



SCOPE CARBON CORP.

Financial Statements
For the Three Months Ended December 31, 2023 and 2022
(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.
Condensed Interim Statements of Financial Position
As at December 31, 2023 and September 30, 2023
(Unaudited - Expressed in Canadian Dollars)

	Note	December 31, 2023	September 30, 2023
Assets			
Current			
Cash and cash equivalents		1,190,221	50,572
Accounts and other receivables		40,706	41,165
Investments	4	4	4
Prepaid expenses		80,945	54,763
		1,311,876	146,504
Liabilities			
Current			
Accounts payable & accrued liabilities		139,816	231,164
Due to related parties	5	39,450	5,246
Other liabilities	6	75,000	122,000
		254,266	358,410
Shareholder's Equity (Deficit)			
Share capital	7	4,154,845	2,135,890
Reserves		1,853,687	1,226,658
Deficit		(4,950,922)	(3,574,454)
		1,057,610	(211,906)
		1,311,876	146,504

Approved and authorized on behalf of the Board of Directors on February 26, 2024

"Darien Lattanzi" Director

"Alan Tam" Director

SCOPE CARBON CORP.**Condensed Interim Statements of Loss and Comprehensive Loss****For the three months ended December 31, 2023 and 2022***(Unaudited - Expressed in Canadian Dollars)*

	Note	December 31, 2023 \$	December 31, 2022 \$
Administration expenses			
Advertising and promotion		2,005	4,973
Bank charges		821	501
Consulting	5	67,000	6,000
Currency exchange		3,645	843
Filing and transfer agent fees		13,164	12,184
Investor relations		-	33,333
Office expenses	5	4,996	-
Professional fees		28,021	47,977
Research and development	5 & 9	14,843	93,224
Share-based compensation	7	627,029	671,663
		(761,524)	(870,698)
Other items			
Impairment of investments	4	(615,884)	-
Interest and other income		940	12,635
Net loss and comprehensive loss for the period		(1,376,468)	(858,063)
Basic and diluted net loss per share		(0.03)	(0.02)
Weighted average number of shares outstanding		39,934,784	37,000,001

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

SCOPE CARBON CORP.**Condensed Interim Statements of Changes in Shareholders' Equity (Deficit)****For the three months ended December 31, 2023 and 2022***(Unaudited - Expressed in Canadian Dollars)*

	Share Capital Number	Share Capital \$	Reserves \$	Deficit \$	Total \$
Balance, September 30, 2022	37,000,001	1,283,390	172,410	(369,080)	1,086,720
Share-based compensation	-	-	671,663	-	671,663
Net loss	-	-	-	(858,063)	(858,063)
Balance, December 31, 2022	37,000,001	1,283,390	844,073	(1,227,143)	900,320
Balance, September 30, 2023	39,000,001	2,135,890	1,226,658	(3,574,454)	(211,906)
Issued - private placement	1,250,000	2,000,000	-	-	2,000,000
Less: Issue costs - cash	-	(9,045)	-	-	(9,045)
Issued - exercise of warrants	140,000	28,000	-	-	28,000
Share-based compensation	-	-	627,029	-	627,029
Net loss	-	-	-	(1,376,468)	(1,376,468)
Balance, December 31, 2023	40,390,001	4,154,845	1,853,687	(4,950,922)	1,057,610

SCOPE CARBON CORP.
Condensed Interim Statements of Cash Flows
For the three months ended December 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	December 31, 2023	December 31, 2022
Operating Activities		
Net Loss	(1,376,468)	(858,063)
Items not involving cash		
Impairment of investments	615,884	-
Interest income	-	1,638
Share-based payments	627,029	671,663
	(133,555)	(184,762)
Changes in non-cash working capital		
Taxes and other receivables	459	(9,548)
Prepays	(26,182)	(16,666)
Accounts payable and accrued liabilities	(91,348)	(82,156)
Due to related parties	34,204	-
	(82,867)	(108,370)
Cash used in Operating Activities	(216,422)	(293,132)
Investing Activities		
GIC (redemption) investment	-	200,000
Loans advanced	(615,884)	-
Cash used in (provided by) Investing Activities	(615,884)	200,000
Financing Activities		
Loan proceeds	50,000	-
Repayment of loans	(75,000)	-
Shares issued for cash, net	1,996,955	-
Cash provided by Financing Activities	1,971,955	-
Increase (Decrease) in Cash and Cash Equivalents	1,139,649	(93,132)
Cash and Cash Equivalents, Beginning of Period	50,572	193,995
Cash and Cash Equivalents, End of Period	1,190,221	100,863
Cash	90,221	100,863
Cash Equivalents	1,100,000	-
	1,190,221	100,863

Supplemental cash flow information (Note 10)

SCOPE CARBON CORP.

Notes to the Condensed Interim Financial Statements For the three months ended December 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 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 can use to verify characteristics of trees, wetlands, and other areas.

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 of December 31, 2023, the Company had a working capital surplus of \$1,057,610 (September 30, 2023 – working capital deficit of \$211,906). The Company incurred a net loss of \$1,376,468 for the three months ended December 31, 2023 (2022 - \$858,063) and had an accumulated deficit of \$4,950,922 as of December 31, 2023 (September 30, 2023 - \$3,574,454).

As of December 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. 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 and other global factors 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. However, as of December 31, 2023, the Company has not been significantly impacted by these matters.

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 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, 2023 which have been prepared in accordance with IFRS as issued by the IASB.

SCOPE CARBON CORP.
Notes to the Condensed Interim Financial Statements
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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, 2023.

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

3. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and accounts receivable, which are classified as financial assets at amortized cost, and accounts payable and accrued liabilities, due to related parties and other liabilities, which are classified as financial liabilities at amortized cost. Cash, accounts receivable, accounts payable and accrued liabilities, due to related parties and other liabilities approximate their fair values due to the short period to maturity. Investments assets are remeasured to fair value at each reporting period.

4. INVESTMENTS

Investments as of September 30, 2023, were as follows:

	Farm Flight Inc.					Total
	GIC	Convertible	Warrants	Loan	Loan	
	\$	Note	\$	Agreement	Facility	\$
		\$		\$	\$	
Balance as at September 30, 2022	1,001,638	-	-	-	-	1,001,638
Additions	-	136,590	-	95,566	520,596	752,752
Fair value of warrants - recognition	-	(12,842)	12,842	-	-	-
Fair value of warrants - subsequent	-	-	(3,541)	-	-	(3,541)
Finance charge	-	-	-	(4,839)	-	(4,839)
Redemptions / interest received	(1,018,656)	-	-	-	-	(1,018,656)
Interest accretion	17,018	7,681	-	1,856	9,686	36,241
Foreign Exchange	-	(660)	(646)	(429)	6,735	5,000
Impairment	-	(130,768)	(8,654)	(92,153)	(537,016)	(768,591)
Balance as at September 30, 2023	-	1	1	1	1	4
Additions	-	-	-	-	615,884	615,884
Impairment	-	-	-	-	(615,884)	(615,884)
Balance as at December 31, 2023	-	1	1	1	1	4

Management continued to consider the ability of Farm Flight Inc. ("Farm Flight") to repay each instrument above to be an indicator of impairment, leading to a test of recoverable amount. Management does not expect imminent cash flows from these instruments. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than \$1 per instrument, and therefore recorded an impairment provision in accordance with Level 3 of the fair value hierarchy during the three months ended December 31, 2023 in an amount of \$615,884 (2022 - \$nil).

SCOPE CARBON CORP.
Notes to the Condensed Interim Financial Statements
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5. RELATED PARTY TRANSACTIONS

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

Fees in the amount of \$15,000 (2022 – \$6,000) were charged by a company controlled by an officer of the Company for consulting services. Accounts payable as of December 31, 2023, were \$9,450 (September 30, 2023 - \$nil).

Fees in the amount of \$30,000 (2022 – \$nil) were charged by a company controlled by a director of the Company for consulting services. Accounts payable as of December 31, 2023, were \$30,000 (September 30, 2023 - \$nil).

Pursuant to a month-to-month sub-lease agreement, amounts of \$4,996 (2022 – \$nil) were charged by a company with a common director of the Company for office space rental. Accounts payable as of December 31, 2023, were \$nil (September 30, 2023 - \$5,246).

A director of the Company is also the trustee to the Prescott Family Foundation (the “Foundation”), the counterparty to the Technology Acquisition Agreement (Note 9).

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	\$ 45,000	\$ 6,000
Share-based payments	1,931	-
Total	\$ 46,931	\$ 6,000

6. OTHER LIABILITIES

Included within other liabilities, as at September 30, 2023, were \$50,000 with respect to funds received from a consultant for an interest-free short-term loan. On October 13, 2023, the Company received an additional interest-free short-term loan of \$25,000. On November 2, 2023, the Company repaid \$75,000, being the total loan amount outstanding.

Also included within other liabilities, as at September 30, 2023, were \$72,000 with respect to funds received relative to future exercise of common share purchase warrants of which \$22,000 was allocated to share capital on completion of exercise during the three months ended December 31, 2023. The balance of \$50,000 was allocated to share capital on completion of exercise during February 2024 (Note 11).

Included within other liabilities, as at December 31, 2023 were \$25,000 with respect to funds received from a third party for an interest-free short-term loan. On January 30, 2024, the Company repaid \$25,000, being the total loan amount outstanding.

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7. SHARE CAPITAL

Authorized

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

Issued share capital

As of December 31, 2023, there were 40,390,001 (September 30, 2023 – 39,000,001) issued and fully paid common shares.

a) Financings

Three Months Ended December 31, 2023

On October 27, 2023, the Company closed a non-brokered private placement for the issuance of 1,250,000 units at a price of \$1.60 per unit for aggregate gross proceeds of \$2,000,000. 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 \$2.25 per share for a period of two years.

b) Share Purchase Warrants

Share purchase warrants issued, exercised and outstanding were as follows:

	Number of warrants	Weighted average exercise price (\$)	Weighted average remaining life (years)
Balance - September 30, 2023	7,250,000	0.19	0.44
Issued	625,000	2.25	-
Exercised	(140,000)	0.20	-
Balance - December 31, 2023	7,735,000	0.35	0.33

Expiry date	Exercise price \$	Number of warrants outstanding
February 11, 2024	0.20	6,060,000
September 2, 2024	0.10	1,050,000
October 27, 2025	2.25	625,000
		7,735,000

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c) Equity Incentive Plan

The Company established an Equity Incentive Plan (the “Plan”) under which the board of directors may at any time authorize the granting of stock options, deferred share units and restricted share rights to such participants as it may select for the number of shares that it will designate, subject to the provisions of the Plan.

Stock Options

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 \$0.705 per option using the Black-Scholes model with the following assumptions: (i) grant date share price - \$0.80 per share; (ii) risk free rate – 3.23%; (iii) expected life - 5 years; (iv) expected volatility – 128.68%; and (v) expected forfeiture and dividends – nil. Volatility was estimated by using the common share’s historical trading price of other companies in the same industry during the similar period.

Stock options granted and outstanding were as follows:

	Number of options	Weighted average exercise price (\$)	Weighted average remaining life (years)
Balance - September 30, 2023	1,500,000	0.60	4.01
Balance - December 31, 2023	1,500,000	0.60	3.76
Unvested	-	-	-
Exercisable - December 31, 2023	1,500,000	0.60	3.76

Expiry date	Exercise price (\$)	Remaining life (years)	Options Outstanding	Unvested	Exercisable
October 3, 2027	0.60	3.76	1,500,000	-	1,500,000

Restricted Share Rights

On October 16, 2023, the Company entered into a consulting agreement with an advisor to the Company and granted 1,000,000 restricted share rights whereby each right vests as follows: 10% upon grant; 30% after six months; 30% after one year and the remaining 30% after eighteen months. Each vested right is redeemable for one common share of the Company at the time of vesting. The rights were fair valued at \$1,900,000.

As at December 31, 2023, the Company has an obligation to issue 100,000 common shares with respect to vested rights on or before two-and-a-half months subsequent to December 31, 2023.

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Notes to the Condensed Interim Financial Statements
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(Unaudited - Expressed in Canadian Dollars)

Restricted share rights granted and outstanding were as follows:

	Number of Rights
Balance - September 30, 2023	-
Granted	1,000,000
Balance - December 31, 2023	1,000,000
Unvested	(900,000)
Exercisable - December 31, 2023	100,000

During the three months ended December 31, 2023, the Company recorded \$2,896 in share-based compensation expense related to the vesting of stock options and \$624,133 related to the vesting of restricted share rights (2022 - \$671,663 relating to vesting of stock options and \$nil related to the vesting of restricted share rights).

8. SEGMENTED INFORMATION

The Company's operations are 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. TECHNOLOGY ACQUISITION AGREEMENT

On February 15, 2022, the Company entered in a technology acquisition agreement (the "Technology Acquisition Agreement") with the Foundation for the exclusive right of use to the Foundation's image recognition technology. A director of the Company is also the trustee to the Foundation.

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

- 250,000 common shares on the latter of completion of expenditures of \$250,000 or February 15, 2023 (issued on May 24, 2023).
- An additional 250,000 common shares on the latter of completion of expenditures of \$600,000 or February 15, 2024.
- An additional 250,000 common shares on the latter of the Company generating revenue of \$250,000 or February 15, 2025.
- An additional 250,000 common shares on the latter 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.

SCOPE CARBON CORP.
Notes to the Condensed Interim Financial Statements
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(Unaudited - Expressed in Canadian Dollars)

10. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2023	December 31, 2022
	\$	\$
Cash:		
Interest received	940	12,635
Non-Cash:		
Impairment of investments	615,884	-
Share subscriptions received in prior period	22,000	-
Share-based compensation	627,029	671,663

11. SUBSEQUENT EVENTS

Other than disclosed elsewhere, the following occurred subsequent to December 31, 2023:

Subsequent to December 31, 2023, a total of 4,810,000 common share purchase warrants exercisable at \$0.20 per share were exercised for gross proceeds of \$962,000 (\$50,000 received during the three months ended December 31, 2023 (Note 6)).

On February 11, 2024, a total of 1,250,000 common share purchase warrants exercisable at \$0.20 per share expired unexercised.

Subsequent to December 31, 2023, a total of US\$54,000 was advanced to Farm Flight under the facility arrangement (Note 4).