



SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)

Condensed Interim Financial Statements
For the Six Months Ended March 31, 2023 and 2022
(Unaudited - expressed in Canadian Dollars)

Notice of no Auditor Review of Condensed 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.)
Condensed Interim Statements of Financial Position
As at March 31, 2023 and September 30, 2022
(Unaudited - Expressed in Canadian Dollars)

| | Note | March 31, 2023 | September 30, 2022 |
|--|------|-------------------|-----------------------|
| Assets | | | |
| Current | | | |
| Cash | | 12,802 | 193,995 |
| GST and interest receivable | | 35,556 | 20,795 |
| Investments | 5 | 644,243 | 1,001,638 |
| Prepaid expenses | | 30,303 | - |
| | | <u>722,904</u> | <u>1,216,428</u> |
| Liabilities | | | |
| Current | | | |
| Accounts Payable & Accrued liabilities | 7 | 32,707 | 129,708 |
| | | <u>32,707</u> | <u>129,708</u> |
| Shareholder's Equity (Deficit) | | | |
| Share capital | 6 | 1,283,390 | 1,283,390 |
| Reserves | 6 | 1,131,321 | 172,410 |
| Deficit | | (1,724,514) | (369,080) |
| | | <u>690,197</u> | <u>1,086,720</u> |
| | | <u>722,904</u> | <u>1,216,428</u> |

Approved and authorized on behalf of the Board of Directors on May 23, 2023:

"Darien Lattanzi" Director

"Alan Tam" Director

SCOPE CARBON CORP.*(Formerly Puffin Capital Ltd.)***Condensed Interim Statements of Loss and Comprehensive Loss****Six Months Ended March 31, 2023 and 2022***(Unaudited - Expressed in Canadian Dollars)*

| | Note | Three months ended | | Six months ended | |
|---|------|--------------------|-------------------|-------------------|-------------------|
| | | March 31, 2023 | March 31, 2022 | March 31, 2023 | March 31, 2022 |
| | | \$ | \$ | \$ | \$ |
| Administration expenses | | | | | |
| Advertising and promotion | | 4,219 | 2,430 | 9,192 | 2,430 |
| Bank charges | | 358 | 223 | 859 | 234 |
| Consulting | 7 | 13,500 | 23,000 | 19,500 | 23,000 |
| Currency exchange | | 896 | - | 1,739 | - |
| Filing and Transfer Agent Fees | | 11,603 | - | 23,787 | - |
| Investor relations | | 50,000 | - | 83,333 | - |
| Office Expenses | | 2,849 | - | 2,849 | - |
| Professional fees | | 46,815 | 50,219 | 94,792 | 69,976 |
| Research and development | | 97,502 | 8,746 | 190,726 | 8,746 |
| Share-based compensation | 6 | 287,248 | - | 958,911 | - |
| Travel & Entertainment | | 93 | - | 93 | - |
| | | (515,083) | (84,618) | (1,385,781) | (104,386) |
| Other items | | | | | |
| Other income | 5 | 8,973 | - | 8,973 | - |
| Interest Income | | 8,739 | - | 21,374 | - |
| Gain on forgiveness of loans payable | 7 | - | - | - | 1,726 |
| Net loss and comprehensive loss for the period | | | | | |
| | | (497,371) | (84,618) | (1,355,434) | (102,660) |
| Basic and diluted net loss per share | | | | | |
| | | (0.01) | (0.01) | (0.04) | (0.02) |
| Weighted average number of shares outstanding | | | | | |
| | | 37,000,001 | 11,275,556 | 37,000,001 | 6,836,814 |

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

SCOPE CARBON CORP.*(Formerly Puffin Capital Ltd.)***Condensed Interim Statements of Changes in Shareholders' Equity****Six Months Ended March 31, 2023 and 2022***(Unaudited - Expressed in Canadian Dollars)*

| | Share Capital Number | Share Capital \$ | Reserves \$ | Deficit \$ | Total \$ |
|---|-------------------------------------|---------------------------------|------------------------|-----------------------|---------------------|
| Balance, September 30, 2021 | 1 | 1 | - | (15) | (14) |
| Issued - private placement | 26,500,000 | 645,500 | - | - | 645,500 |
| Less: Issue costs - cash | - | (17,208) | - | - | (17,208) |
| Net loss for the period | - | - | - | (102,660) | (102,660) |
| Balance, March 31, 2022 | 26,500,001 | 628,293 | - | (102,675) | 525,618 |
| Balance, September 30, 2022 | 37,000,001 | 1,283,390 | 172,410 | (369,080) | 1,086,720 |
| Share-based compensation - stock options | - | - | 958,911 | - | 958,911 |
| Net loss for the period | - | - | - | (1,355,434) | (1,355,434) |
| Balance, March 31, 2023 | 37,000,001 | 1,283,390 | 1,131,321 | (1,724,514) | 690,197 |

SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)
Condensed Interim Statements of Cash Flows
Six Months Ended March 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

| | March 31, 2023 | March 31, 2022 |
|--|---------------------------|---------------------------|
| Operating Activities | | |
| Net Loss | (1,355,434) | (102,660) |
| Items not involving cash | | |
| Share-based payments | 958,911 | - |
| Unrealized foreign exchange | 1,320 | - |
| Gain on forgiveness of loan payable | - | (1,726) |
| Fair value of warrants received | (8,973) | - |
| | (404,176) | (104,386) |
| Changes in non-cash working capital | | |
| Taxes and other receivables | (14,761) | (2,769) |
| Prepays | (30,303) | 10,000 |
| Accounts payable and accrued liabilities | (97,001) | 62,194 |
| | (142,065) | 69,425 |
| Cash used in Operating Activities | (546,241) | (34,961) |
| Investing activities | | |
| GIC redemption | 501,638 | - |
| Promissory note | (136,590) | - |
| Cash provided by Investing Activities | 365,048 | - |
| Financing activities | | |
| Loan proceeds | - | 17,414 |
| Repayment of loan | - | (688) |
| Private placement | - | 620,500 |
| Cash provided by Financing Activities | - | 637,226 |
| (Decrease) Increase in Cash During the Period | (181,193) | 602,265 |
| Cash, Beginning of Period | 193,995 | 1 |
| Cash, End of Period | 12,802 | 602,266 |

Supplemental cash flow information (Note 9)

SCOPE CARBON CORP.

(Formerly Puffin Capital Ltd.)

Notes to the Condensed Interim Financial Statements

Six Months Ended March 31, 2023 and 2022

(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” on September 6, 2022.

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

These condensed interim financial statements were prepared on a 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 March 31, 2023, the Company had a working capital surplus of \$690,197 (September 30, 2022 - \$1,086,720). The Company incurred a net loss of \$1,355,434 for the six months ended March 31, 2023 (2022 - \$102,660) and had an accumulated deficit of \$1,724,514 as at March 31, 2023 (September 30, 2022 - \$369,080).

As at March 31, 2023, the Company does not have sufficient capital to meet the requirements for its administrative overhead or maintaining its development programs. Future capital requirements will depend on many factors including the Company’s ability to execute its business plan. In order to finance future activities, the Company will be required to issue further share capital through private placements and the exercise of options and warrants or obtain debt. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists which casts significant doubt over the Company’s ability to continue as a going concern.

The economic uncertainties around persistent inflation pressure, geopolitical events have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company’s results and financial condition and the full extent of that impact remains unknown.

These condensed interim financial statements do not include the adjustments to assets and liabilities that would be necessary 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 were prepared in accordance with International Accounting Standards 34: *Interim Financial Reporting* using historical cost, except for cash flow information and financial instruments measured at fair value. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements for the year ended September 30, 2022.

The Company’s functional and presentation currency is the Canadian dollar.

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Notes to the Condensed Interim Financial Statements
Six Months Ended March 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies are used in the preparation of these condensed interim financial statements as for the most recent audited annual financial statements and reflect all the adjustments necessary for fair presentation in accordance with International Financial Reporting Standards of the results for the interim periods presented.

4. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash which is classified as a financial asset measured at amortized cost, investments which are classified as financial assets measured at fair value through profit or loss and accounts payable and accrued liabilities, which are classified as financial liabilities measured at amortized cost. The carrying values of accounts payable and accrued liabilities approximate their fair values due to the short period to maturity.

The Company is exposed to credit and other price risk with respect to its investments in a private company. The maximum exposure to these risks is the carrying value of the investments. The Company is not exposed to material currency or interest rate risk.

5. INVESTMENTS

On September 7, 2022, the Company purchased a Prime-Linked Cashable GIC, issued by the Royal Bank of Canada for \$1,000,000 with a maturity date of September 7, 2023. The carrying value of the investment as at March 31, 2023 was \$500,000. Interest was accrued of \$7,301.

On February 27, 2023 the Company purchased an unsecured convertible note (the "Note") of Farm Flight Inc. ("Farm Flight") for USD \$100,000 with interest accruing at a rate of 8% per annum, payable three years from the date of issuance, unless sooner prepaid or converted. The Note is also coupled with share purchase warrants entitling the Company to purchase 9,345 common shares of Farm Flight at a price of USD \$1.07 per common share. The fair value of the warrants was determined as \$0.96 per warrant using the Black-Scholes model with the following assumptions: (i) risk free rate - 4.51%; (ii) expected life - 3 years; (iii) expected volatility - 184.63%; and (iv) expected forfeiture and dividends - nil. The carrying value of the investment as at March 31, 2023 was \$144,243. Interest was accrued of \$919.

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 March 31, 2023, there were 37,000,001 (September 30, 2022 – 37,000,001) issued and fully paid common shares.

a) Financings

On January 31, 2022, the Company closed a non-brokered private placement for the issuance of 4,500,000 common shares at a price of \$0.005 per share for aggregate gross proceeds of \$22,500.

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Six Months Ended March 31, 2023 and 2022

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On February 11, 2022, the Company closed a non-brokered private placement for the issuance of 15,900,000 units at a price of \$0.02 per unit for aggregate gross proceeds of \$318,000. Each unit comprised one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.20 per share for a period of two years, expiring February 11, 2024.

On February 28, 2022, the Company closed a non-brokered private placement for the issuance 6,100,000 common shares at a price of \$0.05 per share for aggregate gross proceeds of \$305,000.

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).

On October 3, 2022, the Company granted 1,500,000 options to directors and consultants at an exercise price of \$0.60 per common share expiring on October 3, 2027. 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 was \$0.775 per option using the Black-Scholes model with the following assumptions: (i) risk free rate – 3.23%; (ii) expected life -5 years; (iii) expected volatility - 184.63%; and (iv) expected forfeiture and dividends – nil.

Stock options outstanding and exercisable as at March 31, 2023 were 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 - March 31, 2023 | 1,500,000 | 0.60 | 4.51 |
| Unvested | (1,000,000) | 0.60 | 4.51 |
| Exercisable - March 31, 2023 | 500,000 | 0.60 | 4.51 |

| Expiry date | Exercise price \$ | Remaining life (years) | Options Outstanding | Unvested | Exercisable |
|-----------------|-------------------|------------------------|---------------------|-----------|-------------|
| October 3, 2027 | 0.60 | 4.51 | 1,500,000 | 1,000,000 | 500,000 |

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c) Share Purchase Warrants

Share purchase warrants outstanding as at March 31, 2023 were as follows:

| | Number of Warrants | Weighted average exercise price \$ | Weighted average remaining life (years) |
|------------------------------|---------------------------|---|--|
| Balance - September 30, 2022 | 9,000,000 | 0.19 | 1.44 |
| Balance - March 31, 2023 | 9,000,000 | 0.19 | 0.94 |

| 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

Except as disclosed elsewhere, the Company entered into the following related party transactions:

Fees in the amount of \$12,000 (2022 – \$6,000) were charged by an officer of the Company for consulting services. Amounts payable as at March 31, 2023 were \$nil (September 30, 2022 - \$nil).

During the year ended September 30, 2022, the Company received a non-interest-bearing advance of \$2,414 from a director of the Company. The Company repaid part of the advance in the amount of \$688 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 10).

With the exception of the Technology Acquisition Agreement, these transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment. The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. A summary of compensation awarded to key management was as follows:

| | 2023 | 2022 |
|----------------------|-------------------|-----------------|
| Short-term benefits | \$ 12,000 | \$ 6,000 |
| Share-based payments | 511,419 | - |
| Total | \$ 523,419 | \$ 6,000 |

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8. 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 operations are all based in Canada.

9. SUPPLEMENT CASH FLOW INFORMATION

| | March 31, | March 31, |
|--|------------------|------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Interest Income | (21,345) | - |
| Fair value of warrants received | (8,973) | - |
| Share-based compensation | 958,911 | - |
| Gain on forgiveness of loan payable | - | 1,726 |
| Shares issued for settlement of loan payable | - | 25,000 |

10. TECHNOLOGY ACQUISITION AGREEMENT

On February 15, 2022, the Company entered in a technology acquisition agreement (the “Technology Acquisition Agreement”) with the Prescott Family Foundation (the “Foundation”) for the exclusive right of use to the Foundation’s 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 February 15, 2023.
- An additional 250,000 common shares on the later of completion of expenditures of \$600,000 or February 15, 2024.
- An additional 250,000 common shares on the later of the Company generating revenue of \$250,000 or February 15, 2025.
- An additional 250,000 common shares on the later of the Company generating revenue of \$500,000 or February 15, 2026.

(Together, the “Consideration Shares”)

The Company has the option to accelerate the Technology Acquisition 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 Acquisition 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.

SCOPE CARBON CORP.

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Notes to the Condensed Interim Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

11. 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 of 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.

12. 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.

13. SUBSEQUENT EVENTS

On April 24, 2023, the Company entered into a non-binding letter of intent (the "Letter of Intent") to acquire Farm Flight in an arms-length all-share acquisition valued at approximately USD \$14,500,000 (the "Transaction").

Pursuant to proposed terms of the Transaction, Scope will acquire all of the issued and outstanding shares of Farm Flight in exchange for approximately 12,351,662 common shares of Scope (the "Exchanged Shares"). The Exchanged Shares, in addition to being subject to a four-month hold, will be subject to a lock-up agreement which provides that 20% of the Exchanged Shares will be released 36 months after the completion of the Transaction, and thereafter release 20% of the Exchanged Shares in subsequent six-month intervals until 100% of the Exchanged Shares are released.

In connection with the Transaction, it is expected that each of Farm Flight's option holders and share purchase warrant holders will enter into an option surrender and cancellation agreement, and a warrant surrender and cancellation agreement, respectively. The Company and Farm Flight also anticipate restructuring certain indebtedness of Farm Flight into mutually satisfactory terms.

On April 27, 2023 the Company entered into a further loan agreement (the "Loan Agreement") with Farm Flight for Scope to provide a loan to Farm Flight for the principal amount of USD \$70,000 (the "Loan"), as evidenced by an unsecured promissory note and in connection with the proposed acquisition. The Loan bears no interest and is repayable in full on the date that is one year following the advance. The proceeds of the Loan will be used by Farm Flight in connection with professional and transaction costs in connection with the Transaction and for general corporate purposes.