CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(UNAUDITED)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at March 31, 2023	As at December 31, 2022
Assets		
Current assets		
Cash	**$ 65,756**	$ 70,345
Carbon credit inventory (Note 4)	**1,007**	1,019
Prepaid	**410**	567
Other receivables	**418**	323
Non-current assets	**67,591**	72,254
Carbon credit streaming and royalty agreements (Note 5)	**86,246**	83,998
Early deposit interest (Note 6)	**307**	307
Investment in associate (Note 7)	**1,476**	1,597
Right-of-use asset (Note 8)	**307**	333
Total assets	**$ 155,927**	$ 158,489
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 397**	$ 1,856
Warrant liabilities (Note 9)	**6,178**	7,359
Current portion of share unit liabilities (Note 12)	**852**	488
Current portion of lease liability (Note 8)	**120**	78
Non-current liabilities	**7,547**	9,781
Derivative liabilities (Note 13)	**1,366**	1,366
Non-current portion of share unit liabilities (Note 12)	**714**	372
Non-current portion of lease liability (Note 8)	**300**	330
Total liabilities	**9,927**	11,849
Shareholders' equity		
Share capital (Note 10)	**193,899**	193,899
Share-based compensation reserve	**6,784**	6,452
Deficit	**(54,683)**	(53,711)
Total shareholders' equity	**146,000**	146,640
Total liabilities and shareholders' equity	**$ 155,927**	$ 158,489

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

	Three months ended March 31, 2023	Three months ended March 31, 2022
Revenue from sale of purchased carbon credits	$ **21**	$ -
Cost of purchased carbon credits sold (Note 4)	**12**	-
Gross profit	**9**	-
Other operating expenses		
Salaries and fees	**1,158**	906
Share-based compensation (Note 12)	**1,037**	1,852
Marketing	**120**	503
Professional fees	**300**	364
Consulting fees	**323**	646
Foreign exchange loss (gain)	**41**	(318)
Insurance	**227**	210
Loss from investment in associate (Note 7)	**121**	-
Regulatory fees	**46**	132
Office and general	**127**	134
Amortization of right-of-use asset (Note 8)	**26**	-
Other operating expenses	**3,526**	4,429
Operating loss	**(3,517)**	(4,429)
Other items		
Finance income	**653**	-
Revaluation of warrant liabilities (Note 9)	**1,181**	53,499
Revaluation of carbon credit streaming and royalty agreements (Note 5)	**711**	-
Net (loss) income and comprehensive (loss) income	**(972)**	49,070
Basic (loss) earnings per share ($/share)	**(0.02)**	1.05
Diluted (loss) earnings per share ($/share)	**(0.02)**	0.87
Weighted average number of Common Shares outstanding – basic	**46,952,032**	46,664,797
Weighted average number of Common Shares outstanding - diluted	**46,952,032**	56,520,679

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2023	Three months ended March 31, 2022
Operating activities		
Net (loss) income for the period	**$ (972)**	$ 49,070
Items not affecting cash		
Foreign exchange gain	**(53)**	(569)
Amortization of right-of-use asset (Note 8)	**26**	-
Accretion (Note 8)	**12**	-
Share-based compensation	**1,037**	1,852
Loss from investment in associate	**121**	-
Revaluation of warrant liabilities (Note 9)	**(1,181)**	(53,599)
Revaluation of carbon credit streaming and royalty agreements (Note 5)	**(711)**	-
Changes in working capital items		
Prepaid	**157**	320
Other receivables	**5**	-
Carbon credit inventory	**12**	-
Accounts payable and accrued liabilities	**(1,542)**	476
Net cash used in operating activities	**(2,982)**	(2,350)
Investing activities		
Carbon credit streaming and royalty agreements (Note 5)	**(1,541)**	(387)
Settlements from carbon credit streaming agreements (Note 5)	**4**	-
Other investment	**(100)**	-
Net cash used in investing activities	**(1,637)**	(387)
Financing Activities		
Proceeds from exercise of warrants (Note 10)	**-**	807
Net cash provided by financing activities	**-**	807
Net change in cash	**(4,620)**	(1,930)
Effect of foreign exchange on cash	**31**	568
Cash, beginning of period	**70,345**	103,887
Cash, end of period	**$ 65,756**	$ 102,525

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share Capital				
	Number	**Amount**	**Share-based payment reserve**	**Deficit**	**Total**
Balance, December 31, 2021	**46,562,293**	**$ 191,089**	**$ 4,185**	**$ (134,233)**	**$ 61,041**
Share-based compensation	-	-	1,852	-	1,852
Shares issued on exercise of warrants	183,881	2,182	-	-	2,182
Net income and comprehensive income	-	-	-	49,070	49,070
Balance, March 31, 2022	**46,746,174**	**$ 193,271**	**$ 6,037**	**$ (85,163)**	**$ 114,145**

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

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 ("**UN SDGs**"). This helps position us as 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 the Neo Exchange Inc. ("**NEO Exchange**") under the symbol "NETZ", common share purchase warrants, exercisable at C$7.50 until March 2, 2026 (the "**March 2026 Warrants**") are listed on the NEO Exchange under the symbol "NETZ.WT" and the common share purchase warrants exercisable at $7.50 until September 19, 2026 (the "**September 2026 Warrants**") are listed on the NEO Exchange under the symbol "NETZ.WT.B". The Company's Common Shares are also listed on the Frankfurt Stock Exchange under the symbol "M2Q" and trade on the OTCQB Markets under the symbol "OFSTF".

The head office and principal address of the Company are located at 155 University Avenue, Suite 1240, Toronto, Ontario, Canada, M5H 3B7. The Company's registered address is Suite 2500, Park Place, 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

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

These unaudited condensed interim consolidated financial statements (the "**Interim Financial Statements**") of the Company for the three months ended March 31, 2023, were approved and authorized for issue by the Audit Committee of the Board of Directors on May 12, 2023.

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

2. Statement of compliance and basis of presentation

Statement of compliance

These Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("**IAS 34**"). The accounting policies applied in these Interim Financial Statements are based on International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and have been prepared using the same accounting policies and methods of application as disclosed in Note 3 to the audited consolidated financial statements for the six month period ended December 31, 2022 and were consistently applied to all the periods presented unless otherwise stated below.

These Interim Financial Statements do not include all the information and note disclosures required by IFRS for annual consolidated financial statements and therefore should be read in conjunction with the audited consolidated financial statements for the six month period ended December 31, 2022.

Basis of presentation

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

Basis of consolidation

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

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

Adoption of new and revised accounting standards and interpretations

For the three months ended March 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 policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The adoption of these amendments did not impact the Interim 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 has not been early adopted. The Company will perform an assessment of the amendments on its financial statements prior to the effective date of January 1, 2024. Based on the currently available information, the Company does not anticipate any material impact from these amendments on its financial statements.

3. Significant accounting estimates, judgments and assumptions

Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these Interim Financial Statements for the three months ended March 31, 2023, are consistent with those included in Note 4 to the audited consolidated financial statements for the six month period ended December 31, 2022.

4. Carbon credit inventory

In September 2021, the Company purchased Rimba Raya Biodiversity Reserve project verified carbon units ("**VCUs**"), which are carbon credits that were issued by Verra, separate and apart from its Rimba Raya Stream (as defined below). For the three months ended March 31, 2023, the Company recognized $12 in cost of purchased carbon credits sold (three months ended March 31, 2022 - $nil). Carbon credit inventory does not include any carbon credits delivered under the Company's carbon credit streaming agreements.

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

5. Carbon credit streaming and royalty agreements

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

	Balance December 31, 2022	Additions	Settlements	Fair value adjustments	Balance March 31, 2023
Rimba Raya Stream (i)	**61,263**	**-**	**-**	**-**	**61,263**
Sustainable Community Stream (iii)	**4,388**	**-**	**-**	**124**	**4,512**
Magdalena Bay Blue Carbon Stream (iv)	**3,400**	**-**	**-**	**-**	**3,400**
Waverly Biochar Stream (vi)	**744**	**-**	**-**	**-**	**744**
Cerrado Biome Stream (viii)	**405**	**66**	**(4)**	**-**	**467**
Community Carbon Stream (ii)	**6,887**	**600**	**-**	**424**	**7,911**
Nalgonda Rice Farming Stream (v)	**1,400**	**-**	**-**	**66**	**1,466**
Enfield Biochar Stream (vii)	**225**	**500**	**-**	**97**	**822**
Bonobo Peace Forest Royalty (ix)	**1,900**	**375**	**-**	**-**	**2,275**
FCG Amazon Portfolio Royalty (x)	**3,111**	**-**	**-**	**-**	**3,111**
Enfield Biochar Production Royalty (vii)	**275**	**-**	**-**	**-**	**275**
Total	**83,998**	**1,541**	**(4)**	**711**	**86,246**

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

For the three months ended March 31, 2023, there were $1,541 of additions primarily relating to milestone payments in relation to upfront deposits of carbon credit streaming agreements (three months ended March 31, 2022 - $387). As at March 31, 2023 management assessed the fair value of the respective carbon credit streaming and royalty agreements by considering changes in the respective inputs into the fair value model as described below. The Company recognized a net gain on the revaluation of the carbon credit streaming and royalty agreements of $711 for the three months ended March 31, 2023 (three months ended March 31, 2022 - $nil), all of which relates to the Company's carbon credit streaming agreements.

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

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

- Expected volumes and timing of the delivery and sale of carbon credits ("carbon credit production and sales profiles");
- Changes to carbon credit pricing assumptions, taking into consideration historical realized prices and overall market volatility of voluntary carbon credit pricing ("carbon credit pricing assumptions");
- Changes to the contractual terms of the underlying stream and royalty agreements;
- Changes in the risk-free interest rate;
- Changes in project-specific risk factors; and
- Accretion due to the passage of time.

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

Description of unobservable inputs	**Range of unobservable inputs – Three months ended March 31, 2023**	**Range of unobservable inputs – Six month period ended December 31, 2022**	**Relationship of unobservable input to fair value**
Carbon credit production and sales profiles	0.001 million to 20.515 million carbon credits over 8-year to 51-year terms.	0.001 million to 20.515 million carbon credits over 8-year to 51-year terms.	As the carbon credit production and sales profile increases, the fair value increases.

Description of unobservable inputs	**Range of unobservable inputs – Three months ended March 31, 2023**	**Range of unobservable inputs – Six month period ended December 31, 2022**	**Relationship of unobservable input to fair value**
Carbon credit pricing assumptions	$7.00 to $110.00	$7.00 to $110.00	As the carbon credit pricing assumptions increase, the fair value increases.

For the three months ended March 31, 2023, the impact of a reasonable 10% increase and 10% decrease in the estimated carbon credit production and sales profile, with all other variables held constant, would result in an increase and decrease in the fair value of the carbon credit streaming and royalty agreements of $8,756 and $8,569 respectively (six month period ended December 31, 2022 - $8,474 and $7,739, respectively).

For the three months ended March 31, 2023, the impact of a reasonable 10% increase and 10% decrease in the estimated carbon credit pricing assumption, with all other variables held constant, would result in an increase and decrease in the fair value of the carbon credit streaming and royalty agreements of $8,358 and $8,171, respectively (six month period ended December 31, 2022 - $8,114 and $7,377, 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, the project operator of the Rimba Raya project, a REDD+ (Reducing Emissions from Deforestation and Forest Degradation) project that has been conserving tropical lowland peat swamp forests in Central Kalimantan, Indonesia for over a decade (the "**Rimba Raya Stream**"). Under the terms of the Rimba Raya Stream, InfiniteEARTH Ltd. and its Indonesian subsidiary, PT InfiniteEARTH Nusantara (collectively "**InfiniteEARTH**") will deliver 100% of the carbon credits generated by Rimba Raya over the remaining 50-year life of the project (which is expected to run until 2073) for sale by the Company, less up to 635,000 carbon credits per annum that are already committed to previous buyers. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to InfiniteEARTH for each carbon credit that is sold by the Company.

Concurrent with the Rimba Raya Stream, the Company and the founders of InfiniteEARTH ("**Founders**") also entered into a strategic alliance agreement (the "**SAA**"). Under the SAA, the Founders have agreed to provide consulting services to the Company, which will consist of carbon project advisory services, carbon credit marketing and sales services, as well as assisting the Company with due diligence initiatives on new potential carbon investment opportunities. In addition, the SAA provides the Company with a right of first refusal on any carbon credit streaming or royalty financing transaction for projects that are planned in the future, which includes a portfolio of blue carbon credit projects throughout the Americas.

In December 2022, the Rimba Raya project received validation under the new Indonesian carbon regulation, Regulation No. 21 of 2022 ("**Reg 21**") and with the government-operated carbon registry, Sistem Registri Nasional Pengendalian Perubahan Iklim ("**SRN**"). Under Reg 21, all carbon projects in Indonesia must be registered, validated and verified on the SRN carbon registry.

Osisko Gold Royalties Ltd ("**Osisko**") has provided notice to the Company that it has elected in principle to exercise its Stream Participation Right (as defined herein) in respect of the Rimba Raya Stream and the SAA. See Notes 13 and 15 for further information.

(ii) On August 16, 2022, the Company closed a carbon credit streaming agreement with Community Carbon and UpEnergy Group to bring fuel-efficient cookstoves and safe water solutions to millions of households in eastern and southern Africa under a grouped project model (the "**Community Carbon**

Stream”). Under the terms of the Community Carbon Stream, Community Carbon will deliver a portion of the carbon credits created by the seven projects to the Company, for a term of 15 years.

(iii) On June 20, 2022, the Company entered into a carbon credit streaming agreement with Will Solutions Inc. (“**Will Solutions**”) to scale its Sustainable Community project in Quebec, Canada and develop and scale its Sustainable Community project in Ontario, Canada (the “**Sustainable Community Stream**”). Under the terms of the Sustainable Community Stream, Will Solutions will deliver 50% of the carbon credits created by the projects to the Company, of up to a maximum of 44.1 million credits to the Company. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to Will Solutions based on the net revenue received from the sale of each carbon credit.

(iv) On May 13, 2021, the Company entered into a carbon credit streaming agreement with Fundación MarVivo Mexico, A.C. and MarVivo Corporation (“**MarVivo**”) to implement the proposed Magdalena Bay Blue Carbon Conservation Project in Magdalena Bay in Baja California Sur, Mexico which is focused on the conservation of mangrove forests and their associated marine habitat (the “**Magdalena Bay Blue Carbon Stream**”). Under the terms of the Magdalena Bay Blue Carbon Stream, MarVivo will deliver the greater of 200,000 carbon credits or 20% of verified credits generated by the project on an annual basis, for a term of 30 years starting on date of the first delivery of carbon credits. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to MarVivo based on the net revenue received from the sale of each carbon credit.

On December 7, 2022, Osisko exercised its right to participate in and acquire 20% of the Magdalena Bay Blue Carbon Stream. Pursuant to the exercise of Osisko's Stream Participation Rights, Osisko entered into a royalty agreement with the Company (the “**Magdalena Bay Blue Carbon Stream Participation Royalty**"), pursuant to which it is obligated to fund 20% of the remaining upfront deposit as such amounts are due. See Note 13 for further information.

(v) On September 28, 2022, the Company entered into a carbon credit streaming agreement with Core CarbonX Solutions Pvt Ltd. and its services provider, Core CarbonX Solutions Private Limited (collectively, “**Core CarbonX**”), to develop its Nalgonda Rice Farming methane avoidance grouped project located in the Nalgonda District, Telangana State, India (the “**Nalgonda Rice Farming Stream**”). Under the terms of the Nalgonda Rice Farming Stream, Core CarbonX will deliver 100% of the carbon credits generated by the project for a term of seven (7) years. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to Core CarbonX based on the net revenue received from the sale of each carbon credit.

(vi) On May 11, 2022, the Company entered into a carbon credit streaming agreement with Waverly RB SPE LLC ("**Waverly RB**”), a subsidiary of Restoration Bioproducts LLC, to support the construction of a biochar production facility in Waverly, Virginia, United States (the “**Waverly Biochar Stream**”). Under the terms of the Waverly Biochar Stream, Waverly RB will deliver 100% of the carbon credits generated by the project to the Company, for a term of 25 years starting on the date of the first delivery of carbon credits. The Company is responsible for marketing and selling the carbon credits generated under the stream and will make ongoing delivery payments to Waverly RB based on the net revenue received from the sale of each carbon credit.

(vii) On November 1, 2022, the Company entered into a carbon credit streaming agreement and an associated royalty agreement with Standard Biocarbon Corporation (“**Standard Biocarbon**”) to support the construction of a biochar pyrolysis pilot facility in Enfield, Maine, United States (the “**Enfield Biochar Stream**”). Under the terms of the Enfield Biochar Stream, Standard Biocarbon will deliver 100% of the carbon credits generated by the project to the Company, for a term of 30 years starting on the date of the first delivery of carbon credits. The Company is responsible for marketing and selling the carbon credits delivered to it under the stream and will make ongoing delivery payments to Standard Biocarbon based on the net revenue received from the sale of each carbon credit. Concurrent with entering into the Enfield Biochar Stream, the Company also entered into a royalty agreement with Standard Biocarbon (the “**Enfield Biochar Production Royalty**”). Under the Enfield Biochar Production Royalty, Carbon Streaming will receive a revenue royalty on volume of biochar marketed and sold by Standard Biocarbon. The Enfield Biochar Production Royalty will be settled in cash.

(viii) On September 8, 2021, the Company entered into a carbon credit streaming agreement with ERA Cerrado Assessoria e Projectos Ambientais Ltd. (“**ERA**”), to implement and scale the Cerrado Biome project, which is aimed at protecting native forests and grasslands in the Cerrado Biome, Brazil (the "**Cerrado Biome Stream**"). Under the terms of the Cerrado Biome Stream, ERA will deliver 100% of the carbon credits created by the project to the Company, less any 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 based on the net revenue received from the sale of each carbon credit.

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

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

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

6. Early deposit interest

On July 12, 2022, the Company executed a term sheet with Citadelle Maple Syrup Producers' Cooperative ("**Citadelle**") pursuant to which the Company provided $307 of upfront funding for a grouped sugar maple afforestation, reforestation, revegetation and ecosystem restoration project in Quebec, Canada. The initial funding from the Company enabled Citadelle to achieve initial planting in the Fall 2022 and will support the upcoming Spring 2023 planting window. This positions the Company to participate in the project alongside a number of Canadian partners, with an initial pilot project planned for 2023.

7. Investment in associate

The Company holds a 50% equity interest in Carbon Fund Advisors Inc. ("**Carbon Fund Advisors**") which was acquired at a cost of $1,750. Carbon Fund Advisors is the fund sponsor of the Carbon Strategy ETF (NYSE: KARB) and the investment supports Carbon Fund Advisors' launch of the Carbon Strategy ETF, an actively managed thematic exchange traded fund that aims to provide investors exposure to the growing compliance carbon markets.

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.

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		**(121)**
Balance – March 31, 2023		**1,476**

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

Summarized financial information for Carbon Fund Advisors as at and for the three months ended March 31, 2023 was as follows:

Statements of Financial Position

	As at March 31, 2023	As at December 31, 2022
Total assets	**$ 1,074**	$ 1,318
Total liabilities	**-**	2
Net assets	**1,074**	1,316
Proportion of the Company's ownership interest (50%)	**537**	658
Goodwill	**939**	939
Investment in associate	**$ 1,476**	$ 1,597

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

	Three months ended March 31, 2023
Operating expenses	
Marketing	**$ 57**
Professional fees	**5**
Consulting fees	**176**
Office and general	**4**
Other operating expenses	**242**
Net loss and comprehensive loss	**(242)**
Loss from investment in associate (50%)	**$ (121)**

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

8. Right-of-use asset and lease liability

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

	Three months ended March 31, 2023	**Six month period ended December 31, 2022**
Balance, beginning of period	**$ 333**	$ -
Additions	**-**	384
Amortization	**(26)**	(51)
Balance, end of period	**$ 307**	$ 333

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

	Three months ended March 31, 2023	**Six month period ended December 31, 2022**
Balance, beginning of period	**$ 408**	$ -
Additions	**-**	384
Accretion	**12**	24
Balance, end of period	**420**	408
Current portion	**120**	78
Non-current portion	**$ 300**	$ 330

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

As at March 31, 2023

Less than one year	$ 163
One to five years	340
Total undiscounted lease obligations	$ 503

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

9. Warrant liabilities

The following table summarizes the changes in the warrant liabilities for the Company's Canadian dollar ("C$") denominated warrants for the three months ended March 31, 2023 and six month period ended December 31, 2022:

	Number of warrants		Amount
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	-		(1,181)
Balance, March 31, 2023	**12,309,539**	**$**	**6,178**

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

	As at March 31, 2023		As at December 31, 2022	
Spot price (in C$)	$	2.50	$	2.51
Risk-free interest rate		3.78 %		3.70 %
Expected annual volatility		77 %		78 %
Expected life (years)		2.87		3.12
Dividend		nil		nil

The following table reflects the Company's C$ denominated warrants outstanding and exercisable as at December 31, 2022 and March 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 pricing model
December 16, 2025	128,000	0.625	Black-Scholes pricing model
December 22, 2025	648,000	0.625	Black-Scholes pricing model
January 27, 2026	2,615,500	3.75	Black-Scholes pricing model
March 2, 2026	8,606,039	7.50	Quoted price
	12,309,539	6.10	

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

10. 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 March 31, 2023, there were 46,952,032 issued and fully paid Common Shares (December 31, 2022 – 46,952,032). During the three months ended March 31, 2023, there was no activity pertaining to issued share capital.

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.

11. Warrants

The following table reflects the continuity of all the Company's warrants for the three months ended March 31, 2023 and the three months ended March 31, 2022:

	Number of Warrants	Exercise Price
Balance, December 31, 2021	33,424,670	
Exercised	(43,500)	US$ 7.50
Exercised	(140,381)	C$ 4.37
Balance, March 31, 2022	33,240,789	

	Number of Warrants	Exercise Price
Balance, December 31, 2022 and March 31, 2023	**33,230,789**	

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

The weighted average exercise price of the C$ and US$ denominated warrants was C$6.10 and US$7.50, respectively. The following table reflects all of the Company's warrants outstanding and exercisable as at March 31, 2023:

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

12. Stock options and 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.

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 three months ended March 31, 2023 and the three months ended March 31, 2022:

	Number of stock options	**Weighted average exercise price (C$)**
Balance, December 31, 2021	1,476,000	9.59
Granted	30,000	13.75
Balance, March 31, 2022	1,506,000	9.63

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

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

For the three months ended March 31, 2023, the Company recorded share-based compensation expense for these stock options of $332 (three months ended March 31, 2022 - $501). The following table reflects the Company's stock options outstanding and exercisable as at March 31, 2023:

Options outstanding	Options exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)	Expiry Date
570,000	570,000	3.75	3.00	March 31, 2026
50,000	50,000	5.00	3.19	June 7, 2026
10,000	10,000	11.05	3.51	October 1, 2026
100,000	100,000	11.15	3.52	October 4, 2026
746,000	248,667	14.13	3.67	December 1, 2026
10,000	3,333	15.43	3.78	January 10, 2027
20,000	6,666	10.05	3.92	March 1, 2027
1,506,000	988,666	9.63	3.40	

RSUs, PSUs and Phantom Units

The following table reflects the continuity of RSU, PSUs and Phantom Units for the three months ended March 31, 2023 and the three months ended March 31, 2022:

	Number of RSUs	Number of PSUs	Number of Phantom Units
Balance, December 31, 2021	982,500	-	-
Granted	30,000	-	-
Balance, March 31, 2022	1,012,500	-	-

	Number of RSUs	Number of PSUs	Number of Phantom Units
Balance, December 31, 2022	**1,896,671**	**500,000**	**523,000**
Granted	15,000	-	-
Balance, March 31, 2023	**1,911,671**	**500,000**	**523,000**

As at March 31, 2023, the fair value of RSUs, PSUs and Phantom Units is $1,566, of which the Company considers $852 to be the current portion of the liabilities, with the remaining $714 considered non-current.

For the three months ended March 31, 2023, the Company recorded share-based compensation expense for these RSUs, PSUs and Phantom Units of $705 (three months ended March 31, 2022 - $1,351).

13. Derivative liabilities

On December 7, 2022, Osisko acquired 20% of the Magdalena Bay Blue Carbon Stream. Pursuant to the exercise of Osisko's Stream Participation Right (defined below), Osisko entered into the Magdalena Bay Blue Carbon Stream Participation Royalty with the Company, pursuant to which it paid $600 of the upfront deposit (representing 20% of the portion of the upfront deposit paid by the Company to MarVivo to date), and is obligated to fund 20% of the remaining upfront deposit as such amounts are due. As at March 31, 2023, the Magdalena Bay Blue Carbon Stream Participation Royalty has been accounted for as a derivative liability at fair value through profit and loss. The Magdalena Bay Blue Carbon Stream Participation Royalty will be settled in cash based on 20% of the net cash flows generated by the Magdalena Bay Blue Carbon Stream. The Magdalena Bay Blue Carbon Stream Participation Royalty had a fair value of $680 as at March 31, 2023 (December 31, 2022 - $680).

Additionally, Osisko has provided notice to the Company that it has elected in principle to exercise its Stream Participation Right (as defined herein) in respect of the Rimba Raya Stream and the SAA, which, if executed will result in Osisko participating in or acquiring 20% of the Rimba Raya Stream and the SAA in exchange for a fixed cash payment (the “**Rimba Raya Stream Participation Right**”). The parties have not yet entered into definitive documents and therefore, the timing for closing and payment by Osisko to the Company is unknown at this time. The Rimba Raya Stream Participation Right is classified as a derivative liability and had a fair value of $686 as at March 31, 2023 (December 31, 2022 - $686).

14. Financial instrument and fair value and risk factors

Fair value

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

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

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the three months ended March 31, 2023 and the three months ended March 31, 2022, no transfers took place.

The Company's financial instruments include cash, carbon credit streaming and royalty agreements, accounts payable and accrued liabilities, warrant liabilities and derivative liabilities. The carrying value of cash and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. Cash is measured at fair value based on Level 1 of the fair value hierarchy. Certain C$ denominated warrant liabilities with a quoted trading price are valued based on Level 1 of the fair value hierarchy. Certain C$ denominated warrant liabilities (Level 2) where no quoted prices exist have been valued using a Black-Scholes Option Pricing Model with assumptions for risk- free interest rates, dividend yields, volatility of the expected market price of the Company's Common Shares and the expected life of the warrants. Carbon credit streaming and royalty agreements and the derivative liabilities (Level 3) are valued by taking into consideration various observable and unobservable inputs, including the expected volumes and timing of the delivery and sale of verified carbon credits, assumptions around carbon credit pricing, an applicable risk-adjusted discount rate and other contractual terms of the agreement.

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 instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs certain expenditures that are denominated in Canadian dollars while its functional and presentation currency is the United States dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. As at March 31, 2023, the Company held cash of C$16.5 million in Canadian dollars and had accounts payable of C$0.6 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 $604 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.

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

15. Commitments

In connection with the acquisition of carbon credit streaming agreements, the Company pays an upfront deposit to the project partner for the stream or investment. In certain instances, the payment of the upfront deposit is paid in installments, subject to certain milestones and conditions being met. While the timing of such payments is event driven, the Company has made assumptions on the timing of such payments, based on the information currently available. As at March 31, 2023 such conditions had not been met.

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

Less than 1 year	$ 16,013
1 to 3 years	17,950
Over 3 years	900
Total	**$ 34,863**

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

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

Osisko and the Company are currently parties to an investor rights agreement dated February 18, 2021 which governs various aspects of the relationship between Osisko and the Company (the "**Investor Rights Agreement**"). Under the Investor Rights Agreement, Osisko has the exclusive right to participate in, and acquire up to 20% of, any stream, forward sale, prepay, royalty, off-take or similar transaction between the Company, as purchaser and/or creditor, and one or more third party counterparties (the "**Stream Participation Right**"). As at March 31, 2023, Osisko has exercised its right to participate and acquired 20% of the Magdalena Bay Blue Carbon Stream and Osisko has elected in principle to exercise its Stream Participation Right in respect of the Rimba Raya Stream and the SAA.

16. Subsequent events

In May 2023, the Company and Mast Reforestation SPVI, LLC ("**Mast**") signed a pipeline agreement and a stream agreement for the Sheep Creek Reforestation Project, the first stream under the pipeline agreement. This project is expected to remove a total of approximately 225,000 tonnes of carbon dioxide equivalent ("**tCo_2e**") and generate an equivalent number of carbon removal credits referred to as Forecasted Mitigation Units ("**FMUs**") under the Climate Action Reserve's Climate Forward program based on two planting phases, with FMU issuance anticipated in approximately 2025 and 2026. The Company made an initial upfront deposit of $540 and will make additional milestone payments of up to $3,240 as the Sheep Creek Reforestation Project achieves site preparation, planting, and issuance milestones. Additionally, Company invested $2,000 into the parent company of Mast through a convertible note.