

SCOPE CARBON CORP.

(Formerly Puffin Capital Ltd.)

Financial Statements

For the Three Months Ended December 31, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)
Statements of Financial Position
As at December 31, 2022 and September 30, 2022
(Unaudited - Expressed in Canadian Dollars)

	Note	December 31, 2022	September 30, 2022
Assets			
Current			
Cash		100,863	193,995
GST and interest receivable		30,343	20,795
Investment	5	800,000	1,001,638
Prepaid expenses		16,666	-
		947,872	1,216,428
Liabilities			
Current			
Accounts Payable & Accrued liabilities		47,552	129,708
		47,552	129,708
Shareholder's Equity (Deficit)			
Share capital	6	1,283,390	1,283,390
Reserves	6	844,073	172,410
Deficit		(1,227,143)	(369,080)
		900,320	1,086,720
		947,872	1,216,428

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on February 13, 2023

 "Darien Lattanzi" Director

 "Alan Tam" Director

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

SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)
Statements of Loss and Comprehensive Loss
For the three months ended December 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	Note	December 31, 2022 \$	December 31, 2021 \$
Administration expenses			
Advertising and promotion		4,973	-
Bank charges		501	11
Consulting fees	7	6,000	-
Currency exchange		843	-
Filing and Transfer Agent Fees		12,184	-
Investor relations	16	33,333	-
Professional fees		47,977	19,757
Research and development	15	93,224	-
Share-based compensation	6(b)	671,663	-
		(870,698)	(19,768)
Other items			
Interest Income	5	12,635	-
Other income on forgiveness of loans payable	7	-	1,726
Net loss before taxes		(858,063)	(18,042)
Income tax recovery		-	-
Net loss and total comprehensive loss for the period		(858,063)	(18,042)
Basic and diluted net loss per share		(0.02)	(18,042)
Weighted average number of shares outstanding		37,000,001	1

SCOPE CARBON CORP.*(Formerly Puffin Capital Ltd.)***Statements of Change in Shareholders' Equity****Three months ended December 31, 2022 and 2021***(Unaudited - Expressed in Canadian Dollars)*

	Share Capital	Share Capital	Reserves	Deficit	Total
	Number	\$	\$	\$	\$
Balance, September 30, 2021	1	1	-	(15)	(14)
Net loss for the year	-	-	-	(18,042)	(18,042)
Balance, December 31, 2021	1	1	-	(18,057)	(18,056)
Receipts of private placement funding	26,500,000	645,500	-	-	645,500
Less: Issue costs - cash	-	(10,708)	-	-	(10,708)
Receipts of initial public offering	10,500,000	1,050,000	-	-	1,050,000
Less: Issue costs - cash	-	(228,993)	-	-	(228,993)
Less: Issue costs - warrants	-	(172,410)	172,410	-	-
Net loss for the year	-	-	-	(351,023)	(351,023)
Balance, September 30, 2022	37,000,001	1,283,390	172,410	(369,080)	1,086,720
Share-based compensation - stock options	-	-	671,663	-	671,663
Net loss for the year	-	-	-	(858,063)	(858,063)
Balance, December 31, 2022	37,000,001	1,283,390	844,073	(1,227,143)	900,320

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

SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)
Statements of Cash Flows
Three months ended December 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	December 31, 2022	December 31, 2021
	\$	\$
Cash flows from operating activities		
Net loss for the period	(858,063)	(18,042)
Items not affecting cash		
Interest income	1,638	-
Share-based payments	671,663	-
Gain on forgiveness of advance payable	-	(1,726)
	(184,762)	(19,768)
Changes in non-cash operating working capital		
GST receivables	(9,548)	-
Prepays	(16,666)	-
Change in account payables and accrued liabilities	(82,156)	18,037
Cash used in operating activities	(293,132)	(1,731)
Cash flows from investing activities		
Investment GIC	200,000	-
Cash from (used in) investing activities	200,000	-
Cash flows from financing activities		
Bank overdraft	-	4
Repayment of loan financing	-	(688)
Receipts from loan financing	-	2,414
Cash from (used in) financing activities	-	1,730
Increase (decrease) in cash and cash equivalents	(93,132)	(1)
Effects of foreign exchange on cash and cash equivalents		
Cash - Beginning	193,995	1
Cash - Ending	100,863	-

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NOTES TO THE FINANCIAL STATEMENTS

For the three months ended December 31, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Scope Carbon Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 20, 2018 as "Puffin Capital Ltd.", and on February 11, 2022 the Company changed its name to "Scope Carbon Corp.". The Company has acquired and is continuing to develop Artificial Intelligence ("AI") analytical software and image recognition technology for use in analyzing data related to nature-based objects (e.g. forests, wetlands and other areas) as it relates to carbon credit certification. The Company's current business plan is to enable large volumes of object-based data to be converted into digestible data that carbon credit experts and others are able to use to verify characteristics of trees, wetlands and other areas. The Company completed an initial public offering in September 2022 and its common shares commenced trading on the Canadian Securities Exchange ("CSE") under the ticker symbol of "SCPE" since September 2022.

The Company's registered and corporate head office is located at 1800-510 West Georgia Street, Vancouver, British Columbia, V6B 0M3.

These financial statements have been prepared on the going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at December 31, 2022, the Company had an accumulated deficit of \$1,227,143 and has not generated any revenues since incorporation. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to implement its current business plan. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments that may be necessary to be made to the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2022 which have been prepared in accordance with IFRS as issued by the IASB.

In the preparation of these interim condensed financial statements, the Company has used the same accounting policies and methods of computation as in the annual financial statements for the year ended September 30, 2022.

The condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

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3. NEW AND FUTURE ACCOUNTING STANDARDS AND PRONOUNCEMENTS

New standards applicable to the Company's financial statements as of December 31, 2022 did not have material impact upon adoption.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

a) Critical Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future financing and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

b) Key Sources of Estimation Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Income taxes

Significant estimate is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

5. INVESTMENT

During the year ended September 30, 2022, the Company purchased the Prime-Linked Cashable GIC, issued by the Royal Bank of Canada for \$1,000,000 (for the year ended September 30, 2021 - \$Nil). The maturity

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date is September 7, 2023, with anticipated interest of \$26,000. The balance of the investment at December 31, 2022 is \$800,000 and interest of \$12,635 has been recorded.

6. SHARE CAPITAL

Authorized

An unlimited number of common shares without par value, without special rights or restrictions attached.

An unlimited number of preferred shares without par value, with special rights or restrictions attached.

Issued share capital

As at December 31, 2022, there were 37,000,001 (September 30, 2022 – 37,000,001) issued and fully paid common shares.

a) Financings

During the three months ended December 31, 2022 and 2021, the company did not complete any financings.

b) Stock options

The Company established a stock option plan (the "Plan") whereby it provides for a fixed number of Common Shares to be reversed and available to be granted. The Board may at any time authorize the granting of stock options to such participants as it may select for the number of shares that it will designate, subject to the provisions of the stock option plan. The date and number of options granted is approved by the Board and the number of shares that may be issued under this plan are to not exceed 10% of the outstanding issue from time to time. The exercise per share of any option may not be less than one hundred percent (100% of the Fair Market Value).

The balance of options outstanding and related information for the three months ended December 31, 2022 are as follows:

	Number of options	Weighted average exercise price (\$ per share)	Weighted average remaining life (years)
Balance - September 30, 2022	-	-	-
Granted	1,500,000	0.60	
Balance -December 31, 2022	1,500,000	0.60	4.76
Unvested	(1,000,000)	0.60	4.76
Exercisable - December 31, 2022	500,000	0.60	4.76

The balance of options outstanding as at December 31, 2022 was as follows:

Expiry date	Exercise price \$	Remaining life (years)	Options Outstanding	Unvested	Exercisable
October 3, 2022	0.60	4.76	1,500,000	1,000,000	500,000

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During the three months ended December 31, 2022, the Company granted 1,500,000 options, expiring on October 3, 2027, with an exercise price of \$0.60. The options vest one-third immediately, one-third six months from grant date and remainder twelve months from grant date. The fair value of the options granted is \$0.775 per option and the Company recorded share-based compensation expense of \$671,663. The fair value was determined using the Black-Scholes model using the following assumptions: Risk free rate – 3.23%; expected life -5 years; expected volatility- 184.63%; expected forfeiture and dividends – nil.

c) Share purchase warrants

The balance of warrants outstanding as at December 31, 2022 and the changes for the year then ended are as follows:

	Number of warrants	Weighted average exercise price (\$ per share)	Weighted average remaining life (years)
Balance - September 30, 2022	9,000,000	0.19	1.44
Balance - December 31, 2022	9,000,000	0.19	1.18

The following table summarizes information concerning outstanding warrants as at December 31, 2022:

Expiry date	Exercise price \$	Number of warrants outstanding
February 11, 2024	0.20	7,950,000
September 2, 2024	0.10	1,050,000
		9,000,000

7. RELATED PARTY TRANSACTIONS

Related party transactions have been measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these financial statements are listed below.

At December 31, 2022, there was \$2,100 owing to the Chief Financial Officer (“CFO”) of the Company (September 30, 2022 - \$Nil). During the three months ended December 31, 2022, the Company also incurred \$6,000 (2021 - \$Nil) of consulting fees in relation to CFO services.

During the year ended September 30, 2022, the Company received an advance of \$2,414, from a director of the Company. On December 31, 2021, the Company repaid part of the advance in the amount of \$688. This advance was non-interest bearing and the remaining balance of \$1,726 was forgiven.

A director of the Company is also the Trustee to the Prescott Family Foundation, the counterparty to the Technology Acquisition Agreement (See Note 12).

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Key management personnel comprise the Company's Board of Directors and executive officers. No other remuneration was paid to key management personnel during the three months ended December 31, 2022 and 2021 other than as indicated above.

8. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. The Company's cash is carried at fair value using Level 1 inputs.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company believes that the carrying values of its financial instruments, being cash, short-term loans receivable and loan payable, approximate their fair values because of their nature and relatively short maturity dates or durations.

b) Management of risks arising from financial instruments

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash held by the Company. The maximum exposure to credit risk is equal to the carrying value of the financial assets as disclosed in the statements of financial position. The credit risk related to cash is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay its financial liabilities as they come due. The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. As at December 31, 2022, the Company had a working capital of \$900,320.

Interest rate risk

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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 not exposed to material interest rate risk.

9. FINANCIAL INSTRUMENTS

b) Management of risks arising from financial instruments (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company conducts its business in Canada, and its expenditures are primarily incurred in Canadian dollars, and is therefore not exposed to significant foreign currency risk.

10. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the acquisition and development of AI analytical software related to nature-based objects. Currently the Company's assets, liabilities and operations are all based in Canada.

11. SUPPLEMENT CASH FLOW INFORMATION

	December 31, 2022	December 31, 2021
	\$	\$
Interest Income	12,635	-
Share-based compensation	671,663	-

14. TECHNOLOGY ACQUISITION AGREEMENT

On February 15, 2022, the Company entered in a Technology Acquisition Agreement (the "Technology Agreement") with the Prescott Family Foundation (the "Foundation"). The Foundation has developed and is the owner of the Image Recognition Technology to be used by the Company in the development of its business plan. The Company acquired the exclusive right to use and exploit the Image Recognition Technology.

In consideration for the rights granted, the Company shall issue:

- 250,000 common shares on the later of completion of expenditures of \$250,000 or by February 15, 2023.
- An additional 250,000 common shares on the later of completion of expenditures of \$600,000 or by February 15, 2024.
- An additional 250,000 common shares on the later of the Company generating revenue of \$250,000 or by February 15, 2025.
- An additional 250,000 common shares on the later of the Company generating revenue of \$500,000 or by February 15, 2026.

(together, the "Consideration Shares")

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The Company has the option to accelerate the Technology Agreement by providing to the Foundation notice of two business days and to issue all the Consideration Shares to the Foundation. Pursuant to the same agreement, the Company may terminate the Technology Agreement at any time without cause, and without incurring any additional obligation, liabilities, or penalty, by providing at least 30 days' prior written notice to the Foundation.

The Company has concluded the Technology Acquisition Agreement is an asset acquisition and has elected to account for the contingent consideration when the conditions associated with the contingency are met. Therefore, no amount was recorded associated with the Technology Acquisition Agreement as at December 31, 2022.

15. MARSMAN AGREEMENT

On October 1, 2022, the Company entered into a product development agreement with Marsman Limited ("Marsman") for the development of the Scope Analysis Platform. The product development agreement has a term of twelve months, renewing annually unless a written notice a termination has been delivered to the counter-party at least thirty (30) days prior to the expiration of the term. In accordance with the product development agreement, the Company shall pay Marsman monthly fees of CNY\$160,000.

16. MAYNARD AGREEMENT

On October 28, 2022, the Company entered into an investor relations agreement with Maynard Communication Limited ("Maynard") for the provision of investor relations services. In accordance with the investor relations agreement, the Company has agreed to pay monthly fees of \$16,666 to Maynard.

17. SUBSEQUENT EVENTS

On January 17, 2023, the Company announced its common shares have been approved for listing on the OTCQB Venture Market and have commenced trading on the OTCQB under the symbol "SCPCF".