BASE CARBON INC.

UNAUDITED CONDENSED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2024 AND 2023

(EXPRESSED IN UNITED STATES DOLLARS)

Base Carbon Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars)
Unaudited

	Note	March 31 2024	December 31 2023
ASSETS			
Current assets			
Cash and cash equivalents		$ 667,391	$ 1,400,682
Short term investments		45,356	45,237
Other receivables		66,163	24,747
Related party loan receivable		6,665	425,954
Prepaid and other assets		19,579	81,529
Current investments in carbon credit projects	4	36,702,707	34,813,455
		37,507,861	36,791,604
Non-current assets			
Property and equipment		127,005	137,826
Non-current investments in carbon credit projects	4	81,636,293	102,272,786
Investments at fair value	5	1,791,163	2,041,163
Total Assets		**$ 121,062,322**	**$ 141,243,379**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,134,329	$ 451,672
Current tax liabilities	6	8,311	8,311
		1,142,640	459,983
Non-current liabilities			
Deferred tax liabilities	6	4,945,900	5,984,368
Lease liability		98,098	110,169
Total liabilities		$ 6,186,638	$ 6,554,520
Shareholders' Equity			
Share capital	7	$ 51,411,511	$ 51,448,159
Contributed surplus	8	1,715,185	1,654,038
Retained earnings		61,748,988	81,586,662
Total shareholders' equity		114,875,684	134,688,859
Total Liabilities and Shareholders' Equity		**$ 121,062,322**	**$ 141,243,379**

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

Approved and authorized on behalf of the Board of Directors:

Director Michael Costa (signed) Director Margot Naudie (signed)

Base Carbon Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)
Unaudited

	Note	For the three months ended March 31, 2024	March 31, 2023
Loss on investments in carbon credit projects	4	$(18,881,241)	-
Operating expenses			
Consulting		$ 419,690	$ 165,613
Professional fees		350,888	119,568
Salaries and wages		569,803	452,205
General and administrative		159,846	57,613
Travel, marketing, and promotion		79,028	130,441
Depreciation		12,453	571
Regulatory expenses		18,532	22,003
Insurance		90,453	146,114
Share-based compensation		61,147	195,194
Total operating expenses		1,761,840	1,289,322
Operating loss for the period		$(20,643,081)	$ (1,289,322)
Foreign exchange gain		10,224	273,787
Interest income		7,672	71,899
Interest expense		(957)	-
Share of loss of investment in associate		-	(156,617)
Loss on investments at fair value	5	(250,000)	-
Net loss before income tax for the period		**$(20,876,142)**	**$ (1,100,253)**
Income tax recovery	6	1,038,468	-
Net loss for the period		**(19,837,674)**	**(1,100,253)**
Net loss attributable to:			
Shareholders of the Company		(19,837,674)	(1,091,508)
Non-controlling interest		-	(8,745)
Net loss for the period		**(19,837,674)**	**(1,100,253)**
Comprehensive loss attributable to:			
Shareholders of the Company		(19,837,674)	(1,091,508)
Non-controlling interest		-	(8,745)
Comprehensive loss for the period		**$(19,837,674)**	**$ (1,100,253)**
Basic and diluted loss per share	9	$ (0.17)	$ (0.01)
Basic and weighted average number of common shares		117,839,951	123,024,808

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

Base Carbon Inc.
Condensed Interim Consolidated Statement of Cash Flows
(Expressed in United States Dollars)
Unaudited

	For the three months ended March 31, 2024	March 31, 2023
Cash provided by (used in):		
Operating Activities		
Net loss for period	$(19,837,674)	$ (1,100,253)
Adjustment for:		
Depreciation	12,453	571
Share-based compensation	61,147	195,194
Unrealized loss on investments in carbon credit projects	18,881,241	-
Foreign exchange gain	(10,224)	(273,787)
Share of loss of equity accounted investments	-	156,617
Loss on investments at fair value	250,000	-
Changes in operating assets and liabilities:		
Other receivables	(41,416)	-
Related party receivable	419,289	(225,580)
Prepaid and other assets	61,950	(217,573)
Accounts payable and accrued liabilities	682,657	86,894
Deferred tax liabilities	(1,038,468)	-
Lease liability	(12,071)	-
Investments in carbon credit projects	(134,000)	(3,041,105)
Net cash used in operating activities	$ (705,116)	$ (4,419,022)
Investing Activities		
Short term investment	(119)	-
Purchase of property and equipment	(1,632)	-
Net cash used in investing activities	(1,751)	-
Financing Activities		
Repurchase of shares	(36,648)	(211,089)
Net cash used in financing activities	(36,648)	(211,089)
Decrease in cash and cash equivalents	(743,515)	(4,630,111)
Change in cash related to foreign exchange	10,224	272,615
Cash and cash equivalents, beginning of period	1,400,682	12,918,436
Cash and cash equivalents, end of period	$ 667,391	$ 8,560,940

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

Base Carbon Inc.
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in United States Dollars)
Unaudited

	Attributable to owners of the company					
	Number of Shares	**Common shares**	**Contributed surplus**	**Retained Earnings (Deficit)**	**Non-controlling Interest**	**Shareholders' Equity**
Balance, December 31, 2022	**123,339,602**	**$ 53,337,621**	**$ 1,327,662**	**$ (17,004,025)**	**$ 6,196,408**	**$ 43,857,666**
Net loss for the period	-	-	-	(1,091,508)	-	(1,091,508)
Stock based compensation	-	-	195,194	-	-	195,194
Shares purchased and cancelled	(604,000)	(211,089)	-	-	-	(211,089)
Non-controlling interest	-	-	-	-	(8,745)	(8,745)
Balance, March 31, 2023	**122,735,602**	**$ 53,126,532**	**$ 1,522,856**	**$ (18,095,533)**	**$ 6,187,663**	**$ 42,741,518**
Balance, December 31, 2023	**117,918,182**	**$ 51,448,159**	**$ 1,654,038**	**$ 81,586,662**	**-**	**$ 134,688,859**
Net loss for the period	-	-	-	(19,837,674)	-	(19,837,674)
Stock based compensation	-	-	61,147	-	-	61,147
Shares purchased and cancelled	(95,000)	(36,648)	-	-	-	(36,648)
Balance, March 31, 2024	**117,823,182**	**$ 51,411,511**	**$ 1,715,185**	**$ 61,748,988**	**-**	**$ 114,875,684**

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

1. Nature of operations

Base Carbon Inc. (“Base Carbon” or, the “Company” is a publicly traded entity which is listed on Cboe Canada under the trading symbol “BCBN” and trading on the OTCQX Best Market under the symbol “BCBNF”. Base Carbon runs general operations, including its ownership interest in carbon reduction and removal projects, through its wholly owned subsidiary, Base Carbon Capital Partners Corp. (“BCCPC”).

Base Carbon, through BCCPC, is in the business of providing capital, development expertise and management operating resources to projects involved primarily in the voluntary carbon markets and the broader environmental 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.

The Company exists under the *Business Corporations Act* (Ontario). The Company’s registered and mailing address is 50 Carroll Street, Toronto, Ontario, M4M 3G3.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024, were prepared in accordance with International Accounting Standard 34, and do not include all the information required for full annual financial statements. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2023.

Effective January 1, 2024, amendments to IAS 1 Presentation to Financial Statements requires classification of liabilities with covenants as current or non-current. The amendments specify that for a liability to be classified as non-current, a company must have the right to defer settlement of the liability for at least twelve months after the reporting period. The right must have substance and exist at the end of the reporting period and the classification of the liability must be unaffected by the likelihood that the company will exercise that right. If a company is required to comply with covenants on or before the end of the reporting period, these covenants will affect whether such a right exists at the end of the reporting period. These adopted amendments had no impact on the Company’s unaudited condensed interim consolidated financial statements for the months ended March 31, 2024.

The accounting policies as disclosed in the annual financial statements for the year ended December 31, 2023 have been applied consistently to the periods presented in these unaudited condensed interim consolidated financial statements unless otherwise noted under *Note 3 Material Accounting Policies*.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 10, 2024.

(b) Going Concern

These unaudited condensed interim 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. Refer to *Note 11 Risk Management – Liquidity Risk* and *Note 14 Subsequent Events* for details.

(Expressed in United States Dollars)

(c) Basis of measurement

These financial statements have been prepared on a historical cost basis except for the Company's financial instruments, stock options, investments in carbon credit projects, and investments at fair value, which are measured at fair value.

(d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiary companies after eliminating intercompany balances and transactions. Subsidiaries are entities over which the Company has the power to govern financial and operating policies, generally accompanying a shareholding of greater than 50% of the voting rights.

At March 31, 2024, the Company's subsidiaries and consolidation basis are as follows:

			Ownership as at	
Entity name	Functional currency	Place of incorporation	March 31, 2024	December 31, 2023
Base Carbon Capital Partners Corp. (BCCPC)	USD	Barbados	100%	100%
Base Carbon Corp.	USD	Canada	100%	100%
Base Carbon (US) Corp.	USD	United States	100%	100%

For historic details of the Company’s investments in subsidiaries, refer to the Company’s annual consolidated financial statements for the year ended December 31, 2023.

3. Material accounting policies

(a) Use of judgements and estimates

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

These financial statements include estimates that, by their nature, are uncertain. The impact of these estimates is pervasive throughout the 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.

During the three months ended March 31, 2024, the Company assessed and updated its assumptions and estimates for the Rwanda Cookstoves Project, and the Vietnam Household Devices Project. The updated fair value of these projects had a material impact on the Company’s statement of operations and comprehensive loss for the three months ended March 31, 2024. Refer to *Note 4 Investments in carbon credit projects* for details.

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

- 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.

(Expressed in United States Dollars)

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

- 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. Refer to the Company's annual audited financial statements for the year ended December 31, 2023 for details on the assumptions, estimates, and valuation techniques used.

(b) Functional and foreign currency translation

The presentation currency of these financial statements is United States dollars. The functional currency of the Company is also the United States dollar. The functional currency for the Company is determined by the currency of the primary economic environment in which it operates.

4. Investments in carbon credit projects

Investments in Carbon Credit Project Balances

The following table summarizes the current and non-current balances of investments in carbon credit projects as at March 31, 2024 and December 31, 2023:

Current Investments in Carbon Credit Projects	**31-Mar-24**	**31-Dec-23**
Rwanda Cookstoves Project	15,607,572	-
Vietnam Household Devices Project	21,095,135	34,813,455
Total Current Investments in Carbon Credit Projects	**36,702,707**	**34,813,455**

Non-Current Investments in Carbon Credit Projects	**31-Mar-24**	**31-Dec-23**
Rwanda Cookstoves Project	12,980,533	8,825,000
Vietnam Household Devices Project	64,255,760	89,047,786
India ARR Project	4,400,000	4,400,000
Total Non-current Investments in Carbon Credit Projects	**81,636,293**	**102,272,786**

For the Rwanda Cookstoves Project, the current investments balance represents the discounted after-tax cashflows from the sale of carbon credits expected to be received from the project within the next twelve months of the balance sheet date. The non-current investments balance represents the discounted after-tax cashflows from the sale of the carbon credits expected to be received from the project beyond the next twelve months of the balance sheet date.

For the Vietnam Household Devices Project, the current investments balance represents the discounted after-tax cashflows of the projects expected to be received within the next twelve months of the balance sheet date. The non-current balance of the represents the discounted after-tax cashflows of the projects expected to be received beyond the next twelve months of the balance sheet date.

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 ("DelAgua") for the funding and supply of cookstoves in Rwanda. Subject to the amending agreement discussed below, pursuant to the terms of the initial project agreement, BCCPC invested $8,825,000 to fund the manufacturing, distribution and monitoring of approximately 250,000 cookstoves across rural Rwanda in exchange for a revenue sharing arrangement with respect to the first 7.5 million carbon credits generated by the project.

In February 2023, DelAgua completed distribution of all 250,000 cookstoves to participating households and the Company fulfilled its capital commitment of $8,825,000.

In December 2023, the Government of Rwanda issued a letter of authorization ("LOA") to allow for the application of the concept of corresponding adjustment pursuant to the Paris international climate agreement with respect to the Rwanda cookstoves project. This resulted in Verra announcing it had applied its article 6 authorized ("Article 6 Authorized") label to the project, being the first time Verra had applied such designation to a carbon project registered with its Verified Carbon Standard Program. According to the LOA, a copy of which may be found on Verra's website under project ID 4150, 2% of any issued Article 6 Authorized labeled carbon credits are to be immediately retired to help offset global emissions, 10% of such carbon credits are to be transferred to the Government of Rwanda to help achieve its nationally determined emission reduction targets, and 5% of revenues generated from the initial sale of the remaining Article 6 Authorized labeled issued carbon credits will be remitted to the United Nations' global adaptation fund ("GAF").

Subsequent to quarter end in April 2024, BCCPC and DelAgua executed an amended and restated project agreement to facilitate the implementation of the LOA. Following execution of this agreement, in April 2024, the Company received its first carbon credits generated from the project when DelAgua transferred 717,558 correspondingly adjusted carbon credits to BCCPC, each designated by Verra with an Article 6 Authorized label.

Under the terms of the revised project agreement, BCCPC and DelAgua have agreed to split the 5% GAF remittance attributable to sales revenue from Article 6 Authorized labeled carbon credits based upon each party's pro rata share outlined in the revenue sharing arrangement between the parties. Article 6 Authorized labeled carbon credits received by the parties pursuant to the Rwanda cookstoves project agreement will be net of the 12% volume reduction outlined in the LOA. Therefore, assuming all carbon credits from the Rwanda cookstoves project are issued with an Article 6 Authorized label, a revised aggregate minimum of approximately 6.6 million carbon credits would now be subject to the revenue sharing arrangement between BCCPC and DelAgua.

Unrealized gain on investment in Rwanda Cookstoves Project

In accordance with IFRS 13, the Company determined that the valuation technique for the Rwanda Cookstoves 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 Rwanda Cookstoves Project now that the project has issued carbon credits.

The carbon credit price, carbon credit volumes and discount rates inputs are unobservable inputs that have the most significant impact on the valuation of the investment.

i) Carbon Credit *Price*

A price curve ranging from $5.27 to $17.12 was used for the project. The prices used were from an independent carbon reduction credit pricing source. The prices used were from an independent carbon credit pricing source.

ii) Carbon Credit Volumes:

Following the LOA, a minimum of 6.6 million credits are expected to be generated from the project.

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

iii) Discount Rate:

A discount rate of 15% is used for the project.

The discount rate account for conditions and risk factors of the project, including;

- Methodology risk relating to carbon reduction and removal projects
- Uncertainty of carbon credit volumes
- Uncertainty of carbon credit price and market conditions
- Foreign operations and political risk

Refer to the *DCF model sensitivity analysis for Rwanda and Vietnam projects* for details on each inputs' impact on the financial statements.

As a result of the change in valuation technique, the valuation of the project for the period ended March 31, 2024 increased to $28,588,104, resulting in a $19,763,104 unrealized gain over the previous cost value of $8,825,000.

The Company will continue to update its evaluation of the Rwanda Cookstoves 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 three months ended March 31, 2024, there were no transfers of assets between Level 1, Level 2 and Level 3 for the Rwanda Cookstove Project.

Vietnam Household Devices Project

On May 27, 2022, the Company, through BCCPC, entered into transaction documents to facilitate the development of a cookstove and water purifier carbon reduction project in the country of Vietnam with Sustainability Investment Promotion and Development Joint Stock Company ("SIPCO"), as in-country project developer. Citigroup Global Markets Limited is the carbon credit offtaker to SIPCO for the Vietnam Household Devices Project. The Vietnam Household Devices Project involves the distribution of approximately 850,000 cookstoves and 364,000 water purifiers to participating households in Vietnam. BCCPC has the option to expand the project to an aggregate of 1,200,000 cookstoves and 600,000 water purifiers total for an additional prepayment.

Refer to the Company's annual audited financial statements for the year ended December 31, 2023 for historical details on the first issuance and disposition of carbon credits in 2023.

Due to a change in the project's methodology as registered with Verra, the project is now expected to generate approximately 33 million carbon credits over the life-of-project, inclusive of the initial 7.4 million carbon credits contracted under a fixed price offtake arrangement. After the initial 7.4 million carbon credits contracted under a fixed price offtake arrangement have been delivered ("Phase 1"), BCCPC has the option to purchase credits generated by the project on a yearly basis for US$5 per carbon credit ("Phase 2").

There was no impact to the quantity or commercial terms of the initial 7.4 million carbon credits contracted for sale pursuant to the project's fixed price offtake arrangement.

(Expressed in United States Dollars)

The table below summarizes the changes in the Vietnam project during the three months ended March 31, 2024, and the year ended December 31, 2023:

Vietnam Household Devices Project	March 31, 2024	December 31, 2023
Balance, beginning of the period	**$123,861,241**	**$ 16,021,230**
Capital deployed in the project during the period	134,000	3,155,788
Unrealized gain (loss) on investment in carbon credit projects	(38,644,345)	104,684,223
Realized gain on investment in carbon credit projects	-	6,418,271
Settlements of investment in carbon credit projects	-	(6,418,271)
Balance, end of the period	**$ 85,350,896**	**$ 123,861,241**

The Company deployed $134,000 in capital towards the project during the three months ended March 31, 2024, after relevant project milestones were fulfilled by SIPCO.

Unrealized gain on investment in Vietnam Household Devices Project

During the three months ended March 31, 2024, the Company evaluated the investment in the Vietnam Household Devices Project after the change to project methodology.

The following carbon credit price, carbon credit volumes and discount rates inputs are unobservable inputs that 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 VCUs for Phase 1 of the project, a price curve ranging from $8.51 to $9.80 was used as pricing inputs for up to 25,389,815 volumes during Phase 2 of the project. The price curve used was from an independent carbon credit pricing source.

ii) *Carbon Credit Volumes:*

During Phase 1 of the project, from 2023 to 2025, the project is expected to generate an estimated 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, current project methodology, 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 25,389,815 carbon credits.

Failing to meet these projected carbon credit 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, from 2023 to 2025, the discount rate used is 8%.

During Phase 2 of the project, from 2025 to 2032, the discount rate used is 15%.

(Expressed in United States Dollars)

The discount rates account for conditions and risk factors of the project, including;

- Methodology risk relating to carbon reduction and removal projects
- Uncertainty of carbon credit volumes
- Uncertainty of carbon credit price and market conditions
- Foreign operations and political risk

Refer to the *DCF model sensitivity analysis for Rwanda and Vietnam projects* for details on each inputs' impact on the financial statements.

As a result of the change in inputs to the discounted cashflow model, the valuation of the project for the period ended March 31, 2024 decreased to $85,350,896, resulting in a $38,644,345 unrealized loss over the previous value of $123,861,241 as at December 31, 2023. This unrealized loss is primarily due to a reduction in the carbon credits anticipated to be generated over the life of the Vietnam project as a result of the methodological update.

The Company will continue to update its evaluation of the Vietnam 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 three months ended March 31, 2024, there were no transfers of assets between Level 1, Level 2 and Level 3 for the Vietnam Household Devices Project.

DCF model sensitivity analysis for Rwanda and Vietnam projects

The Company considers carbon credit price, carbon credit volumes, and the discount rates used in the DCF model as the main inputs impacting the valuation of the investments in the Rwanda and Vietnam projects. 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 three months ended March 31, 2024:

Key Input and Change in Assumptions	**Impact on Net Income for the Three Months Ended March 31, 2024**	
	Rwanda Cookstoves Project	**Vietnam Household Devices Project**
Carbon credit price input increased by 1%	$262,357 increase in net income and total assets	$1,235,709 increase in net income and total assets
Carbon credit price input decreased by 1%	$262,357 decrease in net income and total assets	$1,235,709 decrease in net income and total assets
Carbon credit volume input increased by 1%	$32,984 increase in net income and total assets	$712,800 increase in net income and total assets
Carbon credit volume input decreased by 1%	$34,259 decrease in net income and total assets	$712,641 decrease in net income and total assets
Discount rates input increased by 1%	$58,684 decrease in net income and total assets	$362,866 decrease in net income and total assets
Discount rates input decreased by 1%	$58,974 increase in net income and total assets	$365,863 increase in net income and total assets

During the three months ended March 31, 2023, the investments in carbon credit projects were valued under the cost approach, and there were no inputs that had impact on the net income during that period.

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 the Company’s Project development partner.

The project will facilitate the planting of approximately 6,500,000 trees on rural farmlands and deserted lands in northern India. As of the balance sheet date, approximately 79% of the trees were planted for the overall project.

The project is expected to generate an estimated 1,600,000 nature-based removal carbon credits issued over an expected 20-year Project life.

Per the agreement terms, the Company will invest an initial project capital expenditure of $7,300,000, which is anticipated to be drawn through 2024 to capitalize the reforestation and associated agroforestry infrastructure. The Company will subsequently invest an additional $6,300,000, representing primarily maintenance capital, which will be deployed over a subsequent 10-year period.

During the three months ended March 31, 2024, there was no capital deployed towards the India ARR project. 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 March 31, 2024.

5. Investments at fair value

ACX Holdings

As at March 31, 2024, the Company evaluated its fair value investment in ACX Holdings. Based on operating financial results, commercial transactions, and share capitalization, the Company determined that no changes to its fair value was necessary during the period ended March 31, 2024. The balance of the investment in ACX Holdings as at March 31, 2024, was $1,441,163.

Hardwick Climate Business Limited

Refer to the Company’s annual audited financial statements for the year ended December 31, 2023 for historical details on Hardwick Climate Business Limited. In May 2023, the Company completed the restructuring agreement 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 of the restructuring, the Company discontinued the equity method of accounting for its investment in associate, HCBL. The fair value measured and recognized as the Company’s investment in HCBL post restructuring was $600,000. In the period ended March 31, 2024, the Company assessed that based on declining operating financial results of HCBL, particularly with its profitability and cashflow, a loss on investments at fair value of $250,000 was warranted. As a result, a a loss on investments at fair value of $250,000 was recognized during the period. There were no other notable commercial transactions, and no changes to HCBL’s share capital during the period. The resulting balance of the investment in HCBL as at March 31, 2024 was $350,000.

6. Income tax recovery and income tax liabilities

As a result of the net $18,881,241 decrease in the value of the investments in carbon credit projects during the three months ended March 31, 2024, a reduction in deferred tax liability of $1,038,468 was recognized during the period. This also represents the income tax recovery for the period ended March 31, 2024.

(Expressed in United States Dollars)

7. Share capital

Common shares issued are as follows:

	Number of common shares	Amount
Balance, December 31, 2022	123,339,602	$ 53,337,621
Shares repurchased and cancelled under NCIB (d)	(604,000)	(211,089)
Balance, March 31, 2023	**122,735,602**	**$ 53,126,532**

	Number of common shares	Amount
Balance, December 31, 2023	117,918,182	$ 51,448,159
Shares repurchased and cancelled under NCIB (d)	(95,000)	(36,648)
Balance, March 31, 2024	**117,823,182**	**$ 51,411,511**

Common Shares

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

No shares were issued during the three months ended March 31, 2024 and 2023.

(c) Exercised

No options were exercised for shares during the three months ended March 31, 2024 and 2023.

(d) Repurchased and cancelled under NCIB

Pursuant to a normal course issuer bid (“NCIB”), Base Carbon was authorized by Cboe Canda to purchase, from time to time, over a period of 12 months beginning June 17, 2022, and ending June 16, 2023, up to 8,716,601 common shares. Pursuant to this initial NCIB, the Company purchased an aggregate of 7,370,778 common shares for cancellation, of which, 604,000 were purchased and cancelled during the three months ended March 31, 2023.

On June 21, 2023, the Company renewed its NCIB pursuant to which it is authorized be Cboe Canada to purchase, from time to time, over a period of 12 months starting June 21, 2023, and ending June 20, 2024, up to 7,974,471 common shares. Pursuant to this renewed NCIB, the Company has purchased an aggregate of 2,032,220 common shares for cancellation, of which 95,000, were purchased and cancelled during the three months ended March 31, 2024.

(Expressed in United States Dollars)

8. Contributed surplus

Contributed surplus consists of stock option expense. As at March 31, 2024 and 2023, the Company had the following outstanding stock options:

	Number of stock options	Weighted average exercise price
Balance, March 31, 2023	**7,340,000**	**$0.61**
Balance, December 31, 2023	7,171,666	$0.60
Balance, March 31, 2024	**7,171,666**	**$0.60**

During the three months ended March 31, 2024 and 2023, no options were granted, forfeited or cancelled.

The weighted average exercise price per option outstanding as at March 31, 2024 was $0.60. The weighted average exercise price per option outstanding as at March 31, 2023 was $0.61.

The fair value of share-based awards is determined using the Black-Scholes Option Pricing Model. The model utilizes certain subjective assumptions including the expected life of the option and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's stock options. The Company used the Black-Scholes Option Pricing Model for its stock options granted.

During the three months ended March 31, 2024, the share-based compensation expense was $61,147 ($195,194 during the three months ended March 31, 2023).

9. Loss per share

For the three months ended March 31, 2024 and 2023, basic and diluted loss per share has been calculated based on the net loss attributable to common shareholders and the weighted average number of common shares outstanding.

	Three months ended March 31, 2024	Three months ended March 31, 2023
Basic and diluted loss per common share		
Net loss attributable to common shareholders	$(19,837,674)	$ (1,091,508)
Weighted average number of common shares outstanding	117,839,951	123,024,808
Basic and diluted loss per common share	$ (0.17)	$ (0.01)

10. 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.

(Expressed in United States Dollars)

The Company considers its capital to be shareholders' equity, comprising of share capital, contributed surplus, and retained earnings, which totaled $114,875,684 as at March 31, 2024.

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 the three months ended March 31, 2024, and the Company is not subject to any externally imposed capital requirements.

11. Risk Management

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 other than those that are short term in nature and classified as amortized cost within the fair value hierarchy as at March 31, 2024, according to the significance and reliability of the inputs used in determining fair value measurements. During the period, 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	$667,391	$ -	$ -	$667,391
Short term investment	45,356	-	-	45,356
Related party receivable	-	6,665	-	6,665
Other receivables	66,163	-	-	66,163
Investments at fair value	-	-	1,791,163	1,791,163
Current investments in carbon credit projects	-	-	36,702,707	36,702,707
Non-current investments in carbon credit projects	-	-	81,636,293	81,636,293
Total	**$778,910**	**$6,665**	**$ 120,130,163**	**$120,915,738**

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 revenue authorities, from which management believes the risk of loss to be remote. The Company's maximum exposure to credit risk as at March 31, 2024 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 March 31, 2024, the Company had current assets of $37,507,861 to settle current liabilities of $1,142,640. $36,702,707 in current investments in carbon credit projects, and $45,356 in short term investments are not liquid assets, hence $759,798 represents liquid current assets. The ability of the Company to receive cash from current investments in carbon credit projects is dependent on the timing of estimated carbon credit issuances and contracted sales. Refer to Note 14 Subsequent Events for receipt of cash arising from the Vietnam Household Devices Project subsequent to March 31, 2024. All of the Company's current financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms.

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, voluntary carbon credit prices and foreign exchange.

Foreign Currency Risk

As at March 31, 2024, the Company is exposed to foreign currency risk with respect to Canadian and Barbadian dollar assets with a total balance of $166,477. The Company is also exposed to Canadian and Barbadian dollar, and Euro denominated liabilities with a total balance of $5,910,045.

As at December 31, 2023, the Company is exposed to foreign currency risk with respect to Canadian and Barbadian dollar assets with a total balance of $880,433. The Company is also exposed to Canadian and Barbadian dollar, and Swiss Francs denominated liabilities with a total balance of $6,383,113.

Sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, short-term investments, other receivables, accounts payable and accrued liabilities, and current and deferred income tax liabilities.

As at March 31, 2024, the net income would have decreased by $287,178, had the United States dollar strengthened by 5%. Had the US dollar weakened by 5% at March 31, 2024, the net income would have increased by $287,178.

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

12. Related party transactions

Invoice and Loan Repayment from Abaxx

During the three months ended March 31, 2024, the Company was invoiced approximately $50,031 from Abaxx (the Company's related party), for marketing, promotional and consulting services provided to the Company.

In January 2024, the Company received a repayment of approximately $378,000 from Abaxx as repayment of the existing total outstanding loan balance, which was the net of the outstanding loan balance less the aforementioned invoices issued by Abaxx.

13. Commitments

Vietnam Household Devices Project Payments

Base Carbon has contracted to make payments totalling $20,409,940 in tranches, subject to conditions set out in the Vietnam project agreement. As at March 31, 2024, the remaining contractual commitments are $1,098,922. These payments are anticipated to be due by the end of 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 March 31, 2024, the remaining contractual commitments are $9,221,033. These payments are anticipated to be due by October 2032, based on contractual milestones.

The Company had no other material commitments or contractual obligations as at March 31, 2024.

14. Subsequent events

Rwanda Cookstoves Project

In April 2024, the Company, through BCCPC, received 717,558 carbon credits from the Rwanda cookstoves project. This marks the first issuance of carbon credits received by BCCPC from the Rwanda cookstoves project.

Vietnam Household Devices Project

In April 2024, the Company, though BCCPC, received $10,663,352 and $1,845,100 in payments from the project offtaker in relation to carbon credit issuances from the project. The Company, through BCCPC, paid $435,076 to Verra in carbon credit issuance fees in relation to these credits.

Stock Option Grants

In April 2024, an aggregate of 4,325,000 stock options were issued to staff, directors and consultants.

Repurchase and Cancellation of Shares

From March 31, 2024, to May 8, 2024, 685,524 common shares were repurchased by the Company under the NCIB program for approximately US$230,000.