CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023,
THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2022
AND THE 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 of the consolidated statements of financial position as at December 31, 2023 and 2022 and June 30 2022, and the consolidated statements of (loss) income and comprehensive (loss) income, changes in shareholders' equity and cash flows for the year ended December 31, 2023, six months period ended December 31, 2022 and the year ended June 30, 2022 and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 and June 30, 2022 and its financial performance and its cash flows for the year ended December 31, 2023, six months period ended December 31, 2022 and 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 year ended December 31, 2023. 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 7 of the financial statements

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to assessing management's determination of the fair value of carbon credit streaming and royalty interests included the following, among others:

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

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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
March 27, 2024
Vancouver, British Columbia

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

	As at December 31, 2023	As at December 31, 2022	As at June 30, 2022
Assets			
Current assets			
Cash	**$ 51,416**	$ 70,345	$ 93,238
Carbon credit inventory (Note 6)	**201**	1,019	1,644
Prepaid expenses	**814**	567	801
Early deposit interest receivable (Note 9)	**307**	-	-
Other receivables	**994**	323	341
	53,732	72,254	96,024
Non-current assets			
Carbon credit streaming and royalty agreements (Note 7)	**60,122**	83,998	65,681
Preferred Shares (Note 8)	**2,558**	-	-
Early deposit interest receivable (Note 9)	**-**	307	1,361
Investment in associate (Note 10)	**177**	1,597	-
Finance lease receivable (Note 11)	**372**	-	-
Right-of-use asset (Note 11)	**-**	333	-
Other non-current assets	**150**	-	401
Total assets	**$ 117,111**	$ 158,489	$ 163,467
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	**$ 1,686**	$ 1,856	$ 3,155
Warrant liabilities (Note 12)	**830**	7,359	16,746
Current portion of share unit liabilities (Note 14)	**652**	488	532
Current portion of lease liability (Note 11)	**157**	78	-
	3,325	9,781	20,433
Non-current liabilities			
Derivative liabilities (Note 17)	**680**	1,366	-
Non-current portion of share unit liabilities (Note 14)	**178**	372	399
Non-current portion of lease liability (Note 11)	**225**	330	-
Total liabilities	**4,408**	11,849	20,832
Shareholders' equity			
Share capital (Note 13)	**194,433**	193,899	193,624
Share-based compensation reserve	**7,482**	6,452	5,077
Deficit	**(89,212)**	(53,711)	(56,066)
Total shareholders' equity	**112,703**	146,640	142,635
Total liabilities and shareholders' equity	**$ 117,111**	$ 158,489	$ 163,467

Approved on behalf of the Board:

"Justin Cochrane", Director

"Candace MacGibbon", Director

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

	Year ended December 31, 2023	Six month period ended December 31, 2022	Year ended June 30, 2022
Revaluation of carbon credit streaming and royalty agreements (Note 7)	**$ (32,897)**	$ 4,800	$ -
Revenue from sale of purchased carbon credits	**1,166**	1,086	147
Cost of purchased carbon credits sold (Note 6)	**(1,236)**	(625)	(126)
Other operating expenses			
Salaries and fees	**(4,057)**	(4,250)	(6,206)
Share-based compensation (Note 15)	**(1,564)**	(1,590)	(3,945)
Marketing	**(859)**	(349)	(1,460)
Professional fees	**(1,278)**	(1,463)	(1,435)
Consulting fees	**(1,113)**	(1,981)	(1,941)
Insurance	**(800)**	(475)	(786)
Regulatory fees	**(158)**	(110)	(534)
Office and general	**(461)**	(364)	(409)
Foreign exchange gain (loss)	**100**	(906)	(922)
Amortization of right-of-use asset (Note 11)	**(97)**	(51)	-
Corporate restructuring (Note 5)	**(1,748)**	-	-
Other operating expenses	**(12,035)**	(11,539)	(17,638)
Operating loss	**(45,002)**	(6,278)	(17,617)
Other items			
Loss from investment in associate (Note 10)	**(376)**	(153)	-
Impairment loss (Note 10)	**(1,044)**	-	-
Revaluation of derivative liabilities (Note 17)	**686**	(766)	-
Revaluation of warrant liabilities (Note 12)	**6,530**	9,376	4,717
Revaluation of Convertible Note (Note 8)	**558**	-	-
Finance income	**3,147**	176	-
Net (loss) income and comprehensive (loss) income	**(35,501)**	2,355	(12,900)
Basic (loss) earnings per share ($/share)	**(0.75)**	0.05	(0.34)
Diluted (loss) earnings per share ($/share)	**(0.75)**	0.05	(0.34)
Weighted average number of Common Shares outstanding – basic	**47,056,992**	46,834,795	37,732,846
Weighted average number of Common Shares outstanding – diluted	**47,056,992**	47,702,704	37,732,846

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

	Year ended December 31, 2023	Six month period ended December 31, 2022	Year ended June 30, 2022
Operating activities			
Net (loss) income	**$ (35,501)**	$ 2,355	$ (12,900)
Settlements from carbon credit streaming agreements (Note 7)	**55**	-	-
Items not affecting cash			
Revaluation of carbon credit streaming and royalty agreements (Note 7)	**32,897**	(4,800)	-
Revaluation of derivative liabilities (Note 17)	**(686)**	766	-
Revaluation of Convertible Note (Note 8)	**(558)**	-	-
Revaluation of warrant liabilities (Note 12)	**(6,530)**	(9,376)	(4,717)
Impairment loss (Note 10)	**1,044**	-	-
Other non-cash adjustments (Note 21)	**1,906**	2,724	4,356
Changes in non-cash operating working capital items (Note 21)	**(270)**	(192)	(428)
Net cash used in operating activities	**(7,643)**	(8,523)	(13,689)
Investing activities			
Additions to carbon credit streaming and royalty agreements (Note 7)	**(9,076)**	(12,156)	(34,134)
Proceeds received from issuance of derivative liability	**-**	600	-
Early deposit interest	**-**	(307)	(861)
Lease payments received from finance lease	**23**		
Investment in associate (Note 10)	**-**	(1,349)	-
Investment in Convertible Note (Note 8)	**(2,000)**	-	-
Other investment	**(250)**	-	(401)
Net cash used in investing activities	**(11,303)**	(13,212)	(35,396)
Financing activities			
Proceeds from exercise of warrants (Note 13)	**-**	29	2,142
Lease payments	**(137)**	-	-
Special warrants subscriptions	**-**	-	32,991
Net cash (used in) generated by financing activities	**(137)**	29	35,133
Net change in cash	**(19,083)**	**(21,706)**	**(13,952)**
Effect of foreign exchange on cash	**154**	**(1,187)**	**(1,191)**
Cash, beginning of period	**70,345**	**93,238**	**108,381**
Cash, end of period	**51,416**	**70,345**	**93,238**

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

	Share Capital					
	Number	Amount	Subscriptions received	Share-based payment 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 into Common Shares	20,980,250	104,502	(104,502)	-	-	-
Share issuance costs	-	-	(399)	-	-	(399)
Share consideration for carbon credit streaming arrangements	4,539,180	31,548	-	-	-	31,548
Exercise of warrants	533,913	5,411	-	-	-	5,411
Exercise of stock options	20,000	105	-	(45)	-	60
Restricted share units converted	57,745	352	-	-	-	352
Share-based compensation	-	-	-	2,125	-	2,125
Reclassification of restricted share unit liabilities	-	-	-	(203)	-	(203)
Reclassification of warrant liabilities	-	-	-	-	(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**

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

	Share Capital					
	Number	**Amount**	**Subscriptions received**	**Share-based payment reserve**	**Deficit**	**Total**
Balance, June 30, 2022	**46,803,919**	**$ 193,624**	**$ -**	**$ 5,077**	**$ (56,066)**	**$ 142,635**
Exercise of warrants	10,000	40	-	-	-	40
Restricted share units converted	138,113	235	-	-	-	235
Share-based compensation	-	-	-	1,375	-	1,375
Net income and comprehensive income	-	-	-	-	2,355	2,355
Balance, December 31, 2022	**46,952,032**	**$ 193,899**	**$ -**	**$ 6,452**	**$ (53,711)**	**$ 146,640**

	Share Capital				
	Number	**Amount**	**Share-based payment reserve**	**Deficit**	**Total**
Balance, December 31, 2022	**46,952,032**	**$ 193,899**	**$ 6,452**	**$ (53,711)**	**$ 146,640**
Share-based compensation	**-**	**-**	**1,030**	**-**	**1,030**
Restricted share units converted	**469,187**	**534**	**-**	**-**	**534**
Net loss and comprehensive loss	**-**	**-**	**-**	**(35,501)**	**(35,501)**
Balance, December 31, 2023	**47,421,219**	**$ 194,433**	**$ 7,482**	**$ (89,212)**	**$ 112,703**

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

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

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

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

These consolidated financial statements (the "**Financial Statements**") of the Company for the year ended December 31, 2023, were approved and authorized for issue by the Board of Directors on March 27, 2024.

2. Statement of compliance and basis of presentation

Statement of compliance

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

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.

Basis of consolidation

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

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

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 decreases 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 is 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.

3. Material accounting policy information

(a) Cash

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

(b) Foreign currency translation

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

Effective July 1, 2021, the Company determined that its functional currency had changed from the Canadian dollar ("C$") to the US$. 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

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

(d) Carbon credit streaming and royalty agreements

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

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

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

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

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

The Company's carbon credit streaming and royalty agreements are described further in Note 7.

(e) Preferred shares

Preferred shares held by the Company are initially and subsequently measured at fair value through profit or loss. At each reporting date, the fair value of the preferred shares is determined based on the Company's percentage interest in the fair value of the investee, which is based on the valuation of the investee determined by recent financing transactions. The preferred shares held by the Company are described further in Note 8.

(f) 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.

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
Preferred Shares	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.

(g) (Loss) earnings per share

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

(h) Share capital and warrants

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

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

(i) Share-based compensation

The Company follows the fair value method of accounting for the issuance of stock options, restricted share units ("**RSUs**"), performance share units ("**PSUs**") 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.

(j) Revenue recognition

The Company recognizes revenue from the sale of carbon credits purchased, which are carbon credits that are acquired separate and apart from the Company’s carbon credit streaming agreements and are initially recognized as inventory. 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. Refer to the material accounting policy information related to “Carbon credit streaming and royalty agreements” for further information.

(k) Finance income

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

(l) Income taxes

Current income tax
Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the

amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

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

Deferred income tax

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

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

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

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

(m) Adoption of amendments to IFRS

For the year ended December 31, 2023, the Company did not adopt any new amendments to IFRS, except as noted below:

IAS 1, *Presentation of Financial Statements* ("**IAS 1**") and IFRS Practice Statement 2, *Making Materiality Judgements - Disclosure of Accounting Policies* (the "**Practice Statement**"): In February 2021, the IASB issued amendments to IAS 1 and the Practice Statement to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policy information. The adoption of these amendments did not impact the Financial Statements.

Several new accounting standards, and amendments to standards and interpretations, have been issued but are not yet effective. These new accounting standards are listed below:

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020 and October 2022, the IASB issued an amendment to IAS 1 to clarify the requirements under the standard for classifying a liability as non-current in nature. The amendments include:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;

- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Specifying that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, disclosure of information about these covenants in the notes to the financial statements is required; and
- Clarifying if the settlement of a liability refers to the transfer of cash, equity instruments, other assets or services.

This amendment is effective for reporting periods beginning on or after January 1, 2024 and has not been early adopted. The Company does not anticipate any material impact from this amendment on these Financial Statements.

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.

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

The preparation of these Financial Statements in accordance with IFRS 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 7.

Accounting for and valuation of derivative liabilities

The Company from time to time may enter into derivative liabilities relating to royalties or other arrangements on the Company's portfolio of carbon credit streaming agreements, which are required to be remeasured at fair value at the end of each reporting period. Each derivative liability may have 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 17.

Share-based compensation

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

Warrant liabilities

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

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. Corporate restructuring

In the second quarter of 2023, the Company initiated a corporate restructuring plan, focused on cash flow optimization that resulted in personnel reductions. As a result, for the year ended December 31, 2023, the Company recognized corporate restructuring charges of $1,748 (six month period ended December 31, 2022 and the year ended June 30, 2022 – $nil) primarily related to severance and other termination benefits.

6. Carbon credit inventory

The Company holds carbon credit inventory which are carbon credits purchased and acquired separately and apart from its carbon credit streaming agreements. For the year ended December 31, 2023, the Company recognized $1,236 in cost of purchased carbon credits sold, (six month period ended December 31, 2022 – $625 and year ended June 30, 2022 – $126). Carbon credit inventory does not include any carbon credits delivered under the Company's carbon credit streaming agreements.

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

The cost of purchased carbon credits sold recognized as an expense includes $50 in respect of write-down of inventory to their net realizable value (six month period ended December 31, 2022 and the year ended June 30, 2022 – $nil).

7. Carbon credit streaming and royalty agreements

The following table is a summary of the changes in carbon credit streaming and royalty agreements for the year ended December 31, 2023, the six month period ended December 31, 2022, and the year ended June 30, 2022:

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

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

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

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

Additions

For the year ended December 31, 2023, there were $9,076 of additions relating to the payment of upfront deposits under existing carbon credit streaming and royalty agreements and the entering into of new carbon credit streaming and royalty agreements (six month period ended December 31, 2022 – $13,517; year ended June 30, 2022 – $65,681).

Settlements

Settlements reflect the net cash proceeds generated from the Company's carbon credit streaming and royalty agreements. For the year ended December 31, 2023, the Company recognized $55 in settlements related to the Cerrado Biome Stream and the Community Carbon Stream (six month period ended December 31, 2022 and the year ended June 30, 2022 – $nil).

Fair value adjustments

As at December 31, 2023 management assessed the fair value of the carbon credit streaming and royalty agreements by considering changes in the respective inputs into the fair value model as described below.

The Company recognized a net loss on the revaluation of the carbon credit streaming and royalty agreements of $32,897 for the year ended December 31, 2023 (six month period ended December 31, 2022 – net gain of $4,800; year ended June 30, 2022 – $nil). The net loss on revaluation of carbon credit streaming and royalty agreements for the year ended December 31, 2023, was primarily related to the Rimba Raya Stream, along with fair value adjustments to the Community Carbon Stream and the Sustainable Community Stream.

For the year ended December 31, 2023, the loss on revaluation of the Rimba Raya Stream was due to several factors, including: changes to management's estimates for timing of carbon credit issuance and delivery and the resulting impact to the carbon credit production and sales profile, an increase in project-specific risk factors, including heightened uncertainty relating to the Indonesian regulatory environment and the new SRN methodology (as defined below), resulting in a higher risk-adjusted discount rate, and changes to the inflation assumption applied to the nominal cash flows included in the model, partially offset by accretion due to the passage of time.

For the year ended December 31, 2023, the loss on revaluation of the Community Carbon Stream was primarily driven by considerations towards changes in portfolio strategy, leading to a slow-down in project activities during the fourth quarter of 2023, which resulted in a higher risk-adjusted discount rate, changes to the carbon credit pricing assumption based on realized prices and changes to the inflation assumption applied to the nominal cash flows included in the model, partially offset by accretion due to the passage of time.

For the year ended December 31, 2023, the loss on revaluation of the Sustainable Community Stream was primarily driven by lower than expected participant enrollments in the project, resulting in a reduction to the carbon credit production and sales profile assumptions and changes to the inflation assumption applied to the nominal cash flows included in the model, partially offset by accretion due to the passage of time.

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:

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

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

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

Description of unobservable inputs	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2023**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Six month period ended December 31, 2022**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended June 30, 2022**
Carbon credit production and sales profiles	**Agriculture, forestry and other land-use projects:** 0.034 million to 6.580 million carbon credits produced and sold per year, over 29-year to 51-year terms, with an average of 1.633 million carbon credits per year.	**Agriculture, forestry and other land-use projects:** 0.034 million to 6.580 million carbon credits produced and sold per year, over 29-year to 51-year terms, with an average of 1.644 million carbon credits per year.	**Agriculture, forestry and other land-use projects:** 0.200 million to 4.400 million carbon credits produced and sold per year, over 30-year to 33-year terms, with an average of 1.219 million carbon credits per year.
	Other nature-based projects: 0.011 million to 0.391 million carbon credits produced and sold per year, over 2-year to 7-year terms, with an average of 0.270 million carbon credits per year.	**Other nature-based projects**: 0.363 million carbon credits produced and sold per year, over a 7-year term, with an average of 0.363 million carbon credits per year.	**Other nature-based projects**: N/A
	Biochar projects: 0.001 million to 0.011 million carbon credits produced and sold per year, over 25-year to 30-year terms, with an average of 0.006 million carbon credits per year.	**Biochar projects**: 0.001 million to 0.006 million carbon credits produced and sold per year, over 25-year to 30-year terms, with an average of 0.004 million carbon credits per year.	**Biochar projects**: 0.005 million to 0.006 million carbon credits produced and sold per year, over a 25-year term, with an average of 0.006 million carbon credits per year.
	Other projects: 0.777 million to 7.324 million carbon credits produced and sold per year, over 13-year to 14-year terms, with an average of 2.208 million carbon credits per year.	**Other projects**: 0.777 million to 20.515 million carbon credits produced and sold per year, over 9-year to 13-year terms, with an average of 6.187 million carbon credits per year.	**Other projects**: 1.050 million to 20.515 million carbon credits produced and sold per year, over a 9-year term, with an average of 9.789 million carbon credits per year.

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

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

Description of unobservable inputs	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2023**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Six month period ended December 31, 2022**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended June 30, 2022**
Carbon credit pricing assumptions	**Agriculture, forestry and other land-use projects:** $7.00 to $13.50 per carbon credit produced and sold.	**Agriculture, forestry and other land-use projects:** $7.00 to $13.50 per carbon credit produced and sold.	**Agriculture, forestry and other land-use projects:** $6.50 to $13.50 per carbon credit produced and sold.
	Other nature-based projects: $8.00 to $30.00 per carbon credit produced and sold.	**Other nature-based projects**: $8.00 to $30.00 per carbon credit produced and sold.	**Other nature-based projects**: N/A
	Biochar projects: $110.00 per carbon credit produced and sold.	**Biochar projects**: $110.00 per carbon credit produced and sold.	**Biochar projects**: $100.00 per carbon credit produced and sold.
	Other projects: $5.50 to $7.00 per carbon credit produced and sold.	**Other projects**: $7.00 to $7.50 per carbon credit produced and sold.	**Other projects**: $7.00 per carbon credit produced and sold.

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

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

Description of unobservable inputs	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended December 31, 2023**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Six month period ended December 31, 2022**	**Range of unobservable inputs for carbon credit streaming and royalty agreements – Year ended June 30, 2022**
Risk-adjusted discount rate	**Agriculture, forestry and other land-use projects:** 10.6% to 60.9%, with an average discount rate of 23.7%.	**Agriculture, forestry and other land-use projects:** 12.0% to 65.6%, with an average discount rate of 24.9%.	**Agriculture, forestry and other land-use projects:** 14.0% to 14.1%, with an average discount rate of 14.0%.
	Other nature-based projects: 12.3% to 20.6%, with an average discount rate of 15.1%.	**Other nature-based projects**: 19.6% to 21.6%, with an average discount rate of 20.6%	**Other nature-based projects**: N/A
	Biochar projects: 13.0% to 17.0%, with an average discount rate of 15.0%.	**Biochar projects**: 13.0% to 17.0%, with an average discount rate of 15.0%.	**Biochar projects**: 16.2% to 17.9%, with an average discount rate of 17.0%.
	Other projects: 11.9% to 24.9%, with an average discount rate of 18.4%.	**Other projects**: 11.9% to 22.7%, with an average discount rate of 17.3%.	**Other projects**: 11.4% to 12.6%, with an average discount rate of 12.0%.

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

For the year ended December 31, 2023, the impact of a reasonable 10% increase and 10% decrease in the estimated carbon credit production and sales profiles, with all other variables held constant, would result in an increase and a decrease in the fair value of the carbon credit streaming and royalty agreements of $5,766 and $5,746 respectively (six month period ended December 31, 2022 – $8,474 and $7,739, respectively; year ended June 30, 2022 – $6,151 and $5,556, respectively).

For the year ended December 31, 2023, the impact of a reasonable 10% increase and 10% decrease in the estimated carbon credit pricing assumptions, with all other variables held constant, would result in an increase and a decrease in the fair value of the carbon credit streaming and royalty agreements of $5,754 and $5,533, respectively (six month period ended December 31, 2022 - $8,114 and $7,377, respectively; year ended June 30, 2022 – $5,181 and $5,070, respectively).

For the year ended December 31, 2023, the impact of a reasonable 10% increase and 10% decrease in the risk-adjusted discount rate (as a percentage increase or decrease applied to the risk-adjusted discount rate), with all other variables held constant, would result in a decrease and an increase in the fair value of the carbon credit streaming and royalty agreements of $6,324 and $7,914, respectively (six month period ended December 31, 2022 - $8,266 and $11,282, respectively; year ended June 30, 2022 – $6,319 and $9,692, respectively).

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 covering 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 Limited and its Indonesian subsidiary, PT InfiniteEARTH Nusantara, the project operators of the Rimba Raya project (collectively, "**InfiniteEARTH**") will deliver 100% of the carbon credits generated by the Rimba Raya project 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 (the "**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.

Previously, Osisko Gold Royalties Ltd ("**Osisko**") had provided notice to the Company that it had elected in principle to exercise its Stream Participation Right (as defined below) in respect of the Rimba Raya Stream and the SAA. However, in November 2023, Osisko provided notice to the Company that it will not proceed with exercising its Rimba Raya Stream Participation Right. This resulted in the Rimba Raya Stream Participation Right expiring in November 2023. See Notes 17 and 19 for further information.

(ii) 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 "**Original Magdalena Bay Blue**

Carbon Stream”).

Under the Original Magdalena Bay Blue Carbon Stream, MarVivo was to 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 the date of the first delivery of carbon credits .

On December 7, 2022, Osisko exercised its Stream Participation Right and entered into a royalty agreement with the Company (the “**Magdalena Bay Blue Carbon Stream Participation Royalty**") to participate in 20% of the Original Magdalena Bay Blue Carbon Stream. Under the Magdalena Bay Blue Carbon Stream Participation Royalty, Osisko paid $600 of the upfront deposit, and is obligated to fund a portion of the remaining upfront deposit of the Original Magdalena Bay Blue Carbon Stream as such amounts are due.

In July 2023, the Company amended and restated the terms of the Original Magdalena Bay Blue Carbon Stream (the “**Magdalena Bay Blue Carbon Stream**”). Under the revised terms of the Magdalena Bay Blue Carbon Stream, MarVivo will deliver the greater of 300,000 carbon credits or 30% of verified credits generated by the project on an annual basis, 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 will make ongoing delivery payments to MarVivo for each carbon credit that is sold by the Company.

In the third quarter of 2023, Osisko did not elect to participate in the amendment to the Magdalena Bay Blue Carbon Stream and as a result, the Magdalena Bay Blue Carbon Stream Participation Royalty will be settled in cash based on a portion of the net cash flows calculated using the terms of the Original Magdalena Bay Blue Carbon Stream. See Note 15 for further information.

(iii) 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 pre-existing 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 for each carbon credit that is sold by the Company.

(iv) 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 delivered to it under the stream and will make ongoing delivery payments to Waverly RB for each carbon credit that is sold by the Company. In July 2023, the Company amended the terms of the Waverly Biochar Stream, resulting in an increase in the upfront deposit amount and a lower ongoing delivery payment.

Additionally, the Company also entered into a royalty agreement with Waverly RB (the "**Waverly Biochar Royalty**"). Under the terms of the Waverly Biochar Royalty, Carbon Streaming will receive a revenue royalty on volume of biochar sold by Waverly RB. The Waverly Biochar Royalty will be settled in cash.

(v) 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. 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 for each carbon credit that is sold by the Company.

(vi) On August 16, 2022, the Company closed a carbon credit streaming agreement with Community Carbon and UpEnergy Group to bring fuel-efficient cookstoves and water purification devices 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.

(vii) On September 28, 2022, the Company entered into a carbon credit streaming agreement with Core CarbonX Pte 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 will make ongoing delivery payments to Core CarbonX for each carbon credit that is sold by the Company. In July 2023, the Company amended the terms of the Nalgonda Rice Farming Stream, resulting in a reduction in the upfront deposit amount and a higher ongoing delivery payment.

(viii) 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 will make ongoing delivery payments to Standard Biocarbon for each carbon credit that is sold by the Company.

Concurrent with entering into the Enfield Biochar Stream, the Company also entered into a royalty agreement with Standard Biocarbon (the "**Enfield Biochar Royalty**"). Under the Enfield Biochar Royalty, Carbon Streaming will receive a revenue royalty on volume of biochar sold by Standard Biocarbon. The Enfield Biochar Royalty will be settled in cash.

(ix) On May 10, 2023, the Company entered into a carbon credit streaming agreement with Mast Reforestation SPV I, LLC ("**Mast**") for a post-wildfire reforestation project at the Sheep Creek Ranch in

Montana, United States (the "**Sheep Creek Reforestation Stream**"). Under the terms of the Sheep Creek Reforestation Stream, Mast will deliver 100% of the forecast mitigation units (referred to herein as carbon credits) created by the project to the Company, which are expected to be issued in 2025 and 2026. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to Mast for each carbon credit that is sold by the Company.

(x) On September 14, 2023, the Company entered into a carbon credit streaming agreement with Mast for a post-wildfire restoration project located in Butte County, California, USA (the "**Feather River Reforestation Stream**"). Under the terms of the Feather River Reforestation Stream, Mast will deliver 100% of the carbon credits created by the project to the Company, which are expected to be issued in 2025. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to Mast for each carbon credit that is sold by the Company.

(xi) On September 8, 2022, Bonobo Conservation Initiative ("**BCI**") and the Company entered into a royalty agreement (the "**Bonobo Peace Forest Royalty**"), covering carbon credit revenues generated from the two projects within the Bonobo Peace Forest located in the Democratic Republic of the Congo. The Bonobo Peace Forest Royalty will be settled in cash.

(xii) On September 8, 2022, the Company entered into a royalty agreement (the "**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 "**Amazon Portfolio**"). The Amazon Portfolio Royalty will be settled in cash.

8. Preferred Shares

On May 10, 2023, the Company invested $2,000 into the parent company of Mast ("**DroneSeed**") through a convertible note (the "**Convertible Note**"). The Convertible Note had a face value of $2,000 and bore an annual compound interest at 6%, with a maturity date of December 31, 2024.

In October 2023, the Convertible Note converted into preferred shares of DroneSeed ("**Preferred Shares**") upon the execution of a qualifying financing event, resulting in 1.3 million Preferred Shares being issued to the Company. The Company recognized a gain on revaluation of the Convertible Note of $558 for the year ended December 31, 2023, prior to the conversion to Preferred Shares in the fourth quarter of 2023.

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

9. Early deposit interest receivable

On July 12, 2022, the Company executed a term sheet with Citadelle Maple Syrup Producers' Cooperative ("**Citadelle**") pursuant to which the Company provided $307 of upfront funding for a grouped sugar maple afforestation, reforestation, revegetation and ecosystem restoration project in Quebec, Canada. The initial funding from the Company enabled Citadelle to achieve initial planting in the Fall 2022 and was intended to support additional plantings. In the third quarter of 2023, the Company decided not to move forward with Citadelle's restoration project. As a result, the Company's early deposit interest is classified as an amount receivable as at December 31, 2023. The Company expects repayment of its upfront funding and accrued interest.

10. Investment in associate

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

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

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

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

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

Balance – June 30, 2022	$	-
Additions		1,750
Loss from investment in associate		(153)
Balance – December 31, 2022	**$**	**1,597**
Additions		**-**
Loss from investment in associate		**(376)**
Impairment loss		**(1,044)**
Balance – December 31, 2023		**177**

Summarized financial information for Carbon Fund Advisors as at and for the year ended December 31, 2023 were as follows:

Statements of Financial Position

		As at December 31, 2023		As at December 31, 2022
Total assets	**$**	**500**	$	1,318
Total liabilities		**1**		2
Net assets		**499**		1,316
Proportion of the Company's ownership interest (50%)		**250**		658
Goodwill		**-**		939
Less: Costs to sell		**(73)**		
Investment in associate	**$**	**177**	$	1,597

Statements of Loss and Comprehensive Loss

		Year ended December 31, 2023		Six month period ended December 31, 2022
Operating expenses				
Marketing	**$**	**156**	$	62
Professional fees		**5**		27
Consulting fees		**582**		201
Office and general		**9**		16
Operating expenses		**752**		306
Net loss and comprehensive loss		**(752)**		(306)
Loss from investment in associate (50%), excluding impairment loss	**$**	**(376)**	$	(153)

11. Leases

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

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

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

As a result, the Company derecognized the right-of-use asset on November 1, 2023, and recognized a net investment in lease. At the commencement date of the sub-lease, the net investment in lease was measured at the present value of the finance lease receivables under the sub-lease arrangement, after adjusted for initial direct costs, and discounted using an interest rate of 12%, which is the lease specific incremental borrowing rate used in the head lease described above. The gain arising from the derecognition of the right-of-use asset was recognized in the consolidated statement of profit or loss of the Company for the year ended December 31, 2023.

i) As a lessee

The following table captures the final balance of the right-of-use asset when it was derecognized on November 1, 2023:

Balance – June 30, 2022	$	-
Additions		384
Amortization		(51)
Balance – December 31, 2022	**$**	**333**
Additions		**44**
Amortization		**(97)**
Balance – November 1, 2023		**280**

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

	Year ended December 31, 2023		**Six month period ended December 31, 2022**	
Balance, beginning of period	**$**	**408**	$	-
Additions		**49**		384
Payments		**(137)**		-
Accretion		**51**		24
Foreign exchange		**10**		-
Balance, end of period		**381**		408
Current portion		**156**		78
Non-current portion	**$**	**225**	$	330

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

Maturity analysis - contractual undiscounted cash flows

As of December 31, 2023

Less than one year	**$**	**192**
One to five years		**241**
Total undiscounted lease obligations	**$**	**433**

ii) As a lessor

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

Less than one year	$	192
One to two years		195
Two to three years		33
Total undiscounted lease payments receivable	**$**	**420**
Unearned finance income		**(48)**
Net investment in the lease		**372**

12. Warrant liabilities

The following table summarizes the changes in the warrant liabilities for the Company's C$ denominated warrants for the year ended December 31, 2023, 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**	**$**	**7,359**
Revaluation of warrant liabilities	-		(6,529)
Balance, December 31, 2023	**12,309,539**	**$**	**830**

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

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

	As at December 31, 2023	As at December 31, 2022	As at June 30, 2022
Spot price (in C$)	**$ 0.90**	$ 2.51	$ 3.33
Risk-free interest rate	**3.91 %**	3.70 %	3.09 %
Expected annual volatility	**76 %**	78 %	60 %
Expected life (years)	**2.12**	3.12	3.50
Dividend	**nil**	nil	nil

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

(a) June 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 Option Pricing Model
December 16, 2025	128,000	0.625	Black-Scholes Option Pricing Model
December 22, 2025	648,000	0.625	Black-Scholes Option Pricing Model
January 27, 2026	2,625,500	3.75	Black-Scholes Option Pricing Model
March 2, 2026	8,606,039	7.50	Quoted price
	12,319,539	**6.10**	

(b) December 31, 2022 and December 31, 2023:

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

13. Share capital

Authorized share capital

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

Issued share capital

As at December 31, 2023, there were 47,421,219 issued and fully paid Common Shares (December 31, 2022 – 46,952,032; June 30, 2022 – 46,803,919).

During the year ended December 31, 2023, the Company:

- issued 469,187 Common Shares for the settlement of RSUs.

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 per Common Share.

- issued 138,113 Common Shares for the settlement 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 (as defined below). See "Special Warrants" below.

- issued 4,539,180 Common Shares (valued at $31,548) as part consideration for entering into the SAA (Note 7).

- 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.

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 expires 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.

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

14. Warrants

The following table reflects the continuity of all the Company's warrants for the year ended December 31, 2023, 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 13)	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 and December 31, 2023	**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, 2023:

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

15. 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.

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

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.

Stock options

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

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

For the year ended December 31, 2023, the Company recorded share-based compensation expense for these stock options of $1,119, respectively (six month period ended December 31, 2022 – $1,375; year ended June 30, 2022 – $2,125, respectively).

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

The following table reflects the Company's stock options outstanding and exercisable as at December 31, 2023:

Options outstanding	Options exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)	Expiry Date
470,000	470,000	3.75	0.89	March 31, 2026
40,000	40,000	5.00	0.08	June 7, 2026
10,000	10,000	11.05	0.02	October 1, 2026
641,000	427,334	14.13	1.57	December 1, 2026
10,000	6,666	15.43	0.03	January 10, 2027
20,000	20,000	10.05	0.05	March 1, 2027
1,191,000	**974,000**	**9.64**	**2.64**	

RSUs, PSUs and Phantom Units

The following table reflects the continuity of RSUs, PSUs and Phantom Units for the year ended December 31, 2023, 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 and cash	(166,665)	-	-
Balance, June 30, 2022	**865,835**	**-**	**-**
Granted	1,195,000	500,000	523,000
Converted into Common Shares and cash	(164,164)	-	-
Balance, December 31, 2022	**1,896,671**	**500,000**	**523,000**

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

For the year ended December 31, 2023, forfeitures in the period primarily related to the corporate restructuring (Note 5) and changes in the Company’s workforce.

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

As at December 31, 2023, the fair value of RSUs, PSUs and Phantom Units is $831, of which the Company considers $653 to be the current portion of the liabilities, with the remaining $178 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 year ended December 31, 2023, the Company recorded share-based compensation expense for these RSUs, PSUs and Phantom Units of $445 (six month period ended December 31, 2022 – share-based compensation expense of $215; year ended June 30, 2022 – share-based compensation expense of $1,820).

16. Key Management Personnel

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

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

	Year ended December 31, 2023	Six month period ended December 31, 2022	Year ended June 30, 2022
Salaries and fees [1]	**$ 2,309**	$ 2,653	$ 4,606
Consulting fees[2]	**60**	30	62
Share-based compensation	**1,222**	1,007	2,844
Restructuring[3]	**1,505**	-	-
Total	**$ 5,096**	$ 3,690	$ 7,512

(1) *Salaries and fees paid to the executive officers and directors for their services.*
(2) *Consulting fees relate to amounts paid to a director of the Company for consulting services.*
(3) *Restructuring relates to severance and other termination benefits. Please refer to Note 5.*

17. Derivative liabilities

On December 7, 2022, Osisko acquired 20% of the Original Magdalena Bay Blue Carbon Stream. Pursuant to the exercise of Osisko's Stream Participation Right, Osisko entered into the Magdalena Bay Blue Carbon Stream Participation Royalty with the Company, pursuant to which it paid $600 of the upfront deposit, and is obligated to fund a portion of the remaining upfront deposit of the Original Magdalena Bay Blue Carbon Stream as such amounts are due.

Osisko did not elect to participate in the amendment to the Original Magdalena Bay Blue Carbon Stream (described in Note 7). As a result, the Magdalena Bay Blue Carbon Stream Participation Royalty will be settled in cash based on a portion of the net cash flows calculated using the terms of the Original Magdalena Bay Blue Carbon Stream. The fair value of the Magdalena Bay Blue Carbon Stream Participation Royalty is $680 as at December 31, 2023 (December 31, 2022 - $680).

Previously, Osisko had provided notice to the Company that it had 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 would have resulted 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**"). However, in November 2023, Osisko provided notice to the Company that it will not proceed with exercising its Rimba Raya Stream Participation Right. This resulted in the Rimba Raya Stream Participation Right expiring in November 2023. For the year ended December 31, 2023, as a result of changes in the fair value of the Rimba Raya Stream as described above, the Company recognized a gain of $686 on the revaluation of the Rimba Raya Stream Participation Right. The fair value of the Rimba Raya Stream Participation Right is $nil as at December 31, 2023 (December 31, 2022 - $686).

18. Financial instrument and fair value and risk factors

Fair value

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

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

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2023, 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, other receivables, carbon credit streaming and royalty agreements, Preferred Shares (arising from the conversion of a Convertible Note), accounts payable and accrued liabilities, warrant liabilities and derivative liabilities. The carrying value of cash, other receivables, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. Cash is measured at fair value based on Level 1 of the fair value hierarchy. Certain C$ denominated warrant liabilities with a quoted trading price are valued based on Level 1 of the fair value hierarchy. Certain C$ denominated warrant liabilities (Level 2) where no quoted prices exist have been valued using a Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, the spot market price of the Common Shares, volatility of the expected market price of the

Common Shares and the expected life of the warrants (see Note 12). The Preferred Shares (Level 2) are valued using the intrinsic method based on the valuation of the counterparty's enterprise determined using its latest round of financing which closed on October 3, 2023. Carbon credit streaming and royalty agreements and the derivative liabilities (Level 3) are valued by taking into consideration various observable and unobservable inputs, including the carbon credit production and sales profiles, the carbon credit pricing assumptions, an applicable risk-adjusted discount rate and other contractual terms of the agreements (see Note 7).

Risk Factors

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

Carbon Market Risk

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

Credit Risk

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

Currency Risk

Foreign currency risk is the risk that the fair value of financial instruments will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs certain expenditures that are denominated in Canadian dollars while its functional and presentation currency is the United States dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. As at December 31, 2023, the Company held cash of C$10.4 million in Canadian dollars and had accounts payable and other monetary liabilities of C$2.0 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 $305 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.

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

19. 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, 2023 such conditions had not been met.

As at December 31, 2023, the Company had the following commitments relating to its carbon credit streaming and royalty agreements:

Less than 1 year	$	14,081
1 to 3 years		6,243
Over 3 years		84
Total	**$**	**20,408**

Under its carbon credit streaming agreements, the Company pays an upfront deposit to its project partner as specified negotiated milestones are reached by the project and/or achieved by the project partner. As at December 31, 2023 management assessed the likelihood of its project partners meeting various milestones required for the Company to make its upfront deposit payments. In the fourth quarter of 2023, the Company revised its estimate for the total upfront deposit it expects to pay related to the Sustainable Community Stream from $20.0 million to $4.7 million. Under the terms of the Sustainable Community Stream, future upfront deposit payments are driven by the project partner meeting specified enrollment targets. Based on current project enrollment rates as at December 31, 2023, the Company has determined that the likelihood of enrollment targets required for a significant portion of the upfront deposit is remote. As a result, the Company has reduced the associated commitment by $15.3 million.

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

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

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

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, 2023, Osisko has exercised its right to participate and acquired a portion of the Original Magdalena Bay Blue Carbon Stream.

20. Income taxes

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

	Year ended December 31, 2023	Six month period ended December 31, 2022	Year ended June 30, 2022
(Loss) income before taxes	**$ (35,501)**	$ 2,355	$ (12,900)
Statutory tax rate	**27.00 %**	27.00 %	27.00 %
Expected income tax expense (recovery) based on statutory rate	**(9,585)**	636	(3,483)
Adjustment to expected income tax (recovery) expense:			
Change in unrecognized deferred income tax assets and others	**2,010**	2,556	3,691
Loss on revaluation of carbon credit streaming and royalty agreements	**8,882**	-	-
Non-taxable gain on carbon credit streaming and royalty agreements	**-**	(1,296)	-
Loss from investment in associate	**102**	-	-
Impairment loss on investment in associate	**282**	-	-
Non-taxable loss on revaluation of Convertible Note	**(151)**	-	-
Non-taxable loss on derivative liabilities	**(185)**	207	-
Non-taxable gain on warrant liability	**(1,763)**	(2,532)	(1,273)
Share-based compensation	**409**	429	1,065
Total income tax (recovery) expense	**$ -**	$ -	$ -

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

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

	As at December 31, 2023	As at December 31, 2022	As at June 30, 2022
Carbon credit streaming and royalty arrangements	**$ 7,318**	$ -	$ -
Non-capital losses	**6,986**	7,121	4,854
Exploration and evaluation assets	**256**	250	273
Investment in associate	**425**	-	-
Preferred shares	**539**	-	-
Share issuance costs	**91**	138	162
Unrealized loss on foreign exchange	**(31)**	262	334
	15,584	7,771	5,623
Unrecognized deferred income tax assets	**(15,584)**	(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, 2023, are as follows:

	Exploration and evaluation assets	Non-capital losses
Expiry 2026 to 2042	**$ -**	$ 25,873
No expiry	**$ 947**	**$** -

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

21. Supplemental cash flow information

	Year ended December 31, 2023	Six month period ended December 31, 2022	Year ended June 30, 2022
Other non-cash adjustments			
Foreign exchange (gain) loss	**$ (115)**	$ 906	$ 1,150
Amortization of right-of-use asset (Note 11)	**97**	51	-
Accretion (net of interest income on sub-lease) (Note 11)	**43**	24	-
(Loss) gain on de-recognition of right-of-use assets and lease liability adjustments	**(70)**	-	-
Share-based compensation	**1,575**	1,590	3,206
Loss from investment in associate	**376**	153	-
Total other non-cash adjustments	**$ 1,906**	$ 2,724	$ 4,356

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

Change in non-cash operating working capital items

Prepaid and other	**$ (247)**	$ 234	$ (608)
Other receivables	**(570)**	3	(341)
Carbon credit inventory	**818**	625	(1,644)
Accounts payable and accrued liabilities	**(271)**	(1,054)	2,165
Total change in non-cash operating working capital items	**$ (270)**	$ (192)	$ (428)