BluSky Carbon Inc.
(formerly 1429798 B.C. Ltd.)

Condensed Interim Consolidated Financial Statements

For the three and nine months ended May 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of BluSky Carbon Inc. (formerly 1429798 B.C. Ltd.) as at May 31, 2024 and for the three and nine months ended May 31, 2024 and 2023, have been prepared by, and are the responsibility of the management of the Company and approved by the Company's Audit Committee and Board of Directors.

Under National Instrument 51-102 Continuous Disclosure Obligations, 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 an auditor has not reviewed the financial statements.

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

BluSky Carbon Inc. (formerly 1429798 B.C. Ltd.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

As at		**May 31, 2024**		**August 31, 2023**
		(Unaudited)		(Audited)
ASSETS				
Current assets				
Cash	$	904,590	$	-
Prepaid expenses and deposits (Note 6)		255,379		9,451
Other receivables		1,365		311
Inventory		493,472		-
		1,654,806		9,762
Equipment (Note 7)		2,017,798		163,958
Prepaid expenses and deposits (Note 6)		54,721		-
Right-of-use assets (Note 8)		1,138,052		121,111
Total assets	$	4,865,377	$	294,831
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current liabilities				
Bank indebtedness	$	-	$	12
Accounts payable and accrued liabilities		1,520,950		37,100
Deferred revenue		537,304		-
Due to related parties (Note 12)		-		586,433
Current portion of lease liabilities (Note 10)		461,351		73,724
		2,519,604		697,269
Lease liabilities (Note 10)		713,382		59,213
Total liabilities		3,232,986		756,482
Shareholders' equity (deficiency)				
Share capital (Note 11)		9,997,218		1,209
Reserves		1,603,933		-
Obligation to issue shares (Note 11)		-		38
Deficit		(9,937,394)		(445,081)
Accumulated other comprehensive loss		(31,366)		(17,817)
Total shareholders' equity (deficiency)		1,632,391		(461,651)
Total liabilities and shareholders' equity (deficiency)	$	4,865,377	$	294,831

Subsequent events (Note 15)

Approved and authorized for issue by the Board of Directors on July 29, 2024:

"Alex McAulay" Director *"William Hessert"* Director

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

BluSky Carbon Inc. (formerly 1429798 B.C. Ltd.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	Three months ended May 31, 2024	Three months ended May 31, 2023	Nine months ended May 31, 2024	Nine months ended May 31, 2023
Expenses				
Depreciation (Notes 7 and 8)	$ 129,449	$ 19,122	$ 288,486	$ 56,881
Interest expense (Note 9)	67,237	978	142,327	1,281
Interest on lease liability (Note 10)	42,595	5,995	99,729	19,704
Legal and professional fees (Note 12)	433,092	-	729,644	-
Marketing	56,664	-	73,493	10,906
Office expenses	207,933	11,692	320,123	21,333
Research and development	7,104	-	8,769	-
Salaries and benefits (Note 12)	389,933	-	752,303	4,714
Share-based compensation (Note 11 and 12)	-	-	802,292	-
Consulting fees	30,700	-	40,514	-
Subcontractor fees	52,464	8,049	92,984	19,248
Foreign exchange	21,737	-	23,662	-
	(1,438,908)	(45,836)	(3,374,326)	(134,067)
Other expense (income)				
Listing expense (Note 5)	6,707,500	-	6,707,500	-
Gain on extinguishment of loan (Note 12)	(588,319)	-	(588,319)	-
Other income (Note 12)	(1,194)	(128)	(1,194)	(2,595)
	6,117,987	(128)	6,117,987	(2,595)
Net loss for the period	$ (7,556,895)	$ (45,708)	$ (9,492,313)	$ (131,472)
Other comprehensive loss for the period				
Foreign exchange difference on translation of foreign operation	(9,864)	(941)	(13,549)	(2,005)
Net loss and comprehensive loss for the period	(7,566,759)	(46,649)	(9,505,862)	(133,477)
Basic and diluted loss per share	$ (0.28)	$ (0.01)	$ (0.41)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	27,176,223	4,900,000	23,395,666	4,900,000

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

BluSky Carbon Inc. (formerly 1429798 B.C. Ltd.)
Condensed Interim Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars - Unaudited)

	Number of common shares*	Share capital $	Obligation to issue shares $	Reserves $	Deficit $	Accumulated Other Comprehensive Income $	Total $
Balance at August 31, 2022	4,900,000	1,209	38	-	(261,235)	(18,039)	(278,027)
Net loss for the period	-	-	-	-	(131,472)	-	(131,472)
Foreign exchange difference on translation of foreign operation	-	-	-	-	-	(2,005)	(2,005)
Balance at May 31, 2023	4,900,000	1,209	38	-	(392,707)	(20,044)	(411,504)
Balance at August 31, 2023	4,900,000	1,209	38	-	(445,081)	(17,817)	(461,651)
Settlement of obligation to issue shares	735,000	38	(38)	-	-	-	-
Issuance of Bluski units	1,045,490	314,164	-	-	-	-	314,164
Units deemed to be issued in RTO (Note 5)	26,071,859	8,879,462	-	1,603,933	-	-	10,483,395
Share-based compensation	18,865,000	802,345	-	-	-	-	802,345
Net loss for the period	-	-	-	-	(9,492,313)	-	(9,492,313)
Foreign exchange difference on translation of foreign operation	-	-	-	-	-	(13,549)	(13,549)
Balance at May 31, 2024	51,617,349	9,997,218	-	1,603,933	(9,937,394)	(31,366)	1,632,391

**The number of common shares outstanding before the RTO have been restated to reflect the effect of exchanging 4,900 common shares of the Company for each common share of Bluski outstanding at closing of the Arrangement.*

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

BluSky Carbon Inc. (1429798 B.C. Ltd.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars - Unaudited)

		Nine months ended May 31, 2024		Nine months ended May 31, 2023
Operating activities				
Net loss	$	(9,492,313)	$	(131,472)
Items not affecting cash:				
Depreciation		288,486		56,881
Share-based compensation		802,292		-
Accrued interest (Note 9)		137,965		-
Unrealized foreign exchange		21,653		-
Gain on extinguishment of loan		(588,319)		-
Listing expense		6,707,500		-
Changes in non-cash working capital items:				
Prepaid expenses		(209,095)		6,734
Inventory		(490,688)		-
Other receivables		(991)		-
Accounts payable and accrued liabilities		785,704		1,438
Deferred revenue		534,273		-
Net cash used in operating activities		(1,503,533)		(66,419)
Investing activity				
Purchase of equipment		(1,855,089)		(113,503)
Lease deposit		(75,210)		-
Cash assumed on RTO (Note 5)		326,422		-
Net cash used in investing activity		(1,603,877)		(113,503)
Financing activities				
Due to related parties		100		219,929
Lease payments		(229,945)		(45,872)
Proceeds from issuance of Bluski units		314,164		-
Proceeds from promissory note (Note 9)		3,948,715		-
Net cash provided by financing activities		4,033,034		174,057
Change in cash		**925,624**		**(5,865)**
Impact of foreign currency translation on cash		(21,022)		159
Cash (bank indebtedness), beginning of period		(12)		5,701
Cash (bank indebtedness), end of period	$	904,590	$	(5)

Supplemental cash flow information:				
Interest received	$	1,194	$	-
Interest paid	$	444	$	1,280
Income taxes paid	$	-	$	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company Carbon Inc. (formerly 1429798 B.C. Ltd.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on July 25, 2023. On May 24, 2024, the Company changed its name from 1429798 B.C. Ltd. to BluSky Carbon Inc. The principal business of the Company is converting organic and industrial wastes into biochar, renewable power, and carbonate rocks. The principal address and registered office of the Company are located at Suite 214, 257 12th Street East, North Vancouver, BC, V7L 2J8.

On November 10, 2023, the Company, Bluski Inc. ("Bluski") and 1448451 B.C. Ltd. (a wholly-owned subsidiary of the Company) entered into an Arrangement Agreement (the "Arrangement"). Under the Arrangement, the Company acquired all of the issued and outstanding shares of the Bluski by way of exchanging 4,900 common shares and 4,900 share purchase warrants of the Company for each common share and share purchase warrant of Bluski, respectively, outstanding at closing. 1448451 B.C. Ltd. merged with Bluski to form and amalgamated entity under the name "BluSky Carbon Inc." which became a wholly-owned subsidiary of the Company. The Arrangement was amended on November 23, 2023, February 27, 2024, and April 30, 2024. The Arrangement closed on May 24, 2024 (Note 5). The Arrangement constitutes a reverse takeover of the Company by BluSki with Bluski deemed as the acquirer for accounting purposes. The assets, liabilities and operations of BluSki are included in the consolidated financial statements at their historical carrying value. The Company's operations are considered to be a continuance of the business and operations of BluSki with the Company's operations being included from May 24, 2024, the closing date of the Arrangement, onwards.

The Company filed its final long form prospectus on May 28, 2024 and amendment to its final long form prospectus on June 12, 2024, and began trading on the Canadian Securities Exchange ("CSE") under symbol BSKY on June 20, 2024. The Company also trades on the Frankfurt Stock Exchange under the symbol QE4.

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. For the nine months ended May 31, 2024, the Company incurred a net loss of $9,492,313 (2023 - $131,472). As of May 31, 2024, the Company had a working capital deficiency of $864,798 (August 31, 2023 - $445,081) and has an accumulated deficit of $9,937,394 (August 31, 2023 - $445,081). These circumstances indicate that material uncertainties exist that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments, the continued support of certain shareholders and trade creditors, and on achieving profitable commercial operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses, and the statement of financial position classification used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financing statements, including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to Bluski’s audited financial statements for the year ended August 31, 2023, and the Company’s audited consolidated financial statements for the period from incorporation on July 25, 2023 to March 31, 2024, which have been prepared in accordance with IFRS issued by the IASB.

The financial statements were approved and authorized for issuance on July 29, 2024 by the board of directors of the Company.

Basis of presentation and measurement

These financial statements have been prepared on a historical cost basis. In addition, they have been prepared using the accrual basis of accounting, except for the cash flow information.

On May 24, 2024, on closing of the Arrangement, the Company issued 25,545,490 common shares to former unitholders of Bluski at an exchange ratio of 4,900 common shares of the Company for each outstanding common shares of Bluski at the time of closing. All references to share and per share amounts in the financial statement and accompanying notes have been retrospectively adjusted to reflect the exchange ratio as if it had occurred at the beginning of the earlier period presented.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars which is the functional currency and presentation currency of the Company. The functional currency of Bluski is the United States dollar.

Basis of consolidation

These financial statements include the accounts of the Company and its wholly owned subsidiary Bluski. Subsidiaries are those entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to variable returns from its activities. Intercompany balances are eliminated on consolidation.

Critical Accounting Estimates and Judgements

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

2. BASIS OF PRESENTATION (continued)

Estimates:
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These financial statements include the following significant estimates that requires significant assumptions by management as to the basis for determining the stated amount:

Useful lives of equipment
Estimates of the useful lives of equipment are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of the relevant assets may be based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the equipment would increase the recorded expenses and decrease the non-current assets.

Leases
Under IFRS 16, the Company assesses whether a contract contains a lease and, if so, recognizes a lease liability by discounting the future lease payments over the non-cancellable term of the lease, using the Company's estimated incremental borrowing rate. Differences in the estimated incremental borrowing rate could result in materially different lease liabilities and assets.

Share-based compensation
The Company has applied estimates with respect to the valuation of shares to be issued for non-cash consideration. Shares to be issued are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based compensation made to those other than employees or others providing similar services. The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based compensation made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

Judgements:
Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include:

Going concern
The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PRESENTATION (continued)

Income taxes
Significant judgment 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 in the relevant jurisdiction. 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. The Company recognizes deferred tax assets only to the extent it is probable that future taxable profit will be realized against which a deferred tax asset can be applied.

Determination of functional currency
The Company determines the functional currency through the analysis of several indicators such as expenses and cash flows and financing activities.

3. CHANGE IN PRESENTATION CURRENCY

Effective March 1, 2024, the Company has elected to change its presentation currency from the United States dollar to the Canadian dollar. The change in presentation currency represents a voluntary change in accounting policy. The Company has applied the presentation currency change retrospectively. The condensed consolidated interim financial statements have been restated as follows:

- The consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows have been translated to Canadian dollars using the average exchange rate prevailing for the relevant period
- All assets and liabilities in the consolidated statements of financial position have been translated to Canadian dollars using the period-end exchange rates
- Equity in the consolidated statements of financial position have been translated to Canadian dollars using historical rates in effect on the date of the transactions; and
- All resulting exchange differences have been recognized in accumulated other comprehensive income (loss) as a separate component of equity

The currency translation reserve which was $Nil before the change was calculated as $17,817 as at August 31, 2023 and included in accumulated other comprehensive loss.

The average and closing rates used in translating the historical financial information from the United States dollar to the Canadian dollar for the comparative periods presented in these consolidated financial statements are as follows:

- The average rate used for the three and nine months ended May 31, 2023 was 1.3465
- The closing rate used as at May 31, 2023 was 1.3613

(Expressed in Canadian Dollars - Unaudited)

3. CHANGE IN PRESENTATION CURRENCY (continued)

The following is a reconciliation of Bluski's statement of financial position as at August 31, 2023 reflecting the impact of these adjustments against what was previously reported by Bluski:

Statement of Financial Position

		Previously reported (US$) August 31, 2023		Restated (CAD$) August 31, 2023
Current assets	$	7,215	$	9,762
Non-current assets		210,680		285,069
Total assets		**217,895**		**294,831**
Current liabilities		515,317		697,269
Non-current liabilities		43,761		59,213
Total liabilities		**559,078**		**756,482**
Share capital		1,000		1,209
Obligation to issue shares		30		38
Accumulated other comprehensive loss		-		(17,817)
Deficit		(342,213)		(445,081)
Total shareholders' deficiency		**(341,183)**		**(461,651)**
Total liabilities and shareholders' deficiency	**$**	**217,895**	**$**	**294,831**

4. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements of Bluski for the year ended August 31, 2023, and Note 3 to the audited financial statements of the Company for the period from incorporation on July 25, 2023 to March 31, 2024. The accounting policies have been consistently followed in the preparation of these condensed interim consolidated financial statements. Other than the accounting policies included in this section, the accounting policies adopted are consistent with those of the previous financial year/period.

Inventory

Inventory is comprised of raw materials and machine components, work in progress and finished products in the form of machinery that is able to convert organic and industrial wastes into biochar, renewable power, and carbonate rocks. Inventory is initially valued at cost and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Cost is determined using the first-in, first-out method. Cost includes acquisition costs net of discounts, and other costs incurred to bring inventories to their present location and condition. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition

Revenue from contracts with customers is recognized when control of the asset sold is transferred to customers and the Company satisfies its performance obligation. Revenue is allocated to each performance obligation. The Company considers the terms of the contract in determining the transfer price. The transaction price is based upon the amount the Company expects to receive in exchange for the transferring of the assets. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

Deferred revenue

Deferred revenue, refers to advance payments a company receives for products or services that are to be delivered in the future. The Company receives the prepayment and records the amount as deferred revenue, a liability.

foreign currency translation

Transaction and balances:

Foreign currency transactions are translated into functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized in net loss. Gains and losses arising from foreign exchange translation to functional currency are included in the consolidated statements of comprehensive loss.

Translation to presentation currency:

The consolidated statements of loss and comprehensive loss and consolidated statements of financial position of those entities with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of the consolidated statements of financial position;
- Income and expenses for each consolidated statement of loss and comprehensive loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions;
- Equity in each consolidated statement of financial position is translated at historical rates in effect on the date of the transactions.
- All resulting exchange differences are recognized in other comprehensive loss and as a separate component of equity in accumulated other comprehensive loss.

(Expressed in Canadian Dollars - Unaudited)

5. REVERSE TAKE-OVER

On May 24, 2024, the Arrangement closed. In consideration for the equity interests of Bluski, the former unitholders of Bluski received an aggregate of 25,545,490 consideration common shares and 522,754 consideration warrants of the Company based on an exchange ratio of 4,900 common shares and 4,900 purchase warrants of the Company for each outstanding common share and purchase warrant of Bluski at the time of closing. Each consideration warrant is exercisable at $0.50 for one common share of the Company until May 24, 2026. On closing, former Bluski shareholders held 50% of the voting rights of the Company on a non-diluted basis.

Bluski has been identified as the acquirer for accounting purposes, and the transaction is considered a reverse take-over ("RTO"). Bluski, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of the Company. The consolidated statements of loss and comprehensive loss include the full results of Bluski for the three and nine months ended May 31, 2024 and 2023, and for the Company from the date of acquisition May 24, 2024. As the acquirer for accounting purposes, Bluski's net assets are included in the consolidated statements of financial positions at their carrying amounts.

At the time of the RTO transaction closing, the Company did not meet the definition of a business in accordance with IFRS 3 Business Combinations; therefore, the transaction is accounted under IFRS 2 Share-Based Payments, where the difference between the consideration retained by pre-transaction shareholders of the Company and the net asset value of the Company is recorded as a listing expense in profit and loss.

The fair value of the consideration retained by the pre-transaction shareholders of the Company over the net assets of the Company is as follows:

	$
Fair value of 26,071,859 common shares of the Company	8,879,462
Fair value of 13,405,832 warrants of the Company	1,603,933
Promissory note receivable forgiven (Note 9)	(4,109,346)
Total consideration	**6,374,049**
Net assets (liabilities) acquired:	
Cash	326,422
Prepaid expenses	35,595
Accounts payable and accrued liabilities	(695,468)
Net liabilities	**(333,451)**
Listing expense	**6,707,500**

The fair value of the consideration retained by pre-transaction shareholders of the Company was determined to be $8,879,462 and $1,603,933, respectively, for the 26,071,859 common shares and 13,405,832 warrants of the Company outstanding before closing of the RTO. The fair value of the Company's common shares and warrants was measured with reference to the Company's $0.40 round financing that closed in May 2024 before closing of the RTO, where the fair value of a common share was determined to be approximately $0.34 and the fair value of a full warrant was determined to be approximately $0.12. The fair value of each common share and warrant was determined using a Black-Scholes Option Pricing model with the following inputs and assumptions: Stock price - $0.34 (imputed), Exercise price - $0.75, Dividend yield - $Nil, Expected volatility – 100%, Risk free interest rate – 4.1259% and expected life of 2 years.

(Expressed in Canadian Dollars - Unaudited)

6. PREPAID EXPENSES AND DEPOSITS

		May 31, 2024		August 31, 2023
Equipment deposits	$	117,520	$	-
Security deposits (Note 8)		54,721		7,327
Insurance		44,587		-
Marketing		46,057		-
Legal retainers		20,143		-
Other		27,072		2,124
	$	**310,100**	**$**	**9,451**
Current	$	255,379	$	9,451
Non-current		54,721		-
	$	**310,100**	**$**	**9,451**

7. EQUIPMENT

		Equipment		Leasehold improvements		Asset under construction		Total
Cost								
Balance, August 31, 2022	$	26,292	$	-	$	-	$	26,292
Additions		8,409		-		137,406		145,815
Foreign currency translation		858		-		-		858
Balance, August 31, 2023		35,559		-		137,406		172,965
Additions		93,439		15,960		1,756,216		1,865,615
Foreign currency translation		311		-		1,199		1,510
Balance, May 31, 2024	**$**	**129,309**	**$**	**15,690**	**$**	**1,894,821**	**$**	**2,040,090**
Accumulated depreciation								
Balance, August 31, 2022	$	2,821	$	-	$	-	$	2,821
Depreciation		6,065		-		-		6,065
Foreign currency translation		121		-		-		121
Balance, August 31, 2023		9,007		-		-		9,007
Depreciation		11,504		1,627		-		13,131
Foreign currency translation		144		10		-		154
Balance, May 31, 2024	**$**	**20,655**	**$**	**1,637**	**$**	**-**	**$**	**22,292**
Net book value								
Balance, August 31, 2023	$	26,552	$	-	$	137,406	$	163,958
Balance, May 31, 2024	**$**	**108,654**	**$**	**14,323**	**$**	**1,894,821**	**$**	**2,017,798**

(Expressed in Canadian Dollars - Unaudited)

8. RIGHT-OF-USE ASSETS

		Building
Cost		
Balance, August 31, 2022	$	205,966
Additions		-
Foreign currency translation		6,718
Balance, August 31, 2023		212,684
Additions		1,302,839
Foreign currency translation		(4,487)
Balance, May 31, 2024	**$**	**1,511,036**
Accumulated depreciation		
Balance, August 31, 2022	$	20,025
Depreciation		70,552
Foreign currency translation		996
Balance, August 31, 2023		91,573
Depreciation		279,028
Foreign currency translation		2,383
Balance, May 31, 2024	**$**	**372,984**
Net book value		
Balance, August 31, 2023	$	121,111
Balance, May 31, 2024	**$**	**1,138,052**

On initial recognition, the Company capitalized the discount on a security deposit of $24,730 (USD$18,030) to its right-of-use assets. The security deposit will be amortized using the effective interest rate over the lease term in accordance with IFRS 16 – Leases, at an effective interest rate of approximately 15%, and has been recorded as prepaid expenses and deposits (Note 6).

A reconciliation of the lease deposit is as follows:

Balance, August 31, 2023	$	7,327
Addition		68,580
Discount on initial recognition		(24,730)
Accretion		3,673
Foreign currency translation		(129)
Balance, May 31, 2024	**$**	**54,721**

(Expressed in Canadian Dollars - Unaudited)

9. PROMISSORY NOTE

In connection with the Arrangement, on September 15, 2023 the Company entered into a secured promissory note and loan agreement with Bluski with a principal balance of US$500,000 ($675,565) (the "Note") and 12% interest per annum. The Note was subsequently amended on October 31, 2023, December 4, 2023, December 18, 2023, February 15, 2024, March 13, 2024, and May 15, 2024 with the principal amount increasing to US$2,893,022 ($3,948,715). On completion of the Arrangement transaction, the Note was forgiven (Note 5).

From September 15, 2023 until May 24, 2024 Bluski accrued interest expense of $137,965 against the Note. From March 1, 2024 until May 24, 2024, Bluski accrued interest expense of $63,320 against the Note. These amounts are included in interest expense on the consolidated statement of loss and comprehensive loss for the three and nine months ended May 31, 2024, respectively.

10. LEASE LIABILITIES

Bluski leases a building with a three-year term expiring on April 30, 2025. The present value of the lease liability was calculated using an incremental borrowing rate of 15% per annum on initial recognition.

On November 17, 2023, the Company entered into a lease agreement for a facility located at 35 Research Parkway, Old Saybrook, Connecticut (the "Facility"). The lease commences on November 19, 2023 and ends on November 30, 2026, and the present value of the lease liability was calculated using an incremental borrowing rate of 15% per annum on initial recognition.

Changes in the lease liabilities are as follows:

		Building
Lease Liability		
Balance, August 31, 2022	$	190,061
Accretion		24,428
Payments		(87,445)
Foreign currency translation		5,893
Balance, August 31, 2023		132,937
Additions		1,278,109
Accretion		99,729
Payments		(329,674)
Foreign currency translation		(6,368)
Balance, May 31, 2024	**$**	**1,174,733**

		May 31, 2024		**August 31, 2023**
Current portion	$	461,351	$	73,724
Non-current portion		713,382		59,213
	$	**1,174,733**	**$**	**132,937**

(Expressed in Canadian Dollars - Unaudited)

10. LEASE LIABILITIES (continued)

A maturity analysis of the undiscounted contractual balances of lease payments is as follows:

Maturity analysis		May 31, 2024
Less than one year	$	591,795
One to two years		522,246
Three to four years		264,982
Total undiscounted lease payments		1,379,023
Amount representing implicit interest		(204,291)
Lease liability	**$**	**1,174,732**

11. SHARE CAPITAL

Authorized capital

The authorized share capital consists of unlimited common shares without par value.

Issued and outstanding capital

Nine months ended May 31, 2024

On September 29, 2023, Bluski issued 18,865,000 common shares to the key management team members for gross proceeds of $52. The fair value of the shares was estimated to be $802,344 based on a concurrent equity financing of the Company and the share exchange ratio with Bluski under the Arrangement. The fair value amount in excess of the proceeds of $802,292 is recognized as share-based compensation. The fair value was estimated using the Black-Scholes Options Pricing Model using the following assumptions: Exercise price - $0.10, expected dividend yield – 0%, expected volatility – 100%, risk-free interest rate – 4.55%, and an expected remaining life – 2 years.

On September 29, 2023, Bluski issued 735,000 common shares to settle its obligation to issue shares of $38 as at August 31, 2023.

In connection with the Arrangement, in April 2024, Bluski closed a round of equity financing with the issuance of up to 1,045,490 units at $0.22 per unit for gross proceeds of US$230,000 ($314,164). Each unit consists of one common share of Bluski and one-half of one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share of Bluski at a price of $0.365 for 24 months following the closing of the equity financing.

On closing of the Arrangement, on May 24, 2024, The Company issued 25,545,490 consideration common shares with a fair value of $8,879,462 (Note 5).

There were no share capital transactions during the nine months ended May 31, 2023.

(Expressed in Canadian Dollars - Unaudited)

11. SHARE CAPITAL (continued)

Warrants

A continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, August 31, 2023	**-**	**-**
Deemed to be issued in RTO (Note 5)	13,405,832	$0.32
Issued (Note 5)	522,754	$0.50
Outstanding, May 31, 2024	**13,928,586**	**$0.32**

The following table summarizes information about the warrants outstanding and exercisable as at May 31, 2024:

Exercise price	Number of warrants outstanding	Weighted-average remaining contractual life (years)	Expiration date
$0.10	7,615,000	1.39	October 19, 2025
$0.50	3,429,832	1.54	December 15, 2025
$0.75	2,361,000	1.82	March 26, 2026
$0.50	522,754	1.98	May 24, 2026
	13,928,586	**1.52**	

12. RELATED PARTY TRANSACTIONS

Related parties consist of the directors, officers and companies owned or controlled in whole or in part by them. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise members of the Company's Board of Directors and corporate officers.

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts are non-interest bearing, unsecured, and have no fixed terms of repayments.

Remuneration attributed to key management personnel is summarized as follows:

Nine months ended		May 31, 2024		May 31, 2023
Salaries and benefits	$	492,082	$	4,730
Share-based compensation		787,263		-
	$	**1,279,345**	$	4,730

(Expressed in Canadian Dollars - Unaudited)

12. RELATED PARTY TRANSACTIONS (continued)

Balance due from / to related parties

As at May 31, 2024, $Nil (August 31, 2023 - $311) is owed from a director of the Company. As at May 31, 2024, the balance due to related parties is $Nil (August 31, 2023 – $586,433 (USD$ 433,477)). On May 24, 2024, on closing of the Arrangement, the balance of $588,319 (USD$433,477) payable to related parties was extinguished for $Nil consideration.

As at May 31, 2024, included in accounts payable and accrued liabilities was $38,455 (August 31, 2023 - $Nil) owing to key management personnel.

As at May 31, 2024, included in accounts payable and accrued liabilities was $254,286 (August 31, 2023 - $16,100) owing to a company controlled by a director of the Company.

During the nine months ended May 31, 2024, the Company incurred $37,834 (2023 - $Nil) in professional fees to an entity controlled by a director of the Company.

During the nine months ended May 31, 2024, the Company recognized $Nil (2023 - $2,601) in other income from the CEO of the Company in connection with subscription of its online carbon offset program.

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to management them are as follows:

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 One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in Level One.
- Level Three - includes inputs that are not based on observable market data.

The carrying value of the Company's financial liabilities as at May 31, 2024 approximate their fair value due to their short terms to maturity.

May 31, 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	$ 904,590	$ -	$ -	$ 904,590

During the nine months ended May 31, 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

(Expressed in Canadian Dollars - Unaudited)

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Financial risk management

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively. The principal financial risks arising from financial instruments are liquidity risk. Management has assessed credit risk as low.

Liquidity risk

As at May 31, 2024, the Company's liabilities consist of accounts payable and accrued liabilities and due to related parties. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis.

The following table outlines the undiscounted contractual maturities of the Company's financial liabilities at May 31, 2024:

	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	$ 1,520,950	$ -	$ -
Lease liabilities	591,795	787,228	-
	$ 2,112,745	$ 787,228	$ -

Credit risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, and other receivables. The Company manages credit risk by depositing its cash with major financial institutions, which have been assigned high credit ratings by internationally recognized credit rating agencies, and by only paying security deposits to reputable, well-established third parties.

14. CAPITAL MANAGEMENT

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholder's equity. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new shares through private placement, incur debt or return capital to shareholders.

The Company relies upon management to manage capital in order to accomplish the objectives of:

- Ensuring sufficient financial flexibility to achieve ongoing business objectives, including funding of future growth opportunities, and pursuit of accretive acquisitions; and,
- Maintaining a flexible capital structure, which optimizes the cost of capital at acceptable risk.

The Company's current capital consists of equity funding through issuance of common shares. There have been no changes in the way in which the Company manages capital in the period. The Company is not subject to any externally or internally imposed capital requirements as at May 31, 2024.

15. SUBSEQUENT EVENTS

On June 19, 2024, the Company closed its initial public offering, issuing an aggregate of 11,500,000 units for gross proceeds of $5,750,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share for an exercise price of $0.75 until June 19, 2026. The Company paid cash commissions of $396,580, a corporate finance fee of $55,000, and issued 793,160 compensation options to its agents that are exercisable into units of the Company at a price of $0.50. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share for an exercise price of $0.75 until June 19, 2026.

On June 19, 2024, the Company issued 350,000 Restricted Share Units ("RSUs") to management and directors. The RSUs vest 25% on the grant date, and then 25% every four months thereafter. The Company settled 87,500 vested RSUs on grant date through the issuance of 87,500 common shares.

On June 19, 2024, the Company issued 850,000 stock options with an exercise price of $0.50 to directors. The stock options vest 25% on the grant date, and then 25% every four months thereafter.