June 30, 2022	**12,319,539**		**16,746**
Warrants exercised	(10,000)		(11)
Revaluation of warrant liabilities	-		(9,376)
Balance, December 31, 2022	**12,309,539**	**$**	**7,359**

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 December 31, 2022		As at June 30, 2022
Spot price (in C$)	$	2.51	$	3.33
Risk-free interest rate		3.70 %		3.09 %
Expected annual volatility		78 %		60 %
Expected life (years)		3.12		3.50
Dividend		nil		nil

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

11. 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 December 31, 2022, there were 46,952,032 issued and fully paid Common Shares (June 30, 2022 – 46,803,919).

During the six month period ended December 31, 2022, the Company:

- issued 10,000 Common Shares for the exercise of warrants for gross proceeds of $29 and having an estimated fair value of $11, which were transferred to share capital. The market price at the date of exercise was C$4.58.
- issued 138,113 Common Shares for the settlement and conversion of RSUs.

During the year ended June 30, 2022, the Company:

- issued 20,980,250 Common Shares on the conversion of the Company's Special Warrants. See "Special Warrants" (Note 11(c)).
- issued 4,539,180 Common Shares (valued at $31,548) to the Founders as part consideration for entering into the SAA (Note 6).
- issued 533,913 Common Shares for the exercise of warrants for gross proceeds of $2,082 and having an estimated fair value of $3,328, which were transferred to share capital. The weighted average market price at the date of exercise was C$13.16.
- issued 20,000 Common Shares for the exercise of options for gross proceeds of $60 and having an estimated grant date fair value of $45, which were transferred to share capital. The weighted average market price at the date of exercise was C$12.94.
- issued 57,745 Common Shares for the settlement and conversion of RSUs.

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.

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12. Warrants

The following table reflects the continuity of all the Company's warrants for the six month period ended December 31, 2022 and the year ended June 30, 2022:

	Number of warrants	Exercise price	
Balance, June 30, 2021	**12,794,452**		
Issued (Note 11(c))	20,980,250	US$	7.50
Exercised	(59,000)	US$	7.50
Exercised	(474,913)	C$	4.37
Balance, June 30, 2022	**33,240,789**		
Exercised	(10,000)	C$	3.75
Balance, December 31, 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 December 31, 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		

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13. Stock options and share unit liabilities

The Company has a long-term incentive plan ("**LTIP**"), which was last approved by the shareholders on November 12, 2021, at the annual and special general meeting of shareholders. The Company 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 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. Upon vesting, the RSUs and PSUs can be cash-settled or share- settled under the LTIP, as determined by the Board of Directors. The Company may settle RSUs and PSUs 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 statements 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.

Additionally, the Company has adopted a phantom share unit plan to provide additional incentives to eligible directors. The Company’s phantom share unit plan will facilitate granting of Phantom Units representing the right to receive the cash equivalent of one Common Share of the Company. The Phantom Units are recorded as a financial liability on the statements of financial position.

(a) Stock options

The following table reflects the continuity of stock options for the six month period ended December 31, 2022 and the year ended June 30, 2022:

	Number of stock options	**Weighted average exercise price (C$)**
Balance, June 30, 2021	**640,000**	**3.85**
Granted	886,000	13.68
Exercised	(20,000)	3.75
Balance, June 30, 2022 and December 31, 2022	**1,506,000**	**9.63**

During the year ended June 30, 2022, the Company granted 886,000 stock options to officers, directors, employees and advisors. The fair value of the stock options was estimated to be $5,279 using the Black-Scholes option pricing model and the following weighted average assumptions: exercise price of C$13.68, share price of C$14.36, risk free interest rate of 1.32%, an expected life of 5 years and an expected volatility of 60%. The volatility was estimated based on the historical volatility of the Company calculated using historical trading prices of the Company's shares and the historical volatility of comparable companies based on the historical trading prices of the underlying shares in comparable companies. For the six month period ended December 31, 2022, the Company recorded share-based compensation expense for these stock options of $1,375 (year ended June 30, 2022 - $2,125).

For the six month period ended December 31, 2022 and year ended June 30, 2022 (Expressed in thousands of United States Dollars, except for per share amounts)

The following table reflects the Company's stock options outstanding and exercisable as at December 31, 2022:

Options outstanding	Options exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)	Expiry date
570,000	570,000	3.75	3.25	March 31, 2026
50,000	50,000	5.00	3.44	June 7, 2026
10,000	10,000	11.05	3.75	October 1, 2026
100,000	100,000	11.15	3.76	October 4, 2026
746,000	248,667	14.13	3.92	December 1, 2026
10,000	3,333	15.43	4.03	January 10, 2027
20,000	-	10.05	4.17	March 1, 2027
1,506,000	982,000	9.63	3.64	

(b) RSUs, PSUs and Phantom Units

The following table reflects the continuity of RSU, PSUs and Phantom Units for the six month period ended December 31, 2022, and the year ended June 30, 2022:

	Number of RSUs	Number of PSUs	Number of Phantom Units
Balance, June 30, 2021	**500,000**	**-**	**-**
Granted	532,500	-	-
Converted into Common Shares	(57,745)	-	-
Settled in cash	(108,920)	-	-
Balance, June 30, 2022	**865,835**	**-**	**-**
Granted	1,195,000	500,000	523,000
Converted into Common Shares	(138,113)	-	-
Settled in cash	(26,051)	-	-
Balance, December 31, 2022	**1,896,671**	**500,000**	**523,000**

As at December 31, 2022, the fair value of RSUs, PSUs and Phantom Units is $860, of which the Company considers $488 to be the current portion of the liabilities, with the remaining $372 considered non-current.

During the six month period ended December 31, 2022, the Company granted 1,195,000 RSUs, 500,000 PSUs and 523,000 Phantom Units (year ended June 30, 2022 - 532,500 RSUs) to officers, directors, employees and advisors. For the six month period ended December 31, 2022, the Company recorded share-based compensation expense for these RSUs, PSUs and Phantom Units of $215 (year ended June 30, 2022 - $1,820).

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14. Derivative liabilities

On December 7, 2022, Osisko acquired 20% of the Magdalena Bay Blue Carbon Stream. Pursuant to the exercise of Osisko's Stream Participation Right (defined below), Osisko entered into the Magdalena Bay Blue Carbon Stream Participation Royalty with the Company, pursuant to which it paid $600 of the upfront deposit (representing 20% of the portion of the upfront deposit paid by the Company to MarVivo to date), and is obligated to fund 20% of the remaining upfront deposit as such amounts are due. As at December 31, 2022, the Magdalena Bay Blue Carbon Stream Participation Royalty has been accounted for as a derivative liability at fair value through profit and loss. The Magdalena Bay Blue Carbon Stream Participation Royalty will be settled in cash based on 20% of the net cash flows generated by the Magdalena Bay Blue Carbon Stream. For the six month period ended December 31, 2022, the Company recognized a loss of $80 on the revaluation of the Magdalena Bay Blue Carbon Stream Participation Royalty derivative liability (year ended June 30, 2022 - $nil).

Additionally, Osisko has provided notice to the Company that it has elected in principle to exercise its Stream Participation Right (as defined herein) in respect of the Rimba Raya Stream and the SAA, which, if executed will result in Osisko participating in or acquiring 20% of the Rimba Raya Stream and the SAA in exchange for a fixed cash payment (the "**Rimba Raya Stream Participation Right**"). The parties have not yet entered into definitive documents and therefore, the timing for closing and payment by Osisko to the Company is unknown at this time. The Rimba Raya Stream Participation Right was recognized as a derivative liability with a fair value of $686 as at December 31, 2022 (June 30, 2022 - $nil), with the corresponding amount recognized as a loss on revaluation of the Rimba Raya Stream Participation Right derivative liability.

15. Key Management Personnel

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. The Company has no other related party transactions.

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

	Six month period ended December 31, 2022	Year Ended June 30, 2022
Salaries and fees [1]	**$ 2,653**	$ 4,606
Consulting fees	**30**	62
Share-based compensation	**1,007**	2,844
	$ 3,690	$ 7,512

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

16. 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 six month period ended December 31 2022, and the year ended June 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 derivative 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 and the derivative liabilities (Level 3) are valued by taking into consideration various observable and unobservable inputs, including the expected volumes and timing of the delivery and sale of verified carbon credits, assumptions around carbon credit pricing, an applicable risk-adjusted discount rate and other contractual terms of the agreement (refer to Note 6 for additional information).

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 (Refer to Note 6 for additional information).

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 December 31, 2022, the Company held cash of C$20.2 million in Canadian dollars and had accounts payable of C$2.4 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 $638 to profit or loss.

Interest Rate Risk

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

Liquidity Risk

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

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17. Commitments

In connection with the acquisition of carbon credit streaming agreements, the Company pays an upfront deposit to the project partner for the stream or investment. In certain instances, the payment of the upfront deposit is paid in installments, subject to certain milestones and conditions being met. While the timing of such payments is event driven, the Company has made assumptions on the timing of such payments, based on the information currently available. As at December 31, 2022 such conditions had not been met.

As at December 31, 2022, the Company had the following commitments relating to its carbon credit streaming and royalty agreements:

Less than 1 year	$ 13,973
1 to 3 years	21,156
Over 3 years	900
Total	**$ 36,029**

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 the Company 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 (the “**Investor Rights Agreement**”). Under the Investor Rights Agreement, Osisko has the exclusive right to participate in, and acquire up to 20% of, any stream, forward sale, prepay, royalty, off-take or similar transaction between the Company, as purchaser and/or creditor, and one or more third party counterparties (the "**Stream Participation Right**"). As at December 31, 2022, Osisko has exercised its right to participate and acquired 20% of the Magdalena Bay Blue Carbon Stream and Osisko has elected in principle to exercise its Stream Participation Right (as defined herein) in respect of the Rimba Raya Stream and the SAA. See Note 14 for additional information.

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18. Income taxes

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

	Six month period ended December 31, 2022	Year Ended June 30, 2022
Income (loss) before income taxes	**$ 2,355**	$ (12,900)
Statutory tax rate	**27.00 %**	27.00 %
Expected income tax expense (recovery) based on statutory rate	**636**	(3,483)
Adjustment to expected income tax (recovery) expense:		
Change in unrecognized deferred income tax assets and others	**2,556**	3,691
Non-taxable gain on carbon credit streaming and royalty agreements	**(1,296)**	-
Non-taxable loss on derivative liabilities	**207**	-
Non-taxable gain on warrant liability	**(2,532)**	(1,273)
Share-based compensation	**429**	1,065
Total income tax (recovery) expense	**$ -**	$ -

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

	As at December 31, 2022	As at June 30, 2022
Exploration and evaluation assets	**$ 250**	$ 273
Non-capital losses	**7,121**	4,854
Share issuance costs	**138**	162
Unrealized loss on foreign exchange	**262**	334
	7,771	5,623
Unrecognized deferred income tax assets	**(7,771)**	(5,623)
Deferred tax assets (liabilities)	**$ -**	$ -

The Company's significant temporary differences, unused tax credits, and unused tax losses that have not been recognized as deferred income tax assets as at December 31, 2022, are as follows:

	Exploration and evaluation assets	Non-capital losses
Expiry 2026 to 2042	**-**	26,373
No expiry	**$ 925**	$ -

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