

**ANNUAL INFORMATION FORM**

**OF**

**BLUSKY CARBON INC.**

220-333 Terminal Avenue, Vancouver, BC, V6A 4C1.

For the Year Ended August 31, 2023

October 16, 2024

## TABLE OF CONTENTS

	Page
PRELIMINARY NOTES .....	1
Date of Information.....	1
Currency Presentation.....	1
Forward-Looking Statements.....	1
CORPORATE STRUCTURE .....	5
Name, Address and Incorporation .....	5
Intercorporate Relationships .....	5
GENERAL DEVELOPMENT OF THE BUSINESS.....	5
Three Year History .....	5
Financings .....	7
Arrangement Transaction.....	9
DESCRIPTION OF THE BUSINESS.....	9
Growth Strategy .....	16
Contractors, Specialized Skills, and Knowledge .....	16
Competitor Comparison .....	18
Proprietary Protection.....	19
Economic Dependence.....	19
Cycles.....	19
Foreign Operations.....	19
Bankruptcy and Similar Procedures .....	20
Social and Environmental Policies .....	20
Risk Factors .....	20
Risks Related to our Business and Industry.....	21
Risks Related to our Common Shares .....	29
Other Risks .....	34
Asset Backed Securities.....	34
DIVIDENDS.....	35
DESCRIPTION OF CAPITAL STRUCTURE .....	35
Warrants.....	35
Finder's Warrants.....	36
Options.....	36
Restricted Share Units.....	36
MARKET FOR SECURITIES .....	37
Trading Price and Volume.....	37
Prior Sales .....	37
ESCROWED SECURITIES.....	39
DIRECTORS AND OFFICERS.....	40
Name, Occupation and Security Holding .....	40
Corporate Cease Trade Orders or Bankruptcies .....	42

**TABLE OF CONTENTS**  
**(Cont'd)**

	<b>Page</b>
PROMOTERS.....	44
LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....	45
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	45
TRANSFER AGENTS AND REGISTRARS .....	45
MATERIAL CONTRACTS .....	45
INTERESTS OF EXPERTS .....	46
AUDIT COMMITTEE .....	46
The Audit Committee’s Charter.....	46
Composition of the Audit Committee.....	46
Relevant Education and Experience .....	47
Audit Committee Oversight.....	47
Reliance on Certain Exemptions.....	47
Pre-Approval Policies and Procedures.....	48
External Auditor Service Fees (By Category) .....	48
ADDITIONAL INFORMATION.....	48
Additional Information .....	48
SCHEDULE “A” AUDIT COMMITTEE CHARTER.....	1

## PRELIMINARY NOTES

### Date of Information

All information contained in this Annual Information Form (“AIF”) is as at August 31, 2023 and updated to October 16, 2024 as applicable, unless otherwise stated.

### Currency Presentation

All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars.

### Forward-Looking Statements

Certain of the statements made and information contained in this AIF are “forward-looking statements” or “forward-looking information” within the meaning of applicable securities laws (collectively, “**forward-looking statements**”). All statements, other than statements of historical fact that address activities events or developments that BluSky Carbon Inc. (“we”, “us”, “our”, or the “Company”) believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by: the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect” and “intend”; statements that an event or result is “due” on or “may”, “will”, “should”, “could”, or “might” occur or be achieved; and, other similar expressions. Such statements include, in particular, statements about the Company’s plans, strategies and prospects under the sections entitled “Description of the Business” and “Risk Factors”. Forward-looking statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. The Company does not intend, and disclaims any obligation, to update any forward-looking statements after it files this AIF, whether as a result of new information, future events or otherwise, except as required by the securities laws. These forward-looking statements are made as of the date of this AIF. These forward-looking statements include, among other things, statements relating to:

- securities issued by the Company, including the common shares in the authorized share structure of the Company (the “**Common Shares**”);
- high level of price and volume volatility in the capital markets;
- no dividends for the foreseeable future;
- risks associated with foreign operations;
- risks associated with acquisitions;
- competition in the Company’s industry;
- exposure to information systems and cyber security threats;
- changes in laws, regulations, and guidelines relating to the Company’s business, including tax (including carbon taxes) and accounting requirements;
- the Company’s expectations regarding its revenue, expenses and operations;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s intention to grow the business and its operations;
- reliance on secondary industries;
- expectations with respect to future production costs and capacity;
- the Company’s expectation that available funds will be sufficient to cover its expenses over the next twelve (12) months;
- limited public company experience of management;

- the Company's expected business objectives and milestones, including costs of the foregoing, for the next twelve (12) months;
- adoption of new business models;
- delays due to shortage of raw materials;
- availability of raw materials;
- rapid technological change in the Company's industry;
- the Company's ability to obtain additional funds through the sale of equity or debt commitments;
- obligations of the Company and other parties to contracts entered into by the Company;
- expectations regarding product safety, defects and efficacy;
- expectations regarding acceptance of products and technologies by the market;
- expectations about technical and regulatory milestones being achieved;
- disease outbreaks;
- uninsured liabilities;
- the ability of the Company to hire and retain employees and consultants;
- failure to protect and maintain, and the consequential loss of intellectual property rights;
- ability to secure governmental support and financial assistance;
- failure to adhere to financial reporting obligations and other public company requirements;
- conflicts of interest;
- the intentions of the Board with respect to executive compensation plans and corporate governance plans described herein;
- the Company's ability to protect its intellectual property and to develop, maintain and enhance a strong brand; and
- the Company's ability to compete in a highly competitive and evolving industry.

Certain of the forward-looking statements and other information contained in this AIF concerning the Company's industry and the markets in which it operates, including the Company's general expectations and market position, market opportunities and market share, is based on estimates prepared by the Company using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the carbon capture technology industry involves risks and uncertainties that are subject to change based on various factors and the Company has not independently verified such third-party information.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this AIF, the Company has made various material assumptions, including but not limited to: (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business, economic and political conditions; (iv) the availability of financing on reasonable terms; (v) the Company's ability to attract and retain skilled staff; (vi) market competition; (vii) the products and technology offered by the Company's competitors; (viii) that good relationships with service providers and other third parties will be established and maintained; (ix) continued growth of the carbon capture technology industry; and (x) positive public opinion with respect to the carbon capture technology industry. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown

risks, uncertainties, assumptions and other factors, including those listed under “*Risk Factors*”, which include:

- the Company has a limited operating history, which makes it difficult to evaluate its business prospects;
- the Company has a negative cash flow;
- the Company’s financial position and results of operations may differ materially from expectations;
- the Company expects to incur future losses and may never become profitable;
- the Company may require additional capital to continue its operations;
- some of the Company’s operations may rely on third-party service providers;
- the Company faces strong competition from competitors in the carbon capture technology industry, including competitors who could duplicate the Company’s model;
- continuing technological changes in relation to carbon capture technology could adversely affect adoption of current carbon capture technology and/or the Company’s products;
- the supply and demand for the reduction of carbon emissions;
- product defects or improper installation could result in recalls and replacements, damages to reputation and lost revenue as well as possible liability for injury or damages;
- the Company could be exposed to product liability claims;
- the Company may face growth-related risks;
- the Company may face risks related to strategic acquisitions in the future;
- changes in regulatory environment could adversely affect the ability of the Company to continue providing its services;
- economic inflationary pressures may increase the Company’s costs;
- the Company’s internal estimates are based on market forecasts which may prove to be inaccurate;
- the size of the Company’s target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company is subject to pandemic related risks;
- any supply chain disruptions or shortages affecting the Company’s suppliers, could adversely affect the Company’s business and operating results;
- failure to develop the Company’s internal controls over financial reporting as the Company grows could have an adverse impact;
- if the Company is unable to hire, retain or motivate key personnel, consultants, independent contractors, and advisors, it may not be able to grow effectively;
- unfavorable global economic conditions could adversely affect the Company’s business, financial condition or results of operations;
- the Company could incur material losses relating to cyber-attacks or other information security breaches in the future;
- the Company may be forced to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- the Company may suffer uninsured losses;
- the Company may not achieve its publicly announced milestones according to schedule, or at all;
- the Company’s ability to retain customers or sell additional products and services to existing customers could suffer if its customer support is inadequate;
- existing and future environmental health and safety laws and regulations could result in increased compliance costs or additional operating costs or construction costs and restrictions. Failure to

comply with such laws and regulations may result in substantial fines or other limitations that may adversely impact the Company's financial results or results of operation;

- failure to comply with United States federal and state laws relating to employment could subject the Company to penalties and other adverse consequences;
- changes to applicable United States tax laws and regulations or exposure to additional income tax liabilities could affect the Company's business and future profitability;
- the Company's executive officers and directors own approximately 29.27% of its Common Shares as of the date of this AIF;
- the Company may be subject to various potential conflicts of interest;
- there is no existing market for the Common Shares, and the Company cannot assure that a public trading market for the Common Shares will ever be established;
- there may not be a liquid market for the Common Shares;
- the Company may need to raise additional capital and issue additional securities;
- if the Company issues additional Common Shares, shareholders may experience dilution in their ownership of the Company;
- the market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- the Company does not intend to pay dividends and there will thus be fewer ways in which the investors are able to make a gain on their investment;
- the Company may vary from its disclosed intended use of proceeds;
- the Company may lose its status as a foreign private issuer in the United States, which would result in increased costs related to regulatory compliance under United States securities laws;
- an investment in the Company's securities may have income tax consequences; and
- other factors discussed under "*Risk Factors*".

The factors identified above are not intended to represent a complete list of the risks and factors that could affect the Company. Some of the important risks and factors that could affect forward-looking statements are discussed in the section entitled "*Risk Factors*" in this AIF. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

These forward-looking statements are based on the beliefs of the Company's management as well as on assumptions, which the Company's management believes to be reasonable based on information currently available at the time such statements were made. Although the Company believes its expectations are based upon reasonable assumptions and have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Forward-looking statements contained in this AIF are made as of the date of this AIF and, accordingly, are subject to change after such date. Except as otherwise indicated by the Company, these statements do not reflect the potential impact of any non-recurring or other special items or of any disposition, monetization, merger, acquisition, other business combination or other transaction that may be announced or that may occur after the date hereof. The Company does not intend or undertake to publicly update any forward-looking statements that are included in this AIF, whether as a result of new information, future events or otherwise, except in accordance with applicable securities law.

## CORPORATE STRUCTURE

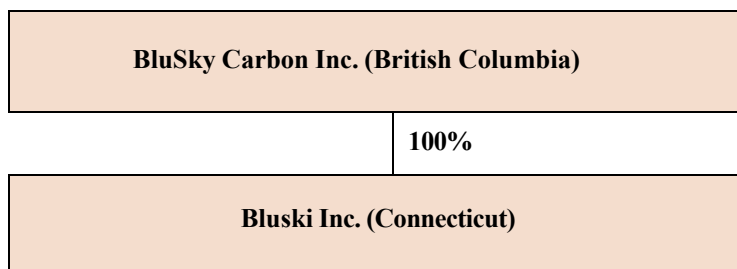
### Name, Address and Incorporation

The Company was incorporated on July 25, 2023 under the *Business Corporations Act* (British Columbia) (the “BCBCA”). The Company changed its name to BluSky Carbon Inc. on May 24, 2024. The Company’s registered office is located at 214-257 12th Street East, North Vancouver, BC V7L 2J8 and its head office is located at 35 Research Parkway, Old Saybrook, CT, 06475, United States.

### Intercorporate Relationships

The Company incorporated its wholly-owned subsidiary, 1448451 B.C. Ltd. (“Acquireco”), under the BCBCA on November 7, 2023. Pursuant to the Arrangement Transaction (as defined below), on May 24, 2024, Acquireco merged with Bluski Inc. (“Blusky”).

Below is a chart depicting the organizational structure of the Company. See “Arrangement Transaction”.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

Since incorporation on July 25, 2023, the Company completed the following:

- (a) On October 15, 2024, the Company announced that it intends to complete a private placement offering of up to 6,000,000 special warrants of the Company (the "**Special Warrants**") at a price of \$0.50 per Special Warrant for gross proceeds of up to \$3,000,000 (the "**Special Warrant Offering**"). Each Special Warrant will entitle the holder thereof to receive, for no additional consideration and subject to customary anti-dilution adjustments, one unit of the Company (a "**Special Warrant Unit**") on the earlier of: (i) four months and one day following the closing date of the Special Warrant Offering, or (ii) the third business day after the Company obtains a receipt for a final prospectus qualifying the distribution of the Special Warrant Units issuable upon the conversion of the Special Warrants. Each Unit will be comprised of one Common Share and one-half of one Common Share purchase warrant. Each Common Share purchase warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.65 for a period of 24 months.
- (b) On October 11, 2024, the Company announced that it entered into a Joint Venture Agreement (the "**JV**") with Red Mountain Biochar, LLC ("**Red Mountain**").



- (c) On October 1, 2024, the Company announced that an invitation to join the German Deutscher Verband für negative Emissionen e.V. (DVNE) organization resulted in application acceptance as a general member of the organization.
- (d) On September 24, 2024, the Company entered into a sales agreement (the “**Sales Agreement**”) with a U.S. based purchaser pursuant to which the Company has agreed to supply, and the purchaser has agreed to purchase, up to 382,213 tonnes of biochar over a period of 10 years for aggregate consideration of USD\$105,108,575. The Sales Agreement sets forth a delivery schedule designed to achieve an initial volume of approximately 22,213 short tons within the first year of operation, scaling up to approximately 40,000 tons per year for the remainder of the Sales Agreement. Biochar will be supplied on an as-is basis. The moisture content will be verified with a Certificate of Analysis at delivery. The aggregate consideration was negotiated based on a rate of two hundred and seventy-five dollars (USD\$275) per ton.
- (e) On September 16, 2024, the Company announced that it granted 50,000 RSUs and 100,000 options to a consultant of the Company, with the options exercisable at a price of \$0.57 per Common Share and expiring two years from the date of grant.
- (f) On August 29, 2024 the Company announced that its Common Shares were trading on the U.S. based OTCQB Market under the symbol “BSKCF.”
- (g) On August 27, 2024, the Company announced that it granted an aggregate of 100,000 options to certain consultants of the Company at an exercise price of \$0.495, expiring five years from the date of grant. The options are subject to vesting provisions corresponding to the achievement of certain milestones. In addition, the Company granted an aggregate of 903,542 RSUs to certain consultants of the Company, subject to vesting provisions.
- (h) On July 17, 2024, the Company’s common shares began trading on the Frankfurt Stock Exchange.
- (i) On July 2, 2024 the Company announced that it entered into a multi-year brokerage and monitoring, reporting & verification services agreement with Carbonfuture GmbH with immediate effect.
- (j) On June 25, 2024, the Company announced that it secured its first specialized biomass pyrolysis carbon removal equipment sale valued at US\$686,155 with the City of Minneapolis, Minnesota. The sale value includes US\$76,155 for customs charges, and US\$25,000 for storage. Delivery is anticipated by the end of fiscal 2024, and initial payments of US\$393,000 have been received to date against the order.
- (k) On June 25, 2024 the Company announced that its Vulcan II biomass pyrolysis system was successfully activated on January 29, 2024. The system is capable of removing up to 800 tonnes of CO2 per year.
- (l) On March 21, 2024, the Company entered into a US\$1.25 Million agreement (the “**SQUAKE Agreement**”) with SQUAKE.earth GmbH (“**SQUAKE**”), a Berlin-based provider of technical solutions for the integration of CO2 calculations and CO2 emission reductions for the travel and logistics industry. The agreement details the sale of carbon removal credits by the Company to SQUAKE for permanent retirement (i.e., no longer tradeable). Under the terms of the agreement, SQUAKE will purchase from the Company a minimum volume in tonnes of CO2 per year as specified in the agreement. The specifications identify the sale of Biochar CO2 removal credits based on mutually agreed quality standards subject to minimum quantities tCO2e (tonnes of carbon

dioxide equivalent or carbon credits) purchased commencing in 2024 to Q1 2026 with an estimated term value of €1,162,000 EU (approx. US\$1.25 Million) per the date of the agreement (subject to currency fluctuations). SQUAKE has the option to request, by no later than January 18, 2026, an extension of the term of the agreement by one year, upon which the parties will enter into mutual negotiations regarding term extensions encompassing future volumes and delivery dates of carbon removal credits.

- (m) On November 10, 2023, the Company, BluSky and 1448451 B.C. Ltd. (a wholly-owned subsidiary of the Company) entered into an arrangement agreement (the “**Arrangement Agreement**”). Under the Arrangement Agreement, the Company acquired all of the issued and outstanding shares of BluSky 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 BluSky, respectively, outstanding at closing (the “**Arrangement**”). Acquireco merged with BluSky to form and amalgamated entity under the name “BluSky Carbon Inc.” which became a wholly- owned subsidiary of the Company (the “**Merger**”). The Arrangement Agreement was amended on November 23, 2023, February 27, 2024, and April 30, 2024. The Arrangement closed on May 24, 2024. The Arrangement constitutes a reverse takeover of the Company by BluSky with BluSky deemed as the acquirer for accounting purposes. See “*Arrangement Agreement*” below for further information regarding the Arrangement.
- (n) On September 15, 2023, and as amended on October 31, 2023, December 4, 2023, December 18, 2023, February 15, 2024, March 13, 2024 and May 15, 2024 in connection with the Arrangement Transaction, the Company entered into a secured promissory note and loan agreement with BluSky with a principal balance of \$3,948,715 (USD\$2,893,022) (the “**Note**”). The Note bears 12% interest per annum and is guaranteed by a general security agreement that ranks the Note senior to all current and future unsecured debt and other liabilities and any future debt of BluSky and ranks in priority to all equity securities of the BluSky. The Note would have been due on June 15, 2024, if the Arrangement Transaction was not completed by May 30, 2024, and unless otherwise extended by mutual written agreement. On completion of the Arrangement Transaction the Company acquired its own promissory note.
- (o) On September 15, 2023, the Company, as the secured party, and BluSky, as grantor, entered into a general security agreement (the “**GSA**”) in connection with the Note. Pursuant to the GSA, BluSky granted to the Company, as security for all indebtedness, liabilities and obligations of any kind of BluSky to the Company under the Note, a security interest in all of BluSky’s right, title or interest in all of the present and after-acquired personal property, assets and undertaking of BluSky, including all accounts, money, personal property, goods and all proceeds of the secured property. The secured property became payable to the Company upon an event of default.

## **Financings**

- (a) On June 19, 2024, the Company issued a total of 11,500,000 units at a price of \$0.50 per unit for total proceeds of \$5,750,000 (the “**Unit Offering**”) to purchasers pursuant to a final prospectus dated May 27, 2024, as amended on June 11, 2024 (the “**Final Prospectus**”). Each unit was comprised of one (1) Common Share and one-half (1/2) of one Common Share purchase warrant, each such warrant entitling the holder to purchase one Common Share at an exercise price of \$0.75 per Common Share for a two (2) year period from the date of issuance.
- (b) On March 26, 2024, the Company issued a total of 4,610,000 units at a price of \$0.40 per unit (“**\$0.40 Units**”) for total proceeds of \$1,844,000 to purchasers in certain provinces of Canada on a non-brokered private placement basis pursuant to prospectus exemptions under applicable

securities legislation. Each unit was comprised of one (1) Common Share and one-half (1/2) of one Common Share purchase warrant, each such warrant entitling the holder to purchase one Common Share at an exercise price of \$0.75 per Common Share for a two (2) year period from the date of issuance. Subsequent to the issuance of the \$0.40 Units, the Company entered into an amended and restated subscription agreement with each purchaser of \$0.40 Units for the return to the Company of the \$0.40 Units and replacement with subscription receipts (the “**Subscription Receipts**”). As a result, the Company on May 2, 2024 issued 4,610,000 Subscription Receipts at an issue price of \$0.40 per Subscription Receipt for aggregate gross proceeds of \$1,844,000 (the “**\$0.40 Subscription Receipt Financing**”). The Subscription Receipts were evidenced by Subscription Receipt certificates dated as of the date of issue (the “**Subscription Receipt Certificates**”). In accordance with the terms of the Subscription Receipt Certificates, each Subscription Receipt automatically converted for no additional consideration or further action on the part of the holder immediately prior to the completion of the transaction contemplated under the Arrangement Agreement (the “**Arrangement Transaction**”) into one (1) unit of the Company (a “**SR Unit**”). Each SR Unit consists of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a “**\$0.75 Warrant**”). Each \$0.75 Warrant will be exercisable into one Common Share (a “**\$0.75 Warrant Share**”) at an exercise price of \$0.75 per share for a period of two (2) years from the date of issuance. The Company paid cash finder’s fees of \$22,400 and issued 56,000 finder’s warrants (each a “**\$0.40 Finder’s Warrant**”) to certain finders in connection with the issue and sale of 800,000 Subscription Receipts to subscribers introduced by the finder on the \$0.40 Subscription Receipt Financing. The \$0.40 Finder’s Warrants were issued initially pursuant to the financing of the \$0.40 Units which financing was subsequently amended to become the \$0.40 Subscription Receipt Financing. Each \$0.40 Finder’s Warrant is exercisable into \$0.75 Warrant Share at an exercise price of \$0.75 per share until March 26, 2026.

- (c) On December 15, 2023, the Company issued a total of 6,231,859 units at a price of \$0.30 per unit (“**\$0.30 Units**”) for total proceeds of \$1,869,558 pursuant to a non-brokered private placement (the “**\$0.30 Unit Financing**”). Each unit was comprised of one (1) Common Share and one-half (1/2) of one Common Share purchase warrant (“**\$0.50 Warrant**”). Each \$0.50 Warrant will entitle the holder to purchase one Common Share at an exercise price of \$0.50 per Common Share for a two (2) year period from the date of issuance. The Company also issued 313,903 finder’s warrants (each, a “**\$0.30 Finder’s Warrant**”) to certain finders in connection with the issue and sale of 4,484,330 \$0.30 Units to subscribers introduced by the finder on the \$0.30 Unit Financing. Each \$0.30 Finder’s Warrant will be exercisable into one Common Share at an exercise price of \$0.50 per share until December 15, 2025.
- (d) On October 19, 2023, the Company issued a total of 15,230,000 units at a price of \$0.05 per unit (“**\$0.05 Units**”) for total proceeds of \$761,500 pursuant to a non-brokered private placement (the “**\$0.05 Unit Financing**”). Each unit was comprised of one (1) Common Share and one-half (1/2) of one Common Share purchase warrant (“**\$0.10 Warrant**”). Each \$0.10 Warrant will entitle the holder to purchase one Common Share at an exercise price of \$0.10 per Common Share for a two (2) year period from the date of issuance.
- (e) On July 25, 2023, the Company issued one (1) Common Share at a price of \$0.01 per Common Share for total proceeds of \$0.01 pursuant to incorporation, which was returned to treasury in October 2023.

## Arrangement Transaction

The Company entered into the Arrangement Agreement dated November 10, 2023 as amended on November 23, 2023, February 27, 2024, and amended and restated on April 30, 2024, whereby BluSky and Acquireco agreed to complete the Merger with the surviving company becoming a wholly-owned subsidiary of the Company, and in consideration for the Merger, the Company agreed to issue up to 25,545,490 Common Shares (the “**Consideration Shares**”) and up to 522,745 Common Shares purchase warrants (the “**Consideration Warrants**”) to the shareholder and warrant holder of BluSky (the “**BluSky Securityholders**”), respectively, to be distributed pro rata to each of the BluSky Securityholders in accordance with their relative ownership of BluSky, subject to adjustment in the manner and circumstances contemplated by the Arrangement Agreement, on the basis set out in the plan of arrangement attached thereto.

Closing of the Arrangement Transaction was subject to, among other things:

- (a) receipt of all required governmental, regulatory, shareholder and third-party approvals necessary to complete the Arrangement Transaction;
- (b) the conditional approval of the Canadian Securities Exchange (the “**CSE**”) for the listing of the Company’s Common Shares (the “**Listing**”), with Listing subject to fulfilling the customary listing requirements of the CSE; and
- (c) the restructuring of the Resulting Issuer’s Board and management.

The Merger was completed in connection with, and concurrently with, the completion of the Arrangement Transaction on May 24, 2024. The Arrangement Transaction with BluSky was an arm's length with the Company. In consideration for the equity interests of BluSky, the BluSky Securityholders received an aggregate of 25,545,490 Consideration Shares and 522,748 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 BluSky at the time of closing. Each Consideration Warrant is exercisable at \$0.50 for one common share of the Company until May 24, 2026.

A restructuring of the Company’s Board and management occurred concurrently with the completion of the Arrangement Transaction. The \$0.05 Unit Financing closed October 19, 2023, the \$0.30 Unit Financing closed December 15, 2023, and the \$0.40 Subscription Receipt Financing closed on May 2, 2024. The Unit Offering closed on June 19, 2024.

As a result of the Arrangement Transaction, BluSky became a wholly-owned subsidiary of the Company and the business of BluSky became the core business of the Company.

Prior to completion of the Arrangement Transaction, none of the shareholders of BluSky had any direct or indirect ownership interest in the Company. Following completion of the Arrangement Transaction, the shareholders of BluSky no longer had any direct ownership interest in BluSky, but own 49.49% of the issued and outstanding Common Shares on a non-diluted basis.

## DESCRIPTION OF THE BUSINESS

The following disclosure is a description of the business of BluSky, which became the business of the Company after the completion of the Arrangement.

BluSky was created in response to the growing global need and demand to reduce carbon dioxide (“CO<sub>2</sub>”) and to capitalize on its potential to efficiently convert organic waste into renewable energy, biochar, and carbonate rocks. The Company’s objective is to continue BluSky’s strategic vision and to become one of the leading global renewable energy producers while also reducing and removing CO<sub>2</sub> from the atmosphere. The Company pursues its objective through the development and operation of biochar manufacturing and carbon mineralization processes, while also developing, constructing, and upgrading carbon removal equipment. As further described below, the Company primarily works with, and anticipates building further relationships with, governmental entities, including municipalities, and medium to large size enterprises.

The Company is a renewable energy company, that primarily aims to (1) construct carbon removal equipment; (2) sell the biochar produced by the carbon removal equipment; and (3) sell carbon credits generated from the production of biochar. The business model is based on the growing need for carbon neutrality and the global demand to reduce CO<sub>2</sub>. In order to prevent and reverse climate change, emissions must not just be reduced, they must also be removed from the atmosphere. The Company is dedicated to both producing renewable energy while capturing CO<sub>2</sub> through the pyrolytic conversion of organic waste into biochar (biochar manufacturing) and industrial wastes into carbonate rocks (carbon mineralization).

The Company’s key technology, scalable biomass pyrolysis, is founded on renewable and sustainable energy creation from biomass feedstock. By utilizing this technology, the Company aims to develop low-cost renewable energy while providing the ability to store carbon for thousands of years, thereby reducing CO<sub>2</sub> in the atmosphere. The Company’s strategy involves producing low-cost biomass energy products at large scale as it aims to become one of the global leaders in biomass energy production. More specifically, the Company’s strategy involves five key components:

1. Gather Organic Waste – the Company aims to intercept some of the billions of tonnes of carbon that are freely captured by nature before it re-enters the atmosphere.
2. Biomass Pyrolysis - By heating organic waste with low oxygen, the Company creates biochar and biocrude, which keeps carbon locked away for thousands of years.
3. Energy Generation - The gas produced from pyrolysis produces large amounts of heat and electrical energy, which the Company aims to utilize to produce consistent renewable energy to power its operations and the grid generally.
4. Capture Atmospheric CO<sub>2</sub> -The surplus energy made from syngas during the pyrolysis process is combusted by the Company to produce energy used to capture atmospheric CO<sub>2</sub> for approximately 67% less energy than other direct air capture (“DAC”) technologies, at much lower capital cost.
5. Carbon Mineralization – the Company reacts CO<sub>2</sub> from both the atmosphere and the syngas with industrial wastes and minerals to convert CO<sub>2</sub> into carbonate rock, thereby securing it on earth before it releases into the atmosphere.

As trees and plants grow, they take CO<sub>2</sub> out of the atmosphere and absorb carbon to build plant structures; likewise, when they die, they decompose and return carbon into the atmosphere as CO<sub>2</sub>. This is called the carbon cycle. The Company’s approach is to use the carbon freely captured by nature and prevent it from going back into the atmosphere. The process begins with pyrolysis where organic waste is heated up in a pyrolysis chamber to very high temperatures with very low oxygen levels. The Company is anticipating scaling its capacity through the use of a much larger pyrolysis system, the Vulcan Heavy, which is under construction as of the date of this AIF.

The Company works with local municipalities and businesses to procure brush waste, which is mostly wood by mass. When undergoing pyrolysis, this waste splits apart into a char and a gas. The char is known as biochar, and the carbon inside of it will stay in the soil for thousands of years. Among its purposes, biochar can act as a fertilizer, enhance concrete, improve asphalt, and filter water. The Company anticipates selling the biochar produced by this mechanism to various potential purchasers described in the section titled “*Market Needs*” below.

The gas in turn will be used to power the pyrolysis and provide surplus energy for the Company’s system. When the gas is combusted, it leaves a solid stream of CO<sub>2</sub> that the Company can mix with minerals to turn carbon into solid rock, otherwise known as carbonate rock. Any oils collected inside the chamber will be sold or further refined into biocrude, which can be burned for energy or sold. The surplus energy will also be used to capture more CO<sub>2</sub> from the atmosphere (carbon solution) and turn the carbon into more rock (carbonate solution). This hybrid approach is designed to be capital efficient and scalable to better address climate change. The Company will continue to work toward capturing gigatons of carbon every year, with the intent of building a larger carbon removal facility by 2024.

In addition to biochar manufacturing and carbon mineralization, the Company’s business also includes the construction of, and upgrades to, carbon removal equipment. Blusky has entered into an agreement with the City of Minneapolis to provide biochar machinery to convert city tree waste into biochar. Blusky will upgrade an existing system, a carbonization unit, with automation, safety features, and cloud monitoring and deliver it to the City of Minneapolis in late 2024. Blusky will be delivering the upgraded pyrolysis system to the City of Minneapolis for US\$575,000, with an additional US\$10,000 fee for delivery. Blusky will provide consultation on the set-up, operation and maintenance of the system, but the responsibility for the system lies with the City of Minneapolis. The agreement contains a termination clause wherein the City of Minneapolis may cancel the agreement without cause and for any reason upon thirty (30) days’ written notice and that if BluSky breaches any terms, including BluSky’s warranties, the City of Minneapolis may, at its option and without prejudice to any other rights, cancel any unperformed work. As of the date of this AIF, BluSky has performed the work pursuant to the agreement. BluSky will provide the goods by way of Vulcan II System; and the City of Minneapolis has paid BluSky a USD\$25,000 storage fee so that the Vulcan II System can be stored at BluSky’s facility until the Minneapolis structure has been completed. A deposit and 50% deposit payment has been received against the order totaling approximately US\$393,000, including the US\$25,000 storage charge.

BluSky has also entered into the SQUAKE Agreement. Formed in 2021, SQUAKE is a climate-tech company based in Berlin, Germany that drives sustainability in the travel and mobility industry and support companies in achieving their sustainability goals. SQUAKE provides technical solutions for the integration of carbon dioxide calculations and carbon dioxide emission reductions, with clients including Lufthansa Cargo and Quicargo. SQUAKE supports their customers with custom API-based integrations to make emissions measurable, bringing transparency to emerging sustainability requirements. Options range from displaying emission levels within the booking flow, to calculating the carbon footprint of companies and hotels, to carbon offsetting of travel. Under the SQUAKE Agreement, SQUAKE will acquire from BluSky, on a quarterly basis, and BluSky will deliver carbon removal credits that involves types and projects of carbon credits, quality standards, vintages, quantities and minimum volumes to be purchased. Pursuant to the SQUAKE Agreement, SQUAKE is to purchase from BluSky carbon credits at the following prices and quantities per tonnes (t) of CO<sub>2</sub> as follows: (i) 2<sup>nd</sup> quarter of 2024: 2,800 t at 140,00 EUR/t; (ii) 3<sup>rd</sup> quarter of 2024: 1,400 t at 125,00 EUR/t; (iii) 4<sup>th</sup> quarter of 2024: 700 t at 125,00 EUR/t; (iv) 1<sup>st</sup> quarter of 2025: 700 t at 125,00 EUR/t; (v) 2<sup>nd</sup> quarter of 2025: 875 t at 120,00 EUR/t; (vi) 3<sup>rd</sup> quarter of 2025: 875 t at 120,00 EUR/t; (vii) 4<sup>th</sup> quarter of 2025: 875 t at 120,00 EUR/t; and (viii) 1<sup>st</sup> quarter of 2026: 875 t 120,00 EUR/t.

BluSky entered into an agreement with Red Mountain, a Texas corporation dated April 26, 2024, (the “**RM Agreement**”) for the provision by BluSky of consulting and professional services to Red Mountain with respect to build out of a pyrolysis facility. On October 9, 2024, the Company entered into the JV with Red Mountain. The JV was entered into for the purposes of pursuing and executing various project opportunities related to the (i) production and processing of biochar, (ii) deployment of carbon removal technologies, and (iii) exploration and deployment of opportunities in related industries and technologies, as well as other commercial opportunities that the JV may identify.

Based on internal projections, the Company anticipates that 50% of its revenue will be from carbon credits in general, 30% from equipment sales, 15% from biochar, and 5% from other byproducts, such as biocrude, carbonate rocks, and surplus energy. The Company will continue to seek opportunities to sell carbon credits through brokers and to sell equipment to municipal governments; however, its aim is to be profitable primarily off carbon credits generated from the production of biochar given the supply constraint in the market. Currently, potential carbon credit clients are large corporations purchasing through a brokerage, while potential clients interested in equipment are primarily governmental entities and medium to large size enterprises.

### Market Needs

The disposal of organic waste costs companies and governments large sums of money. This waste is often sent to landfills where it contributes to methane emissions and climate change, or to garbage incinerators where it contributes to air pollution. The Company believes that offering pyrolysis systems as a service or offering pyrolysis machinery directly to end users is a profitable, environmentally-friendly, and carbon-negative alternative to existing means of organic waste disposal.

The global biochar market size was valued at US\$507.2 million in 2022 and is expected to grow at a compound annual growth rate (CAGR) of 12.1% from 2023 to 2030.<sup>1</sup> The growth of the market is driven by the increasing demand for biochar from a variety of applications, such as soil amendment, water filtration, and carbon sequestration (the process of capturing and storing atmospheric carbon dioxide). Biochar is a carbon-rich material that is produced from the pyrolysis of biomass. It has a number of beneficial properties, including the ability to improve soil quality, reduce water pollution, and sequester carbon.

As water needs increase, soil health degrades, and fertilizer prices spike, biochar provides a possible solution to the issues facing agriculture around the world. Biochar acts as a soil amendment that helps soil retain both water and fertilizer, reducing the needs for both. Biochar can also improve crop yields, reduce nutrient loss, and improve soil health. The alternative market uses for biochar include but are not limited to: water filtration, conversion to graphite and activated carbon, uses as a building material, and uses as an energy product.

If biochar is not properly produced, it can introduce heavy metals or polycyclic aromatic hydrocarbons into soil, contaminating it. Additionally, the pH of the biochar may disrupt the pH of the soil biochar is added into. To mitigate these risks, the Company is undergoing certification processes to ensure the proper pH and required non-toxicity. The Company is currently working with a carbon credit certification broker to determine the best certification process.

CO<sub>2</sub> removal (“**CDR**”) is the process of taking CO<sub>2</sub> out of the air and sequestering it, so it does not release back into the atmosphere. This is a process that contributes to the reversal of climate change. The United Nations Intergovernmental Panel on Climate Change (“**IPCC**”) has said in their annual report that in order

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<sup>1</sup> <https://www.grandviewresearch.com/industry-analysis/biochar-market>.

for the world to avoid the worst effects of climate change and keep global warming below 1.5°C, the world will need to remove billions of tonnes of CO<sub>2</sub> from the atmosphere annually by 2050.<sup>2</sup> As companies and nations work to hit their climate goals, CDR is becoming a larger part of their strategy. Many companies have made advanced market commitments for CDR technology and are investing heavily in CDR suppliers to help reduce their corporate carbon footprints. Companies in the European Union (“EU”) are seeking CDR suppliers to deal with the growing need to decarbonize under the new regulatory frameworks for medium-to-large sized European enterprises.

#### *Wood Waste Producers*

The Company anticipates selling biochar to organizations that produce wood waste, such as sawmills, paper mills, and forest product companies. The Company expects that these organizations can use biochar to improve the quality of their soil, reduce their water pollution, and offset their carbon emissions. For example, a sawmill could use biochar to improve the drainage and aeration of its soil, which could lead to increased crop yields. A paper mill could use biochar to remove pollutants from its wastewater, which could help it meet environmental regulations.

#### *Biochar buyers*

The Company also anticipates selling biochar to organizations that do not produce their own wood waste but would like to use biochar for its beneficial properties. These organizations include farmers, landscapers, and environmental remediation companies. For example, a farmer could use biochar to improve the fertility of their soil, which could lead to increased crop yields. A landscaper could use biochar to improve the drainage and aeration of their soil, which could help their plants grow healthier. An environmental remediation company could use biochar to help clean up contaminated soil or water.

While the Company believes that the potential markets for biochar are massive in scope and growing, the majority of the current biochar market in the United States appear to be dominated by agricultural buyers. Agriculture made up 78.8% of biochar revenue in the United States in 2022 given its ability to organically improve crop yields.<sup>3</sup>

#### *Pyrolysis machine buyers*

The Company the Company also anticipates selling pyrolysis machines to organizations that want to produce their own biochar. These organizations include farmers, businesses, and governments. For example, a farmer could use a pyrolysis machine to convert their own wood waste into biochar, which they could then use to improve the quality of their soil. A business could use a pyrolysis machine to produce biochar for use in their own operations, such as in their wastewater treatment system. A government could use a pyrolysis machine to produce biochar for use in public projects, such as in the restoration of contaminated soil.

The Company currently upgrades machines produced by a third-party, bringing the machines up to the safety, automation, and technological standards expected of advanced manufacturing machinery used in the United States. The Company is working to have a proprietary system developed and functional by the end of 2024, which will allow the Company to be able to control its supply chain to a greater degree.

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<sup>2</sup> <https://www.ipcc.ch/report/ar6/syr/>.

<sup>3</sup> <https://www.grandviewresearch.com/industry-analysis/biochar-market>.



The Company principal market is expected to be in North America.

### Production and Services

The Company's pilot facility will capture CO<sub>2</sub> in two main ways: conversion of organic waste into biochar through a process called pyrolysis, and conversion of industrial wastes into carbonate rocks through a process called mineralization. BluSky's mineralization process has four main steps using reactors and distillation equipment: (1) dissolution of industrial waste in acid to extract minerals; (2) capture of flue gas from CO<sub>2</sub> in an alkaline solvent; (3) mixture of the solvent and minerals to create carbonates; and (4) regeneration of the alkaline solvent.

Biochar manufacturing is the process of converting biomass (organic waste, in the Company's case) into organic char to be used as a soil amendment. This generates revenue both from the sale of char and the sale of carbon credits off the char, which the Company anticipates selling through a carbon credit brokerages.

For the smooth conversion of biomass into biochar, the biomass undergoes feedstock pretreatment, which typically includes grinding and drying the biomass before pyrolysis. The Company is currently in discussions with a potential manufacturing partner capable of producing grinding and drying equipment for its needs.

Grinding makes the material a uniform maximum size which prevents large pieces from jamming machinery and causing facility downtime. Additionally, if rocks or other debris are in the feedstock, grinding will remove them before they can cause serious damage downstream. This is why the Company focuses on biomass grinding instead of shredding and chipping, which is an alternative to grinding: rocks wear a grinder but break a chipper.

Drying means less energy will be needed during the pyrolysis process. All moisture in biomass must evaporate before pyrolysis can occur. Accordingly, if feedstock is too moist, it could cause incomplete pyrolysis which worsens product quality, can stop the energy production needed to sustain the reaction, and even damage machinery if too much evaporated water is condensing, causing overflows.

As part of the Company's carbon mineralization and direct air capture processes, it will also work with companies with permitting to properly transport and dispose hazardous materials between locations and within its facility. The energy generated from pyrolysis creates a stream of CO<sub>2</sub> that can be mixed with the mineral present in industrial wastes to securely sequester it. The Company anticipates that the industrial waste will be initially supplied by local concrete and cement manufacturers and recyclers.

### *Interconnected System*

One of the main causes of climate change is the act of removing sequestered carbon from underground, in the form of oil, and burning it. Through farming and other land use, humans have also depleted the carbon content in soils around the world. The Company continues to develop its proprietary technology, being an interconnected system of three machines and mechanisms called the Vulcan (specifically the Vulcan Heavy), the Medusa, and the Kronos, to replace this lost carbon, improve crop yields, boost water retention and sequester CO<sub>2</sub> at the same time. Accordingly, the Vulcan series produces surplus energy from captured CO<sub>2</sub>, which powers the Kronos to capture more CO<sub>2</sub> from the atmosphere. The CO<sub>2</sub> captured from both the Vulcan series and the Kronos will then be turned into carbonate rock by the Medusa. Throughout the pyrolysis process, biochar, bioenergy, and biocrude oil are also being produced.

This interconnected system is a novel approach, intended to reduce complexities in the system and to make the Company more capital efficient and scalable to capture more carbon. Using its interconnected system, the Company hopes to:

- create biochar, a biological charcoal-like material, by heating waste biomass in the absence of oxygen.
- convert waste biomass into combustible gases to produce carbon-neutral power. This waste biomass would have decomposed and returned its carbon to the atmosphere, so harnessing it for power is considered low-to-zero emissions. The Company will not only produce these biogases, but it will also capture the CO<sub>2</sub> coming off the process and convert it to carbonate minerals that will lock away the carbon for millions of years.
- produce a crude, low-energy bio-oil that that can be refined into carbon-neutral fuels or utilized for carbon removal through underground injection.

### *Vulcan*

The Company has two models in its Vulcan series, being the Vulcan II and the Vulcan Heavy, both of which pyrolyze large amounts of biomass quickly to produce biochar and bioenergy of varying outputs. Vulcan II is currently ready for operation and it is anticipated that Vulcan Heavy will be ready for operation by the end of 2024. Shipping arrangements for the Vulcan Heavy are currently being made as of the date of this AIF. As designed and proposed, the Vulcan series is expected to be able to produce a portion of its own energy.

More than 30% of municipal waste is organic. In 2018, 39.9% of municipal solid waste in the United States was food waste, wood, and yard trimmings,<sup>4</sup> meaning that it will likely, when landfilled, decompose into methane, a greenhouse gas more potent than CO<sub>2</sub>. Additionally, there are millions of tonnes of brush waste, tens of millions of tonnes of forestry waste, and billions of tonnes of crop residues produced every single year around the world. By potentially harnessing some of this waste biomass and converting it into sequestered carbon, the Company hopes to reduce methane emissions and capture CO<sub>2</sub>.

Vulcan II and Heavy allow for rapidly-deployed, low-cost pyrolysis systems to produce large quantities of high-quality biochar, collect crude bio-oil, and capture biosyngas for power generation. The Vulcan II, in particular, is an upgrade to an existing third party biochar machine and will be sold to the City of Minneapolis. It has a smaller output than the Vulcan Heavy, which is the largest of the Vulcan series. The Vulcan Heavy is a large and continuous rotary kiln pyrolysis system, which converts organic waste to biochar and energy, and is an upgrade to an existing biochar machine.

Not all organic waste makes great biochar. For instance, food waste is so variable that it cannot be a consistently great feedstock. Waste like food waste can be co-processed with superior organic waste feedstocks (like wood) to improve biochar quality. Additionally, lower quality biochar, while it may be unsuitable for agricultural applications, can be utilized as an additive for asphalt and concrete.

The Company's potential ability to pyrolyze large amounts of biomass as quickly as possible is the key to scaling out carbon capture technology. It intends to sell the Vulcan series, primarily the Vulcan II or Heavy, to municipal governments and private businesses. Currently, the City of Minneapolis has purchased the Vulcan II series, with the Purchase Order (See "*Material Contracts*" for further information regarding the Purchase Order) to be fulfilled in 2024.

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<sup>4</sup> <https://css.umich.edu/publications/factsheets/material-resources/municipal-solid-waste-factsheet#:~:text=.23>

### *Medusa and Kronos*

The Company continues to develop and improve its proprietary carbon mineralization technology that can take CO<sub>2</sub> from flue gases and turn it into stone. The Company can use this to make its biogases a source of carbon-negative power, capture and reduce emissions from fossil fuel power plants and extract valuable metals like nickel and cobalt from the process.

The Medusa was built in-house by the Company to convert gaseous CO<sub>2</sub> into carbonate rocks, with the first prototype completed in mid-2023. Accordingly, it takes CO<sub>2</sub> out of exhaust from bioenergy from the Vulcan to form a dense stream of CO<sub>2</sub>, levels of which are further increased through the push of massive amounts of air from a large fan. The Company has constructed a larger module. The Medusa system has functioned on a prototype scale. A larger scale version of the Medusa is under development with an anticipated completion in early 2025. This larger scale Medusa system will directly connect to the Company's soon-to-be commissioned Vulcan Heavy system to mineralize the CO<sub>2</sub> leaving the Vulcan Heavy's exhaust stream.

The Kronos is a modified version of the Medusa system to remove further CO<sub>2</sub> from the atmospheric air using the surplus energy from the Vulcan. The first commercial-sized Kronos system is anticipated to be functional in 2025.

### **Growth Strategy**

The Company is developing technology to aid in the reaching of the 2050 IPCC carbon capture goal of 10 billion tonnes per year by storing the Earth's excess CO<sub>2</sub> in soil, rocks, and wells. In order to process material at a larger scale than the capability of its pilot facility, the Company seeks to upgrade its pyrolysis units to largely include additional sensors for temperature and pressure; automatic safety shut off; automated gas flow redirect; exhaust system extension; pyrolysis gas condenser/biocrude collection; and cloud-based monitoring and controls. The Company will also look toward the removal of biocrude oil vapors through a condenser system. These vapors can be sold to refiners or other carbon removal companies. Leaving such vapors in the system would otherwise worsen carbon capture potential and potentially worsen the emission standards of the machinery.

The Company is further looking to expand its facility to provide the necessary industrial space for new equipment and office space to scale the team.

The Company initial facility is intended to be the smallest of a set of three plants: the Kiloplex, Megaplex and Gigaplex. The Company's current facility under construction, a Kiloplex, is designed to house the infrastructure that is easily replicable for future production orders. The Company next infrastructure goal would be to build a Megaplex, a facility that can house multiple systems that can capture upwards to a million tonnes per year. Once the Company is able to build a Megaplex, the final stage goal would be to build a Gigaplex, a facility to build more Megaplexes and Kiloplexes.

### **Contractors, Specialized Skills, and Knowledge**

As of the date of this AIF, the Company has a staff of 15 full-time employees and approximately 10 part-time contractors. The Company often enlists the help of contractors for various projects, including for metal fabrication, welding, electrical work, plumbing work, heavy machinery, and construction management, so this number is subject to change. The number of employees (full time and part time) and number of contractors of the Company is as follows:

Description	As at August 31, 2023	As at the date of this AIF
Number of employees (full time)	-	15
Number of employees (part time)	1	-
Number of subcontractors (part time)	2	10
<b>TOTAL EMPLOYEES AND SUBCONTRACTORS</b>	<b>3</b>	<b>25</b>

The nature of the Company’s business requires specialized skill and knowledge, including expertise in carbon capture technology, engineering, carbon markets, finance, operations, marketing, design and content creation. Increased competition for personnel may make it more difficult to hire and retain competent contractors and consultants and may affect the Company’s ability to grow at the pace it desires. However, the Company does not currently anticipate any significant difficulties in locating and retaining appropriate personnel by offering them moving benefits.

William Hessert is the Chief Executive Officer of the Company. Mr. Hessert studied Engineering Physics in the Honor Program at the University of Connecticut. Mr. Hessert’s career began in marketing and sales and focused on energy auditing and marketing solar energy. His academic background in manufacturing engineering and applied physics provided a solid foundation for a career in renewable energy. Mr. Hessert has extensive experience in software and sales, having developed his own successful software company.

Mr. Hessert began researching the concepts and strategy that ultimately underpin the Company’s vision during his time studying engineering physics at the University of Connecticut. Specifically, Mr. Hessert’s studies concentrated on the complexities in the emerging field of carbon capture. During his time in university and thereafter, Mr. Hessert conducted extensive research, engaged in course-directed research with academic professionals, consulted with various industry practitioners, and leveraged his background in software analysis and engineering to study the nuances and developments of carbon capture technology. Each step forward is guided by a meticulous process of innovation, inquiry, and validation. Mr. Hessert’s education, research, and industry consultation with respect to the science of carbon removal and biochar production led him to create BluSky which ultimately merged with the Company, a business that not only mitigates carbon emissions but also generates tangible environmental and economic benefits, with sustainability core to its business purpose. BluSky’s vision was thus created following extensive research and development and expert consultation, which culminated in the pursuit of innovatively designing carbon removal equipment capable of producing high- quality biochar and seeking profitability while also fostering a positive environmental impact, thereby allowing BluSky, and ultimately the Company, to set a new standard for responsible business practices in the renewable energy sector.

The Company’s board is comprised of members with depth in the carbon capture industry, business operations and capital markets experience. Kyle Kornack’s experience includes being the founding member of multiple businesses in sustainable agriculture, phytoremediation, and carbon markets. He was also actively involved in deploying infrastructure for scalable biochar and carbon removal approaches at Carbonfuture GmbH (“**Carbonfuture**”), demonstrating his profound understanding of the intricate dynamics of environmental solutions. Moreover, Mr. Kornack’s accolades including being an Echoing Green Climate Fellow. The Company believes that Mr. Kornack’s expertise will complement Mr. Hessert’s background in engineering physics and extensive experience in software and sales. The Company’s board benefits from the diverse set of skills brought by Alex McAulay, Michael Malana, and Michael Nederhoff, specifically with respect to business, accounting, and capital markets expertise. Mr. McAulay has extensive

experience as a CPA and entrepreneur, particularly in guiding companies through the complexities of going public. Mr. McAulay’s firm, Treewalk, specializes in fractional CFO services, underscoring his commitment to providing strategic financial guidance to emerging companies. Andrew Duval is Chief Financial Officer of the Company. Mr. Duval possesses experience providing fractional CFO, accounting and financial reporting services to public companies and companies seeking a public listing. Similarly, Mr. Malana has extensive background providing corporate governance, accounting, and administration services to numerous public companies over nearly two decades. Mr. Michael Nederhoff has a depth of experience in finance, strategic acquisitions, strategic management, and marketing as well as a breadth of experience across multiple industries. Mr. Nederhoff has advised as an executive officer, board member, advisor and consultant on matters to private and public companies.

## Competitor Comparison

The Company competes with a range of different entities. The services of the Company currently compete with other entities that are providing carbon capture solutions, services and products.

Examples of some entities currently operating in businesses similar to the Company are as follows:

Comparators	Description of Business	Operations Location	Exchange
Climeworks	Climeworks complements emission reductions efforts by removing a company’s residual and/or historic emissions to get to net zero.	Switzerland, Iceland	Private Company
Charm Industrial	Charm Industrial uses plants to capture CO <sub>2</sub> from the atmosphere. Charm Industrial converts biomass into a stable, carbon-rich liquid and then pump it deep underground. This removes CO <sub>2</sub> permanently from the atmosphere, out of reach of wildfires, soil erosion and land use change.	California, United States	Private Company
Global Thermostat	Global Thermostat is developing DAC technologies to unlock new air-based sources of carbon for the global economy and to address climate change at scale.	Colorado, United States	Private Company
Carbon Engineering	Carbon Engineering is developing and deploying DAC technology to capture CO <sub>2</sub> out of the atmosphere.	British Columbia, Canada	Private Company

Having completed the Arrangement Transaction, the Company is well-placed in the U.S. carbon capture industry, which is a relatively nascent industry. Current competitive technologies such as DAC or geological sequestration are costly and require a lot of energy and complex infrastructure to be able to scale to the global demand. For example, certain comparators use separate processes or third parties to inject the carbon underground to turn it into rock. Conversely, the Company’s hybrid approach is custom-built with an aim to reduce costs and to scale rapidly by turning carbon into rock within its reactor, rather than injecting it into the ground. The Company expects to scale in its new, larger facility at 35 Research Parkway, Old Saybrook, CT, United States. In addition, the Company is able to produce energy itself by using its Vulcan series, whereas its comparators use processes that are more energy intensive.

The majority of carbon removal technology is solely focused on DAC, which uses chemical or physical processes to take carbon dioxide directly out of the atmosphere. This is typically done forcing large amounts

of atmospheric air over chemicals that absorb the carbon dioxide. A large amount of electrical energy is required to draw in massive amounts of atmospheric air. Usually, a large amount of thermal energy is needed to remove the carbon dioxide from the absorbent and regenerate the absorbing material. This process can require upwards of 2,600 kWhs to capture a single tonne of carbon dioxide from the atmosphere.<sup>5</sup>

Because the Company anticipates that it will be able to produce nearly all of its required energy through its processes, the Company would require significantly less energy inputs than the majority of other carbon removal processes.

### **Proprietary Protection**

The Company, through its wholly- owned subsidiary, Blusky, rely on the filing of Blusky’s patent applications for its proprietary systems, including the Medusa, Vulcan and Kronos systems, as described herein, as well as potential patent applications for a hybrid pyrolysis, DAC, and carbon mineralization system.

The Company has engaged intellectual property attorneys to review its processes. This process was only recently initiated due to availability of funds. After reviewing the existing patent landscape, the Company is moving forward with the filings of its patent applications for the Medusa and Kronos systems. The remaining systems and processes are undergoing a review of the existing patent landscape currently.

### **Economic Dependence**

BluSky is not economically dependent on any customers.

Though BluSky is not dependent on any one service provider, the following are key to BluSky’s business:

- (1) the City of Minneapolis, with respect to its Purchase Order (See “*Material Contracts*” for further information regarding the Purchase Order) with BluSky for the acquisition and delivery of the Vulcan II system, a third-party carbonization unit with a custom reactor to which BluSky will add automation, safety features, and cloud monitoring to as part of its improvements; and
- (2) The Sales Agreement pursuant to which the Company has agreed to supply, and the purchaser has agreed to purchase, up to 382,213 tonnes of biochar over a period of 10 years for aggregate consideration of USD\$105,108,575.

### **Cycles**

The Company believes that the carbon capture technology sector will not suffer from cyclical or seasonal variances.

### **Foreign Operations**

The Company is based in the State of Connecticut in the U.S. and has operations therein. The Company carries on its business in the U.S. Accordingly, the Company’s business operations are carried on in the U.S., and its BluSky subsidiary is primarily located in the State of Connecticut in the U.S. with operations conducted therein. The Company is also in discussion for potential partnerships to expand in North America, Europe and South America since many carbon credit clients are international. At this time, such

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<sup>5</sup> <https://www.iea.org/energy-system/carbon-capture-utilisation-and-storage/direct-air-capture>

expansions have undefined timelines and will depend on expertise and economic conditions, among other factors.

### **Bankruptcy and Similar Procedures**

Neither the Company nor BluSky has not been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year.

### **Social and Environmental Policies**

As of the date of this AIF, the Company has not implemented any social or environmental policies that are fundamental to the Company's operations. While the Company does not have a formal social or environmental policy, it is working toward an affirmative action policy and continually tracks its carbon emissions and carbon footprint.

### **Reorganizations**

Other than the Arrangement Transaction, there has been no material reorganization of the Company or any of its subsidiaries.

### **Environmental Protection**

The Company's operations are subject to environmental protection laws and regulations. The Company has incurred, and will continue to incur, operating costs and capital expenditures to comply with environmental laws and regulations, which are not expected to have material financial or operational effects on the Company or its competitive position. The Company has no known material environmental liability associated with sites or regulatory non-compliance.

### **Components**

The Company relies on waste wood from the forestry industry and land management, which is widely available and low-cost. The Vulcan systems are powered by basic motors and require steel and stainless steel as part of production. All components required for the production of the Vulcan systems are widely available from multiple vendors.

### **Risk Factors**

Investing in the securities of the Company is speculative and involves a high degree of risk due to the nature of the Company's business and the present stage of its development. The risk factors outlined in this section and elsewhere in this AIF should be carefully considered by investors when evaluating an investment in the Company. These risk factors list some, but not all, of the risks and uncertainties that may have a material adverse effect on the Company's securities, future business, operations and financial condition and that could cause actual events to differ materially from those set forth in forward-looking Statements. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also impair the Company's business operations. If the Company is unable to prevent events that have a negative effect from occurring, then its business, results of operations, financial condition and cash flows and the market price of its securities could be materially and adversely affected.

## **Risks Related to our Business and Industry**

### ***Limited History of Operations***

The Company was formed in July 2023. The Company has a very limited operating history upon which to base an evaluation of the business and prospects of the Company. Operating results for future periods are subject to numerous uncertainties and the Company cannot assure investors that the Company will achieve or sustain profitability. The Company's prospects must be considered in light of the risks encountered by companies in the early stage of development, particularly companies in new and rapidly evolving markets. Future operating results will depend upon many factors, including, but not limited to, the Company's success in attracting necessary financing, establishing credit or operating facilities, the Company's ability to control operational costs, and the Company's ability in retaining motivated and qualified personnel, as well as the general economic conditions which affect consumer businesses. The Company cannot make assurances that it will successfully address any of these risks.

### ***Negative Cash Flows and Going Concern***

Since inception, the Company has not generated revenues and has incurred losses, resulting in a negative operating cash flow. There is no assurance that the Company will generate sufficient revenues in the near future. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will ever be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, the Company will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on acceptable terms.

### ***The Company's financial position and results of operations may differ materially from expectations***

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

### ***The Company expects to incur future losses and may never become profitable***

The Company has incurred losses since incorporation and expects to incur an operating loss for its next fiscal year-end subsequent to the date of the Listing (the "**Listing Date**"). The Company believes that operating losses will continue after the Listing Date, as it is planning to incur significant costs associated with the research, development and market of its products. The Company's net losses have had and will continue to have an adverse effect on, among other things, shareholders' equity, total assets and working capital. The Company expects that losses will fluctuate from quarter to quarter and year to year, and that such fluctuations may be substantial. The Company cannot predict when it will become profitable, if at all.



### ***Contract Dependency Risk***

Though the Company is not dependent on any one service provider, certain material contracts are key to the Company's business. If the Company loses key contracts and programs, there is no guarantee that it will be able to replace the lost revenue by engaging new customers or contracts. The operating results and revenue of the Company may be significantly impacted by loss of key contracts and programs, which could in the future impact operations

### ***The Company May Require Additional Capital***

The Company has limited capital available to it. If the Company's entire original capital is fully expended and additional costs cannot be funded from borrowings or capital from other sources, then the Company's financial condition, results of operations, and business performance would be materially adversely affected. The Company may require additional capital for the development of its business operations. The Company may also encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may increase the capital needs and/or cause the Company to spend its cash resources faster than it expects. Accordingly, the Company will need to obtain additional funding in order to continue its operations. The Company may not be able to raise needed additional capital or financing due to market conditions or for regulatory or other reasons. The Company cannot assure that it will have adequate capital to conduct business. If additional funding is not obtained, the Company may need to reduce, defer or cancel business development efforts, or overhead expenditures to the extent necessary. The failure to fund its operating and capital requirements could have a material adverse effect on the Company's business, financial condition, and results of operations.

### ***Potential undisclosed liabilities associated with the Arrangement Transaction***

In connection with the Arrangement, there may be liabilities that the Company failed to discover or were unable to quantify in their due diligence which was conducted prior to the closing of the Arrangement Agreement and the Company may not be indemnified for some or all of these liabilities.

### ***Product Defects***

Although the Company considers the products it distributes to be of high quality, the products distributed by the Company may contain undetected errors or defects, especially when first introduced or when new generations are released. Errors, defects, or poor performance can arise due to design flaws, defects in raw materials or components or manufacturing difficulties, which can affect both the quality and the yield of the product. Any actual or perceived errors, defects, or poor performance in the products distributed by the Company could result in the replacement or recall of such products, shipment delays, rejection of such products, damage to its reputation, lost revenue, and increases in customer service and support costs, all of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

### ***The Company may face growth-related risks***

The Company may be subject to growth-related risks including pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. The Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's

personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

### ***Acquisition of Businesses or Assets***

The Company may pursue strategic acquisitions in the future. Risks in acquisition transactions include difficulties in the integration of acquired businesses into the Company's operations and control environment, difficulties in assimilating and retaining employees and intermediaries, difficulties in retaining the existing clients of the acquired entities, assumed or unforeseen liabilities that arise in connection with the acquired businesses, the failure of counterparties to satisfy any obligations to indemnify the Company against liabilities arising from the acquired businesses, and unfavorable market conditions that could negatively impact the Company's growth expectations for the acquired businesses. Fully integrating an acquired company or business into the Company's operations may take a significant amount of time. There is no certainty that the Company will be successful in overcoming these risks or any other problems encountered with acquisitions and other strategic transactions. These risks may prevent the Company from realizing the expected benefits from acquisitions and could result in the failure to realize the full economic value of a strategic transaction or the impairment of goodwill and/or intangible assets recognized at the time of an acquisition. These risks could be heightened if the Company completes a large acquisition or multiple acquisitions within a short period of time.

### ***Changes in Regulatory Environment***

The Company's business is subject to a variety of federal, provincial, state and international laws and regulations, including those with respect to government incentives promoting fuel efficiency and alternate forms of energy, electric vehicles among others. These laws and regulations, and the interpretation or application of these laws and regulations, could change. Any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes, fiscal tightening or other reasons may result in diminished revenues from government sources and diminished demand for the Company's products. In addition, new laws or regulations affecting the Company's business could be enacted. These laws and regulations are frequently costly to comply with and may divert a significant portion of management's attention. If the Company fails to comply with these applicable laws or regulations, the Company could be subject to significant liabilities which could adversely affect its business.

There are a number of significant matters under review and discussion with respect to government regulations which may affect the Company's business and/or harm its customers, and thereby adversely affect the Company's business, financial condition and results of operations.

### ***Elimination of the Carbon Tax***

The existence of the carbon tax is one the factors contributing to the demand for the Company's products and services. In the event that the carbon tax is eliminated from the current environmental policy and legislative regime, there is a risk of reduced revenue. While the Company does not anticipate a move away from the carbon tax regime, there is no guarantee that governments in Canada, which periodically see changes in leadership, will not eliminate carbon tax regimes.

### ***Global Policy Developments***

The Company is subject to changing and future global policy developments over which it has no control. Carbon markets are developing and are subject to developing global policy. There is uncertainty regarding the impact of global policy developments, including resolution of Article 6 of the Paris Agreement and the role of Internationally Transferred Mitigation Outcomes and any developments arising from the United Nations Climate Change Conference. Future global policy development may positively or adversely affect the Company and its business.

### ***Inaccurate Market Forecasts***

Market opportunity estimates and growth forecasts, whether obtained from third-party sources or developed internally, are subject to significant uncertainty and are based on assumptions and estimates that may prove to be inaccurate. This is especially so at the present time due to the impacts from the war in Ukraine. The Company's internal estimates relating to the size and expected growth of the target market, market demand, may also prove to be inaccurate. In particular, estimates regarding the current and projected market and the Company's market share capture are difficult to predict. The estimated addressable market may not materialize in the timeframe of the Company's internal projections, if ever, and even if the markets meet the size estimates and growth estimates of the Company, the Company's business could fail to grow at similar rates.

***The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data***

Because the Company's industry is in a relatively nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates about the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

### ***Supply Chain Disruptions***

Global trade conditions and consumer trends that originated during the COVID-19 pandemic continue to persist and have created significant disruptions to the global supply chain, which may impact the Company's ability to obtain equipment and other supplies necessary for the Company's business on a timely basis and at anticipated costs. Any continued or new supply chain disruptions, or shortages affecting the Company's suppliers, could adversely affect the Company's business and operating results.

In addition, the ongoing conflict between Russia and Ukraine could lead to disruption, instability and volatility in global markets and industries that could negatively impact the Company's supply chain. The Canadian and U.S. governments and other governments have already imposed severe sanctions and export controls against Russia and Russian interests and may yet impose additional sanctions and controls. The impact of these measures, as well as potential responses to them by Russia, is currently unknown and could adversely affect the Company's supply chain, which, in turn, could affect the Company's business and operating results.

### ***Failure to Develop Internal Controls***

As the Company matures, the Company will need to continue to develop and improve its current internal control systems and procedures to manage growth. The Company is required to establish and maintain appropriate internal controls over financial reporting. Failure to establish appropriate controls, or any failure of those controls once established, could adversely impact the Company's public disclosures regarding its business, financial condition, or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in the Company's internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in the Company's internal control over financial reporting, disclosure of management's assessment of its internal controls over financial reporting or disclosure of the Company's public accounting firm's attestation to or report on management's assessment of its internal controls over financial reporting may have an adverse impact on the price of the Common Shares.

### ***Dependence on Management Team and Personnel***

The Company's performance will be largely dependent on the talents and efforts of highly skilled individuals. The loss of one or more members of the Company's management team or other key employees or consultants could materially harm its business, financial condition, results of operations and prospects. The Company's future success depends on the Company's continuing ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of its organization. The Company faces competition for personnel and consultants from other companies, universities, public and private research institutions, government entities and other organizations. If the Company does not succeed in attracting excellent personnel or in retaining or motivating them, it may be unable to grow effectively. In addition, the Company's future success will depend in large part on its ability to retain key consultants and advisors. The Company cannot assure that any skilled individuals will agree to become an employee, consultant, or independent contractor of the Company. The Company's inability to retain their services could negatively impact its business and its ability to execute its business strategy.

### ***Unfavorable Global Economic Conditions***

The Company's business prospects and results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. The recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn, such as the recent global financial crisis, could result in a variety of risks to the Company's business, including weaker demand for product candidates and impairment of the Company's ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could also strain suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for the Company's services. Any of the foregoing could harm the Company's business, and the Company cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact the Company's business.

### ***The markets in which the Company competes are characterized by rapid technological change, which requires the Company to develop new products and product enhancements, and could render the Company's existing products obsolete***

Continuing technological changes in the market for the Company's products could make its products less competitive or obsolete, either generally or for particular applications. The Company's future success will depend upon its ability to develop and introduce a variety of new capabilities and enhancements to its

existing product and service offerings, as well as introduce a variety of new product offerings, to address the changing needs of the markets in which it offers products. Delays in introducing new products and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause existing and potential customers to purchase the Company's competitors' products. If the Company is unable to devote adequate resources to develop new products or cannot otherwise successfully develop new products or enhancements that meet customer requirements on a timely basis, its products could lose market share, its revenue and profits could decline, and the Company could experience operating losses.

### ***Technological Risks***

Computer malware, viruses, physical or electronic break-ins and similar disruptions could lead to interruption and delays in the Company's services and operations and loss, misuse or theft of data. Computer malware, viruses, computer hacking and phishing attacks against online networking platforms have become more prevalent and may occur on the Company's systems in the future. Any attempts by hackers to disrupt the Company's website service or its internal systems, if successful, could harm the Company's business, be expensive to remedy and damage the Company's reputation or brand. The Company's insurance may not be sufficient to cover significant expenses and losses related to direct attacks on the Company's website or internal systems. Efforts to prevent hackers from entering the Company's computer systems are expensive to implement and may limit the functionality of its services. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security and availability of the Company's products and services and technical infrastructure may harm its reputation, brand and its ability to attract customers. Any significant disruption to the Company's website or internal computer systems could result in a loss of customers and could adversely affect the Company's business and results of operations.

The Company may experience service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, third-party service providers, human or software errors and capacity constraints.

### ***Reliance on information technology systems and risk of cyberattacks***

The Company may enter into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations, as a result of which, the Company's operations would depend, in part, on how well it and its contractors and consultants protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations would also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

There can be no assurance that the Company will not incur material losses relating to cyber-attacks or other information security breaches in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to the Company, the Company may be required to expend additional

resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### ***Third-Party Intellectual Property Claims***

The carbon capture industry is characterized by the existence of many patents, copyrights, trademarks and trade secrets. As the Company faces increasing competition, the possibility of intellectual property rights claims against the Company grows. The Company's products and technologies may not be able to withstand any third-party claims or rights against their use. Intellectual property infringement claims against the Company could harm its relationships with its customers, may deter future customers from subscribing to the Company's services or could expose it to litigation with respect to these claims. Even if the Company is not a party to any litigation involving a customer and third party, an adverse outcome in any such litigation could make it more difficult for the Company to defend its intellectual property in any subsequent litigation in which it is a named party. Any of these results could harm the Company's brand and operating results.

Any intellectual property rights claim against the Company or its customers, with or without merit, could be time-consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent the Company from offering its services to its customers and may require that the Company procure or develop substitute services that do not infringe.

With respect to any intellectual property rights claim against the Company or its customers, the Company may have to pay damages or stop using technology found to be in violation of a third party's rights. The Company may have to seek a license for the technology, which may not be available on reasonable terms, may significantly increase the Company's operating expenses or require it to restrict its business activities in one or more respects. The technology also may not be available for license to the Company. As a result, the Company may also be required to develop alternative non-infringing technology, which could require significant effort and expense.

### ***Protection of Intellectual Property***

The Company may rely on a combination of copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect its proprietary rights, all of which provide only limited protection.

The Company may apply for trademarks with the Canadian Intellectual Property Office and the United States Patent and Trademark Office. The trademarking process can take up to 24 months to complete and can be challenged during the process. The Company cannot state whether the trademarks it may apply for will be approved, refused, and/or ultimately registered. In addition, the Company's trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect its trademark rights could prevent the Company in the future from challenging third parties who use names and logos similar to the Company's trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of the Company's brand and products.

The Company endeavors to enter into agreements with its employees and contractors and agreements with parties with whom it does business to limit access to and disclosure of our proprietary information. The Company cannot be certain that the steps it has taken will prevent unauthorized use of its technology or the reverse engineering of its technology. Moreover, others may independently develop technologies that are competitive to the Company's or infringe the Company's intellectual property. The enforcement of the Company's intellectual property rights also depends on its legal actions against these infringers being

successful, however, the Company cannot be sure these actions will be successful, even when its rights have been infringed.

Further, effective trademark, service mark, copyright and trade secret protection may not be available in every country in which the Company's services are available over the Internet. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in carbon capture related industries are uncertain and evolving.

### ***Uninsured Risks***

The Company cannot guarantee that it will not incur uninsured liabilities and losses as a result of the conduct of its business. Should uninsured losses occur, they would have a material adverse effect on the Company's operating results, financial condition, and business performance.

### ***The Company may not achieve its publicly announced milestones according to schedule, or at all***

From time to time, the Company may announce the timing of certain events it expects to occur, such as the anticipated timing of results from its clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The Company undertakes no obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously announced milestones could have a material adverse effect on its business plan, financial condition or operating results and the trading price of Common Shares.

### ***The Company's operations are subject to environmental health and safety laws and regulations***

The Company and its operations, as well as those of its contractors, suppliers and customers, are subject to certain environmental laws and regulations, including laws related to the use, handling, storage, transportation and disposal of hazardous substances and wastes as well as electronic wastes and hardware, whether hazardous or not. These laws may require the Company or others in the Company's value chain to obtain permits and comply with procedures that impose various restrictions and obligations that may have material effects on its operations. If key permits and approvals cannot be obtained on acceptable terms, or if other operational requirements cannot be met in a manner satisfactory for the Company's operations or on a timeline that meets our commercial obligations, it may adversely impact the Company's business.

Environmental and health and safety laws and regulations can be complex and may be subject to change, such as through new requirements enacted at the supranational, national, sub-national and/or local level or new or modified regulations that may be implemented under existing law. The nature and extent of any changes in these laws, rules, regulations and permits may be unpredictable and may have material effects on the Company's business. Future legislation and regulations or changes in existing legislation and regulations, or interpretations thereof, including those relating to hardware manufacturing, electronic waste or batteries, could cause additional expenditures, restrictions and delays in connection with the Company's operations as well as other future projects, the extent of which cannot be predicted.

Further, the Company may rely on third-parties to ensure compliance with certain environmental laws, including those related to the disposal of hazardous and non-hazardous wastes. Any failure to properly handle or dispose of such wastes, regardless of whether such failure is the Company's or its contractors, may result in liability under environmental laws, including, but not limited to, CERCLA, under which liability may be imposed without regard to fault or degree of contribution for the investigation and clean-

up of contaminated sites, as well as impacts to human health and damages to natural resources. Additionally, the Company may not be able to secure contracts with third-parties to continue their key supply chain and disposal services for its business, which may result in increased costs for compliance with environmental laws and regulations.

***Failure to comply with United States federal and state laws relating to employment could subject the Company to penalties and other adverse consequences***

The Company is subject to various employment-related laws in the jurisdictions in which its employees are based. The Company face risks if it fails to comply with applicable United States federal or state wage laws and wage laws of the international jurisdictions where it currently operates or may operate in the future. Any violation of applicable wage laws or other labour or employment-related laws could result in complaints by current or former employees, adverse media coverage, investigations and damages or penalties which could have a material adverse effect on the Company's reputation, business, financial condition and results of operations. In addition, responding to any such proceedings may result in a significant diversion of management's attention and resources, significant defense costs and the incurrence of other professional fees.

**Risks Related to our Common Shares**

***Substantial holdings by our Directors and Officers of the Company***

As of the date of the AIF, the Company's officers, directors, and founders beneficially own a total of 23,834,260 Common Shares, or approximately 37.60% of the total issued and outstanding Common Shares of the Company. These shareholders may have interests, with respect to their Common Shares, that are different from those of other shareholders, and the concentration of voting power among one or more of these shareholders may have a material adverse effect on the price of the Common Shares. These shareholders are able to exercise a significant level of control over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control of the Company's or changes in management and will make the approval of certain transactions difficult or impossible without the support of these shareholders, which might adversely affect the market price of the Company's Common Shares. This concentration of ownership may not be in the best interests of all of the Company's shareholders.

The perceived risk associated with the possible sale of a large number of Common Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of the Company's shareholders to sell their Common Shares, thus causing the market price of the Company's Common Shares to decline. In addition, actual or anticipated downward pressure on the Company's stock price due to actual or anticipated sales of Common Shares by its directors or officers could cause other institutions or individuals to engage in short sales of the Common Shares, which may further cause the market price of the Common Shares to decline.

From time to time the Company's directors and executive officers may sell Common Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, the Company directors and executive officers may sell a significant number of Common Shares for a variety of reasons unrelated to the performance of the Company's business. The Company's shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Common Shares. These sales could cause the market price of the Common Shares to drop.



### ***Conflicts of Interest***

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

### ***Liquidity of the Common Shares***

An investment in the Common Shares may be difficult to realize. Investors should be aware that the value of the Common Shares may be volatile. Investors may, on disposing of Common Shares, realize less than their original investment, or may lose their entire investment. The Common Shares, therefore, may not be suitable as a short-term investment.

The market price of the Common Shares may not reflect the underlying value of the Company's net assets. The price at which the Common Shares will be traded, and the price at which investors may realize their Common Shares, will be influenced by a large number of factors, some specific to the Company and its proposed operations, and some which may affect the sectors in which the Company operates. Such factors could include the performance of the Company's operations, large purchases or sales of the Common Shares, liquidity or the absence of liquidity in the Common Shares, legislative or regulatory changes relating to the business of the Company, and general market and economic conditions.

### ***Need for additional financing and issuance of additional securities***

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the

price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of incentive awards granted under the Company's Plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Company may be required to reduce, curtail, or discontinue operations. There is no assurance that the Company's future cash flow, if any, will be adequate to satisfy its ongoing operating expenses and capital requirements.

### ***Dilution***

We have the right to raise additional capital or incur borrowings from third parties to finance our business. Our Board of Directors has the authority, without the consent of any of our shareholders, to cause us to issue more Common Shares. Consequently, shareholders may experience more dilution in their ownership of the Company in the future. Our Board of Directors and majority shareholders have the power to amend our notice of articles in order to effect forward and reverse stock splits, recapitalizations, and similar transactions without the consent of our other shareholders. The issuance of additional shares in the authorized share structure of the Company would dilute existing shareholders' ownership in the Company.

### ***The price of the Common Shares may fluctuate.***

The market price of the Company's Common Shares could be subject to wide fluctuations in response to, among other things, the risk factors described in this section of this AIF, and other factors beyond its control, such as fluctuations in the valuation of companies perceived by investors to be comparable to the Company. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively affect the market price of the Company's Common Shares. In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. The Company may be the target of this type of litigation in the future. Securities litigation against the Company could result in substantial costs and divert its management's attention from other business concerns, which could seriously harm the Company's business.

### ***Market Price of Common Shares and Volatility***

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to the Company's performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, to be delisted

from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

The market price of the Common Shares is affected by many other variables which are not directly related to our success and are, therefore, not within our control. These include other developments that affect the breadth of the public market for the Common Shares, the release or expiration of lock-up, escrow or other transfer restrictions on the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares is expected to make the Common Share price volatile in the future, which may result in losses to investors.

### ***Fluctuating Price of Carbon Credits***

The price at which Common Shares are traded are influenced by a number of factors, some specific to the Company and some which may affect listed companies generally. The principal factors anticipated to affect the price of the Common Shares are factors which may affect the price of carbon credits and are thus beyond the Company's control. Other factors could include the performance of the Company, the margins generated on its projects, project backlogs, legislative and regulatory changes and general economic, political or regulatory conditions, including the level of commitment to the goals of the Paris Agreement by both governments and corporations and other private and public initiatives aimed at reducing greenhouse gas ("GHG") emissions. Changes in government priorities as a result of government deficits or as a result of changes in the prevailing views concerning the impact of GHG on climate change could adversely affect the demand for carbon credits and thereby their price. Interpretation and enforcement of environmental legislation will vary by country and is subject to sudden change. Carbon credit prices will also be influenced by infrastructure and technological advances in reducing and sequestering GHG emissions, and the economics associated with those activities. There can be no assurance that continual fluctuations in the price of carbon credits will not occur. In addition, carbon credits are traded in both the compliance and voluntary carbon markets and the price for a carbon credit varies according to not only the market on which it is traded, but also according to its type, location, vintage, accreditation and additional social and environmental attributes. It is likely that the market price for the Company's carbon credits will be subject to market trends generally.

### ***Reduced Demand for Carbon Credits***

The demand for, and the market price of, carbon credits can be adversely affected by any number of factors, including the implementation of lower emission infrastructure, an increase in the number of projects generating carbon credits, invention of new technology that assists in the avoidance, reduction or sequestration of emissions, increased use of alternative fuels, a decrease in the price of conventional fossil fuels, increased use of renewable energy, and the implementation and operation of carbon pricing initiatives such as carbon taxes and emission trading systems ("ETSs"). There can be no assurance that carbon pricing initiatives or compliance or voluntary carbon markets will continue to exist. Carbon pricing initiatives may be subject to policy and political changes and, may otherwise be diminished, terminated or may not be renewed upon their expiration. In addition, the demand for carbon credits is driven by the social and political will to reduce GHG emissions globally. Without such social and political will, the marketplace for carbon credits would cease to exist and there would be no place for the Company to buy and sell carbon credits. Even if such marketplaces still exist, without the social and political will to reduce GHG emissions, the price of carbon may fall to an unsustainably low price, preventing profitability of the Company.

### ***Validation, Registration, Verification, Cancellation and Other Risks Associated with Carbon Credits***

In seeking to acquire and grow over the long term a diversified and high-quality portfolio of projects that generate carbon credits over the long term, the Company's intention is to have all such project(s) validated through a compliance market or by an internationally recognized carbon credits standards body in the voluntary carbon market. Any actual or proposed changes to international carbon standards or verification requirements and/or the implementation of any national or international laws, treaties or regulations by governmental entities and/or any adverse changes to existing governmental policies with respect to carbon credits (including, without limitation, any changes to nationally determined contributions under the Paris Agreement or any other national or international initiatives) may result in a material and adverse effect on the Company's profitability, results of operation and financial condition. In addition, the Company's projects which generate carbon credits are subject to risks associated with natural disasters, which natural disasters could result in temporary or permanent damage to, or destruction of, projects that generate carbon credits. Any such natural disasters could impact the ability of the Company to generate carbon credits and therefore adversely affect the viability of any such projects, and may result in a material and adverse effect on the Company's profitability, results of operations and financial condition. Carbon pricing initiatives are based on scientific principles that are subject to debate. Carbon pricing initiatives, such as ETSs and carbon taxes, and carbon credits have arisen primarily due to relative international and scientific consensus with respect to scientific evidence indicating a correlative relationship between the rise in global temperatures and extreme weather events, on the one hand, and the rise in GHG emissions in the atmosphere, on the other hand. Failure to maintain international consensus, may negatively affect the value of carbon credits. There is no assurance that carbon markets will continue to exist. New technologies may arise that may diminish or eliminate the need for carbon markets. Ultimately, the price of carbon credits is determined by the cost of actually reducing emissions levels. If the price of credits becomes too high, it will be more economical for companies to develop or invest in lower emission technologies, thereby suppressing the demand and adversely affecting the price. Regulatory risk related to changes in regulation and enforcement of ETSs can adversely affect market behavior. If fines or other penalties for non-compliance are not enforced, incentives to purchase carbon credits will deteriorate, which can result in a fall in the price of carbon credits and a drop in the value of the Company's assets.

### ***Carbon Trading May Become Obsolete***

Carbon trading is regulated by specific jurisdictions pursuant to regional legislation or can be voluntary. When regulated (e.g., in the EU and in the Western Climate Initiative jurisdictions), governments compel emitters to reduce their GHG emissions through technological improvements or through the purchase of carbon credits. New legislation may arise in certain jurisdictions that may render the Company's business plan and knowledge obsolete with respect to carbon credits. With respect to the voluntary trade of carbon credits, there is a significant risk that certain voluntary purchasers of carbon credits may elect to cease the purchase of carbon credits for various reasons that are inherent to their business plans, or because of changing economic, political contexts or other conditions that cannot be controlled by the management of the Company.

### ***Competitive Conditions***

There are many organizations, companies, non-profits, governments, asset managers and individuals that are buyers of carbon credits, or rights to or interest in carbon credits, and there is currently a limited supply of carbon credits, projects to generate future carbon credits and investment opportunities in carbon credits. Many competitors are larger, more established companies with substantial financial resources, operational capabilities and long track-records in carbon markets. The Company may be at a competitive disadvantage in carbon projects, acquiring carbon credits or interests in carbon credits, whether by way of purchases in

carbon markets or other projects, as many competitors have greater financial resources and technical staffs. Accordingly, there can be no assurance that the Company will be able to compete successfully against other companies. The Company's inability to acquire carbon credits may result in a material and adverse effect on the Company's profitability, results of operation and financial condition.

### ***No Dividends***

The Company has never paid any cash or stock dividends and they do not intend to pay any dividends for the foreseeable future. To the extent that the Company requires additional funding is currently not provided for in the financing plan, and the funding sources may prohibit the payment of any dividends. Because the Company does not intend to declare dividends, any gain on the investment will need to result from an appreciation in the price of the common shares of the Company. There will therefore be fewer ways in which investors are able to make a gain on their investment.

### ***Loss of Status as "Foreign Private Issuer" in the USA***

The Company will cease to qualify as a "foreign private issuer," as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the U.S. Exchange Act, if, as of the last business day of the Company's second fiscal quarter, more than 50 percent of the Company's outstanding Common Shares are directly or indirectly owned by residents of the United States. If the Company determines that it fail to qualify as a foreign private issuer, the Company will cease to be eligible to avail itself of the forms and rules designated for foreign private issuers beginning on the first day of the fiscal year following such determination. Among other things, this will result in loss of the exemption from registration under the U.S. Exchange Act provided by Rule 12g3-2(b) thereunder, and, if the Company is required to register its Common Shares under section 12(g) of the U.S. Exchange Act, the Company will have to do so as a domestic issuer. In addition, because only "foreign private issuers" are eligible to register transactions under the Multijurisdictional Disclosure System ("MJDS"), we will not qualify for the streamlined processes MJDS provides for cross-border Canadian-U.S. public financings, M&A transactions, and ongoing disclosure obligations. The resulting legal and administrative costs of complying with the resulting regulatory requirements are anticipated to be substantial, and to subject the Company to additional exposure to liability for which it may not be able to obtain insurance coverage on favorable terms or at all.

### ***Tax Issues***

Income tax consequences in relation to the securities offered will vary according to the circumstances of each purchaser. Prospective purchasers should seek independent advice from their own tax and legal advisers prior to subscribing for the securities.

### ***Other Risks***

Subject to the risk factors set out above, there are no other material risk factors that a reasonable investor would consider relevant to an investment in the Common Shares.

### ***Asset Backed Securities***

Neither the Company nor its subsidiaries have any asset backed securities.

## **DIVIDENDS**

There are no restrictions which prevent the Company from paying dividends. The Company has not paid any dividends on the Common Shares. The Company has no present intention of paying dividends on its Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business. The board of directors of the Company will determine if and when dividends should be declared and paid in the future, based on our financial position at the relevant time.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of Common Shares without par value. All of the issued Common Shares are fully-paid and non-assessable. As at the date of this AIF, 63,382,956 Common Shares were issued and outstanding.

### **The Company Common Shares**

The Company's authorized share structure consists of an unlimited number of Common Shares of which 63,382,956 Common Shares are issued and outstanding as at the date of this AIF. Holders of Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company, and each Common Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the Board. The holders of Common Shares, subject to the prior rights, if any, of any other class of shares of the Company with special rights as to dividends, are entitled to receive such dividends in any financial year as the Board may determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

### **Warrants**

#### ***\$0.10 Warrants***

As at the date of this AIF, there are 7,615,000 \$0.10 Warrants issued and outstanding. \$0.10 Warrants entitle the holders thereof to acquire one additional Common Share at an exercise price of \$0.10 per \$0.10 Warrant until October 19, 2025.

#### ***\$0.50 Warrants***

As at the date of this AIF, there are 3,115,929 \$0.50 Warrants issued and outstanding. \$0.50 Warrants entitle the holders thereof to acquire one additional Common Share at an exercise price of \$0.50 per \$0.50 Warrant until December 15, 2025.

#### ***\$0.75 Warrants***

As at the date of this AIF, there are 2,305,000 \$0.75 Warrants issued and outstanding. \$0.75 Warrants entitle the holders thereof to acquire one additional Common Share at an exercise price of \$0.75 per \$0.75 Warrant until May 24, 2026.

### ***Consideration Warrants***

As at the date of this AIF, there are 522,748 Consideration Warrants issued and outstanding. Consideration Warrants entitle the holders thereof to acquire one additional Common Share at an exercise price of \$0.50 per Consideration Warrant until May 24, 2026.

### **Finder's Warrants**

As at the date of this AIF, there are 313,903 \$0.30 Finder's Warrants issued and outstanding. Each \$0.30 Finder's Warrants entitles the holders thereof to acquire one additional Common Share at an exercise price of \$0.50 until December 15, 2025.

As at the date of this AIF, there are 56,000 \$0.40 Finder's Warrants issued and outstanding. Each \$0.40 Finder's Warrants entitles the holders thereof to acquire one additional Common Share at an exercise price of \$0.75 until March 26, 2026.

### **Compensation Options**

As at the date of this AIF, there are 793,160 compensation options outstanding ("**Compensation Options**"). Each Compensation Option is exercisable into units of the Company at a price of \$0.50 for a period of 24 months. Each unit consists of one Common Share and one-half of one Common 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.

### **Options**

As of the date of this AIF, the Company has the following stock options ("**Options**") issued under the Company's Stock and Incentive Plan (the "**Plan**") outstanding:

- 850,000 Options issued on June 19, 2024, with an exercise price of \$0.50 that vest 25% on the grant date, and then 25% every four months thereafter;
- 5,046,000 Options issued on July 29, 2024, with an exercise \$0.58 that vest based on provisions corresponding to the achievement of certain milestones;
- 100,000 Options issued on August 23, 2024, with an exercise \$0.495 that vest based on provisions corresponding to the achievement of certain milestones; and
- 100,000 Options issued on September 15, 2024, with an exercise price of \$0.57 that vested immediately on grant.

### **Restricted Share Units**

As of the date of this AIF, 2,239,473 Restricted Share Units ("**RSUs**") are issued and outstanding. The RSUs vest 25% on the date of issuance, and then 25% every four months thereafter.

- 350,000 RSUs were issued on June 19, 2024 with 25% vesting on the date of issuance, and then 25% every four months thereafter until June 19, 2025. 87,500 were settled on grant date through the issuance of common shares of the Company;

- 1,157,678 RSUs were issued on July 29, 2024 with 25% vesting one year after the start date of each employee granted RSUs, and the remainder vesting evenly on a quarterly basis thereafter. The start dates of employees granted RSUs ranged between September 1, 2023 and May 13, 2024. 106,177 were settled on September 3, 2024 through the issuance of common shares of the Company.
- 43,860 RSUs were issued on July 29, 2024 with 50% vesting on date of grant and the remainder vesting on July 10, 2025. 21,930 were settled on grant date through the issuance of common shares of the Company;
- 757,575 RSUs were issued on August 23, 2024 that vest based on provisions corresponding to the achievement of a certain milestone;
- 145,967 RSUs were issued on August 23, 2024, with 25% vesting one year after grant, and 6.25% vesting every quarter thereafter; and
- 50,000 RSUs were issued on September 5, 2024 that vested immediately on grant. 50,000 were settled on grant date through the issuance of common shares of the Company.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Company completed its initial public offering on June 19, 2024 and its common shares commenced trading on the CSE on June 20, 2024. The following chart sets out the high and low trading prices, and volume of Common Shares traded, for the period June 20, 2024 to October 15, 2024:

Common Shares (Trading Symbol: "GURN")				
Month	High (\$)	Low (\$)	Average Close (\$)	Total Volume for Month
October 1 - 15 2024	0.60	0.47	0.52	2,343,714
September 2024	0.65	0.45	0.56	2,969,105
August 2024	0.63	0.45	0.507	1,080,766
July 2024	0.87	0.51	0.676	1,062,009
June 20, 2024 to June 28, 2024	0.90	0.75	0.857	576,227

### Prior Sales

During The 12 Months Preceding the date of this AIF, the Company has issued the following Common Shares, units, Options and RSUs:

Date of Issuance	Number of Securities Issued	Type of Security	Issue / Exercise Price (\$)
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September 05, 2024	50,000 <sup>(1)</sup>	Common Shares	0.55
September 03, 2024	106,177 <sup>(2)</sup>	Common Shares	0.49
July 29, 2024	21,930 <sup>(2)</sup>	Common Shares	0.57
June 19, 2024	11,500,000 <sup>(3)</sup>	Common Shares	0.50
June 19, 2024	87,500 <sup>(4)</sup>	Common Shares	0.82
May 24, 2024	25,545,490 <sup>(5)</sup>	Common Shares	0.30
May 2, 2024	4,610,000 <sup>(6)</sup>	Common Shares	0.40
December 15, 2023	6,231,859 <sup>(7)</sup>	Common Shares	0.30
October 19, 2023	15,230,000 <sup>(8)</sup>	Common Shares	0.05

**Notes:**

- (1) On September 5, 2024, the Company issued 50,000 RSU's to a consultant, vesting immediately. The Company settled 50,000 vested RSUs on grant date through the issuance of 50,000 Common Shares.
- (2) On July 29, 2024, the Company issued 1,201,538 RSUs to certain employees and officers, subject to vesting provisions. The Company settled 21,930 vested RSUs on grant date through the issuance of 21,930 common shares. The Company further settled 106,177 vested RSUs on September 3, 2024 through the issuance of 106,177 common shares.
- (3) Issued in connection with the Company's initial public offering of 11,500,000 units at \$0.50 per unit. Each unit consists of one Common Share and one-half of one share purchase warrant.
- (4) On June 19, 2024, the Company issued 350,000 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.
- (5) The Common Shares were issued as consideration pursuant to the closing of the Arrangement.
- (6) Subscription Receipts issued on May 2, 2024 automatically converted into units on closing of the Arrangement, consisting of one Common Share and one-half of one Common Share purchase warrant.
- (7) The Company issue units consisting of one Common Share and one-half of one Common Share purchase warrant.
- (8) The Company issued units consisting of one Common Share and one-half of one Common Share purchase warrant.

During the 12 months preceding the date of this AIF, the Company has issued the following, RSUs, warrants, subscription receipts and options:

Date of Issuance	Number of Securities Issued	Type of Security	Issue / Exercise Price (\$)
September 05, 2024	50,000 <sup>(1)</sup>	RSUs	N/A
September 05, 2024	100,000 <sup>(2)</sup>	Options	0.57
August 23, 2024	903,542 <sup>(3)</sup>	RSUs	N/A
August 23, 2024	100,000 <sup>(4)</sup>	Options	0.495
July 29, 2024	1,201,538 <sup>(5)</sup>	RSUs	N/A
July 29, 2024	5,046,000 <sup>(6)</sup>	Options	0.58
June 19, 2024	5,750,000 <sup>(7)</sup>	Warrants	0.75
June 19, 2024	793,160 <sup>(8)</sup>	Options	0.50
June 19, 2024	350,000 <sup>(9)</sup>	RSUs	N/A
June 19, 2024	850,000 <sup>(10)</sup>	Options	0.50
May 24, 2024	522,754 <sup>(11)</sup>	Warrants	0.50
May 02, 2024	2,305,000 <sup>(12)</sup>	Warrants	0.75
March 26, 2024	56,000 <sup>(13)</sup>	Warrants	0.40
December 15, 2023	3,115,929 <sup>(14)</sup>	Warrants	0.50

December 15, 2023	313,903 <sup>(15)</sup>	Warrants	0.50
October 19, 2023	7,615,000 <sup>(16)</sup>	Warrants	0.10

**Notes:**

- (1) On September 5, 2024, the Company issued 50,000 RSU's to a consultant, vesting immediately. The Company settled 50,000 vested RSUs on grant date through the issuance of 50,000 Common Shares.
- (2) On September 5, 2024, the Company issued 100,000 stock options with an exercise price of \$0.57 to a consultant, expiring two years from the date of grant vesting immediately.
- (3) On August 23, 2024, the Company issued 903,542 RSUs to certain consultants, subject to vesting provisions.
- (4) On August 23, 2024, the Company issued 100,000 stock options with an exercise price of \$0.495 to certain consultants, expiring five years from the date of grant. The stock options are subject to vesting provisions corresponding to the achievement of certain milestones.
- (5) On July 29, 2024, the Company issued 1,201,538 RSUs to certain employees and officers, subject to vesting provisions. The Company settled 21,930 vested RSUs on grant date through the issuance of 21,930 Common Shares. The Company further settled 106,177 vested RSUs on September 3, 2024 through the issuance of 106,177 Common Shares.
- (6) On June 29, 2024, the Company issued 5,046,000 stock options with an exercise price of \$0.58 to certain employees and a director/officer, expiring five years from the date of grant. The stock options are subject to vesting provisions corresponding to the achievement of certain milestones.
- (7) Issued in connection with the Company's initial public offering of 11,500,000 units at \$0.50 per unit. Each unit consisted 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.
- (8) Issued as compensation options to the Company's agents in connection with the Company's initial public offering. Each option is 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.
- (9) On June 19, 2024, the Company issued 350,000 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.
- (10) On June 19, 2024, the Company issued 850,000 stock options with an exercise price of \$0.50 to directors, expiring five years from the date of the grant. The stock options vest 25% on the grant date, and then 25% every four months thereafter.
- (11) Warrants were issued as consideration pursuant to the closing of the Arrangement. Each whole warrant entitles the holder to purchase one common share for an exercise price of \$0.50 for a period of two (2) years from the date of issuance.
- (12) Warrants issued upon automatic conversion of subscription receipts (\$0.40 per subscription receipt) into units on closing of the Arrangement, with each unit consisting of one Common Share and one-half of one Common Share purchase warrant exercisable into one Common Share at an exercise price of \$0.75 per share for a period of two (2) years from the date of issuance.
- (13) The Company issued 56,000 finder's warrants to certain finders in connection with the issue and sale of its subscription receipt offering.
- (14) Warrants were issued in connection with unit offering at price of \$0.30 per unit, with each unit comprised of one (1) Common Share and one-half (1/2) of one Common Share purchase warrant, with each warrant entitling the holder to purchase one Common Share at an exercise price of \$0.50 per Common Share for a two (2) year period from the date of issuance.
- (15) The Company issued 313,903 finder's warrants to certain finders in connection with the issue and sale of the December 15, 2023 unit offering.
- (16) Warrants issued in connection with unit offering at a price of \$0.05 per unit, with each unit comprised of one (1) Common Share and one-half (1/2) of one Common Share purchase warrant, with each warrant entitling the holder to purchase one Common Share at an exercise price of \$0.10 per Common Share for a two (2) year period from the date of issuance.

### ESCROWED SECURITIES

The following table shows the number and percentage of Common Shares and warrants held, to the Company's knowledge, in escrow or subject to a contractual restriction on transfer as at the date of this AIF

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class <sup>(4)(5)</sup>
Common Shares	33,962,282 <sup>(1)(2)(3)</sup>	53.58%
Warrants	8,059,436 <sup>(1)(2)(3)</sup>	40.96%

Notes:

- (1) As of the date of this AIF, 16,507,923 Common Shares are held in escrow (the “**Escrow Shares**”) and 7,257 common share purchase warrants are held in escrow (together with the Escrow Shares, the “**Escrow Securities**”) and are subject to an escrow agreement entered into on the closing of the Arrangement Transaction among the Company, Odyssey Trust Company and William Hessert (the “**Escrow Agreement**”), as such Escrow Securities are held by “principals” and were required to be escrowed pursuant to National Policy 46-201 and the policies of the CSE. The Escrow Securities will be released as follows: (a) 1/10 of the Escrow Securities on the Listing Date; (b) 1/6 of the remaining Escrow Securities on the date that is six months from the Listing Date; (c) 1/5 of the remaining Escrow Securities on the date that is 12 months from the Listing Date; (d) 1/4 of the remaining Escrow Securities on the date that is 18 months from the Listing Date; (e) 1/3 of your remaining Escrow Securities on the date that is 24 months from the Listing Date; (f) 1/2 of your remaining Escrow Securities on the date that is 30 months from the Listing Date; and (g) the remaining Escrow Securities on the date that is 36 months from the Listing Date.
- (2) As of the date of this AIF, 11,422,500 Common Shares (the “**Locked-up Shares**”) and 5,036,250 \$0.10 Warrants, including any Common Shares received upon exercise thereof (the “**Locked-up Convertible Securities**”), and together with the Locked-up Shares, the “**Locked-up Securities**”) are subject to a voluntary escrow agreement among the Company, Odyssey Trust Company and the holders of \$0.05 Units (the “**Voluntary Escrow Agreement**”). The Locked-up Securities will be released as follows: (a) 1/4 of the Locked-up Securities on the Listing Date; (b) 1/3 of the remaining Locked-up Securities on the date that is six months from the Listing Date; (c) 1/2 of the remaining Locked-up Securities on the date that is 12 months from the Listing Date; (d) the remaining Locked-up Securities on the date that is 18 months from the Listing Date.
- (3) The Company entered into voluntary lock-up agreements among certain the holders of \$0.30 Units to provide for the lock-up of 6,031,859 Common Shares and 3,015,929 \$0.50 Warrants, including any Common Shares received upon exercise thereof for a period of four months and one day beginning on the Listing Date.
- (4) Based on 63,382,956 issued and outstanding Common Shares as of the date of this AIF.
- (5) Based on 19,678,580 issued and outstanding Common Share purchase warrants of the Company as of the date of this AIF.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

The following table sets out, for each of the directors and executive officers of the Company, the person’s name, province or state and country of residence, position with the Company, principal occupation and the date on which the person became a director and/or executive officer. The Company’s directors are expected to hold office until the next annual general meeting of shareholders. Directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, the directors and executive officers of the Company beneficially own, or control or direct, directly or indirectly, a total of 18,552,304 Common Shares, representing 29.27% of the Common Shares outstanding.

Name, Province or State and Country of Residence <sup>(1)</sup>	Office or Position with the Company <sup>(2)</sup>	Director / Executive Officers since	Principal Occupation for the Past Five Years <sup>(3)</sup>	Number of Common Shares	Percentage of class <sup>(4)</sup>
William Hessert, Connecticut, USA	Chief Executive Officer and Director	May 24, 2024	Co-founder of BluSky From May 2021	18,364,804	28.97%

<b>Name, Province or State and Country of Residence<sup>(1)</sup></b>	<b>Office or Position with the Company<sup>(2)</sup></b>	<b>Director / Executive Officers since</b>	<b>Principal Occupation for the Past Five Years<sup>(3)</sup></b>	<b>Number of Common Shares</b>	<b>Percentage of class<sup>(4)</sup></b>
Andrew Duval, British Columbia, Canada	Chief Financial Officer and Corporate Secretary	May 24, 2024	CPA Supervisor, Audit of DMCL LLP from December 2018 to May 2021 Senior Accountant of Seabord Services Corp. from May 2021 to September 2023 Manager, Financial Reporting of Treewalk from September 2023 to Present	Nil	Nil
Alex McAulay, British Columbia, Canada <sup>(4)</sup>	Director	July 25, 2023	CPA, CA CEO of Treewalk Consulting Inc. 2016	125,000	0.2%
Michael Malana, British Columbia, Canada <sup>(4)</sup>	Director	July 25, 2023	CPA, CMA Self Employed from October 2013	6,250	0.1%
Kyle Kornack, Washington, DC, USA	Director	May 24, 2024	Director of Carbon Business Development at Windfall Bio from May 2024 Head of US Supply of Carbonfuture from June 2022 Manager of Innocation of Arbor Day Foundation from February 2020 to August 2022	6,250	0.01%

Name, Province or State and Country of Residence <sup>(1)</sup>	Office or Position with the Company <sup>(2)</sup>	Director / Executive Officers since	Principal Occupation for the Past Five Years <sup>(3)</sup>	Number of Common Shares	Percentage of class <sup>(4)</sup>
			CEO of Global Citizens Imperative from September 2016 to January 2020		
Michael Nederhoff, Saskatchewan, Canada <sup>(4)</sup>	Director	May 24, 2024	COO of Served With Honor From July 2023 Owner/CEO of WiLRo Consulting from June 2015- Present CEO of Shelter Cannabis from June 2021 to April 2022	50,000	0.08%

- (1) Information as to province or state and country of residence, principal occupation, securities beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective individuals as of the date of this AIF.
- (2) The term of office of each of the directors expires on the earlier of the Company's next annual general meeting or upon resignation. The term of office of the officers expires at the discretion of the directors.
- (3) Based on 63,382,956 issued and outstanding Common Shares.
- (4) Denotes Audit Committee member.

### Corporate Cease Trade Orders or Bankruptcies

Other than as stated below, no director or officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is, or within 10 years before the date of the AIF has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings,

arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

*Cease Trade Orders issued against companies while Alex McAulay acting as CFO*

On June 16 and 17, 2020, cease trade orders were issued against CBD Global Sciences Inc. (“**CBD Global**”) (CSE: CBDN) by the Alberta Securities Commission (the “**ASC**”) and the British Columbia Securities Commission (the “**BCSC**”) respectively, for failing to file its audited financial statements for the year ended December 31, 2019 and the related MD&A. The cease trade orders were revoked by the ASC and BCSC on August 5 and 6, 2020 upon CBD Global making the required filings.

On May 3, 2021, a management cease trade order was issued by the ASC against CBD Global for failing to file its audited financial statements and the related MD&A for the fiscal year ended December 31, 2020. On July 23, 2021, the management cease trade order was revoked, and a cease trade order was issued against CBD Global for failing to file its audited and unaudited financial statements and related MD&A for the fiscal year ended December 31, 2020 and the interim period ended March 31, 2021. On September 22, 2021, CBD Global received a revocation letter from the ASC.

On May 3, 2022, a management cease trade order was issued against Vegano Foods Inc. (“**Vegano**”) (CSE:VAGN) by the BCSC for failing to file its audited financial statements and the related MD&A for the fiscal year ended December 31, 2021. On June 16, 2022, Vegano received a revocation letter from the BCSC upon making the required filings.

On May 6, 2022, a failure-to-file cease trade order was issued against Comprehensive Healthcare Systems Inc. (“**Comprehensive Healthcare**”) (TSXV:CHS) by the ASC and the OSC as a result of it not having filed, on or before May 2, 2022, the annual financial statements, annual MD&A and certification of the annual filings for the year ended December 31, 2022. On May 11, 2022, Comprehensive Healthcare received a revocation letter from the ASC and OSC upon making the required filings.

*Cease Trade Order issued against company while Michael Malana acting as CFO*

On May 3, 2022, a management cease trade order against insiders of WPD Pharmaceuticals Inc. (“**WPD**”) for failure to file annual audited financial statements and management’s discussion and analysis for the year ended December 31, 2021. On July 8, 2022, the BCSC issued a cease trade order (the “**WPD CTO**”) against WPD for the same reason. The WPD CTO was revoked on May 17, 2024 upon WPD making the required filings.

**Conflicts of Interest**

To our knowledge, there are no existing or potential material conflicts of interest between the Company or any of its subsidiaries, directors, officers or subsidiaries.

Our directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which we may participate, our directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company’s directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and

reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, our directors are required to act honestly, in good faith and in our best interests. In determining whether or not we will participate in a particular program and the interest therein to be acquired by us, the directors will primarily consider the degree of risk to which we may be exposed and our financial position at that time.

Our directors and officers are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and we will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the laws of British Columbia and shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Our directors and officers are not aware of any such conflicts of interests.

## PROMOTERS

Except for Mr. William Hessert and Mr. Alex McAulay, no person or company has, within the two years immediately preceding the date of this AIF, been a promoter of the Company, within the meaning of applicable securities law.

Mr. Hessert has received the following from the Company within the past two years:

- Salary of \$US95,000;
- 2,285,000 Options; and
- 90,667 RSUs.

Mr. McAulay has received the following from the Company within the past two years:

- Salary of \$12,000;
- 100,000 Options; and
- 100,000 RSUs.

Other than as disclosed above and elsewhere in this AIF, no person who was a promoter of the Company within the last two years:

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;

- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not a party to any legal proceedings or regulatory actions.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, none of the directors or executive officers of the Company, nor any shareholder directly or indirectly beneficially owning, or exercising control or direction over, shares carrying more than ten (10%) percent of the voting rights attached to Common Shares, nor an associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, in any transactions involving the Company that materially affected or would materially affect the Company or any of its subsidiaries.

## TRANSFER AGENTS AND REGISTRARS

The Company's registrar and transfer agent is Odyssey Trust Company. The registers of transfers of the Company's securities are held in Vancouver, British Columbia.

## MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, there are no material contracts the Company entered into within the most recently completed financial year, or before the most recently completed financial year that are still in effect. The following is a list of material contracts entered into by the Company after the date of the most recently completed financial year and prior to the date of this AIF, other than contracts entered into in the ordinary course of business:

- (a) The Sales Agreement.
- (b) Amended and Restated Arrangement Agreement dated April 30, 2024, among the Company, 1448451 B.C. Ltd., a wholly owned subsidiary of the Company, and BluSky.
- (c) The SQUAKE Agreement.
- (d) Purchase Order MPLMN-0000900266 dated July 28, 2023 (the "**Purchase Order**") in the amount of US\$585,000 for the Biochar Project, a public bid that BluSky won from the City of Minneapolis



to convert city tree waste into biochar. The Purchase Order is for the acquisition and delivery of the Vulcan II system. The deal for the Purchase Order will be fulfilled in early 2024.

- (e) General Security Agreement dated September 15, 2023 between the Company and BluSky in connection with the Note.
- (f) Partnership Agreement dated January 24, 2024, between BluSky and Carbonfuture.
- (g) The agency agreement dated May 24, 2024 between the Company and Research Capital Corporation.
- (h) The Escrow Agreement.
- (i) The Voluntary Escrow Agreement.
- (j) The Plan.

### **INTERESTS OF EXPERTS**

DMCL LLP audited the consolidated financial statements and management’s discussion and analysis for the period ended March 31, 2024.

DMCL LLP are the Company’s auditors in Canada and have advised the Company that they are independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the professional bodies in Canada and any applicable legislation or regulations.

To the knowledge of the Company, no persons referred to above beneficially owns, directly or indirectly, or exercises control or direction over any Common Shares. Furthermore, to the best of the Company’s knowledge no persons referred to above has an interest in any property of the Company.

### **AUDIT COMMITTEE**

#### **The Audit Committee’s Charter**

A copy of the Company’s Audit Committee Charter is attached as Schedule “A” to this AIF.

#### **Composition of the Audit Committee**

The following individuals are currently the members of the Audit Committee:

<b>Member</b>	<b>Independence</b>	<b>Financially Literate</b>
Alex McAulay	Non-Independent <sup>(1)</sup>	Yes
Michael Malana	Independent <sup>(1)</sup>	Yes
Michael Nederhoff <sup>(2)</sup>	Independent <sup>(1)</sup>	Yes

Notes:

- (1) Within the meaning of NI 52-110.
- (2) Chair of the Audit Committee.

## **Relevant Education and Experience**

Alexander (Alex) McAulay CPA, CA is an entrepreneur and experienced public company CFO and director. Mr. McAulay's firm, Treewalk, is solely dedicated to providing fractional CFO and regulatory guidance to assist companies in going public. Mr. McAulay has served as the CFO of several listed companies and has assisted dozens of issuers in navigating the public markets. Mr. McAulay intends to dedicate 5% of his time to the Company.

Michael Malana has extensive experience in the administration, accounting and corporate reporting for and corporate governance of public companies. Mr. Malana has worked with public companies in senior and/or executive roles for almost 20 years and is currently Interim CEO and Director of Nortec Minerals Corp. (TSXV) and CFO and Corporate Secretary of Panoro Minerals Ltd. (TSXV). Mr. Malana has previously served as CFO of WPD Pharmaceuticals Inc. (CSE), Director and CEO of Traction Uranium Corp. (CSE), Director of Beyond Medical Technologies Ince. (CSE), CFO and Corporate Secretary of Growmax Resources Corp. (TSXV), CFO and Corporate Secretary of First Responder Technologies Inc. (CSE), CFO and Corporate Secretary of Karam Minerals Inc. (CSE), Corporate Controller and Corporate Secretary of Tesoro Minerals Corp. (TSXV), CFO and Corporate Secretary of Patriot One Technologies Inc. (TSXV), CFO of Sunward Resources Inc. (TSX), CFO and Corporate Secretary of Orca Touchscreen Technologies Ltd. (CSE) and CFO and Corporate Secretary of Apivio Systems Inc. (TSXV). Mr. Malana is a Chartered Professional Accountant (CPA, CMA) in good standing and holds a Bachelor of Commerce degree in Accounting from Concordia University. Mr. Malana intends to dedicate 10% of his time to the Company.

Michael Nederhoff's foundation in finance, marketing, and strategic management, has been cultivated through a dynamic career across multiple industries. With a track record of success in companies like Red Bull, CytoSport, and JUUL Labs, Mr. Nederhoff has consistently driven growth and innovation. Michael's journey includes roles as an executive, board member, advisor, and consultant, showcasing versatility and adaptability in navigating diverse organizational landscapes. Michael's expertise extends to regulated sectors, capital markets, and mergers and acquisitions, underlining his strategic acumen and business acuity. Currently serving as the Chief Operating Officer at Served With Honor, Michael previously founded WiLRo Consulting, where he provided specialized services in strategy, sales, marketing, and brand management for clients ranging from Jagermeister to startups like Mindset and Sesh+. Additionally, his tenure as an Executive in Residence at Co.Labs and Chairman of the Board at Psyched Wellness further highlights his commitment to fostering innovation and driving positive change. Michael's educational background, including a Bachelor of Commerce from the University of Saskatchewan, supplemented by courses underscores his dedication to continuous learning and professional development. Mr. Nederhoff intends to dedicate 10% of his time to the Company.

Each audit committee member has had extensive experience reviewing financial statements. Each member has an understanding of the Company's business and has an appreciation for the relevant accounting principles for that business.

## **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

## **Reliance on Certain Exemptions**

The Company is considered a "venture issuer" for the purpose of Part 6 of NI 52-110 and it is exempted from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of

NI 52-110. At no time since the commencement of the Company’s most recently completed financial year has the Company relied on any other exemption from NI 52-110.

### Pre-Approval Policies and Procedures

The Audit Committee is required to approve the engagement of the Company’s external auditors in respect of non-audit services.

### External Auditor Service Fees (By Category)

Financial Period Ending	Audit Fees <sup>(2)</sup>	Audit Related Fees <sup>(3)</sup>	Tax Fees <sup>(4)</sup>	All Other Fees <sup>(5)</sup>
From incorporation to March 31, 2024 <sup>(1)</sup>	\$71,000	\$7,500	\$Nil	\$Nil
Next financial year end <sup>(6)</sup>	\$75,000	\$7,500	\$Nil	\$Nil

Notes:

- (1) Includes the Company’s period from incorporation on July 25, 2023 to March 31, 2024.
- (2) “Audit Fees” includes fees necessary to perform the annual audit and quarterly reviews of the Company’s financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (3) “Audit-Related Fees” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (4) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (5) “All Other Fees” include all other non-audit services.
- (6) Estimated fees for the next financial year end of the Company being August 31, 2024.

## ADDITIONAL INFORMATION

### Additional Information

Additional information relating to us may be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in our Information Circular for our most recent annual meeting of shareholders that involved the election of directors.

**SCHEDULE “A”**  
**AUDIT COMMITTEE CHARTER**

The main purpose of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of 1429798 BC Ltd. (the “**Company**”) is to assist the Board in fulfilling its statutory responsibilities in relation to internal control and financial reporting, and to carry out certain oversight functions on behalf of the Board, including the oversight of:

- (a) the integrity of the Company’s financial statements and other financial information provided by the Company to securities regulators, governmental bodies and the public to ensure that the Company’s financial disclosures are complete, accurate, in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board and interpretations by the International Financial Reporting Interpretations Committee and fairly present the financial position and risks of the Company;
- (b) assessing the independence, qualifications and performance of the Company’s independent auditor (the “**Auditor**”), appointing and replacing the Auditor, overseeing the audit and non- audit services provided by the Auditor and approving the compensation of the Auditor;
- (c) Senior Management’s (as defined below) responsibility for assessing and reporting on the effectiveness of internal controls;
- (d) financial matters and management of financial risks;
- (e) compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information;
- (f) the prevention and detection of fraudulent activities; and
- (g) investigation of complaints and submissions regarding accounting or auditing matters and unethical or illegal behavior,

all as delegated by the Board, whether pursuant to this charter or otherwise.

The Committee provides an avenue for communication between the Auditor, the Company’s executive officers and other senior managers (“**Senior Management**”) and the Board, and has the authority to communicate directly with the Auditor. The Committee shall have a clear understanding with the Auditor that they must maintain an open and transparent relationship with the Committee. The Auditor is ultimately accountable to the Committee and the Board.

It is the intention of the Board, through the Committee, that the external audit will be conducted independently of Senior Management to ensure that the Auditor serves the interests of shareholders rather than the interests of Senior Management.

**1. COMPOSITION**

- (a) The Committee shall consist of at least, while not a reporting issuer, two members of the Board, and, while a reporting issuer, three members of the Board.

- (b) Upon becoming a reporting issuer, at least two (2) members of the Committee shall be “independent” in accordance with Sections 1.4 and 1.5 of National Instrument 52-110 Audit Committees (“NI 52-110”), which sections are reproduced in Appendix “A” of this charter, and the Board shall endeavour to appoint a majority of “independent” directors to the Committee who, in the opinion of the Board, would be free from a relationship which would interfere with the exercise of the Committee members’ independent judgment. All members of the Committee that are not “financially literate” in accordance with the definition set out in Section 1.6 of NI 52-110, which definition is reproduced in Appendix “A” of this charter, will work towards becoming “financially literate” to obtain a working familiarity with basic finance and accounting practices applicable to the Company.

For purposes of subparagraph (b) above, the position of non-executive Chair of the Board is considered to be an executive officer of the Company.

Committee members and the chair of the Committee (the “**Committee Chair**”) shall be appointed annually by the Board at the first Board meeting that is held after every annual general meeting of the Company’s shareholders, provided that if the composition of the Committee is not so determined, each director who was then serving as a member of the Committee shall continue as a member of the Committee until their successor is appointed. If a Committee Chair is not appointed by the Board, the members of the Committee shall designate a Committee Chair by majority vote of the full Committee membership, provided that if the designation of the Committee Chair is not made, then the director who was then serving as Committee Chair shall continue as Committee Chair until their successor is appointed. Each member of the Committee shall serve at the pleasure of the Board, until the member resigns, is removed or ceases to be a member of the Board. The Board may, at any time, remove or replace any member of the Committee and may fill any vacancy on the Committee.

## 2. MEETINGS

The Committee shall meet at least once per financial quarter and as many additional times as the Committee deems necessary to carry out its duties effectively.

The Committee shall meet:

- (a) within 60 days following the end of each of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related management’s discussion and analysis (“**MD&A**”); and
- (b) within 120 days following the end of the Company’s fiscal year end to review and discuss the audited financial results for the year and related MD&A.

As part of its job to foster open communication, as the Committee deems appropriate, the Committee shall periodically meet, at unscheduled or regularly scheduled meetings or portions of meetings, in executive sessions or otherwise, with Senior Management and the Auditor in separate sessions to discuss any matters that the Committee or any of these groups believe should be discussed privately. Notwithstanding the foregoing, at least once per year, the Committee shall meet with Senior Management to discuss any matters that the Committee or Senior Management consider appropriate.

A majority of the members of the Committee shall constitute a quorum for any Committee meeting. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by unanimous written consent of the Committee members. Members may be

present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

The Committee Chair shall preside at each Committee meeting. In the event the Committee Chair is unable to attend or chair a Committee meeting, the Committee will appoint a chair for that meeting from the other Committee members.

A Committee member other than the Committee Chair, or such individual as appointed by the Committee, shall act as secretary for the Committee (the “**Committee Secretary**”) and, upon receiving a request to convene a Committee meeting from any Committee member, the Auditor, the Board or any member of Senior Management, shall arrange for such meeting to be held.

The Committee Chair, in consultation with the other Committee members, shall set the agenda of items to be addressed at each Committee meeting. The Committee Secretary shall ensure that the agenda and any supporting materials for each upcoming Committee meeting are circulated to each Committee member in advance of such meeting. As part of each meeting of the Committee, the Committee shall hold an *in camera* session, at which management and non-independent directors of the Board are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

The Committee may invite such officers, directors and employees of the Company and other advisors as it may see fit from time to time to attend at one or more Committee meetings and assist in the discussion and consideration of any matter. For purposes of performing their duties, members of the Committee shall, upon request, have immediate and full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the duties and responsibilities of the Committee with officers, directors and employees of the Company, with the Auditor and with other advisors subject to appropriate confidentiality agreements being in place.

Unless otherwise provided herein or as directed by the Board, proceedings of the Committee shall be conducted in accordance with the Articles of the Company or, if the articles are silent, with the rules applicable to meetings of the Board.

### **3. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board and the Articles of the Company, in order to carry out its oversight responsibilities, the Committee shall have the functions and responsibilities set out below. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by any exchange upon which securities of the Company are traded or any governmental or regulatory body exercising authority over the Company as are in effect from time to time.

**3.1 Financial Reporting Process** – In general, the Committee is responsible for overseeing the Company’s financial statements and financial disclosures, including the following, having regard for the fact that management is responsible for the preparation, presentation and integrity of the Company’s financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company, and that the Company’s Auditor is responsible for auditing the Company’s annual financial statements and may be responsible for reviewing the Company’s unaudited interim financial statements:

- (a) Regularly review the Company’s critical accounting policies followed and critical accounting and other significant estimates and judgments underlying the Company’s

financial statements, including any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements of the Company.

- (b) Consider the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
- (c) Review Senior Management's process for formulating sensitive accounting estimates and the reasonableness of these estimates.
- (d) Review with the Auditors alternative accounting treatments that have been discussed with Senior Management.
- (e) Consider any matter required to be communicated to the Committee by the Auditor under generally accepted auditing standards, applicable law and stock exchange rules, if applicable, or any other matters related to the financial statements that are brought forward by the Auditor or Senior Management, including the Auditor's report to the Committee (and the response of Senior Management thereto) and specifically:
  - (i) the contents of such report;
  - (ii) the scope and quality of the audit work performed;
  - (iii) adequacy of the Company's financial and auditing personnel;
  - (iv) co-operation received from the Company's personnel during the audit;
  - (v) internal resources used;
  - (vi) significant transactions outside of the normal business of the Company;
  - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
  - (viii) the non-audit services provided by the Auditors.
- (f) Discuss with the Auditor and Senior Management, at least annually, their views about the quality, not just the acceptability, of accounting principles and policies used by the Company, including estimates and judgements made by Senior Management and their selection of accounting principles, and whether there are any concerns relative to the quality or aggressiveness of Senior Management's accounting policies.
- (g) Discuss with Senior Management and the Auditor:
  - (i) any recorded and unrecorded audit adjustments;
  - (ii) any accounting adjustments that were noted or proposed (immaterial or otherwise) by the Auditor but were not reflected in the financial statements;
  - (iii) any material correcting adjustments that were identified by the Auditor in accordance with IFRS or applicable law;

- (iv) any communication reflecting a difference of opinion between the audit team and the Auditor's national office on material auditing or accounting issues raised by the engagement; and
- (v) any "management" or "internal control" letter issued, or proposed to be issued, by the Auditor to the Company.
- (h) Discuss with Senior Management and the Auditor any significant financial reporting issues considered during the fiscal period and the method of resolution, and resolve disagreements between Senior Management and the Auditor regarding financial reporting.
- (i) Review with Senior Management and the Auditor:
  - (i) any off-balance sheet financing mechanisms being used by the Company and their effect on the Company's financial statements; and
  - (ii) the effect of regulatory and accounting initiatives on the Company's financial statements, including the potential impact of proposed initiatives, requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under IFRS.
- (j) Review with Senior Management any significant changes in IFRS, as well as emerging accounting and auditing issues, and their potential effects.
- (k) Review with Senior Management and the Auditor and legal counsel, if necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial statements of the Company, and the manner in which these matters have been disclosed or reflected in the financial statements.
- (l) Review with Senior Management matters that may have a material effect on the financial statements.
- (m) Review the factors identified by Senior Management as factors that may affect future financial results.
- (n) Review with the Auditor any audit problems or difficulties experienced by the Auditor in performing the audit, including any restrictions or limitations imposed by Senior Management, and the response of Senior Management, and resolve any disagreements between Senior Management and the Auditor regarding these matters.
- (o) Review the results of the Auditor's work, including findings and recommendations, Senior Management's response and any resulting changes in accounting practices or policies and the impact such changes may have on the financial statements.
- (p) Review and discuss with Senior Management and the Auditor the audited annual financial statements, the Auditor's report thereon and the related MD&A and, after completing its review, if advisable, the Committee shall make recommendations to the Board with respect to approval thereof before their release to the public.



- (q) Review and discuss with Senior Management and, if such financial statements are reviewed, the Auditor all interim unaudited financial statements, including the impact of unusual items and changes in accounting principles, the review report, if any, prepared thereon and the related interim MD&A and, after completing its review, if advisable, the Committee shall make recommendations to the Board with respect to the approval thereof before their release to the public.
- (r) In connection with Sections 4.1 and 5.1 of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (“NI 52-109”), obtain confirmation from the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) (and considering the Auditor’s comments, if any, thereon) to their knowledge, having exercised reasonable diligence:
  - (i) that the audited financial statements, together with any financial information included in the annual MD&A and annual information form, fairly present in all material respects the Company’s financial condition, financial performance and cash flows; and
  - (ii) that the interim financial statements, together with any financial information included in the interim MD&A, fairly present in all material respects the Company’s financial condition, financial performance and cash flows.
- (s) Review news releases to be issued in connection with the audited annual financial statements and related MD&A and the interim unaudited financial statements and related interim MD&A, before being disseminated to the public.
- (t) Review financial disclosure in a prospectus or other securities offering document of the Company, as well as press releases disclosing, or based upon, financial results of the Company and any other publicly disseminated material financial disclosure, including material financial outlook (e.g. earnings guidance) and future-oriented financial information (e.g., forecasted financial information) provided to analysts, rating agencies or otherwise publicly disseminated, and material non-IFRS financial measures.
- (u) Review and approve any disclosure regarding the Committee required by applicable laws in the Company’s public disclosure documents.
- (v) Review regulatory filings and decisions as they relate to the Company’s financial statements.
- (w) Ensure that satisfactory procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assess those procedures.
- (x) Review the appointment of the CFO and have the CFO report to the Committee on the qualifications of new key financial personnel involved in the financial reporting process.

### 3.2 **Internal Controls**

- (a) The Committee shall require Senior Management to implement and maintain appropriate systems of internal controls in accordance with applicable laws, including internal controls

over financial reporting and disclosure and to review, evaluate and approve these procedures.

- (b) The Committee shall consider and review with Senior Management and the Auditor, at least annually, the adequacy and effectiveness of, or weaknesses or deficiencies in, the design or operation of the Company's internal controls over accounting and financial reporting within the Company, the overall control environment for managing business risks and accounting, financial and disclosure controls, non-financial controls, legal and regulatory controls, management reporting, the policies and business practices of the Company which impact on the financial integrity of the Company, including those relating to internal auditing, insurance and accounting information services and systems, and the impact of any identified weaknesses in any of the foregoing;
- (c) The Committee shall consider and review with Senior Management and the Auditor, at least annually, any proposed significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings.
- (d) The Committee shall consider and discuss any Auditor's comments on the Company's internal controls, together with Senior Management responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.
- (e) The Committee shall discuss, at least annually, with Senior Management and the Auditor any material issues raised by any inquiry or investigation by the Company's regulators any other material issues as to the adequacy of the Company's internal controls and any special audit steps in light of any such issues.
- (f) The Committee shall consider and review with Senior Management and the Auditor, at least annually, the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting.
- (g) The Committee shall review annually the Company's disclosure controls and procedures.
- (h) The Committee shall receive confirmation from the CEO and the CFO of the effectiveness of disclosure controls and procedures, and whether there are any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information or any fraud, whether or not material, that involves Senior Management or other employees who have a significant role in the Company's internal control over financial reporting. In addition, receive confirmation from the CEO and the CFO that they are prepared to sign the annual and quarterly certificates required by Sections 4.1 and 5.1 of NI 52-109, as amended from time to time.
- (i) The Committee shall periodically review the Company's financial and auditing procedures, including policies and procedures used in the preparation of the Company's financial statements and other required disclosure documents, and the extent to which

recommendations made by the Auditor have been implemented, and consider recommendations for any material change to such policies and procedures.

### 3.3 **The Auditor**

#### *Oversight*

- (a) The Committee shall be directly responsible for the oversight of the work of the Auditor, including the Auditor's work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work. When a change of Auditor is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by applicable legal requirements, and the planned steps for an orderly transition.

#### *Qualifications and Selection*

- (b) The Committee shall review and, if advisable, recommend for Board approval the Company's Auditor to be nominated and shall approve the compensation of such Auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the Auditor's audit plan.
- (c) The Committee shall instruct the Auditor that:
  - (i) they are ultimately accountable to the Board and the Committee; and
  - (ii) they must report directly to the Committee.
- (d) The Committee shall ensure that the Auditor has direct and open communication with the Committee and that the Auditor meets with the Committee once each financial quarter without the presence of Senior Management to discuss any matters that the Committee or the Auditor believe should be discussed privately.
- (e) The Committee shall evaluate the Auditor's qualifications, performance and independence. As part of that evaluation:
  - (i) at least annually, request and review a formal report by the Auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
  - (ii) annually, and before the Auditor issues their report on the annual financial statements, obtain from the auditors a formal written statement describing all relationships between the Auditor and the Company and confirming that the Auditor is objective and independent within the meaning of the applicable rules of professional conduct/code of ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other applicable requirements; and review, discuss and confirm with Senior Management and the Auditor any disclosed relationships that may affect the objectivity and

independence of the Auditors, the amount of fees received by the Auditors for the audit services, the extent of non-audit services and fees therefor, the extent to which the compensation of the audit partners of the Auditor is based upon selling non-audit services, the timing and process for implementing the rotation of the lead audit partner, reviewing partner and other partners providing audit services for the Company and whether there should be a regular rotation of the audit firm itself;

- (iii) annually review and evaluate senior members of the audit team of the Auditor, including their expertise and qualifications; in making this evaluation, the Committee should consider the opinions of Senior Management;
- (iv) at least annually, discuss with the Auditor such matters as are required by applicable auditing standards to be discussed by the Auditor with the Committee; and
- (v) regularly assess the effectiveness of the working relationship of the Auditor with Senior Management.

The Committee shall take appropriate action to oversee the independence of the Auditor. Conclusions on the independence of the Auditor should be reported by the Committee to the Board.

- (f) The Committee shall approve and review, and verify compliance with, the Company's policies for hiring of partners, former partners, employees and former employees of the Auditor and former auditors. Such policies shall include, at minimum, a one-year hiring "cooling off" period.

#### *Other Matters*

- (g) The Committee shall meet with the Auditor to review and approve the annual audit plan of the Company's financial statements prior to the annual audit being undertaken by the Auditor, including reviewing the year-to-year co-ordination of the audit plan and the planning, staffing and extent of the scope of the annual audit. This review should include an explanation from the Auditor of the factors considered by the Auditor in determining their audit scope, including major risk factors. The Auditor shall report to the Committee all significant changes to the approved audit plan.
- (h) To the extent that the Company's financial statements are reviewed, the Committee shall review the review report in respect of each of the interim financial statements of the Company.
- (i) The Committee shall review and pre-approve in advance any and all audit and permissible non-audit services to be performed by the Auditor, and the associated and engagement fees and terms in accordance with applicable law, including those provided to the Company's subsidiaries by the Auditor or any other person in its capacity as independent auditor of such subsidiary. The Committee shall consider the impact of such service and fees on the independence of the Auditor. Between scheduled Committee meetings, the Committee Chair, on behalf of the Committee, is authorized to pre-approve any audit or non-audit services and engagement fees and terms up to \$25,000. At the next Committee meeting, the Committee Chair shall report to the Committee on any such pre-approval given.

- (j) The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the Auditor, whether or not there is to be a change of auditors, and receive and review all reports prepared by the auditors.
- (k) The Committee shall establish and adopt procedures for all of the foregoing matters.

### 3.4 **Compliance**

- (a) The Committee shall monitor compliance by the Company with all payments and remittances required to be made in accordance with applicable law, where the failure to make such payments could render the Company's directors personally liable.
- (b) The Committee shall review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information.
- (c) The Committee shall receive regular updates from Senior Management regarding compliance with applicable laws and regulations, the effectiveness of the process in place to monitor such compliance, any material communications received from regulators and Senior Management's plans to remediate any deficiencies identified; provided that such oversight shall exclude legal compliance matters subject to the oversight of the Corporate Governance and Nominating Committee of the Board, if any.
- (d) The Committee shall establish and oversee the procedures in the Company's Whistleblower Policy to address:
  - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters or unethical or illegal behaviour; and
  - (ii) confidential, anonymous submissions by employees of concerns regarding questionable accounting and auditing matters or unethical or illegal behaviour.

Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Committee Chair to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with Board and (if appropriate) Senior Management and legal counsel to reach a satisfactory conclusion.

- (e) The Committee shall ensure that political and charitable donations conform with policies and budgets approved by the Board.
- (f) The Committee shall oversee Senior Management's identification and assessment of the principal risks to the operations of the Company and the establishment and management of appropriate systems to manage such risks, with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Company and to the long-term viability of the Company. In this regard, the Committee shall require Senior Management to report on a quarterly basis to the Committee, and the Committee shall review such reports provided by Senior Management, on the risks inherent in the business of the Company (including appropriate crisis preparedness, business continuity, information system controls,

cybersecurity and disaster recovery plans), the appropriate degree of risk mitigation and risk control, overall compliance with and the effectiveness of the Company's risk management policies and residual risks remaining after implementation of risk controls. The Committee shall report to the Board on a quarterly basis, with respect to the principal risks faced by the Company and the steps implemented by management to manage these risks.

- (g) The Committee shall monitor the management of hedging, debt and credit, make recommendations to the Board respecting policies for management of the risks associated with such financial instruments and review the Company's compliance therewith.
- (h) The Committee shall approve the review and approval process for the expenses submitted for reimbursement by the CEO.

### **3.5 Financial Oversight**

- (a) The Committee shall assist the Board in its consideration and ongoing oversight of matters pertaining to:
  - (i) capital structure and funding, including finance and cash flow planning;
  - (ii) capital management planning and initiatives;
  - (iii) property and corporate acquisitions and divestitures including proposals which may have a material impact on the Company's capital position;
  - (iv) the Company's annual budget;
  - (v) the Company's insurance program;
  - (vi) directors' and officers' liability insurance and indemnity agreements; and
  - (vii) matters the Board may refer to the Committee from time to time.

### **3.6 Other**

- (a) The Committee shall perform such other duties as may be specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations.
- (b) The Committee shall annually review and assess the adequacy of its charter and recommend any proposed changes to the Corporate Governance and Nominating Committee.
- (c) The Committee shall review its own performance annually, and provide the results of such evaluation to the Board for its review.
- (d) The Committee shall review the Company's policies relating to the avoidance of conflicts of interest and review and approve all payments to be made pursuant to any related party transactions involving executive officers and members of the Board or any significant shareholders of the Company, as may be necessary or desirable under applicable laws. The Committee shall consider the results of any review of these policies and procedures by the Auditor.

#### **4. AUTHORITY**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to:

- (a) conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above;
- (b) select, retain and terminate special or independent counsel, accountants, consultants or other experts, as it deems appropriate, and set and approve the fees and other retention terms of any such counsel, accountants, consultants or other experts; and
- (c) obtain appropriate funding to pay, or approve the payment of, such approved fees, without seeking approval of the Board or Senior Management, but with notice to the Board.

The Committee may, to the extent permissible by applicable laws, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

#### **5. ACCOUNTABILITY**

The Committee Chair shall make periodic reports to the Board, as requested by the Board, on matters that are within the Committee's area of responsibility.

The Committee shall maintain minutes or other records of its meetings and activities in sufficient detail as to convey the substance of all discussions held, and shall provide an oral report to the Board at the next Board meeting that is held after a Committee meeting.

#### **6. NO RIGHTS CREATED**

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Company. While it should be interpreted in the context of all applicable laws, as well as in the context of the Company's articles and notice of articles, it is not intended to establish any legally binding obligations.