BASE CARBON INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEARS ENDED

DECEMBER 31, 2023 AND 2022

(EXPRESSED IN UNITED STATES DOLLARS)

Introduction

The Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of Base Carbon Inc. (the "Company" or "Base Carbon") constitutes management's review of the factors that affected the Company's consolidated financial and operating performance for the year ended December 31, 2023. This discussion should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2023 (the "consolidated financial statements"), and together with the notes thereto. This MD&A is dated as of April 2, 2024, unless otherwise indicated.

Unless otherwise indicated and as hereinafter provided, all financial information contained in this MD&A, and the Company's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted in this MD&A, all monetary amounts are expressed in United States dollars, and "we", "us" and "our" refer to the "Company" or "Base Carbon" including each of its subsidiaries.

The Company exists under the *Business Corporations Act* (Ontario). Its registered and mailing office is located at 50 Carroll Street, Toronto, Ontario, M4M 3G3.

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities, and legal and regulatory matters. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results, events, plans, strategic initiatives, future liquidity, planned capital investments, such as statements as to expectations for the Company's current carbon credit projects in development and future pipeline opportunities, including the steps involved to realize on such opportunities and the timeline in which such opportunities may be realized, as to the timing and number of carbon credits expected to be generated by such carbon credit projects and the resulting financial performance, and under the headings "Key Events and Project Updates" and "Outlook".

Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "maintain", "achieve", "grow", "should" and similar expressions, as they relate to the Company and its management. Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2024 is based on certain assumptions including assumptions about operational growth, anticipated cost savings, operating efficiencies, anticipated benefits from strategic initiatives, future liquidity, and planned capital investments. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive, and other uncertainties and contingencies regarding future events and as such, are subject to change. There is no assurance that such estimates, beliefs and assumptions will prove to be correct.

In particular, and without limiting the generality of the foregoing, this MD&A contains forward-looking statements concerning:

- the Company's business plans and strategies;
- expectations regarding carbon market trends, overall carbon market growth rates and prices for carbon credits;
- expectations regarding the operation and/or development of the Company's carbon removal or carbon reduction project, including as to the timing of carbon credit issuances for such projects and the number of carbon credits expected to be generated by such projects;
- expectations with respect to future pipeline opportunities, including the steps involved to realize on such opportunities and the timeline in which such opportunities may be realized; and

- future development activities, including acquiring interests in carbon removal or carbon reduction projects and carbon credits and the development of software and technological applications to carbon removal or carbon reduction projects and carbon credits.

Although management believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking information are based upon reasonable assumptions and expectations, readers should not place undue reliance on forward-looking information because it involves assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking information.

The forward-looking statements made herein are subject to a variety of risks and uncertainties, many of which are beyond the Company's control, which could cause actual events or results to differ materially and adversely from those reflected in the forward-looking statements. These risks and other factors are described or referred to herein are described in the Company's Annual Information Form for the year ended December 31, 2023 (the "AIF") under the heading "Risk Factors", copies of which are available under the Company's profile on SEDAR on www.sedarplus.ca.

Investors and all readers also cautioned that the factors and assumptions described above, in the AIF and this MD&A are not exhaustive. Readers are also cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Should one or more of the risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially and adversely from those described in the forward-looking statements. The Company's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements, and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or that, if any of them do so, what benefits the Company will derive therefrom. The forward-looking statements contained in this MD&A are made as of the date of this MD&A unless otherwise stated and are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities laws.

General Business Description

Base Carbon is a publicly traded entity which is listed on the Cboe Canada under the trading symbol "BCBN" and trading on the OTCQX Best Market under the symbol "BCBNF". Base Carbon runs administrative operations through its wholly owned subsidiaries, Base Carbon Corp. and Base Carbon (US) Corp., and general operations, including ownership of carbon removal and carbon reduction and removal projects through its wholly owned subsidiary Base Carbon Capital Partners Corp. ("BCCPC").

Base Carbon, through BCCPC, provides capital, development expertise and management operating resources to projects involved in the voluntary carbon markets. The Company seeks to be the preferred carbon project partner in providing capital and developmental resources to carbon projects globally and, where appropriate, will endeavour to utilize technologies within the evolving carbon industry to enhance efficiencies, commercial credibility, and trading transparency.

As part of the Company's strategy, the Company focuses most of its business activities across three fundamental carbon project stages:

- **Identification Stage:** sourcing of high-quality carbon development projects based on a combination of internal and external factors. Internally, potential projects must comply with the Company's environmental, social and governance policy, project structure for risk mitigation and due diligence, economic return objectives, project development timelines and carbon production profiles. Projects that are expected to produce initial credits within three years are considered near-term, between three and seven years are considered medium-term and over seven years are considered long-term. External factors include benchmarking against the United Nations' Sustainable Development Goals. The Company will then seek to enter contractual arrangements setting out the project.

- **Development Stage:** the Company utilizes internal expertise to fulfill its commitment to help facilitate the successful development of each selected high-quality carbon project. Depending upon the project, Base Carbon may introduce select additional project partners and co-investors such as large multinational corporations seeking offtake arrangements to 'decarbonize' their business activities.

- **Operational Stage:** implementing technology and software tools to enhance efficiency and transparency of carbon development projects which will support and develop the broader carbon economy. This can include project management or oversight standards relating to measurement, reporting, verification, and auditing to enhance the efficiencies and credibility of carbon credits.

At this time, the Company is focused on developing projects suited to the growing voluntary carbon markets. The Company intends to monitor the continued evolution of the compliance carbon markets and may consider developing compliance related projects in the future.

Key Events and Project Updates

STX Group Partnership

In December 2023, the Company signed a Letter of Intent (LOI) with STX Group, a prominent player in environmental markets and climate solutions, to jointly create an investment vehicle focused on innovative carbon removal projects. This venture aims to meet the rising demand for high-quality carbon removals, aligning with global net-zero commitments. The investment focus will prioritize greenfield carbon solutions with robust quantification, scientific integrity, community engagement, and adherence to industry standards and the Paris Agreement.

STX Group is a global environmental commodity trader and climate solutions provider, with a history of over 25 years in the transition to a low-carbon economy. With trading and Corporate Climate Solutions offerings, STX Group directs funds towards green projects, providing certified proof-points for corporate environmental contributions.

STX Group will provide project origination, development, marketing, and distribution services leveraging its global market expertise, while Base Carbon will manage the fund, utilizing its investment platform and team. This collaboration represents a significant step in both companies' efforts to reduce global greenhouse gas emissions. Investor marketing and project discussions began in early 2024.

Consolidation of BCCPC and HCBL Restructuring

As further described in the Company's existing AIF, consolidated financial statements, and management's discussion and analysis for the year ended December 31, 2022, on November 4, 2021, Base Carbon entered into an investment agreement (the "Investment Agreement") between, among others, Philip Hardwick and Hardwick Climate Business Limited, that set out a series of transactions (collectively, the "HCBL Transaction") providing for investments in HCBL by Base Carbon, the establishment and funding of a joint venture entity (being BCCPC) between Base Carbon and HCBL to invest in carbon reduction projects, various consulting arrangements and the purchase of all issued and outstanding shares of HCBL over three phases, each conditional upon parties satisfying certain conditions including business deliverables.

On May 10, 2023, the Company completed a restructuring transaction which included the purchase of the remaining 22% of outstanding shares of BCCPC from HCBL, in exchange for $2,996,000 in total consideration. The consideration was comprised of (i) $1,600,000 in cash, and (ii) a promissory note payable to HCBL for $1,396,000, which was cancelled upon the Company reducing its equity ownership in HCBL from 49.9% to 15%.

As part of the restructuring transaction, the Company entered into a consulting and origination agreement with HCBL, whereby HCBL will continue to originate and present carbon reduction and removal project opportunities to the Company for investment, partnership, or development until June 30, 2024. The Company has agreed to pay HCBL milestone-driven project origination fees of up to 3.5% in aggregate of the Company's required capital investment for qualified carbon reduction or removal projects which are sourced by HCBL and executed by Base Carbon. HCBL will also provide certain consulting services to the Company with respect to the Company's carbon project portfolio for a fixed fee of approximately $908,788 during the term. This fee was paid in full during the year ended December 31, 2023.

In connection with the HCBL restructuring transaction, pursuant to a new escrow agreement, Philip Hardwick resigned as Chief Operating Officer of Base Carbon and reverted to his role as CEO of HCBL. 2,324,376 common shares of the Company previously issued to Philip Hardwick under the terms of the original investment agreement were placed into escrow until June 30, 2024. Philip Hardwick also entered into an individual consulting agreement with the Company and was issued 500,000 Base Carbon common share purchase options with an exercise price of C$1.00 per common share (the "Options"). 1/3 of the Options vested immediately and the remaining amount will vest in equal tranches on the first and second anniversaries of closing, which was May 10, 2023.

As a result of the restructuring transaction, a net amount of $316,834 was reported through the retained earnings in the statement of changes in equity. The $316,834 figure represents the difference between the fair value of the outstanding shares of BCCPC, the total consideration of (i) and (ii) for the outstanding BCCPC shares, and the historic losses of BCCPC attributable to non-controlling interest.

The Company has 100% equity ownership in BCCPC as a result of the transactions, and the Company retained a 15% equity ownership in HCBL.

Vietnam Household Devices Project

On May 27, 2022, the Company, through BCCPC, entered into a project agreement with SIPCO as in-country project developer, to facilitate the Vietnam Household Devices Project. Pursuant to the terms of the agreement, Base Carbon would invest US$20,828,600 to fund the manufacturing, distribution and monitoring of approximately 850,000 cookstoves and 364,000 water purifiers across several provinces of Vietnam. Citigroup is the carbon credit off-taker for the Vietnam Household Devices Project.

The project was registered with Verra under project IDs #2923 (cookstoves) and #2557 (water purifiers) with PDDs available on Verra's website. The cookstoves component of the project is currently registered with Verra using methodology 'VMR0006 Energy Efficiency and Fuel Switch Measures in Thermal Applications' and based upon such project methodology and a pro rata calculation of the number of carbon credit identified in the initial verification reports, the projects could generate up to an aggregate of approximately 45 million carbon credits over the project's lifespan. However, the number of carbon credits issued will depend upon the project methodologies and the actual amount of carbon reduced by a project as monitored and then verified by the validation and verification body ("VVB"). Subsequently, Verra reviews the submitted verification report and, if accepted, issues the corresponding carbon credits. A significant deviation of the operations and/or performance of a project for a particular time period (or verification period) from the estimates set out in the PDD or project methodology may negatively impact the number of carbon credits issued with respect to such verification period. Downward revisions to methodologies or the adoption of new methodologies, including the recent revisions to methodology VMR0006 adopted by Verra in July 2023, may also negatively impact the number of carbon credits issued.

Readers are cautioned that forward-looking statements are not guarantees of future performance. Specific reference is made to the most recent AIF on file with the Canadian provincial securities regulatory authorities (and available on SEDAR) for a more detailed discussion of some of the factors underlying forward-looking statements and the risks that may affect the Company's ability to achieve the expectations set forth in the forward-looking statements contained in this MD&A and in the AIF.

The first carbon credits were generated and issued by the project during Q2 2023 and the Company expects issuance of carbon credits expected approximately every six months over the estimated 10-year life of the project.

Based on the agreement terms, SIPCO will sell and transfer to BCCPC, and SIPCO will buy back from BCCPC the first 7.4 million carbon credits for subsequent offtake by Citigroup ("Phase 1"). BCCPC has the right but not the obligation to purchase the additional carbon credits generated by the project at a prescribed price from SIPCO ("Phase 2"). If BCCPC exercises this option to buy all the additional carbon credits, BCCPC may then sell such carbon credits to either SIPCO, pursuant to a buyback option (two thirds of which may be for offtake to Citigroup) or into the open Voluntary Carbon Credit Market (or a combination thereof).

Device Purchases and Distribution

All 1,214,000 Vietnam Household Devices Project cookstove and water purifying devices are purchased and distributed to participating households, approximately four months earlier than the initial plan of May 2023 and on budget.

Vietnam Capital Deployment

As at December 31, 2023, the Company made payments totalling $19,177,018. These payments were made in accordance with specific project milestones and subject to certain conditions continually being met by SIPCO.

Vietnam Capital Deployment	**Amount**
Committed capital deployment at project execution	$ 20,828,600
Capital deployed as at December 31, 2022	(16,021,230)
Capital deployed in Q1 2023	(2,666,105)
Capital deployed in Q2 2023	(245,683)
Capital deployed in Q3 2023	(244,000)
Capital deployed in Q4 2023	-
Total capital deployed as at December 31, 2023	$ (19,177,018)
Remaining capital deployment as at December 31, 2023	$ 1,651,582

As at December 31, 2023, Base Carbon has spent 92% of the aggregate capital deployment for the Vietnam Household Devices Project. During the year ended December 31, 2023, the Company deployed $3,155,788 in payments towards the Vietnam Household Devices Project. Remaining capital expenditures in support of ongoing project monitoring and verification expenses are anticipated to be fully deployed in regular intervals by year end 2024.

Carbon Credit Issuances

In June 2023, Base Carbon completed cash settlement of its first tranche of carbon credits relating to Phase 1 of the Vietnam Household Devices Project. Pursuant to its agreement with the project developer, SIPCO, and offtake arrangement with Citigroup, these carbon credits were delivered to Citigroup who paid Base Carbon in full for the carbon credits.

Issuance	Carbon Credit Type	# of Carbon Credits Issued and Delivered	Cash Payment Received
Issuance #1	Cookstoves	1,020,903	$ 5,870,192
Issuance #2	Water Purifiers	95,318	548,079
Total		**1,116,221**	**$ 6,418,271**

In May 2023, the first issuance totaling 1,020,903 carbon credits associated with the cookstove component of the Vietnam Household Devices Project were sold and transferred to the project off-taker. In June 2023, the Company received the full payment of $5,870,192.

In June 2023, the first issuance totaling 95,318 carbon credits associated with the water purifier component of the Vietnam Household Devices Project were sold and transferred to the project off-taker. In June 2023, the Company received the full payment of $548,079.

The table below summarizes the changes in the Vietnam Household Devices Project during the year ended December 31, 2023:

Vietnam Household Devices Project	December 31, 2023	December 31, 2022
Balance, beginning of the period	**$ 16,021,230**	**$ -**
Capital deployed in the project during the period	3,155,788	16,021,230
Unrealized gain on investment in carbon credit projects (i)	$ 104,684,223	-
Realized gain on investment in carbon credit projects (ii)	6,418,271	-
Settlements of investment in carbon credit projects (ii)	(6,418,271)	
Balance, end of the period	**$ 123,861,241**	**$ 16,021,230**

(i) Unrealized gain on investment in carbon credit projects

During the year ended December 31, 2023, the Company evaluated the investment's performance of the Vietnam Household Devices Project after the successful verification, delivery and cash settlement of the first tranche of carbon credits which resulted in a change of the valuation technique and the significant increase of unrealized gains for the Vietnam Household Devices Project.
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The Company considers the contractual settlement of $6,418,271 for the carbon credits issued and transferred to Citigroup as significant cashflow from the project. This significant cashflow demonstrates that there is a greater probability of future cashflows being generated from the project, in accordance with contractual terms and the Company's forecast for the project.

This significant cashflow demonstrates that:

- The project is operating in line with approved Verra methodologies, leading to the generation of carbon credits;
    - Verra is an organization that develops and manages standards for various sustainability initiatives. Verra manages a global carbon markets program, the Verified Carbon Standard ("VCS") Program. Subject to their VCS program requirements, Verra certifies, verifies and monitors carbon reduction projects, and approves carbon credit issuance from the projects.
- The project is on schedule to generate verified carbon credits;
    - The project can achieve timely milestones, including verification of carbon credits by Verra, delivery of the credits to SIPCO, transfer of the credits to Citigroup and receipt of contractual cashflows.

Prior to this assessment, the Company was strictly at the capital deployment stage without earnings from the project.

Based on these assessments, and in accordance with IFRS 13, the Company determined that the valuation technique for the project should be changed from the cost approach to the income approach. The income approach uses a discounted cash flow ("DCF") model, totalling the future discounted after-tax cashflows from the lifetime of the project. The Company considers the income valuation technique to be the most relevant and reliable in representing the fair value of the Vietnam Household Devices Project now that the project has issued carbon credits.

The carbon credit price, carbon credit volume and discount rate inputs have the most significant impact on the valuation of the investment.

i) Carbon Credit Price:

Excluding the fixed off-take volumes of 7,400,000 carbon credits for Phase 1 of the project, a price curve ranging from $9.27 to $9.75 was used as pricing inputs for the 38,385,981 carbon credits which may be issued during Phase 2 of the project. The price curve used was from an independent carbon reduction credit pricing source.

ii) *Carbon Credit Volumes:*

During Phase 1 of the project the project is expected to generate an estimate 7,400,000 carbon credits.

During Phase 2 of the project, from 2025 to 2032, based on the latest project monitoring reports, the project design document ("PDD"), current methodology VMR0006, and other factors, including expected use of cookstoves and water purifiers by participating households and the performance of such devices, the project is projected to generate up to an estimated 38,385,981 carbon credits. As discussed above, the number of carbon credits issued will depend upon the project methodologies applied and the actual amount of carbon reduced by a project as monitored and then verified by the VVB which may change over time.

Failing to meet these projected carbon credits volumes in the future will result in significant impairment to the investment value, resulting in losses of unrealized gains.

iii) Discount Rates:

During Phase 1 of the project, the discount rate used is 8%.

During Phase 2 of the project, the discount rate used is 15%.

The discount rates account for conditions and risk factors of the project, including:
- Methodology risk relating to carbon reduction projects
- Uncertainty of carbon credit volume
- Uncertainty of carbon credit price and market conditions
- Foreign operations and political risk

Refer to the "*DCF model sensitivity analysis"* for details on the inputs' impact on the consolidated financial statements.

After revaluation under the income approach, the Vietnam Household Devices Project was valued at $130,035,512. The initial unrealized gain arising from the revaluation was $111,102,494, which was the difference between the new income basis value of $130,035,512, and the previous cost basis value of $18,933,018.

After the sale of 1,116,221 carbon credits for $6,418,271 during the year ended December 31, 2023, $6,418,271 was recognized as a realized gain from settlement of the carbon credits, and the unrealized gain in the period decreased from $111,102,494 to $104,684,223 as a result.

During the year ended December 31, 2023, the company made a total of $3.2 million in payments towards the SIPCO project, which were added to the SIPCO current investment balance. The fair value of the Vietnam Household Devices Project's as at December 31, 2023 was $123,861,241.

The Rwanda Cookstove Project remains in the development stage and is pre-issuance of carbon credits and the valuation technique remains at the cost basis of $8,825,000 as at December 31, 2023, in measurement of fair value.

The India ARR Project remains in the development stage and is pre-issuance of carbon credits and the valuation technique remains at the cost basis of $4,400,000 as at December 31, 2023, in measurement of fair value.

The Company will continue to update its evaluation of each project on a quarterly basis, based on the project performance, market conditions, and various risk factors.

There is no active market or observable market data for the investments in carbon credit projects, and it is classified as Level 3 in the fair value hierarchy.

During the year ended December 31, 2023, there were no transfers of assets between Level 1, Level 2 and Level 3 for investments in carbon credit projects.

(ii) Realized gain on investments in carbon credit projects

In 2023 the Vietnam Household Devices Project generated carbon credits. Through agreements with SIPCO and Citigroup, these were delivered directly to Citigroup. This resulted in the contractual settlement of $6,418,271 and represents the amount derecognized from the financial asset balance of the investment in the Vietnam Household Devices Project and therefore the realized gain on investments in carbon credit projects during the year ended December 31, 2023.

For the initial volumes delivered in Phase 1 of the Vietnam Household Devices Project, management contractually agreed a prepayment price of $4 per carbon credit generated, and as a result assessed the prepayment cost of $4,466,884 relating to the total carbon credits delivered in the period. This resulted in a net contractual gain for this portion of phase 1 of the arrangement of $1,951,387 ($6,418,271 proceeds from disposition of carbon credits, less $4,466,884 cost of investment).

DCF model sensitivity analysis

The Company considers carbon credit prices, carbon credit volumes, and the discount rates used in the DCF model as the main inputs impacting the valuation of the investment in the Vietnam Household Devices Project. Based on a 1% increase or decrease in each of the inputs when compared to the base case inputs used in the DCF model, the Company's valuation would have the following estimate impacts on net income for the year ended December 31, 2023:

Key Input and Change in Assumption	**Impact on Net Income for the Six Months Ended December 31, 2023**
Carbon credit price input increased by 1%	$2,033,932 increase in net income and total assets
Carbon credit price input decreased by 1%	$2,033,932 decrease in net income and total assets
Carbon credit volume input increased by 1%	$1,202,519 increase in net income and total assets
Carbon credit volume input decreased by 1%	$1,202,519 decrease in net income and total assets
Discount rates input increased by 1%	$512,767 decrease in net income and total assets
Discount rates input decreased by 1%	$512,767 increase in net income and total assets

Rwanda Cookstoves Project

On January 25, 2022, the Company, through BCCPC, entered into a carbon reduction project agreement with a subsidiary of the DelAgua Group to supply cookstoves in the country of Rwanda as part of an expansion of its existing carbon reduction project previously registered as a clean development mechanism (or CDM) project governed by the United Nations pursuant to the Kyoto Protocol. Pursuant to the terms of the agreement, BCCPC invested US$8,825,000 to fund the manufacturing, distribution and monitoring of approximately 250,000 cookstoves across rural Rwanda in exchange for a revenue sharing agreement with respect to the first 7.5 million carbon credits which are expected to be generated by such fleet of the project.

As announced during December 2023, the Government of Rwanda issued a letter of authorization (the "LOA") with respect to the Rwanda Cookstoves Project which resulted in Verra issuing its first ever correspondingly adjusted or "Article 6 Authorized Label" for a carbon removal or reduction project. A corresponding adjustment is a concept included in Article 6 of the 'Paris Agreement' relating to climate change and is intended to address the potential issue of double counting emission reductions. By applying a corresponding adjustment, the project host country agrees to not count the emission reductions from the project as part of their national commitment to lower carbon emissions.

The DelAgua Group was recently issued approximately 815,000 carbon credits with respect to Base Carbon's 250,000 cookstoves each tagged by Verra with the "Article 6 Authorized Label" or as correspondingly adjusted carbon credits. BCCPC and the DelAgua Group are currently in discussions with respect to the implementation of the LOA. It is currently anticipated each carbon credit tagged with the "Article 6 Authorized Label" will be equal to approximately 1.14 carbon credits for the purposes of the 7.5 million carbon credits subject to the revenue sharing arrangement between the BCCPC and the DelAgua Group. The Company believes that the correspondingly adjusted carbon credits designation will expand the pool of buyers with potential pricing upside for such carbon credits.

In aggregate, the Company expects to receive approximately 2.1 million carbon credits, or 1.85 million correspondingly adjusted carbon credits, from the Rwanda Cookstoves Project during 2024 for sale into the market according to the project agreement and revenue sharing arrangement, pursuant to which BCCPC maintains a contractual preferential share of proceeds from the sale of such credits.

Device Purchases and Distribution

Distribution of all 250,000 cookstoves associated with the initial project in Rwanda has been completed.

Rwanda Capital Deployment

As at December 31, 2023, the Company had completed all project payments totalling $8,825,000 relating to the Rwanda Cookstoves Project. These payments were made in accordance with specific project milestones and subject to certain conditions being met by DelAgua.

Rwanda Capital Deployment	Amount
Committed capital deployment	$ 8,825,000
Capital deployed as at December 31, 2022	(8,450,000)
Capital deployed in Q2 2023	(375,000)
Remaining capital deployment	$ -

Investment in India Afforestation, Reforestation, and Revegetation (ARR) Project

As announced on August 8, 2023, the Company, through BCCPC, entered into an agreement to facilitate the development of a nature-based carbon removal project, focused on the reforestation of degraded rural farmlands in the northern Indian state of Uttar Pradesh. Value Network Ventures Advisory Services Pte Ltd. ("VNV") is Base Carbon's project development partner.

The project will facilitate the planting of approximately 6,500,000 trees on degraded rural farmlands and fertile but arid deserted lands in northern India. Project implementation is underway, with approximately 5 million trees planted to date with the remaining trees expected to be planted by the end of second quarter 2024.

The project is expected to generate an estimated 1,600,000 high-quality nature-based removal carbon credits issued in relatively equal tranches over an expected 20-year project life. First issuance is expected in early 2025.

The initial project capital expenditure of $7,300,000 is anticipated to be drawn through 2024, of which $4,400,000 was deployed during the year ended December 31, 2023. Funds are to be used by the project developer to capitalize the reforestation and associated agroforestry infrastructure with an additional $6,300,000 representing primarily maintenance capital to be deployed over a subsequent 10-year period to be funded by Base Carbon. Base Carbon anticipates reinvesting a portion of proceeds from project credit sales to fund maintenance capital requirements. The India ARR Project remains in the developmental stage and is pre-issuance of carbon credits. The project's fair value was measured at cost basis as at December 31, 2023.

India ARR Project Capital Deployment

As at December 31, 2023, the Company has made project payments totalling $4,400,000 relating to the India ARR Project. These payments were made in accordance with specific project milestones and subject to certain conditions being met by VNV.

India ARR Project Capital Deployment	Amount
Committed capital deployment	$ 13,621,033
Capital deployed in Q3 2023	(3,600,000)
Capital deployed in Q4 2023	(800,000)
Remaining capital deployment	$ 9,221,033

Outlook

Precise timing of project milestones, including carbon credit issuances, are dependent upon, among other things, the perform of project developers and partners, registration of the project with a carbon credit registry, if not already completed, and the completion and submission to carbon credit registries (Verra for the purposes of the Company's projects) of a project audit and compliance monitoring report issued by a VVB and subsequent verification by Verra. The VVBs and Verra (or all other Carbon Credit Registries) are independent of the Company and the Company will have little to no control with respect to the timing or delays of the process conducted by such third parties. See also the discussion under the heading "Risk Factors" in the AIF and "Caution Regarding Forward-Looking Statements" above.

Carbon Removal and Reduction Projects

Vietnam Household Devices Project

The Company believes that the next issuance of carbon credits from the Vietnam Household Devices Project will occur before the end of Q2 2024. Base Carbon expects the issuance of carbon credits to continue on a semi-annual basis.

Rwanda Cookstoves Project

As set out above under the heading "*Key Events and Project Updates*", In aggregate, the Company expects to receive approximately 2.1 million carbon credits, or 1.85 million correspondingly adjusted carbon credits, from the Rwanda Cookstoves Project during 2024 for sale into the market according to the project agreement and revenue sharing arrangement, pursuant to which BCCPC maintains a contractual preferential share of proceeds from the sale of such credits.

India ARR Project

The India ARR project registration with Verra is expected by the end of 2024. The project is expected to generate over 1.6 million high-quality nature-based removal carbon credits issued in relatively equal tranches over a 20-year project life beginning in early 2025.

Technology and Software Tools

The Company is in the initial development stage of technology and software tools for carbon development projects and is currently reviewing proposed development plans and budgets.

Overall Performance

In 2023, the Company recognized its first gain from its Vietnam Household Devices Project, generating $6.4 million in realized gains, and $104.7 million in unrealized gains, totalling $111.1 million in gains on investments in carbon credit projects. This led to a net income of $98.3 million for the year ended December 31, 2023.

As at December 31, 2023, the Company had share capital of $51.4 million, with a net working capital of $36.3 million. The Company's $36.8 million in current assets primarily consisted of $1.4 million in cash, $0.4 million in related party receivable from Abaxx Technologies Inc. ("Abaxx"), and $34.8 million in current investments in carbon credit projects. The current liabilities were $0.5 million, and total liabilities were $6.6 million.

In 2023, the Company deployed $7.9 million of capital towards investments in carbon credit projects in Vietnam, Rwanda and India. As at December 31, 2023, the Company has deployed a cumulative $32.4 million in carbon credit projects. This is approximately 75% of the total $43.3 million committed towards these projects. The Company hired additional staff in 2023 to support its key business functions in voluntary carbon markets, corporate and project development, technology, and finance.

Selected Annual Information

Selected Financial Information[1] (expressed in $000s except EPS)	Year ended December 31, 2023	Year ended December 31, 2022	July 12, 2021 – December 31, 2021 [2]	2023 vs. 2022 $ Change	% Change
Total gains from investments in carbon credits	$ 111,102	-	-	111,102	100%
Net income (loss) from continuing operations:					
Net income (loss)	$ 98,274	$ (15,528)	$ (1,304)	113,802	733%
On a per-share	$ 0.82	$ (0.12)	$ (0.02)	0.94	783%
On a diluted per-share	$ 0.81	$ (0.12)	$ (0.02)	0.93	775%
Comprehensive income (loss):					
Comprehensive income(loss)	$ 98,274	$ (15,528)	$ (1,531)	113,802	733%
On a per-share	$ 0.82	$ (0.12)	$ (0.02)	0.94	783%
On a diluted per-share	$ 0.81	$ (0.12)	$ (0.02)	0.93	775%
Total assets	$ 141,243	$ 44,091	$ 52,724	97,152	220%
Total liabilities	$ 6,555	$ 234	$ 342	6,321	2,701%
Total shareholders' equity	$ 134,689	$ 43,858	$ 52,381	90,831	207%
Distributions or cash dividend declared	$ -	$ -	$ -	-	-

(1) Basic and diluted income (loss) per share has been calculated based on the loss attributable to common shareholders and the weighted average number of common shares outstanding. Diluted income per share includes the effect of stock options that are in-the-money for the year ended December 31, 2023. Diluted loss per share does not include the effect of stock options for the years ended December 31, 2022 and the period from July 12, 2021 to December 31, 2021.

(2) Base Carbon Corp. was incorporated on July 12, 2021. Base Carbon Corp. was the operating entity prior to the RTO of Base Carbon Inc. on February 23, 2022.

Gains on Investments in Carbon Credit Projects

During the year ended December 31, 2023, the Company generated total gains of $111.1 million from its investments in carbon credit projects, as detailed under the heading "*Key Events and Project Updates – Vietnam Household Devices Project*".

There were no gains from investments in carbon credit projects in 2022, as the projects and its milestones were still developing at that time.

Operating Expenses

Base Carbon incurred $6.9 million in operating expenses during the year ended December 31, 2023, which remained relatively flat from $7.0 million in 2022.

Operating expenses increased in:

- Salaries and wages by $0.4 million as the Company expanded its core team of operators, managers, and support staff.
- General and administrative expenses by $0.4 million due to technology software and subscription fees, communication and internet costs and other office charges as Base Carbon continues to develop its business.
- Consulting expenses by $0.3 million which was primarily due to the one-time $0.9 million consulting payments made to HCBL in connection with the origination and consulting agreement with HCBL.
- Royalty license fee by $0.2 million, in connection to the realized gain from the Vietnam Household Devices Project. Refer to related party transactions for details on the royalty fee payable to the Company's related party Abaxx.

Operating expenses decreased in:

- Share-based compensation by $0.9 million due to forfeited stock options during the year.
- Insurance expense by $0.2 million due to the Company having entered a new D&O insurance policy which reduced annualized premiums by approximately 30%.

Net Income

Base Carbon generated a net income of $98.3 million during the year ended December 31, 2023, an improvement of $113.8 million (733%) compared to the $15.5 million net loss incurred in 2022.

The increase in net income year-over-year is primarily attributable to:

- The $111.1 million in gains from investments in carbon credits in 2023.
- A foreign exchange gain of $0.02 million in 2023, compared to a foreign exchange loss of $2.2 million in 2022.
- Total share of loss of investment in HCBL of $0.2 million in 2023, compared to $0.7 million in 2022. The Company no longer records its share of loss of investment in HCBL after the discontinuation of the equity method in Q2 2023. See *Key Events of 2023 – Consolidation of BCCPC and HCBL Restructuring* for more information.
- No impairment loss on its investment in HCBL in 2023. In 2022, the Company recognized a $6.0 million impairment loss on its investment in HCBL prior to restructuring.
- No listing expense incurred in 2023, compared to $0.7 million in 2022.

The increase in net income was offset by:

- Income tax expense of $6.0 million in 2023, compared to nil in 2022.
- Interest income of $0.2 million in 2023, which was $0.3 million less than 2022. This was due to the Company holding less cash in 2023 than in 2022.
- No gain on investment in ACX holdings in 2022, compared to $0.3 million recognized in 2022.

Total Assets

As at December 31, 2023, the Company had total assets of $141.2 million (December 31, 2022, $44.1 million) representing a 220% increase year over year. This increase was primarily due to the increase of $104 million unrealized gain on the valuation of the Vietnam Household Devices Project.

Total Liabilities

As at December 31, 2023, the Company had total liabilities of $6.6 million (December 31, 2022, $0.2 million) representing a 2,707% increase year over year. This increase was primarily due to the $6 million deferred income tax liability arising from the $104 million unrealized gain on the valuation of the Vietnam Household Devices Project.

Shareholder's Equity

As at December 31, 2023, the Company had shareholder's equity of $134.7 million (December 31, 2022, $43.9 million) representing a 207% increase year over year. This increase was primarily due to the $98.2 million net income generated, offset by $1.9 million in shares repurchased and cancelled in 2023.

Basic and Diluted Earnings per Share

For the year ended December 31, 2023, the Company recorded basic earnings per share of $0.82 and diluted earnings per share of $0.81. For the diluted earnings per share, the weighted average number of diluted common shares outstanding were 120,927,571. (December 31, 2022, $0.12 basic and diluted loss per share)

Summary of Quarterly Results

IFRS Consolidated Income Statement (expressed in $000s except EPS)								
Select Data	FY 2023				FY 2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gains on investments in carbon credit projects	-	-	111,102	-	-	-	-	-
Total operating expenses	1,884	1,679	2,008	1,289	2,570	1,581	1,578	1,240
Net income (loss)	(3,010)	(1,745)	104,129	(1,100)	(8,134)	(3,254)	(2,932)	(1,209)
Basic income (loss) per share	(0.01)	(0.01)	0.85	(0.01)	(0.06)	(0.03)	(0.02)	(0.01)
Diluted income (loss) per share	(0.02)	(0.01)	0.85	(0.01)	(0.06)	(0.03)	(0.02)	(0.01)

For the three months ended December 31, 2023, compared to the three months ended December 31, 2022, the Company's operating expenses decreased by $0.7 million or 22%. This is primarily due to reductions in consulting expenses, insurance, and share-based compensation.

Gains on Investments in Carbon Credit Projects

The Company did not generate any gains on investments in carbon credit projects during the three months ended December 31, 2023, or during the three months ended December 31, 2022. The gain on the valuation of the Vietnam Household Devices Project occurred during the three months ended June 30, 2023, when the Company changed its valuation technique from the cost approach to income approach.

Net Income (Loss)

The Company incurred a net loss of $3 million during the three months ended December 31, 2023, a decrease of $5.1 million or 63%. The main driver of this was the $6 million impairment loss on the Company's investment in HCBL during the three months ended December 31, 2022.

Basic and Diluted Income (Loss) per Share

For the quarter ended December 31, 2023, the Company recorded basic loss per share of $0.01 and diluted loss per share of $0.02 (December 31, 2022, $0.06 basic and diluted loss per share)

Results of Operations

The following are the consolidated results from operations, for the quarter ended December 31, 2023 ("Q4 2023"), with comparison to the same period in 2022 ("Q4 2022") and the financial year to date December 31, 2023, with a comparison to the same financial year to date December 31, 2022.

Consolidated Financial Results

Quarterly results for the three months ended December 31,	2023	2022	$ Change	% Change
Gains on investments in carbon credit projects	-	-	-	-
Operating expenses	1,883,636	2,570,373	(686,737)	(27%)
Foreign exchange gain (loss)	12,489	(300,035)	312,524	(96%)
Impairment loss	-	(5,980,182)	5,980,182	-104%
Income tax expense	(1,168,764)	-	(1,168,764)	100%
Net income (loss)	(3,009,698)	(8,129,531)	5,119,846	-63%
Comprehensive income (loss)	(3,009,698)	(8,129,531)	5,119,846	-63%

Annual results for the year ended December 31,	2023	2022	$ Change	% Change
Gains on investments in carbon credit projects	111,102,494	-	111,102,494	100%
Operating expenses	(6,860,293)	(6,969,216)	108,923	-2%
Foreign exchange gain (loss)	17,481	(2,115,382)	2,132,863	-101%
Impairment loss	-	(5,980,182)	5,980,182	-100%
Income tax expense	(5,992,692)	-	(5,992,692)	100
Net income (loss)	98,273,853	(15,528,311)	113,802,164	-733%
Comprehensive income (loss)	98,273,853	(15,528,311)	113,802,164	-733%

Refer to *Selected Annual Information* for analysis on the Company's annual consolidated financial results year-over-year.

Quarterly Results

Gain on Investments in Carbon Credits

The Company did not generate any gains on investments in carbon credit projects during the three months ended December 31, 2023, or during the three months ended December 31, 2022.

Operating Expenses

The following operating expenses increased quarter-over-quarter:

- **Professional fees** increased by $0.2 million (59%). The Company's audit fees increased by $0.1 million, as the scope of the audit increased in Q4 2023 due to the development of the Company's investments in carbon credit projects
- **General and administrative (G&A) expenses** increased by $0.1 million (61%). The Company's headcount increased to fifteen employees in Q4 2023, compared to eleven employees in Q4 2022, which adds further associated G&A costs in communications and internet, meals and entertainment, and software and subscriptions. The Company also signed a lease agreement for an office in Barbados in 2023.

The following operating expenses decreased quarter-over-quarter:

- **Consulting fees** decreased by $0.3 million (74%).
- **Salaries and wages** decreased by $0.2 million (30%), as the Company did not accrue or award bonus compensation for staff in Q4 2023 compared to Q4 2022
- **Insurance** expense decreased by $0.1 million (55%)
- **Share-based compensation** decreased by $0.1 million

Total operating expenses in Q4 2023 decreased by $0.7 million or 27% compared to Q4 2022.

Foreign Exchange Gain

The Company's functional currency is United States dollars, and it is exposed to foreign exchange gains and losses for transactions and balances denominated in currencies other than the United States dollar. The foreign exchange loss relates to transactions and balances denominated in Canadian dollars and the further strengthening of the United States dollar in Q4 2023, compared to Q4 2022.

Impairment loss

In Q4 2023, there was no impairment loss on the Company's investments. In Q4 2022, the Company recognized an impairment loss of $6.0 million associated with its investment in associate, HCBL. Management reviewed and assessed indicators of impairment for the investment in HCBL, and measured its portion of HCBL's fair value (less costs of disposal) to determine a carrying value of $5,088,008 as at December 31, 2022. As a result, the Company recognized an impairment loss of $5,980,182 in the statement of loss and comprehensive loss for the period ended December 31, 2022. For further information, please refer to the Company's annual consolidated financial statements for year ended December 31, 2022.

Liquidity and Financial Position

	December 31, 2023	December 31, 2022	$ Change	% Change
Cash and cash equivalents	1,400,682	12,918,436	(11,517,754)	(89%)
Short term investment	45,237	22,108	23,129	105%
Other receivables	24,747	5,757	18,990	330%
Related party loan receivable	425,954	-	425,954	100%
Prepaid and other assets	81,529	139,618	(58,089)	(42%)
Current investments in carbon credit projects	34,813,455	-	34,813,455	100%
Accounts payable and accrued liabilities	(451,672)	(233,530)	(218,142)	93%
Income tax liability	(8,311)	-	(8,311)	100%
Net Working Capital(1)	**36,331,621**	**12,852,389**	**23,479,232**	**183%**
Property and equipment	137,826	4,876	132,950	2,727%
Non-current investments in carbon credit projects	102,272,786	24,471,230	77,801,556	318%
Investments at fair value	2,041,163	1,441,163	600,000	42%
Investment in associate	-	5,088,008	(5,088,008)	(100%)
Income tax liability	(5,984,368)	-	(5,984,368)	100%
Lease liability	(110,169)	-	(110,169)	100%
Tangible Capital(1)	**134,688,859**	**43,857,666**	**90,831,193**	**207%**

(1) Base Carbon reports on certain non-IFRS Accounting Standards financial performance measures that are used by management to evaluate the performance of the Company. Non-IFRS Accounting Standards financial performance measures do not have a standard meaning prescribed but can be reconciled on a financial statement line-item basis back to the December 31, 2023, Consolidated Statement of Financial Position.

Cash and cash equivalents

As at December 31, 2023, Base Carbon had $1.4 million in cash and cash equivalents, a decrease of $11.5 from 2022. This net cash outflow is primarily attributable to $7.9 million in cash investments made for carbon credit projects, $4.7 million in cash operating expenses, $1.6 million incurred for the consolidation of BCCPC and HCBL restructuring and $1.9 million incurred for normal course issuer bid ("NCIB") and other share repurchases. These cash payments are partially offset by the $6.4 million cash inflow from Citigroup's purchase of carbon credits in the period. See the Statement of Cash Flows from the consolidated financial statements for the year ended December 31, 2023, for more information.

Related party loan receivable and related party payable

As at December 31, 2023, Base Carbon had an increase in related party receivables of $0.4 million compared to December 31, 2022. The increase is related to the issuance of a loan to its related party Abaxx. Abaxx is an investor of the Company and owned approximately 16.4% of the Company's outstanding shares as at December 31, 2023. Per the loan agreement, the unsecured loan has a principal amount of CAD$750,000, matured on October 15, 2023, and bears an annualized interest rate of 9%, compounded monthly. After maturity of the loan, the interest rate increased to 15% compounded monthly. The loan balance can be offset against the 2.5% revenue royalty payments that Base Carbon would owe to Abaxx (as obligated per the royalty and licensing agreement with Abaxx).

In 2023, the Company generated $6,418,271 in realized gains from the cash settlement of carbon credits, resulting in an Abaxx royalty license fee of $160,457.

As at December 31, 2023, $425,954 was the outstanding loan balance receivable from Abaxx. Interest income of $32,637 was recognized in the year ended December 31, 2023 in relation to the loan. In January 2024, the Company received payment for the outstanding loan balance.

As at December 31, 2023, Base Carbon had recognized and settled $0.4 million in previously disclosed related party loans to HCBL. The loans were non-interest bearing, and on May 10, 2023, were netted against the approximate $830,000 in fixed origination and consulting fees due to HCBL, as part of the agreed-upon terms of the HCBL restructuring agreement. See *Key Events of 2023 – Consolidation of BCCPC and HCBL Restructuring* for more information.

Income taxes liabilities

During the year ended December 31, 2023, the Company incurred a total income tax expense of $5,992,692. Of this income tax expense, $8,311 represented the current income tax, and $5,984,368 represented the deferred tax. There was no income tax expense for the year ended December 31, 2022.

The current income tax arose from the net taxable income incurred during the year. Deferred tax liability of $5,984,368 arose from the unrealized gain on the investment in Vietnam Project, previously detailed in *Key Events of 2023*.

Current and non-current investments in carbon credit projects

As at December 31, 2023, the current balance of the investment in the Vietnam Household Devices Project was $34.8 million. This balance represents the discounted after-tax cashflows of the project over the next twelve months from the balance sheet date.

As at December 31, 2023, the non-current balance of the investment in the Vietnam Household Devices Project was $89.0 million. This balance represents the discounted after-tax cashflows of the project beyond the next twelve months from the balance sheet date.

The fair value of the Rwanda Cookstove Project remained under the cost approach during the period ended December 31, 2023, as the carbon credits are pre-issuance phase and the non-current balance of the investment in the Rwanda Cookstove Project is $8.8 million.

The fair value of the India ARR Project remained under the cost approach during the period ended December 31, 2023, as the carbon credits are pre-issuance phase and the non-current balance of the investment in the India ARR Project is $4.4 million.

Investments at fair value and investment in associate

As at December 31, 2023, Base Carbon's investments at fair value increased by $0.6 million and its investment in associate decreased by $5.1 million compared to December 31, 2022. The Company completed a restructuring transaction with HCBL, whereby the Company sold and reduced its equity ownership in HCBL from 49.9% to 15% and held no significant influence. As a result, upon completion of the restructuring transaction in May 2023, the Company discontinued its equity treatment of the investment in associate – HCBL and recognized the investment at fair value. See *Key Events and Project Updates – Consolidation of BCCPC and HCBL Restructuring* for more information.

Upon restructuring with HCBL, and the classification of HCBL as investment at fair value, the Company assessed that there is no active market for HCBL, and it is classified as Level 3 in the fair value hierarchy.

Capital Resources and Going Concern

A key element of the Company's financing strategy is to fund its operations primarily through the issuance of equity instruments. The Company may also enter into credit facilities or other financing arrangements in future periods to capitalize on market opportunities.

The Company's consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

As of December 31, 2023, the Company had cash and cash equivalents of $1,400,682 (December 31, 2022 – $12,918,436). During the year ended December 31, 2023, the Company continued to deploy capital in existing and new investments in carbon credit projects, and as a result, used cash in operating activities relating to investments in carbon credit projects of $7,930,788 (December 31, 2022 - $24,471,230), resulting in the reduction in the cash and cash equivalents position. Additionally, the Company has experienced delays in the receipt of carbon credit issuances due to backlogs at the relevant carbon credit registry and the associated payments, and as such, has been unable to generate sufficient liquidity for future operations and capital deployment.

The Company has insufficient cash on hand to fund its planned operations for the next twelve months. The Company's ability to continue as a going concern is dependent upon timely receipt of cash from the estimated carbon credit issuances and contracted sales, and/or its ability to obtain sufficient funding to meet its obligations.

Failing timely receipt from estimated carbon credit issuances and contracted sales, the Company will need to obtain further funding in the form of asset sales, issuance of debt, equity or a combination thereof to continue operations for the foreseeable future. If positive operating cashflows are not achieved, or adequate funding is not available, the Company may be required to delay or reduce the scope of its operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operating and/or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to the Company's consolidated financial statements.

Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements which could influence current or future results or operations, or the financial condition of the Company.

Critical Accounting Estimates

The preparation of the consolidated financial statements requires management to make certain judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual outcomes could differ from these estimates.

The consolidated financial statements include estimates that, by their nature, are uncertain. The impact of these estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements made in applying accounting policies that have the most significant effects on the amounts recognized in these consolidated financial statements are included in the following notes:

- Accounting for investments in carbon credit projects – management assessed the contractual agreements to determine whether the investments in carbon credit projects are financial instruments, and their classification and measurement.
- Loss of significant influence over equity-accounted investee – Management assessed whether the Company has lost significant influence over its previously equity-accounted investee based on the Company's power to participate in the financial and operating policy decisions of the investee but not unilaterally control the investees' policies.

Information about assumptions and estimate uncertainties that have a significant risk of resulting in a material adjustment in these consolidated financial statements is included in the following notes:

- Fair values of investments in carbon credit projects – management estimates the fair value using the cost approach or income approach depending on the stage of the investment in carbon credit project.

  The cost approach is a valuation technique where fair value approximates the cumulative cash spend at the period end, and assessing that the cost per verified carbon unit or carbon credit has not fallen below the carbon credit price. Projects valued using the cost approach involve significant subjectivity and estimation uncertainty, including the carbon credit price assumption.

  The income approach uses a discounted cash flow model, summing the future discounted after-tax cashflows from the lifetime of the project to a current net present value. The model reflects market expectations based on key inputs and assumptions, namely the carbon credit price, carbon credit volume, and discount rates. Projects valued using the income approach involve significant subjectivity and estimation uncertainty, including assumptions related to the carbon credit price, carbon credit volume, and discount rates.

  As part of the operational stage of a carbon removal or carbon reduction project, the Company emphasizes the implementation of project management or oversight standards relating to measurement, reporting, verification and auditing to enhance the efficiencies and credibility of carbon credits.

With the exception of carbon credit market pricing inputs attained from a third-party pricing source, the valuation of the Company's projects is performed internally, with the India Afforestation, Reforestation and Revegetation and Rwanda Cookstove Project valued on a "cost" basis and the Vietnam Household Devices Project valued utilizing a "discounted cash flow" analysis.

For further general details on key assumptions and estimates used in the investments in carbon credit projects, including the significance of the accounting estimate on the Company's financial position, changes in financial position and financial statement line items affected by the accounting estimates, refer to *Key Events and Project Updates*.

For further details on key assumptions and estimates relating to the Vietnam Household Devices Project valued utilizing a "discounted cash flow" analysis, refer to *Key Events and Project Updates - Vietnam Household Devices Project*.

Initial valuation is performed by the Company's Corporate Development Department, with subsequent assessment and review by the Company's Finance Department. Further review is performed by the Company executives, namely: The Company CEO, President and CFO. Personnel at each stage all possess the requisite qualifications and expertise. The Company believes it has all the necessary internal expertise to coordinate and perform the valuation.

Further oversight is provided by both the Audit Committee and Board of Directors, to whom details of projects are presented for review, and in the case of the Board of Directors, approval.

Regarding the third-party involvement, the Company uses a third party to provide data to determine the carbon credit price assumption. The Finance Department assessed documentation provided by that third party to determine that the pricing source is appropriate for use in the valuation of investments in carbon credit projects.

Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives, including funding of future growth opportunities and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and adjusts according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus and deficit which totaled $134,688,859 as at December 31, 2023.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. There were no changes in the Company's approach to capital risk management during they year months ended December 31, 2023, and the Company is not subject to any externally imposed capital requirements.

Financial Risk Factors

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3).

The fair value hierarchy has the following levels:

- Level 1 – quoted prices represent unadjusted quoted prices for identical instruments exchanged in active markets.
- Level 2 – significant other observable inputs includes directly or indirectly observable inputs, other than quoted prices for identical instruments exchanged in active markets.
- Level 3 – significant unobservable inputs include inputs that are not based on observable market data.

The fair value of financial assets and financial liabilities are considered to be their carrying value when they are of short duration or when the instrument's interest rate approximates current observable market rates.

The fair value of cash and cash equivalents, short term investment, and other receivables approximates their carrying amounts due to the relatively short period to maturity.

Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates.

The following table illustrates the classification of the Company's consolidated financial instruments within the fair value hierarchy as at December 31, 2023, according to the significance and reliability of the inputs used in determining fair value measurements. During the year, $600,000 was transferred into Level 3 of fair value hierarchy for the Company's investment in HCBL. During the year, $425,954 was added into Level 2 of the fair value hierarchy for the Company's loan issued to Abaxx. There were no other transfers of assets between Level 1, Level 2 and Level 3.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,400,682	$ -	$ -	$ 1,400,682
Short term investment	45,237	-	-	45,237
Related party receivable	-	425,954	-	425,954
Other receivables	24,747	-	-	24,747
Investments at fair value	-	-	2,041,163	2,041,163
Current investments in carbon credit projects	-	-	34,813,455	34,813,455
Non-current investments in carbon credit projects	-	-	102,272,786	102,272,786
	$ 1,470,666	**$ 425,954**	**$ 139,127,404**	**$ 141,024,024**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is attributable to cash and cash equivalents, short term investment, other receivables, prepaid and other assets, related party receivable, and investments in carbon credit projects. Cash and cash equivalents and short-term investment are on deposit with a Canadian chartered bank, from which management believes the risk of loss is remote. Other receivables are due from Canada Revenue Agency, from which management believes the risk of loss to be remote. The Company's maximum exposure to credit risk as at December 31, 2023 is the sum of the carrying value of the aforementioned asset accounts.

The Company manages credit risk of the aforementioned asset accounts by:

- assessing credit profile and worthiness of, and completing due diligence on counterparties prior to agreements;
- structuring agreements with defined services or benefits, terms, and remuneration, enforcing the Company's rights from such agreements, and
- conducting post disbursement monitoring and executing dispute resolution processes.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due, including commitments arising from investments in carbon credit projects. As at December 31, 2023, the Company had current assets of $36.8 million to settle current liabilities of $0.5 million. $34.8 million in current investments in carbon credit projects are not liquid assets, hence $2.0 represents liquid current assets. All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

The Company's ability to continue operating with sufficient liquidity is dependent upon timely receipt of cash from the estimated carbon credit issuances and contracted sales, and/or its ability to obtain sufficient funding to meet its obligations.

Failing timely receipt from estimated carbon credit issuances and contracted sales, the Company will need to obtain further funding in the form of asset sales, issuance of debt, equity or a combination thereof to continue operations for the foreseeable future. If positive operating cashflows are not achieved, or adequate funding is not available, the Company may be required to delay or reduce the scope of its operations.

Refer to *Capital Resources and Going Concern.* As at December 31, 2023, and as of the date of this MD&A, the Company has insufficient cash on hand to fund its planned operations for the next twelve months. However, the Company expect to receive adequate cashflow associated with the next issuance of carbon credits from the Vietnam Household Devices Project as detailed under the "Outlook" section above. With this cashflow, the Company will have sufficient liquidity to fund its operations in 2024.

Market Risk

Market risk is the risk of loss that may arise from changes in market forces including, but not limited to, interest rates, equity prices, carbon credit prices, and foreign exchange.

Foreign Currency Risk

As at December 31, 2023, the Company is exposed to foreign currency risk with respect to a cash balance of $311,272 which is denominated in Canadian dollars, and a cash balance of $21,008 which is denominated in Barbadian dollars. As at December 31, 2022, the Company was exposed to foreign currency risk with respect to a cash balance of $6,477,933 denominated in Canadian dollars.

Sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, investments, and accounts payable and accrued liabilities.

As at December 31, 2023, the net income would have decreased by $824, had the United States dollar strengthened by 5%. Had the US dollar weakened by 5% at December 31, 2023, the net income would have increased by $824.

As at December 31, 2022, the net loss and comprehensive loss would have decreased by $314,553, had the United States dollar strengthened by 5%. Had the US dollar weakened by 5% at December 31, 2022, the net loss and comprehensive loss would have increased by $314,553.

These changes are based on the results of foreign exchange gains/losses on translation of Canadian dollar denominated financial instruments related to cash and cash equivalents, investments, and accounts payable and accrued liabilities.

Related Party Transactions

Related parties include the Board of Directors, senior management, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at prevailing exchange rates. Senior management is defined as those with authority and responsibility for planning, directing, and controlling activities of the Company, including directors and the executive team.

Management and Directors Compensation

During the year ended December 31, 2023, key management and directors received $1,385,172 in cash compensation, and $178,343 in share-based compensation from the Company. In the same period, 440,000 stock options were granted to senior management staff members. Further, 116,667 stock options were forfeited by a director of the Company.

During the year ended December 31, 2022, key management and directors received $1,128,994 in cash for salary compensation, and $554,072 in share-based compensation from the Company.

Invoice from Abaxx

During the year ended December 31, 2023, the Company was invoiced approximately $307,855 from Abaxx (the Company's related party), for marketing, promotional and consulting services provided to the Company. The Company paid the invoices in full within the period. The expense for these services was $578,384 during the year ended December 31, 2022.

Loan Issued to Abaxx

In April 2023, the Company issued a loan to its related party Abaxx. Abaxx is an investor of the Company and owned approximately 16.4% of the Company's outstanding shares as at December 31, 2023. Abaxx and the Company also have two common board of director members. Per the loan agreement, the unsecured loan has a principal amount of $553,773 (CAD $750,000), matures on October 15, 2023, and bears an annualized interest rate of 9%, compounded monthly. The loan and interest must be paid by the maturity date, following which the annualized interest rate increases to 15% on the outstanding balance. The loan balance can be offset against the 2.5% royalty licensing fee payments that Base Carbon would owe to Abaxx (as obligated per the technology, IP and royalty agreement with Abaxx).

During the year ended December 31, 2023, the Company generated $6,418,271 in realized gain from the cash settlement of carbon credits, resulting in an Abaxx royalty license fee payable of $160,457. This royalty fee was netted against the loan receivable from Abaxx as at December 31, 2023.

As at December 31, 2023, $425,954 was the outstanding loan balance receivable from Abaxx. Interest income of $32,637 was recognized in the year ended December 31, 2023 in relation to the loan.

Repayment of Loan from Abaxx

In January 2024, the Company received a payment of approximately $378,000 from Abaxx as repayment of the total outstanding loan balance, which was the net of the outstanding loan balance less two Abaxx invoices issued in January 2024 for marketing and consulting services.

Commitments and Contractual Obligations

The following table summarizes commitments and contractual obligations for each of the next five years and thereafter.

	Payments Due from December 31, 2023 by Period				
Contractual Obligations	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
Vietnam Household Devices Project	1,651,582	-	-	-	1,651,582
India ARR Project	4,833,048	1,931,736	1,169,257	1,286,992	9,221,033
Total Contractual Obligations	**6,484,630**	**1,931,736**	**1,169,257**	**1,286,992**	**10,872,615**

Vietnam Household Devices Project Payments

Base Carbon has contracted to make payments totalling $20,828,600 in tranches, subject to conditions set out in the Vietnam Household Devices Project agreement. As at December 31, 2023 the remaining contractual commitments were $1,651,582. A subsequent payment of $104,000 was made upon the completion of a project milestone, and the remaining contractual commitments are $1,547,582 as of the date of this MD&A. These payments are due by June 2024, based on contractual milestones.

India ARR Project Payments

Base Carbon has contracted to make payments totalling $13,621,033 in tranches, subject to conditions set out in the India ARR Project agreement. As at December 31, 2023 and as of the date of this MD&A, the remaining contractual commitments are $9,221,033. These payments are due by October 2032, based on contractual milestones.

The Company had no other major commitments or contractual obligations as at December 31, 2023.

Subsequent Events

There were no material events subsequent to December 31, 2023.

Outstanding Share Capital Data

As of the date of this MD&A, the Company had 117,823,182 common shares issued and outstanding, and 7,171,666 options outstanding, each option exercisable for the purchase of one common share.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to the Company's management, including the Chief

Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2023, the Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of its disclosure controls and procedures, as defined by the Canadian securities regulatory authorities, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. These controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, the Company's management acknowledges that its internal control over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Refer to the Critical Accounting Estimates for further discussion on Internal Controls relating to valuation.

There have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the period ended December 31, 2023.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedarplus.ca.