



**BluSky Carbon Inc.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended August 31, 2024

## **BluSky Carbon Inc.**

Management's Discussion and Analysis  
For the year ended August 31, 2024

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management Discussion and Analysis ("MD&A") has been prepared by management, in accordance with the requirements of National Instrument 51-102 and should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2024 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in United States dollars, the reporting currency of BluSky Carbon Inc. (formerly 1429798 B.C. Ltd.) (the "Company") unless specifically noted.

#### **DATE**

This MD&A is dated January 7, 2025 and is in respect of the year ended August 31, 2024. The discussion in this MD&A focuses on this period. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates.

#### **DESCRIPTION OF BUSINESS**

BluSky Carbon Inc. (formerly 1429798 B.C. Ltd.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on July 25, 2023. On May 24, 2024, the Company changed its name from 1429798 B.C. Ltd. to BluSky Carbon Inc. The principal business of the Company is converting organic and industrial wastes into biochar, renewable power, and carbonate rocks. The head office, 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 (and 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 Bluski by way of exchanging 4,900 common shares and 4,900 share purchase warrants of the Company for each common share and share purchase warrant of Bluski, respectively, outstanding at closing. 1448451 B.C. Ltd. merged with Bluski to form and amalgamated entity under the name "Bluski Inc." which became a wholly-owned subsidiary of the Company. The Arrangement constitutes a reverse takeover ("RTO") of the Company by Bluski with Bluski deemed as the acquirer for accounting purposes. The assets, liabilities and operations of Bluski are included in the consolidated financial statements at their historical carrying value. The Company's operations are considered to be a continuance of the business and operations of Bluski with the Company's operations being included from May 24, 2024, the closing date of the Arrangement, onwards.

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

#### **OPERATIONAL UPDATES**

During the year ended August 31, 2024, and subsequently, the Company:

- Secured US\$106.94 million in future sales through the following agreements:
  - 2 year offtake agreement to sell carbon offset credits with SQUAKE valued at US\$1.25 million with an option to expand up to US\$1.6 million
  - Contract to provide carbon removal technology to the City of Minneapolis for a fixed price of US\$686,155;

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- Signed 10-year biochar supply contract, pursuant to which the Company will supply up to 382,213 tonnes of biochar, and receive an estimated US\$105 million
- Entered into a multi-year brokerage and monitoring, reporting and verification services agreement with Carbonfuture GmbH ("Carbonfuture"). Carbonfuture is the worlds leading provider of durable carbon removal, enabling companies to purchase portfolios of rigorously tracked and third-party verified carbon removal credits from a global network of suppliers such as BluSky
- Filed its final long form prospectus dated May 27, 2024, as amended June 11, 2024, with the British Columbia, Alberta, and Ontario securities commissions;
- On May 24, 2024, closed its Arrangement agreement with Bluski Inc. resulting in a reverse take-over transaction;
- On June 19, 2024, closed its initial public offering ("IPO") through the issuance of 11,500,000 units, including exercise in full of an over allotment option, at a price of \$0.50 per unit for gross proceeds of \$5,750,000;
- On June 20, 2024, commenced trading on the Canadian Securities Exchange under the symbol BSKY;
- Listed its shares on the Frankfurt Stock Exchange under the symbol QE4;
- Entered into a strategic marketing agreement with Euro Digital Media Ltd ("Euro") who will provide the Company with social media, general marketing, searching advertising, and consulting services, which may include investor relations activities;
- Listed its shares on the OTCQB under the symbol "BSKCF";
- Entered into a Joint Venture with Red Mountain Biochar LLC ("Red Mountain") for the creation of a business venture to be known as BluMountain Carbon to commercial multiple potential biochar offtake and financing opportunities for the benefit of the Company and Red Mountain. The following events have occurred as related to BluMountain Carbon:
  - Entered into a binding Letter of Intent ("LOI") with Carbon Market Exchange ("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.
  - Entered into a Joint Venture agreement with Neutralizing Environmental Trash Inc. ("N.E.T. Inc." or "NET") 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," proposed to be located in the Orlando, Florida area.
- Entered into a Master Services Agreement with Scotia Biochar ("Scotia") for which Scotia may, from time to time, issue statements of work for provision by the Company of manufacturing equipment and/or professional consulting services relating to the production of biochar.
- Executed a preliminary joint venture agreement with Ikigai Carbon Corporation ("Ikigai"), aimed at establishing and deploying future biochar projects in the African Republic of Namibia ("Namibia").
- Entered into a strategic agreement with New York based Lympha Inc. ("Lympha"), a project financing and advisory firm dedicated to accelerating the development of a low-carbon economy through innovative financing tools to collaborate in monetizing CO2 Removal Credits ("CORC"s) generated from BluSky's biochar facilities.

### **GOING CONCERN**

As at August 31, 2024, the Company had a working capital surplus of \$1,575,764 and an accumulated deficit of \$9,797,013. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate, adjustments would be necessary to the consolidated statement of financial position classifications used. Such adjustments could be material. Additional funds will be required to enable the Company to continue operations and fund its working capital needs.

Management believes that the going concern assumption is appropriate and that the Company will be able to meet its budgeted capital and administrative costs as well as other potential commitments during the

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upcoming year and beyond. There is no guarantee that the Company will be successful in either its operating or financing endeavors.

Subsequent to year end, the Company launched a non-brokered private placement of convertible debentures at a price of CAD\$0.30 per convertible debenture unit for gross proceeds of up to CAD\$1,000,000. Each unit will be comprised of CAD\$1,000 in principal amount, and will bear interest at a rate of 12% per annum, payable quarterly in arrears commencing three months from closing. The principal amount of each unit and any interest accrued will be convertible into common shares of the Company at a conversion price of CAD\$0.30 per common share.

#### SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents a summary of selected annual financial information prepared under IFRS.

	For the year ended August 31, 2024	For the year ended August 31, 2023
Total revenue	\$ 448,006	\$ -
Net income (loss)	(9,454,800)	(136,532)
Basic and diluted earnings (loss) per share	(0.29)	(0.04)

	As at August 31, 2024	As at August 31, 2023
Total assets	\$ 6,057,063	\$ 217,895
Total non-current financial liabilities	\$ 444,992	\$ 43,761

Net loss increased by \$9,318,268 for the year ended August 31, 2024, compared to the year ended August 31, 2023. The increase in loss is explained by increased share-based compensation, increased legal and professional fees, and listing expense of \$5,782,250 associated with the Company's initial public offering for the year ended August 31, 2024. Further details of the losses incurred for the year ended August 31, 2024, and August 31, 2023, are described in "Results of Operations".

Total assets as of August 31, 2024, increased by \$5,839,168 compared to total assets as of August 31, 2023, due to an increase in assets under construction as a result of the Company's investing activities, cash, prepaid expenses, inventory, and right of use assets. The increase in total assets were funded by cash provided by financing activities of \$6,648,987, which the Company used to invest in equipment and assets under construction, in addition to funding the growth in its operations.

During the year ended August 31, 2024, non-current financial liabilities increased by \$401,231 as a result of the new lease liability entered into during the year.

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**RESULTS OF OPERATIONS – YEAR ENDED AUGUST 31, 2024**

The following table summarizes the Company's operating expenses for the year ended August 31, 2024 and 2023.

<b>Year ended August 31,</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Depreciation	257,616	56,899	200,717	353%
Interest expense	127,564	1,695	125,869	7426%
Interest on lease liability	102,057	18,141	83,916	463%
Legal and professional fees	557,477	17,579	539,898	3071%
Marketing	218,416	8,171	210,245	2573%
Office expenses	470,356	18,217	452,139	2482%
Research and development	6,461	-	6,461	100%
Salaries and benefits	760,279	3,501	756,778	21616%
Share-based compensation	937,184	-	937,184	100%
Consulting fees	94,286	-	94,286	100%
Subcontractor fees	126,666	14,293	112,373	786%
<b>Total operating expenses</b>	<b>3,658,362</b>	<b>138,496</b>	<b>3,519,866</b>	<b>2541%</b>

For the year ended August 31, 2024, the Company incurred operating expenses of \$3,658,362 compared to operating expenses of \$138,496 in the comparative period. The increase in loss of \$3,519,866 is mostly due to increased level of operations and activity as the Company's operations have increased, along with costs associated with the Company's going public transaction.

Depreciation expenses for the year ended August 31, 2024, increased to \$257,616, as compared to \$56,899 for the year ended August 31, 2023. The increase of \$200,717 was primarily a result of additional depreciation on right-of-use assets recognized in the period.

During the year ended August 31, 2024 and 2023 the Company incurred interest expense of \$127,564 and \$1,695, respectively. The increase of \$125,869 is due to interest incurred on a promissory note payable entered into in September 2023. The promissory note eliminated on consolidation concurrently with the closing of the Company's reverse take-over transaction in May 2024. Interest accrued subsequent to May 24, 2024 also eliminate on consolidation.

Interest on lease liability expense for the year ended August 31, 2024, increased to \$102,057, as compared to \$18,141 for the year ended August 31, 2023. The increase of \$83,916 is due to a new lease liability being incurred in the current year as the Company expanded its operations.

Legal and professional fees for the year ended August 31, 2024 were \$557,477, as compared to \$17,579 for the year ended August 31, 2023. The increase of \$539,898 is primarily due to fees related to the costs associated with the Company's going public transaction, and the related accounting and professional fees associated with it.

The Company experienced an increase of \$452,139 in office expenses during the year ended August 31, 2024. This increase is attributable to additional expenses the Company incurred as it has increased operating activities in the current period, which include significant increases in travel and entertainment, regulatory and filing fees, insurance, and utilities as compared to year ended August 31, 2023.

During the year ended August 31, 2024 and August 31, 2023 the Company incurred salaries and benefits expenses of \$760,219 and \$4,714, respectively. The increase of \$756,778 is due to the Company signing

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new employment agreements with those who were previously consultants of the Company and hiring new full-time employees with an increase in operational activities.

During the year ended August 31, 2024 and August 31, 2023 the Company incurred share-based compensation of \$937,184 and \$nil, respectively. The increase of \$937,184 is due to the issuance of shares to the key management team during the year ended August 31, 2024, in which the fair value in excess of proceeds was recognized as an expense, along with vesting of options and restricted share units issued in the current fiscal year.

Subcontractor fees incurred for the year ended August 31, 2024 and August 31, 2023 totaled \$112,373 and \$14,293, respectively. Subcontractor fees for the year ended August 31, 2024, relate mostly to consultants providing administrative, repairs and maintenance services.

**RESULTS OF OPERATIONS – THREE MONTHS ENDED AUGUST 31, 2024**

The following table summarizes the Company's operating expenses for the three months ended August 31, 2024, and August 31, 2023.

Three months ended August 31,	2024	2023	Change	Change
	\$	\$	\$	%
Depreciation	45,058	14,657	30,401	207%
Interest expense	22,697	744	21,953	2951%
Interest on lease liability	28,576	3,507	25,069	715%
Legal and professional fees	19,871	17,579	2,292	13%
Marketing	164,266	72	164,194	228047%
Office expenses	234,488	2,374	232,114	9777%
Salaries and benefits	205,978	-	205,978	100%
Share-based compensation	346,051	-	346,051	100%
Consulting fees	64,435	-	64,435	100%
Subcontractor fees	58,155	-	58,155	100%
Foreign exchange	(17,434)	-	(17,434)	(100%)
<b>Total operating expenses</b>	<b>1,172,141</b>	<b>38,933</b>	<b>1,133,208</b>	<b>2911%</b>

For the three months ended August 31, 2024, the Company incurred operating expenses of \$1,172,141 compared to operating expenses of \$38,933 in the comparative period. The increase in operating expenses of \$1,133,208 is mostly due to increased level of operations and activity as the Company's operations have increased, along with costs associated with the Company's going public transaction.

Depreciation expenses for the three months ended August 31, 2024, increased to \$45,058, as compared to \$14,657 for the three months ended August 31, 2023. The increase of \$30,401 was primarily a result of the additional depreciation on right-of-use assets recognized in the current period, partially offset by the capitalization of depreciation involved in the usage of the Company's machinery and right-of-use assets.

During the three months ended August 31, 2024 and 2023 the Company incurred interest expense of \$22,697 and \$744, respectively. The increase of \$21,953 is due to interest incurred on a promissory note payable, entered into in September 2023. The promissory note eliminated on consolidation concurrently with the closing of the Company's reverse take-over transaction in May 2024. The Company does not have interest bearing debt post the reverse-takeover transaction and the interest expense shown for the three months ended August 31, 2024 is the result of an adjustment to the reverse-takeover accounting made in the Company's audited consolidated financial statements.

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Interest on lease liability expense for the three months ended August 31, 2024, increased to \$28,576, as compared to \$3,507 for the three months ended August 31, 2023. The increase of \$25,069 is due to a new lease liability being incurred in the current year as the Company expanded its operations.

Legal and professional fees for the three months ended August 31, 2024 were \$19,871. The majority of these fees relate to the costs associated with the Company's going public transaction, most of which were already accrued as at May 31, 2024. The Company also negotiated discounts on the final invoices compared to its accrual made as at May 31, 2024. Legal and professional fees for the three months ended August 31, 2023 were \$17,579.

The Company experienced an increase of \$232,114 in office expenses during the three months ended August 31, 2024. This increase is attributable to additional expenses the Company incurred as it has increased operating activities in the current period, which include significant increases in travel and entertainment, regulatory and filing fees, insurance, and utilities as compared to three months ended August 31, 2023.

During the three months ended August 31, 2024 and August 31, 2023 the Company incurred salaries and benefits expenses of \$205,978 and \$nil, respectively. The increase of \$205,978 is due to the Company signing new employment agreements with those who were previously consultants of the Company and hiring new full-time employees with an increase in operational activities during the current fiscal year.

During the three months ended August 31, 2024, the Company incurred share-based compensation expenses of \$346,051, related to the vesting of options and restricted-share units issued during the current fiscal year, none of which were present in the prior comparable period.

Subcontractor fees incurred for the three months ended August 31, 2024 and August 31, 2023, totaled \$58,155 and \$nil, respectively. Subcontractor fees for the three months ended August 31, 2024 relate mostly to consultants providing administrative, repairs and maintenance services.

**SUMMARY OF QUARTERLY RESULTS**

The following table summarizes the financial results of the Company for each of the eight most recently completed three-month periods prepared under IFRS.

Three months ended	August 31, 2024	May 31, 2024	February 29, 2024	November 30, 2023
	\$	\$	\$	\$
Total Revenue	448,006	-	-	-
Loss for the period	(2,460,812)	(5,567,962)	(540,547)	(885,479)
Loss per share (basic and diluted)	(0.04)	(0.20)	(0.02)	(0.05)
Weighted average number of shares outstanding – basic and diluted	60,813,223	27,176,223	24,500,000	18,252,500

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Three months ended	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Loss for the period	(38,896)	(33,943)	(26,613)	(37,080)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding – basic and diluted	4,900,000	4,900,000	4,900,000	4,900,000

The factors that have caused variations in results over the past eight quarters include:

During the three months ended August 31, 2024, the Company completed its first sale of carbon offset credits under its 2 year offtake agreement with SQUAKE. Cost of sales associated with this transaction was \$444,450 and is the amount paid by the Company purchasing the carbon offset credits at market as it has not yet produced its own carbon offset credits, which it intends to do in fiscal 2025.

The Company incurred a net loss of \$2,460,812 for the three months ended August 31, 2024, as compared to net loss of \$5,567,962 for the previous quarter. The decrease in net loss is primarily due to the non-cash listing expense recorded as part of the reverse-takeover transaction accounting in the prior quarter, partially offset by a \$346,051 increase in share-based compensation related to the vesting of options and restricted share units issued in the current quarter.

The Company incurred a net loss of \$5,567,962 for the three months ended May 31, 2024, as compared to net loss of \$540,547 for the previous quarter. The increase in net loss is primarily due to the non-cash listing expense recorded as part of the reverse-takeover transaction accounting.

The Company incurred a net loss of \$540,547 for the three months ended February 29, 2024 as compared to net loss of \$885,479 for the previous quarter. The decrease in net loss is primarily due to a \$591,133 decrease in share-based compensation due to the Company issuing shares during the three months ended February 29, 2024, where the difference between the proceeds received and the fair value of the shares was recorded to share-based compensation, partially offset by a \$69,323 increase in depreciation due to the Company having recorded a full period of depreciation on its new right-of-use asset, and a \$89,976 increase in salaries and benefits due to the Company having additional employees and management on payroll where they were not in the prior period.

The Company incurred a net loss of \$885,479 for the three months ended November 30, 2023 as compared to net loss of \$38,895 for the previous quarter. The increase in net loss is primarily due to an \$99,683 increase in legal and professional fees due to the Company entering into an LOI with 1429798 BC Ltd, a \$591,133 increase in share-based compensation due to the Company issuing shares where the difference between the proceeds received and the fair value of the shares was recorded to share-based compensation, and a \$88,379 increase in salaries and benefits due to the Company having additional employees and management on payroll where they were not in the prior period.

The Company incurred a net loss of \$38,895 for the three months ended August 31, 2023 as compared to net loss of \$33,943 for the previous quarter. The increase in net loss is primarily due to a \$17,579 increase in legal and professional fees due to the Company entering into an LOI with 1429798 BC Ltd. This is partially offset by a \$6,243 decrease in office expense due to a decrease in purchases of tools and supplies and \$5,976 decrease in subcontractor fees as a result of no subcontractor used.

The Company incurred a net loss of \$33,943 for the three months ended May 31, 2023 as compared to a net loss of \$26,613 for the previous quarter. The increase in net loss is primarily due to an increase in office expenses of \$6,365 due to purchases of tools and supplies and \$5,895 increase in subcontractor fees due to no subcontractors used in the previous quarter. This is partially offset by a \$6,727 decrease in marketing expenses due to no marketing expense incurred in the three months ended May 31, 2023.



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The Company incurred a net loss of \$26,613 for the three months ended February 28, 2023 as compared to a net loss of \$37,080 for the previous quarter. The decrease in net loss is primarily due to a decrease in salary and benefit expenses of \$3,509 as no employees were employed during this period and \$8,155 decrease in subcontractor fees due to no subcontractors were used during the three months ended February 28, 2023. This is partially offset by a \$5,355 increase in marketing expenses.

#### OUTSTANDING SHARE DATA

As of August 31, 2024 the Company had 63,226,779 common shares issued and outstanding and 19,678,580 common share purchase warrants outstanding at exercise prices ranging between CAD\$0.10 and CAD\$0.75, 5,971,000 stock options with a weighted average exercise price of CAD\$0.57, 2,345,650 Restricted Share Units, and 793,160 compensation options that are exercisable into units of the Company at an exercise price of CAD\$0.50.

As of the date of this MD&A the Company had 67,256,456 common shares issued and outstanding and 15,892,580 common share purchase warrants outstanding at exercise prices ranging between CAD\$0.10 and CAD\$0.75, 6,071,000 stock options with a weighted average exercise price of CAD\$0.57, 2,151,973 Restricted Share Units, and 793,160 compensation options that are exercisable into units of the Company at an exercise price of CAD\$0.50.

#### RELATED PARTY TRANSACTION

The Company has identified its directors and certain officers as its key management personnel. Current directors and officers of the Company are as follows:

William Hessert, CEO and Director  
Andrew Duval, CFO  
Javaughn Henry, Chief Marketing Officer and Director  
Carissa Chandler, Chief Operations Officer  
Gregory Pakiela, Chief Revenue Officer  
Alex McAulay, Director  
Michael Malana, Director  
Michael Nederhoff, Director  
Kyle Kornack, Director

The remuneration of directors and other members of key management for the year ended August 31, 2024 are as follows:

	Salaries and benefits	Share-based compensation	Total
William Hessert	\$ 95,557	\$ 552,211	\$ 647,768
Andrew Duval	3,570	-	3,570
Javaughn Henry	51,250	72,571	123,821
Carissa Chandler	113,558	29,968	143,526
Gregory Pakiela	230,306	111,446	341,752
Alexander McAulay	2,380	27,687	30,067
Michael Malana	3,570	6,921	10,491
Michael Nederhoff	5,949	55,372	61,321
Kyle Kornack	2,380	6,921	9,301
	<b>\$ 508,520</b>	<b>\$ 863,097</b>	<b>\$ 1,371,617</b>

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As at August 31, 2024, \$Nil (August 31, 2023 - \$230) is owed to Javaughn Henry. 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 William Hessert, was extinguished for \$Nil consideration. The forgiveness of this loan was accounted for as a capital transaction with William Hessert acting in his 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 William Hessert, Javaughn Henry, Carissa Chandler, and Gregor Pakiela for accrued salaries.

As at August 31, 2024, included in accounts payable and accrued liabilities was \$8,149 (August 31, 2023 - \$Nil) owing to Treewalk Consulting Inc., a company controlled by a Alex McAulay, for accounting and advisory services.

During the year ended August 31, 2024, the Company incurred \$48,523 (2023 - \$Nil) in professional fees to Treewalk Consulting Inc., a company controlled by a Alex McAulay.

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.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at August 31, 2024, the Company had cash of \$2,458,821 (August 31, 2023 - \$Nil) and working capital surplus of \$1,575,764 (August 31, 2023 – working capital deficiency of \$508,102). The increase in working capital surplus of \$2,073,141 during the year ended August 31, 2024 is primarily due to the increase in cash of \$2,458,821, an increase in prepaid expenses of \$153,372, an increase in inventory of \$524,438, and a decrease in due to related parties of \$433,403, partially offset by an increase in accounts payable and accrued liabilities of \$634,271, an increase in deferred revenue of \$569,650, and an increase in the current portion of lease liabilities of \$292,751.

The Company may have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

Subsequent to year end, the Company launched a non-brokered private placement of convertible debentures at a price of CAD\$0.30 per convertible debenture unit for gross proceeds of up to CAD\$1,000,000. Each unit will be comprised of CAD\$1,000 in principal amount, and will bear interest at a rate of 12% per annum, payable quarterly in arrears commencing three months from closing. The principal amount of each unit and any interest accrued will be convertible into common shares of the Company at a conversion price of CAD\$0.30 per common share.

The Company's cash flows for the year ended August 31, 2024 and August 31, 2023 are summarized below.

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Year ended	August 31, 2024	August 31, 2023
	\$	\$
Cash used in operating activities	(2,421,383)	(56,525)
Cash used in investing activities	(1,791,180)	(84,292)
Cash provided by financing activities	6,648,987	136,457
<b>Change in cash during the period</b>	<b>2,436,424</b>	<b>(4,360)</b>
Impact of currency translation on cash	22,406	-
Cash (bank indebtedness), beginning of the period	(9)	4,351
<b>Cash (bank indebtedness), end of the period</b>	<b>2,458,821</b>	<b>(9)</b>

**Operating activities**

Cash used in operating activities for the year ended August 31, 2024 was \$2,421,383. The increase in cash used in operating activities primarily relates to the increase in net loss during the period from \$136,532 to a net loss of \$9,454,800, without considering items not affecting cash totalling \$7,144,326. Cash used in operating activities also included an increase in working capital of \$110,909.

**Investing activities**

Cash used in investing activities for the year ended August 31, 2024 consisted of \$1,974,048 for costs incurred to purchase equipment and assets under construction, \$55,415 in lease deposits, partially offset by \$238,283 in cash assumed on the Company's reverse take-over transaction. During the year ended August 31, 2023, the Company spent \$84,292 to purchase equipment.

**Financing activities**

Cash provided by financing activities for the year ended August 31, 2024 was \$6,648,987 which consisted of \$3,774,480 in net proceeds from the IPO, \$74 cash received from related parties, \$2,893,022 from proceeds from promissory note, and \$230,000 from the issuance of Bluski units, which was partially offset by principal lease liability payments of \$248,589. During the year ended August 31, 2023, the Company received \$183,256 cash from related parties, which is partially offset by lease payments of \$46,799.

**Use of proceeds**

On June 19, 2024, the Company closed its IPO issuing 11,500,000 units, including exercise in full of an over-allotment option, at a price of CAD\$0.50 per unit for gross proceeds of \$4,196,070 (CAD\$5,750,000). Net proceeds received after broker cash commissions, corporate finance fees, and other cash share issuance costs totaling \$421,590 were \$3,774,480. The principal purposes for the use of proceeds from the Company's IPO were provided in the Company's Long Form Prospectus dated May 27, 2024 and filed on SEDAR+ on May 28, 2024 under the heading "Use of Proceeds."

An analysis of the actual use of net proceeds from the date of the Long Form Prospectus until September 30, 2024, and any material variances are set out below (as disclosed in the Company's Final Short Form Base Shelf Prospectus filed on SEDAR + on November 20, 2024, and translated to USD):

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Objective	Cost projected in IPO Prospectus (Maximum offering)	Approximate amount distributed through August 31, 2024	Estimated Timeline	Explanation and impact of variance, as applicable
<b>Facility expansion</b>	<b>\$1,064,583</b>	<b>\$378,194</b>		
Facility expenses	74,310	81,185	Completed Q4 2024	
Finishing the facility and completing the Vulcan system	297,009	297,009	Completed Q1 2025	
Expansion of the Medusa System	364,876	Nil	Q3 2025	Timeline was pushed from Q4 2024 to Q3 2025 due to Facility relocation
Engineering staff salaries	328,388	Nil	Q3 2025	
<b>Execution of marketing program</b>	<b>\$677,939</b>	<b>\$605,475</b>		
Public Relations	641,451	605,475	Q2 2025	
Branding development	36,488	Nil	Q2 2025	
<b>Research and development</b>	<b>\$291,900</b>	<b>10,946</b>		
Design of in-house Vulcan	109,462	Nil	Q4 2025	Timeline was pushed from Q1 2025 to Q4 2025 due to strategic focus on other R&D items.
Maximization of energy production	145,950	Nil	Q2 2025	
Design for production of carbon mineralization and direct capture systems	36,488	10,946	Q3 2025	
<b>General and administrative<sup>(1)</sup></b>	<b>\$1,740,058</b>	<b>\$1,084,889</b>	<b>Q3 2025</b>	
<b>TOTAL</b>	<b>\$3,774,480</b>	<b>\$2,079,504</b>		

**Notes:**

<sup>(1)</sup> The Company's long form prospectus dated May 27, 2024 disclosed general and administrative expenses in its use of proceeds to be \$1,345,661. As the full over-allotment option was exercised in the Company's IPO, additional proceeds of \$394,397 are allocated to general and administrative expenses to reconcile the net proceeds actually received on closing of the IPO of \$3,774,480.

**FINANCIAL INSTRUMENTS AND RISKS**

***Financial instruments***

The Company's financial instrument classified as level 1 in the fair value hierarchy is cash.

***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.

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The principal financial risks arising from financial instruments are liquidity risk and credit risk.

**Liquidity risk**

As at August 31, 2024, the Company's liabilities consist of accounts payable and accrued liabilities and lease liabilities. 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 liability	420,081	482,519	
	\$ 1,081,771	\$ 482,519	\$ -

**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.

**Fair value hierarchy**

As at August 31, 2024, the Company held the following financial instruments measured at fair value: cash (level 1).

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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.

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.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

**ADOPTION OF NEW STANDARDS AND INTERPRETATIONS AND RECENT ACCOUNTING PRONOUNCEMENTS**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and has determined that there are no new standards that are relevant to the Company.

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### **EVENTS SUBSEQUENT TO AUGUST 31, 2024**

#### **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.

### **APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

### **RISK FACTORS**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

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In addition to the risks outlined below, the Company has identified the extreme volatility occurring in the financial markets as a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like BluSky are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets to raise the funds required for its future expenditures.

#### *Limited History of Operations*

The Company has a very limited operating history upon which to base an evaluation of our business and prospects. 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, our 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.

#### *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 the Company became listed for trading on the CSE. The Company believes that operating losses will continue post Listing, 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.

#### *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's 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.

#### *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

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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.

#### *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 and 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 of 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, which periodically see changes in leadership, will not eliminate carbon tax regimes.

#### *Global Policy Developments*

The Company and 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 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 (COP28). Future global policy development may positively or adversely affect the Company and its business.

#### *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



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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.

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.

#### *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'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.

#### *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.

#### *Fluctuating Price of Carbon Credits*

The price at which common shares of the Company are traded will be 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 of the Company 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 Companies 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*

We have never paid any cash or stock dividends and we do not intend to pay any dividends for the foreseeable future. To the extent that we require additional funding currently not provided for in our financing plan, our funding sources may prohibit the payment of any dividends. Because we do not intend to declare dividends, any gain on your 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 you are able to make a gain on your investment.

## **FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking information (as such term is defined under applicable Canadian securities laws) ("**forward-looking information**") which reflects the current expectations of the management of the Company regarding the Company's future operations, performance and business prospects and opportunities. Forward-looking information can often be identified by words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions suggesting future outcomes. Forward-looking information reflects management's current beliefs with respect to future events and is based on information currently available to management. Forward-looking information involves significant risks, uncertainties and assumptions.

The forward-looking information contained in the MD&A involves known and unknown risks, uncertainties and other factors beyond the Company's control which may cause actual results to differ materially from those anticipated in such statements. These risks, uncertainties and factors include without limitation: limited operating history; requirements for additional capital; changes in the regulatory environment; elimination of the carbon tax regime; global policy developments; unfavorable global economic conditions; fluctuating price of carbon credits; and reduced demand for carbon credits. These risk factors should be

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considered carefully and prospective investors should not place undue reliance on the forward-looking information. Such factors are not intended to represent a complete list of the factors that could affect the Company. In addition, the forward-looking information is based on several assumptions which may prove to be incorrect, including, but not limited to, assumptions about the availability of qualified employees and contractors for the Company's operations and the availability of equipment.

Should one or more of these factors materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking information contained in the MD&A. Although the forward-looking information contained in the MD&A is based upon what management of the Company currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with this forward-looking information. The forward-looking information contained herein speaks only as of the date of this MD&A and the Company assumes no responsibility to update such forward-looking information, other than as may be required by applicable securities laws.