BluSky Carbon Inc.

Consolidated Financial Statements

For the years ended August 31, 2024 and 2023

(Expressed in United States dollars)

Independent Auditor's Report

To the Shareholders of BluSky Carbon Inc.

Opinion

We have audited the consolidated financial statements of BluSky Carbon Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information. (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $9,454,800 during the year ended August 31, 2024 and has an accumulated deficit of $9,797,013 as of August 31, 2024. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report.

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW THE MATTER WAS ADDRESSED IN THE AUDIT</th></tr>
<tr><td>We draw your attention to note 11 of the financial statements.

As set out in note 11, the Company granted 4,720,000 incentive stock options to certain employees and officers of the Company with vesting terms based on market-based conditions. The fair value of the 4,720,000 stock options of $1,003,252 (CAD$1,373,543) was calculated by way of a Monte Carlo simulation which utilized Geometric Brownian Motion to simulate share prices over the life of the stock options. During the year ended August 31, 2024, the Company recognized US$59,628 (CAD$81,636) of the share-based compensation.

We considered this a key audit matter due to the complexity, judgment and subjectivity used in estimating the values and vesting durations of the market condition vesting options issued. Auditing these estimates required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of a valuation specialist.</td><td>In obtaining sufficient audit evidence, the following procedures have been performed, among others:

• Obtained an understanding of the design and implementation of controls over accuracy of share-based compensation;
• Inspected contracts, minutes and resolutions;
• With the assistance of a valuation specialist:
    • Evaluated the appropriateness of the valuation methodology used;
    • Assessed the reasonableness of assumptions applied;
    • Tested the mathematical accuracy of management's valuation calculation; and
    • Performed sensitivity analysis.</td></tr>
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Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

January 7, 2025

BluSky Carbon Inc.
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

As at:		**August 31, 2024**		**August 31, 2023**
ASSETS				
Current assets				
Cash	$	2,458,821	$	-
Prepaid expenses and deposits (Note 5)		160,357		6,985
Other receivables		-		230
Inventory (Note 6)		524,438		-
		3,143,616		7,215
Equipment (Note 7)		2,129,672		121,173
Prepaid expenses and deposits (Note 5)		41,439		-
Right-of-use assets (Note 8)		742,336		89,507
Total assets	$	6,057,063	$	217,895
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities				
Bank indebtedness	$	-	$	9
Accounts payable and accrued liabilities		661,690		27,419
Deferred revenue		569,650		-
Due to related parties (Note 12)		-		433,403
Current portion of lease liabilities (Note 10)		336,512		54,486
		1,567,852		515,317
Lease liabilities (Note 10)		444,992		43,761
Total liabilities		2,012,844		559,078
Shareholders' equity (deficiency)				
Share capital (Note 11)		10,262,729		1,000
Reserves		3,559,523		-
Obligation to issue shares (Note 11)		-		30
Deficit		(9,797,013)		(342,213)
Accumulated other comprehensive loss		18,980		-
Total shareholders' equity (deficiency)		4,044,219		(341,183)
Total liabilities and shareholders' equity (deficiency)	$	6,057,063	$	217,895

Subsequent events (Note 17)

Approved and authorized for issue by the Board of Directors on January 7, 2025:

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

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

BluSky Carbon Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States dollars)

		Year ended August 31, 2024		Year ended August 31, 2023
Revenue				
CORC sales	$	448,006	$	-
Cost of sales		444,450		-
Gross profit		3,556		-
Operating Expenses				
Depreciation (Notes 7 and 8)		257,616		56,899
Interest expense (Note 9)		127,564		1,695
Interest on lease liability (Note 10)		102,057		18,141
Legal and professional fees (Note 12)		557,477		17,579
Marketing		218,416		8,171
Office expenses		470,356		18,217
Research and development		6,461		-
Salaries and benefits (Note 12)		760,279		3,501
Share-based compensation (Note 11 and 12)		937,184		-
Consulting fees		94,286		-
Subcontractor fees		126,666		14,293
		3,658,362		138,496
Other Expense (Income)				
Listing expense (Note 4)		5,782,250		-
Gain on debt settlement		(2,589)		-
Loss on write-off of deposit		43,750		-
Foreign exchange		3,277		-
Other income (Note 12)		(26,694)		(1,964)
		5,799,994		(1,964)
Net loss	$	(9,454,800)	$	(136,532)
Other comprehensive loss, items that will be reclassified through profit and loss:				
Currency translation adjustment		18,980		-
Net loss and comprehensive loss	$	(9,435,820)	$	(136,532)
Basic and diluted loss per share	$	(0.29)	$	(0.04)
Weighted average number of common shares outstanding – basic and diluted		32,801,172		4,900,000

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

BluSky Carbon Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in United States dollars)

	Number of common shares*	Share capital $	Obligation to issue shares $	Reserves $	Deficit $	Accumulated other comprehensive loss $	Total $
Balance at August 31, 2022	4,900,000	1,000	30	-	(205,681)	-	(204,651)
Net loss for the year	-	-	-	-	(136,532)	-	(136,532)
Balance at August 31, 2023	4,900,000	1,000	30	-	(342,213)	-	(341,183)
Settlement of obligation to issue shares	735,000	30	(30)	-	-	-	-
Issuance of units	1,045,490	230,000	-	-	-	-	230,000
Forgiveness of shareholder loan (Note 12)	-	-	-	433,477	-	-	433,477
Equity retained by former BluSky Carbon shareholders on RTO (Note 4)	26,071,859	6,481,880	-	1,964,161	-	-	8,446,041
Shares issued on IPO	11,500,000	2,922,861	-	851,619	-	-	3,774,480
Shares issued on conversion of RSU	109,430	35,785	-	(35,785)	-	-	-
Share-based compensation	18,865,000	591,173	-	346,051	-	-	937,224
Net loss for the year	-	-	-	-	(9,454,800)	-	(9,454,800)
Foreign exchange difference on translation of foreign operation	-	-	-	-	-	18,980	18,980
Balance at August 31, 2024	**63,226,779**	**10,262,729**	**-**	**3,559,523**	**(9,797,013)**	**18,980**	**4,044,219**

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

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

BluSky Carbon Inc.
Consolidated Statements of Cash Flows
(Expressed in United States dollars)

	Year ended August 31, 2024	Year ended August 31, 2023
Operating activities		
Net loss	$ (9,454,800)	$ (136,532)
Items not affecting cash:		
Depreciation	257,616	56,899
Share-based compensation	937,184	-
Interest expenses	124,598	-
Unrealized foreign exchange	1,517	-
Loss on write-off of deposit	43,750	-
Gain on debt settlement	(2,589)	-
Listing expense	5,782,250	-
Changes in non-cash working capital items:		
Prepaid expenses	(164,852)	3,431
Inventory	(523,512)	-
Other receivables	270	-
Accounts payable and accrued liabilities	7,535	19,677
Deferred revenue	569,650	-
Net cash used in operating activities	(2,421,383)	(56,525)
Investing activity		
Purchase of equipment	(1,974,048)	(84,292)
Lease deposit	(55,415)	-
Cash assumed on RTO	238,283	-
Net cash used in investing activity	(1,791,180)	(84,292)
Financing activities		
Due to related parties	74	183,256
Lease payments	(248,589)	(46,799)
Proceeds from IPO, net	3,774,480	-
Proceeds from issuance of Bluski units	230,000	-
Proceeds from promissory note	2,893,022	-
Net cash provided by financing activities	6,648,987	136,457
Change in cash	**2,436,424**	**(4,360)**
Impact of foreign currency translation on cash	22,406	-
Cash (bank indebtedness), beginning	(9)	4,351
Cash (bank indebtedness), ending	$ 2,458,821	$ (9)

Supplemental cash flow information:		
Interest received	$ 7,263	$ -
Interest paid	$ 103,753	$ 19,836
Income taxes paid	$ -	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

On November 10, 2023, as amended on November 23, 2023, February 27, 2024, and April 30, 2024, the Company, Bluski Inc. ("Bluski") and 1448451 B.C. Ltd. (a wholly-owned subsidiary of the Company) entered into an Arrangement Agreement (the "Arrangement"). The Arrangement closed on May 24, 2024. Under the Arrangement, the Company acquired all of the issued and outstanding shares of the Bluski by way of exchanging 4,900 common shares and 4,900 share purchase warrants of the Company for each issued and outstanding common share and share purchase warrant of Bluski. 1448451 B.C. Ltd. merged with Bluski to form and amalgamated entity under the name "Bluski Inc." which became a wholly-owned subsidiary of the Company.

The closing of the Arrangement completed the reverse take over ("RTO") of Bluski, which was incorporated under the laws of the state of Connecticut, United States, on May 26, 2021. These consolidated financial statements are presented as a continuation of Bluski as the deemed acquirer (Note 4).

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

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended August 31, 2024, the Company incurred a net loss of $9,454,800. As of August 31, 2024, the Company had a working capital surplus of $1,575,764 and has an accumulated deficit of $9,797,013. These circumstances indicate that material uncertainties exist that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

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

2. BASIS OF PRESENTATION

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretation of the International Financial Reporting Issues Committee ("IFRIC").

The consolidated financial statements were approved and authorized for issuance on January 7, 2025 by the board of directors of the Company.

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

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

Functional and presentation currency
The consolidated financial statements are presented in United States dollars. The functional currency of the Company is determined based on the currency of the primary economic environment in which the Company operates. The functional currency of the Company is the Canadian dollar and the functional currency of Bluski is the United States dollar.

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

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

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

2. BASIS OF PRESENTATION (continued)

Fair value of consideration in reverse takeover transaction
The fair value of consideration to acquire the Company in the Arrangement comprised of common shares, for which the fair value at the date of issuance is a significant estimate. In determining the estimate, management considered recent financings of the Company. The replacement warrants were valued using the Black-Scholes option pricing model which utilizes subjective assumptions such as fair value of the underlying share, expected price volatility, expected life and estimated forfeitures. The Company applied IFRS 2 Share-based Payment in accounting for the Arrangement.

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

Leases – estimating the incremental borrowing rate ("IBR")
The Company cannot readily determine the interest rate implicit in leases where it is the lessee. As such, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of comparable value to the right-of-use asset in a similar economic environment. IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Share-based compensation
The Company has applied estimates with respect to the valuation of shares and stock options issued for non-cash consideration. Shares and stock options are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based compensation made to those other than employees or others providing similar services. The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based compensation made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Company uses the Black- Scholes Option Pricing Model and Monte Carlo method to determine the fair value of stock options granted. The main factor affecting the estimates of the fair value of stock options is the stock price, expected volatility used and the expected duration of the instrument. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

2. BASIS OF PRESENTATION (continued)

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

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

Business combinations
At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Control
At the time of acquisition, the Company assesses whether it has control over the acquiree. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Where control exists, the Company consolidates the results of the acquired entity.

In the acquisition of Bluski, it was determined that control resides with Bluski as the former shareholders of Bluski became the majority shareholders of the combined entity. As a result, the transaction was accounted for as an RTO.

Income taxes
Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. The Company recognizes deferred tax assets only to the extent it is probable that future taxable profit will be realized against which a deferred tax asset can be applied.

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

2. BASIS OF PRESENTATION (continued)

Impairment
Long-lived assets, including equipment, are reviewed for indicators of impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Judgement is required in defining a CGU and determining the presence of indicators of impairment, if any. As at August 31, 2024, the Company did not identify any indicators of impairment.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Cash and cash equivalents
Cash and cash equivalents consist of bank balances and highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty.

Foreign currency transactions
Transactions and balances
At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the relevant functional currency using the exchange rate in effect at that date. At the reporting period end date, monetary assets and liabilities are translated into the relevant functional currency using the exchange rate in effect at that date and the related translation differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the relevant functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

Translation into the presentation currency
The operating results and consolidated statements of financial position of entities with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities presented are translated at the year-end closing rate as at the date of the consolidated statements of financial position;
- Income and expenses for the statements of loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences from translating foreign operations are recognized in a separate component of shareholders' equity as other comprehensive income (loss).

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments
Financial Instruments are accounted for in accordance with IFRS 9 Financial instruments: Classification and Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The following table shows the classification under IFRS 9:

Financial assets / liabilities	Classification
Cash / bank indebtedness	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

Recognition, classification and measurement

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss ("FVPL"). Financial assets are recognized in the consolidated statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity.

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, due to related parties and loans payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Equipment
Equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Assets under construction are depreciated when they are substantially complete and available for their intended use, over their estimated useful lives. The cost of assets under construction includes the cost of direct labor and an allocation of fixed overhead of the facility where the assets are constructed. Fixed overheads includes right of-use assets depreciation, depreciation of other equipment used in the construction process, fixed components of utilities and salaries of management that is overseeing the operations.

An asset is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the period the asset is derecognized.

The estimated useful lives are:

Type of assets	Estimated useful life
Equipment	5 years

Impairment of non-financial assets
The Company performs impairment tests on its long-lived assets, including equipment and right-of-use assets, when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit (“CGU”) is less than its carrying value, the asset or CGU’s assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU’s recoverable amount is evaluated using fair value less costs to sell calculations. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases
At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for early termination of the lease, if the Company is reasonably certain to terminate early.

Lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate. The Company also evaluates any renewal options included in a lease contract and the likelihood of exercising a lease renewal when assessing the lease term and total payments.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured when the expected lease payments change as a result of a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether the Company will exercise a purchase, extension, or termination option that is within the Company's control. The Company recognizes the amount of any remeasurement of a lease liability as an adjustment to the right-of-use-asset. If the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company shall recognize any remaining amount of the remeasurement in the consolidated statement of loss and comprehensive loss.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- rehabilitation costs.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right of-use assets are depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of loss and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is calculated by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding, and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. All potentially dilutive instruments are considered anti-dilutive when the Company is in a loss position.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Share capital
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments. Transaction costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects. For unit offerings, the proceeds from issuance of units are allocated between shares and share purchase warrants using the residual method, allocating fair value of the common shares first, and then to the share purchase warrants.

Share-based compensation
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted, using the Black-Scholes valuation model.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date").

The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statements of loss and comprehensive loss. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense or its reduction is recognized for any modification which increases or decreases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Company or the counterparty, any remaining element of the fair value of the award is expensed immediately or reversed through profit or loss, depending on the type of cancellation.

Monte Carlo valuation:

Based on the terms of the July 29, 2024, Option agreement for the grant of 4,720,000 options that have market performance conditions, for each of the eight milestones achieved by the Company's share price reaching a set 30 trading day average market capitalization, the Company calculated the probability and number of options that will vest.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Company used Monte Carlo simulation using the same volatility and risk-free rate applied in the Black-Scholes Option Pricing Model and forecast on a daily basis the share price until expiry of the options to determine if any of the market performance milestones are met. Based on the share price activity of a significant number of iterations of the simulation, the Company determined the probability of vesting of the milestones and applied the probabilities to the pre-vesting adjustment fair value.

Restricted Share Units:

Restricted Share Units, ("RSUs") are equity settled only. Compensation expense is recognized based on the share price of the Company's common shares on the grant date multiplied by the number of RSUs expected to vest and recognized ratably over the vesting period, with a corresponding credit to reserves. Adjustments to the number of RSUs expected to vest are recognized in the current period.

Inventory

During the year ended August 31, 2024, the Company's inventory comprised of carbon offset removal credits ("CORC") available for sale and machinery developed for resale.

Inventory is initially valued at cost and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value.

CORC

CORC may consist of development inventory and trade inventory. Development inventory consists of carbon rights, labor and material costs incurred as part of emissions reduction development projects that advance through validation and verification into CORC registered with an official CORC registry organization. Trade inventory is registered CORC acquired by the Company for resale to an independent third party. The registry process means the inventory is registered in the name of the Company and available for sale.

CORC development inventory is valued using the specific identification method for each specific project. CORC trade inventory is valued using the weighted average cost method.

Machinery:

Machinery developed for resale inventory include raw materials and machine components, work in progress and finished products in the form of machinery that is able to convert organic and industrial wastes into biochar, renewable power, and carbonate rocks.

As at and for the year ended August 31, 2024, machinery for resale is for one specific customer order and as a result cost is determined using the specific identification method. Cost includes acquisition costs net of discounts, and other costs incurred to bring inventories to their present location and condition.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition

The Company recognizes revenue from the sales of CORC and the sale of machinery. Revenue is recognized upon transfer of control of the promised goods to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or upon satisfaction of performance obligations under the contract terms. Performance obligations are satisfied and revenue is recognized, either over time or at a point in time, according to the specific terms of the contract.

CORC

The Company sells CORC to customers whereby the Company transfers the CORC directly to the customer. Revenue from the sale of CORC is recorded when the CORC have been transferred and the Company's performance obligation has been satisfied. This is typically when the registration of the CORC has been transferred to the name of the customer.

Sale of machinery

Revenue from the sale of machinery is recognized when control of the asset sold is transferred to customers and the Company satisfies its performance obligation. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

Deferred revenue

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

Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

IFRS 18 – Presentation and Disclosure in Financial Statements **–** In April 2024, the IASB issued IFRS 18, Presentation and Disclosure of Financial Statements (IFRS 18), which replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented into the three defined categories of operating, investing and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified.

The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. Retrospective application is required, and early application is permitted. The Company is currently assessing the effect of this standard on its consolidated financial statements.

(Expressed in United States dollars, unless indicated otherwise)

4. REVERSE TAKE-OVER

On May 24, 2024, the Arrangement closed and the Company acquired all issued and outstanding Bluski common shares in exchange for common shares of the Company on a 1 for 4,900 basis. In addition, all of the outstanding convertible securities of Bluski were exchanged for securities of the Company on a 1 for 4,900 basis and on substantially the same economic terms and conditions.

The Arrangement constitutes a reverse takeover ("RTO") with Bluski deemed as the acquirer for accounting purposes. The RTO has been accounted for in accordance with guidance provided in IFRS 2, Share-Based Payment ("IFRS 2") as the Company did not qualify as a business according to the definition in IFRS 3, Business Combinations, as there were no substantive processes in place. As a result, the RTO has been accounted for as an asset acquisition with an issuance of shares by Bluski for the net assets of the Company and its listing status.

The assets, liabilities and operations of Bluski are included in the consolidated financial statements at their historical carrying value. The Company's operations are considered to be a continuance of the business and operations of Bluski with the Company's operations being included from May 24, 2024, the closing date of the Arrangement, onwards.

In consideration for the RTO, the Company issued 25,545,490 common shares and 522,754 consideration warrants of the Company to former shareholders of Bluski. Each warrant is exercisable at CAD$0.50 for one common share of the Company until May 24, 2026.

The former shareholders of the Company retained 26,071,859 common shares. The fair value of the shares was estimated to be $6,481,880 based on the share price of the Company's recent financings.

As at May 24, 2024, the Company had 13,405,833 warrants outstanding exercisable at between CAD$0.10 – CAD$0.75 per warrant and expiring between October 19, 2025 to March 26, 2026. The fair value of the warrants was estimated to be $1,964,161 based on the Black-Scholes Option Pricing Model using the following assumptions:

Assumptions	**May 24, 2024**
Risk-free interest rate	4.25% - 4.35%
Expected volatility	100%
Fair value of underlying share	CAD$0.34
Dividend yield	0%
Expected life	1.41 – 1.84 years

The excess of the purchase price over the net assets was charged to profit or loss as a listing expense.

(Expressed in United States dollars, unless indicated otherwise)

4. REVERSE TAKE-OVER (continued)

The purchase price is allocated as follows:

	$
Fair value of shares retained by former shareholders of the Company (26,071,859 shares at CAD$0.34 ($0.24))	6,481,880
Fair value of replacement warrants	1,964,161
Promissory note due to the Company (Note 9)	(3,017,990)
Total consideration	**5,428,051**
Net assets (liabilities) acquired (assumed):	
Cash	238,283
Prepaid expenses	30,808
Accounts payable and accrued liabilities	(623,290)
Net liabilities	**(354,199)**
Listing expense	**5,782,250**

5. PREPAID EXPENSES AND DEPOSITS

		August 31, 2024		August 31, 2023
Security deposits (Note 8)	$	41,439	$	5,415
Insurance		26,789		-
Marketing		39,308		-
Legal retainers		7,800		-
Other		86,460		1,570
	$	**201,796**	**$**	**6,985**
Current	$	160,357	$	6,985
Non-current		41,439		-
	$	**201,796**	**$**	**6,985**

6. INVENTORY

As at August 31, 2024, inventory consists of machinery that is being developed for resale for one specific customer order.

During the year ended August 31, 2024, equipment depreciation of $33 (Note 7) and right-of-use depreciation of $893 (Note 8) were capitalized to inventory as part of the conversion process.

During the year ended August 31, 2024, the Company sold CORC inventory with a cost of $444,450 (2023 - $Nil).

(Expressed in United States dollars, unless indicated otherwise)

7. EQUIPMENT

	Equipment	Leasehold improvements	Asset under construction	Total
Cost				
Balance, August 31, 2022	$ 20,065	$ -	$ -	$ 20,065
Additions	6,215	-	101,550	107,765
Balance, August 31, 2023	26,280	-	101,550	127,830
Transfer	(2,652)	-	2,652	-
Additions	126,368	158,325	1,740,662	2,025,355
Balance, August 31, 2024	**$ 149,996**	$ **158,325**	**$ 1,844,864**	**$ 2,153,185**
Accumulated depreciation				
Balance, August 31, 2022	$ 2,153	$ -	$ -	$ 2,153
Depreciation	4,504	-	-	4,504
Balance, August 31, 2023	6,657	-	-	6,657
Depreciation	13,966	2,890	-	16,856
Balance, August 31, 2024	**$ 20,623**	$ **2,890**	**$ -**	**$ 23,513**
Net book value				
Balance, August 31, 2023	$ 19,623	$ -	$ 101,550	$ 121,173
Balance, August 31, 2024	**$ 129,373**	$ **155,435**	**$ 1,844,864**	**$ 2,129,672**

During the year ended August 31, 2024, equipment depreciation of $1,809 and right-of-use depreciation of $49,497 (Note 8) were capitalized to assets under construction.

8. RIGHT-OF-USE ASSETS

	Building
Cost	
Balance, August 31, 2022 and 2023	$ 157,184
Additions	949,875
Balance, August 31, 2024	**$ 1,107,059**
Accumulated depreciation	
Balance, August 31, 2022	$ (15,282)
Depreciation	(52,395)
Balance, August 31, 2023	(67,677)
Depreciation	(297,046)
Balance, August 31, 2024	**$ (364,723)**

(Expressed in United States dollars, unless indicated otherwise)

8. RIGHT-OF-USE ASSETS (continued)

Net book value		
Balance, August 31, 2023	$	89,507
Balance, August 31, 2024	**$**	**742,336**

On initial recognition, the Company capitalized the discount on a security deposit of $18,030 to its right-of-use assets. The security deposit will be amortized using the effective interest rate over the lease term in accordance with IFRS 16 – Leases, at an effective interest rate of approximately 15%, and has been recorded as prepaid expenses and deposits (Note 5).

A reconciliation of the lease deposit is as follows:

Balance, August 31, 2023	$	5,415
Addition		50,000
Discount on initial recognition		(18,030)
Accretion		4,054
Balance, August 31, 2024	**$**	**41,439**

The accretion of $4,054 is recorded as a reduction of the right-of-use asset depreciation.

9. PROMISSORY NOTE

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

From September 15, 2023 until May 24, 2024 Bluski accrued interest expense of $124,969 against the Note. These amounts are included in interest expense on the consolidated statement of loss and comprehensive loss for the year ended August 31, 2024, respectively.

10. LEASE LIABILITIES

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

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

(Expressed in United States dollars, unless indicated otherwise)

10. LEASE LIABILITIES (continued)

Changes in the lease liabilities are as follows:

		Building
Lease Liability		
Balance, August 31, 2022	$	145,046
Interest		18,141
Payments		(64,940)
Balance, August 31, 2023		98,247
Additions		931,845
Interest		102,057
Payments		(350,645)
Balance, August 31, 2024	**$**	**781,504**

		August 31, 2024		August 31, 2023
Current portion	$	336,512	$	54,486
Non-current portion		444,992		43,761
	$	**781,504**	**$**	**98,247**

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

Maturity analysis		**August 31, 2024**
Less than one year	$	420,081
One to two years		385,450
Three to four years		97,069
Total undiscounted lease payments		902,600
Amount representing implicit interest		(121,096)
Lease liability	**$**	**781,504**

(Expressed in United States dollars, unless indicated otherwise)

11. SHARE CAPITAL

Authorized capital

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

Issued and outstanding capital

Year ended August 31, 2024

On September 29, 2023, the Company issued 18,865,000 common shares to the key management team members for gross proceeds of $40. The fair value of the shares was estimated to be $591,173 based on a concurrent equity financing of the Company and the share exchange ratio under the Arrangement. The fair value amount in excess of the proceeds of $591,133 is recognized as share-based compensation. The fair value was estimated using the Black-Scholes Options Pricing Model using the following assumptions: Exercise price - $0.10, expected dividend yield – 0%, expected volatility – 100%, risk-free interest rate – 4.55%, and an expected remaining life – 2 years.

On September 29, 2023, the Company issued 735,000 common shares to settle its obligation to issue shares of $30 as at August 31, 2023.

In April 2024, the Company closed a round of equity financing with the issuance of 1,045,490 units at $0.22 per unit for gross proceeds of $230,000. Each unit consists of one common share of Bluski and one-half of one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share of Bluski at a price of $0.365 for 24 months following the closing of the equity financing. In connection with the Arrangement, on May 24, 2024, these warrants were cancelled and exchanged for 522,754 warrants of the Company with an exercise price of CAD$0.50 and an expiry date of May 24, 2026.

In relation to the Arrangement, on May 24, 2024, the Company issued 26,071,859 consideration common shares with a fair value of $6,481,880 (Note 4).

On June 19, 2024, the Company completed its initial public offering ("IPO") and issued 11,500,000 units at a price of $0.33 (CAD$0.50) per unit for total proceeds of $4,196,070 (CAD$5,750,000). Each warrant comprised of one common share and one-half of one common share purchase warrant, each such warrant entitling the holder to purchase one common share at an exercise price of CAD$0.75 per common share for a two-year period from the date of issuance. In connection with the equity financing, the Company paid $421,590 in share issuance costs for legal and broker fees. In addition, the Company issued 793,160 agent options with an estimated fair value of $155,908. The gross proceeds were allocated to the fair value of the common shares and warrants, which were estimated to be $3,500,359 and $695,711, respectively, based on the Black-Scholes Option Pricing Model using the following assumptions:

Assumptions	June 19, 2024
Risk-free interest rate	3.85%
Expected volatility	100%
Fair value of underlying share	CAD$0.417
Dividend yield	0%
Expected life	2 years

(Expressed in United States dollars, unless indicated otherwise)

11. SHARE CAPITAL (continued)

During the year ended August 31, 2024, the Company issued 109,430 common shares in connection with the vesting of Restricted Share Units ("RSU").

During the year ended August 31, 2023, there were no share capital transactions.

Warrants

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

	Number of warrants	Weighted average exercise price
Outstanding, August 31, 2023	**-**	**-**
Deemed to be issued in RTO (Note 4)	13,405,832	CAD$0.32
Issued	6,272,754	CAD$0.73
Cancelled	(6)	CAD$0.50
Outstanding, August 31, 2024	**19,678,580**	**CAD$0.45**

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

Exercise price	Number of warrants outstanding	Weighted-average remaining contractual life (years)	Expiration date
CAD$0.10	7,615,000	1.13	October 19, 2025
CAD$0.50	3,429,832	1.29	December 15, 2025
CAD$0.75	56,000	1.57	March 26, 2026
CAD$0.75	2,305,000	1.73	May 24, 2026
CAD$0.50	522,748	1.73	May 24, 2026
CAD$0.75	5,750,000	1.80	June 19, 2026
	19,678,580	**1.44**	

Options

A continuity of the Company's options issued under its stock option plan is as follows:

	Number of options	Weighted average exercise price
Outstanding, August 31, 2023	**-**	**-**
Granted	5,971,000	CAD$0.57
Outstanding, August 31, 2024	**5,971,000**	**CAD$0.57**

The following table summarizes the information about the options outstanding and exercisable as at August 31, 2024

(Expressed in United States dollars, unless indicated otherwise)

11. SHARE CAPITAL (continued)

Exercise price	Number of outstanding options	Number of exercisable options	Weighted-average remaining contractual life (years)	Expiration date
CAD$0.50	850,000	212,500	4.80	June 19, 2029
CAD$0.58	5,046,000	-	4.91	July 29, 2029
CAD$0.495	75,000	-	4.98	August 23, 2029
	5,971,000	**212,500**	**4.90**	

On June 19, 2024, the Company granted 850,000 options to directors of the Company. The options vest as follows: 25% on the date of grant, and 25% every four months thereafter. The fair value was estimated using the Black-Scholes Options Pricing Model using the following assumptions: Exercise price - CAD$0.50, expected dividend yield – 0%, expected volatility – 100%, risk-free interest rate – 3.31%, and an expected remaining life – 5 years.

On July 29, 2024, the Company granted 326,000 options to employees of the Company. The options vesting are contingent on meeting various deployment and delivery milestones. The fair value was estimated using the Black-Scholes Options Pricing Model using the following assumptions: Exercise price - CAD$0.58, expected dividend yield – 0%, expected volatility – 100%, risk-free interest rate – 3.20%, and an expected remaining life – 5 years. As at the effective date of the contract, management estimated all of the options will vest.

On July 29, 2024, the Company granted 4,720,000 options to employees of the Company. The options expire on July 29, 2029 and each tranche shall vest upon the Company meeting each of eight milestones corresponding to the 30-trading date average market capitalization, as follows: (1) CAD$50million, (2) CAD$100million, (3) CAD$175million, (4) CAD$250million, (5) CAD$375million, (6) CAD$500million, (7) CAD$750million, and (8) CAD$1billion.

The fair value of the 4,720,000 options was estimated to be $1,003,252 (CAD$1,373,543) using the Monte Carlo Model which utilized Geometric Brownian Motion to simulate share prices over the life or the stock options. Estimates included in the Monte Carlo Model is as follows: Exercise price - CAD$0.58, starting share price – CAD$0.57, expected dividend yield – 0%, expected volatility – 100%, risk-free interest rate – 3.20% - 4.48%, and an expected remaining life – 5 years.

On August 23, 2024, the Company granted 75,000 options to consultants of the Company. The options vesting are contingent on the completion of the new facility and delivery of product. The fair value was estimated using the Black-Scholes Options Pricing Model using the following assumptions: Exercise price - CAD$0.50, expected dividend yield – 0%, expected volatility – 100%, risk-free interest rate – 2.93%, and an expected remaining life – 5 years. As at the effective date of the contract, management estimated all of the options will vest.

Share-based payments relating to the vesting of options for the year ended August 31, 2024 was $177,244 (2023 - $nil).

(Expressed in United States dollars, unless indicated otherwise)

11. SHARE CAPITAL (continued)

Agent Options

On June 19, 2024, in connection with the Company's IPO financing, the Company issued 793,160 compensation options to its agents that are exercisable into units of the Company at a price of CAD$0.50. When exercised, each unit will consist of one common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to purchase one common share for an exercise price of CAD$0.75 until June 19, 2026.

The fair value of the agent options was estimated using the Black-Scholes Options Pricing Model using the following assumptions: Exercise price - CAD$0.50, expected dividend yield – 0%, expected volatility – 100%, risk-free interest rate – 3.85%, and an expected remaining life – 2 years.

Restricted Share Units ("RSUs")

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

	Number of RSUs
Outstanding, August 31, 2023	**-**
Granted	2,455,080
Converted	(109,430)
Outstanding, August 31, 2024	**2,345,650**

On June 19, 2024, the Company granted 350,000 RSUs with a fair value of $106,621 to directors of the Company. The RSUs vest as follows: 25% on the date of grant, and 25% every four months thereafter.

On July 29, 2024, the Company granted 1,201,538 RSUs with a fair value of $500,242 to employees of the Company. The RSUs vest as follows: 25% on the date that is one year after the start date of the employee, and the remainder shall vest on a quarterly basis thereafter.

On August 23, 2024, the Company granted 757,575 RSUs with a fair value of $265,604 to consultants of the Company. The RSUs vest as follows: 25% vest on the execution of a biochar offtake agreement between the Company and another entity, and the remainder vest 25% every year thereafter.

On August 23, 2024, the Company granted 145,967 RSUs with a fair value of $51,176 to consultants of the Company. The RSUs vest as follows: 25% vest on the date of grant, and then 6.25% vest every quarter thereafter.

Share-based payments relating to the vesting of RSUs for the year ended August 31, 2024 was $133,022 (2023 - $nil).

(Expressed in United States dollars, unless indicated otherwise)

12. RELATED PARTY TRANSACTIONS

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

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

Remuneration attributed to key management personnel is summarized as follows:

Year ended		**August 31, 2024**		**August 31, 2023**
Salaries and benefits	$	508,520	$	3,501
Share-based compensation		863,097		-
	$	**1,371,617**	$	3,501

Balance due from / to related parties

As at August 31, 2024, $Nil (August 31, 2023 - $230) is owed from a director of the Company. As at August 31, 2024, the balance due to related parties is $Nil (August 31, 2023 – $433,403). On May 24, 2024, on closing of the Arrangement, a balance of $433,477 payable to a related party was extinguished for $Nil consideration. The forgiveness of the loan with a director and shareholder of the Company was accounted for as a capital transaction with the shareholder and related party acting in its capacity as a shareholder. As a result, the amount of $433,477 was recorded to reserves in the consolidated statement of changes in shareholders' equity.

As at August 31, 2024, included in accounts payable and accrued liabilities was $9,712 (August 31, 2023 - $Nil) owing to key management personnel.

As at August 31, 2024, included in accounts payable and accrued liabilities was $8,149 (August 31, 2023 - $Nil) owing to a company controlled by a director of the Company.

During the year ended August 31, 2024, the Company incurred $48,523 (2023 - $Nil) in professional fees to an entity controlled by a director of the Company.

During the year ended August 31, 2024, the Company recognized $Nil (2023 - $1,964) in other income from the CEO of the Company in connection with subscription of its online carbon offset program.

(Expressed in United States dollars, unless indicated otherwise)

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Fair value
Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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

August 31, 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	$ 2,458,821	$ -	$ -	$ 2,458,821

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

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

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

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

	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	$ 661,690	$ -	$ -
Lease liabilities	420,081	482,519	-
	$ 1,081,771	$ 482,519	$ -

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Credit risk

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

14. CAPITAL MANAGEMENT

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

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

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

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

(Expressed in United States dollars, unless indicated otherwise)

15. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the United States statutory income tax rates:

		2024		2023
Net loss	$	(9,454,800)	$	(136,532)
Statutory income tax rate		26.93%		26.93%
Expected income tax recovery		(2,546,178)		(36,768)
Non-deductible expenditures		1,659,584		12
Impact of different foreign statutory tax rates and foreign exchange		(9,051)		-
Unrecognized benefit from income tax losses		895,645		36,756
Income tax recovery	$	-	$	-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		August 31, 2024		August 31, 2023
Non-capital losses	$	1,067,533	$	94,620
Capital assets		(71,170)		(5,284)
Right-of-use asset		(199,911)		(24,104)
Lease liability		210,459		26,458
Share issuance costs		146,057		-
Interest expenses		913		456
	$	1,153,881	$	92,146

As at August 31, 2024, the Company had net operating losses carry forwards of approximately $2,851,720 which can be applied against taxable income in the United States. These losses can be carried forward indefinitely, but its utilization is limited to 80% of taxable income in any future year.

As at August 31, 2024, the Company had non-capital tax loss carry forwards of $1,109,498, which can be applied to reduce future Canadian taxable income and will expire in 2044.

16. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the conversion of organic and industrial wastes into biochar, renewable power, and carbonate rocks. All of the Company's non-current assets are located in the United States and all of the Company's revenue was incurred in the United States.

During the year ended August 31, 2024, the Company generated 100% of its revenue from a single customer.

17. SUBSEQUENT EVENTS

Equity transactions:

Subsequent to August 31, 2024:
- 243,677 RSUs which had vested were converted into common shares of the Company.
- On September 5, 2024, 100,000 options were granted to a consultant at the Company. The options have an exercise price of CAD$0.57, an expiry date of September 5, 2026, and vest immediately.
- On September 5, 2024, 50,000 RSUs were granted to a consultant at the Company. The RSUs vest immediately.
- 3,685,000 warrants were exercised at an exercise price of CAD$0.10 for gross proceeds of CAD$368,500 ($264,828).

101,000 warrants were exercised at an exercise price of CAD$0.50 for gross proceeds of CAD$50,500 ($36,280).

Joint Venture Agreement (Red Mountain):

On October 11, 2024, the Company entered into an agreement with Red Mountain Biochar LLC ("Red Mountain") to create a joint venture to be known as BluMountain Carbon ("BluMountain") to commercialize multiple potential biochar offtake and project financing opportunities for the benefit of each of the Company and Red Mountain, with a particular emphasis on the Southern United States and 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.

On November 6, 2024, BluMountain entered into a preliminary agreement, signing a letter of intent with Carbon Market Exchange Inc. ("CMX") to collaborate on the development and operation of biochar production facilities utilizing local biomass feedstock provided by an existing agreement (to which CMX is a party) with a regional growers' association and other parties in Tanzania.

On November 6, 2024, BluMountain entered into a preliminary agreement, signing a letter of intent with Neutralizing Environmental Trash Inc. ("N.E.T. Inc." or "NET") to form a joint venture, under which BluMountain is to provide Vulcan pyrolysis equipment, operational and consulting service for biochar production, bioenergy production, and biomass carbon removal under the business joint venture brand "NET of the Villages LLC". This agreement was finalized on November 21, 2024.

Joint Venture Agreement (Ikigai):

On November 12, 2024, the Company entered into an agreement with Ikigai Carbon Corporation ("Ikigai") to create a joint venture aimed at establishing and deploying future biochar projects in the African Republic of Namibia ("Namibia") by utilizing the Company's biomass Vulcan pyrolysis technology, operation and consulting services for biochar production, and biomass carbon removal.