



Klimat X Developments Inc.
(Formerly Earl Resources Limited)

Condensed Consolidated Interim Financial Statements
For the three month period ended March 31, 2023 and 2022

**Klimat X Developments Inc. (formerly Earl Resources Limited) CONDENSED INTERIM
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)**

| <i>(Canadian \$)</i> | Note | March 31 2023 | December 31 2022 |
|---|------|-------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,345,506 | 2,318,750 |
| Accounts receivable | | 127,817 | 75,303 |
| Prepaid expenses and deposits | | 339,388 | 264,020 |
| Biological assets | | 2,340 | 5,071 |
| Inventories | | 2,519 | 4,132 |
| Total current assets | | 1,817,570 | 2,667,276 |
| Non-current assets | | | |
| Right-of-use assets | 5 | 4,628,023 | 4,728,297 |
| Property, plant and equipment | | 381,855 | 381,000 |
| Carbon credit streaming agreements | 6 | 4,372,659 | 4,129,956 |
| Total non-current assets | | 9,382,537 | 9,239,253 |
| Total assets | | 11,200,107 | 11,906,529 |
| LIABILITIES AND EQUITY (DEFICIT) | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 913,873 | 787,259 |
| Current portion of lease liabilities | 9 | 127,016 | 131,189 |
| Total current liabilities | | 1,040,889 | 918,448 |
| Non-current liabilities | | | |
| Convertible debenture | 8 | 322,606 | 296,969 |
| Lease liabilities | 9 | 1,456,265 | 1,427,548 |
| Total non-current liabilities | | 1,778,871 | 1,724,517 |
| Total liabilities | | 2,819,760 | 2,642,965 |
| Shareholders' equity (deficit) | | | |
| Share capital | 10 | 15,793,367 | 15,793,367 |
| Other reserves | | 1,789,860 | 1,789,860 |
| Accumulated deficit | | (9,849,022) | (9,029,834) |
| Total shareholder's equity (deficit) attributable to Klimat X Developments Inc. shareholders | | 7,734,205 | 8,553,393 |
| Non-controlling interest | | 646,142 | 710,170 |
| Total equity (deficit) | | 8,380,347 | 9,263,564 |
| Total liabilities and equity (deficit) | | 11,200,107 | 11,906,259 |

Approved by the Board of Directors on May 29, 2023:

"James Tansey" Director
James Tansey

"Neil Passmore" Director
Neil Passmore

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

Klimat X Developments Inc. (formerly Earl Resources Limited)
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS (Unaudited)
For the three months ended

| <i>(Canadian \$)</i> | Note | March 31 2023 | March 31 2022 |
|--|------|------------------|------------------|
| Revenue | | 45,653 | - |
| Cost of sales | | (115,926) | - |
| | | (70,273) | - |
| Consulting fees (note 13) | | (452,569) | (138,278) |
| Professional fees | | (18,384) | (150,454) |
| Depreciation expense | | (41,604) | - |
| Investor relations | | (115,262) | (3,425) |
| Listing and filing fees | | (12,889) | (5,582) |
| Office and administration | | (75,836) | (10,936) |
| Travel and corporate development | | (9,055) | (16,847) |
| | | (725,599) | (325,522) |
| Other expenses | | | |
| Finance cost | | (50,125) | - |
| Foreign exchange | | (40,898) | - |
| Net loss | | (886,895) | (325,522) |
| Other comprehensive loss | | | |
| Cumulative translation adjustment | | 3,678 | - |
| Net loss and comprehensive loss | | (883,217) | (325,522) |
| Net loss attributable to: | | | |
| Owners | | (819,188) | (325,522) |
| Non controlling interest ("NCI") | | (67,707) | - |
| | | (886,895) | (325,522) |
| Other comprehensive loss attributable to: | | | |
| Owners | | - | - |
| NCI | | 3,678 | - |
| | | 3,678 | - |
| Weighted average shares outstanding | | 86,222,661 | 38,490,400 |
| Loss per share (basic and diluted) | | (0.01) | (0.00) |

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

Klimat X Developments Inc. (formerly Earl Resources Limited)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(DEFICIT) (Unaudited)

| <i>(Canadian \$, except Common Shares)</i> | Note | Number of Common Shares | Share capital | Share-based payments reserve | Accumulated deficit | Total | Non- controlling interest | Total equity |
|--|------|-------------------------------|-------------------|------------------------------------|------------------------|------------------|---------------------------------|------------------|
| At December 31, 2021 | | 38,490,400 | 2,526,787 | 1,583,500 | (4,280,010) | (169,723) | - | (169,723) |
| Private placement financing | | 1,000,000 | 450,000 | - | - | 450,000 | - | 450,000 |
| Net loss for the period | | - | - | - | (325,522) | (325,522) | - | (325,522) |
| At March 31, 2022 | | 39,490,400 | 2,976,787 | 1,583,500 | (4,605,532) | (45,245) | - | (45,245) |
| At December 31, 2022 | | 86,222,661 | 15,793,367 | 1,789,860 | (9,029,834) | 8,553,393 | 710,171 | 9,263,564 |
| Cumulative translation reserves | | - | - | - | - | - | 3,678 | 3,678 |
| Net loss for the period | | - | - | - | (819,188) | (819,188) | (67,707) | (886,895) |
| At March 31, 2023 | | 86,222,661 | 15,793,367 | 1,789,860 | (9,849,022) | 7,734,205 | 646,142 | 8,380,347 |

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

Klimat X Developments Inc. (formerly Earl Resources Limited)
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the period ended

| <i>(Canadian \$)</i> | Note | March 31, 2023 | March 31, 2022 |
|--|------|-------------------|-------------------|
| CASH FLOWS USED IN OPERATING ACTIVITIES | | | |
| Net loss | | (886,895) | (325,522) |
| Adjusted for: | | | |
| Accretion expense | | 76,493 | - |
| Depreciation | | 41,604 | - |
| Foreign exchange | | 40,898 | - |
| Changes in non-cash working capital | | | |
| Prepaid expenses | | (75,368) | (56,922) |
| Accounts payables | | 120,897 | 118,773 |
| Accounts receivables | | (52,514) | - |
| Inventory | | 4,344 | - |
| Net cash flow used in operating activities | | (730,541) | (263,671) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| Sierra Leone Advances | | (242,703) | - |
| Net cash flows used in investing activities | | (242,703) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from private placement | 10 | - | 450,000 |
| Net cash flow from financing activities | | - | 450,000 |
| Increase (decrease) in cash and cash equivalents | | (973,244) | 186,329 |
| Cash and cash equivalents, beginning of year | | 2,318,750 | 164,825 |
| Cash and cash equivalents, end of year | | 1,345,506 | 351,154 |

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

1. REPORTING ENTITY

Klimat X Developments Inc. (formerly Earl Resources Limited) and its subsidiaries ("Klimat X" or the "Company") is a carbon exploration and development company with global reach into jurisdictions with production potential from forestry and marine carbon sequestration projects.

Klimat X was incorporated under the British Columbia *Companies Act* as a Specialty Limited Company on November 21, 1963. In July 1998, the Company continued to the Cayman Islands. In February 2018, the Company continued back to British Columbia. Prior to the COB (as defined below), the Company's principal business activities historically included acquiring options to explore and develop mineral properties internationally. From a period beginning in 2003 and ending on closing date of the COB (as defined below), the Company was inactive with limited operations, and its common shares ("Common Shares") were listed on the NEX board of the TSXV ("NEX") under the symbol "ERL.H".

The head office and principal address of the Company is located at Suite 390, 1050 Homer Street, Vancouver, British Columbia, V6B 2W9, Canada.

On June 29, 2022, the Company completed its "Change of Business" transaction (the "COB"), as such term as defined in Policy 5.2 ("Policy 5.2") of the TSX Venture Exchange (the "TSXV"), which included the following:

- the closing of the Guyana Transaction (Note 4a);
- the closing of the Sierra Leone Transaction (Note 4b);
- the closing of the Yucatan Transaction (Note 4c);
- the closing of the Bridge Financing (Note 11c);
- the completion of the Concurrent Financing (Note 11c); and
- the completion of the Shares for Services Agreement (Note 11c).

In connection with completion of the COB, the Company also changed its name from "Earl Resources Limited" to "Klimat X Developments Inc." and reconstituted the Board of Directors and management team.

On July 19, 2022, the Company received approval from the TSXV for its listing to be "reactivated" under the Policies of the TSXV and transferred from the NEX Board of the TSXV ("NEX") to the TSXV, and its Common Shares resumed trading on July 20, 2022, under the symbol "KLX" (the "Reactivation").

Following the acquisition of Pomeroon Trading (Holdings) Limited on June 29, 2022 (Note 4), the Company has the following subsidiaries, incorporated and/or formed, and consolidated in these financial statements as of March 31, 2023:

| Name of subsidiary | Jurisdiction of incorporation/formation |
|---|--|
| Pomeroon Trading (Holdings) Limited ("PTHL") ⁽¹⁾ | Cayman Islands |
| Pomeroon Trading Inc. ("PTI") ⁽²⁾ | Co-operative Republic of Guyana |
| Pomeroon Suriname N.V. ⁽³⁾ | Suriname |

(1) Incorporated on January 19, 2018. On June 29, 2022, Klimat X acquired a 74% interest.

(2) Incorporated on October 6, 2017, and a wholly owned subsidiary of Pomeroon Trading (Holdings) Limited.

(3) Incorporated on September 13, 2022, and a wholly owned subsidiary of Pomeroon Trading (Holdings) Limited.

2. BASIS OF PREPARATION AND GOING CONCERN

a) Basis of presentation and going concern

These unaudited condensed interim consolidated financial statements (the “Financial Statements”) have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee. These Financial Statements have been prepared following the same accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2022. These Financial Statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2022.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has not yet generated income or cashflow from operations. As at March 31, 2023, the Company had cash and cash equivalents of \$1,345,506 (2022 - \$2,318,750), and working capital of \$776,681 (December 31, 2022 - \$1,748,828) and an accumulated deficit of \$9,849,022 (December 31, 2022 - \$9,029,834). For the period ended March 31, 2023, the Company incurred a net loss of \$886,895 (March 31, 2022 - \$325,522) and negative cashflows from operations of \$727,900 (2022 – 263,671). The Company will require additional financing, through various means including but not limited to equity financing, to continue with its carbon streaming programs and to meet its future obligations and administrative expenses. There is no assurance that the Company will be successful in raising the additional required funds.

The above noted conditions indicate the existence of material uncertainties that cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

b) Basis of measurement, functional and presentation currency

These Financial Statements have been prepared on a going concern basis, under the historical cost convention, except certain financial instruments which are recorded at fair value, and using the accrual basis of accounting, except for cash flow information.

These Financial Statements are presented in Canadian dollars, Klimat X’s functional currency, unless otherwise indicated.

| Name of subsidiary | Functional currency |
|-------------------------------------|----------------------------|
| Pomeroon Trading (Holdings) Limited | US Dollars |
| Pomeroon Trading Inc. | Guyanese dollar |
| Pomeroon Suriname N.V | Surinamese dollar |

Use of estimates, judgements and assumptions

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments are based on management's best understanding of current events and actions that Klimat X may undertake in the future. Actual results may differ from these estimates and judgments. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and for any future years affected.

Significant estimates, judgements or assumptions used in these Financial Statements are outlined below:

Fair value of assets acquired and liabilities assumed in asset acquisition

The fair value of assets acquired and liabilities assumed through asset acquisition, including measuring the fair value of the consideration, is estimated based on information available at the date of the acquisition. Estimates are used to determine the fair value of the acquired assets and assumed liabilities and include quoted market prices and widely accepted valuation techniques.

Fair value of equity-settled share-based payments

The Company uses a Black-Scholes option pricing model to determine the fair value of equity-settled share-based payments. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

Accounting for and valuation of carbon credit streaming agreements

The Company from time to time will acquire carbon credit agreements. Each carbon credit agreement has its own unique terms and significant judgment is required to assess the appropriate accounting treatment. Significant estimates and assumptions in the fair value assessment are included in note 7.

Fair value of common shares

The Company completed three transactions on June 29, 2022 (Note 4). The measurement of the Company's shares was required to determine the amounts recorded in the transactions. As the Company was not trading on that date there is judgment in determining the fair value of the share price on that date. The Company has determined that the fair value of the net assets best represents the fair value of the Company's value at that date.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax basis. Estimates of Klimat X's future taxable income are considered in assessing the utilization of available tax losses. The calculation of income taxes involves many complex factors including the interpretation of relevant tax legislation and an analysis of the amount of future taxable income.

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from Klimat X's estimate, the ability of Klimat X to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. Klimat X records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred tax liabilities

could be impacted by changes in the Company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which Klimat X operates.

Functional currency

The designation of the functional currency of the Company and each of its subsidiaries is a judgment using the currency of the primary economic environment in which that the entity operates in.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by Klimat X for all periods presented in these Financial Statements.

a) Adoption of new/amended accounting standards

In May 2020, the IASB issued an amendment to International Accounting Standard 41, *Agriculture*, ("IAS 41") as part of its *Annual Improvements to IFRS Standards 2018– 2020*. The amendment removes the requirement for an entity to exclude taxation cash flows when calculating the fair value of its biological assets. An entity is permitted to use post-tax cash flows and a post-tax rate to discount those cash flows. The amendment was effective for annual periods beginning on or after January 1, 2022.

Klimat X adopted the amendments to IAS 41 with the acquisition of PTHL as at December 31, 2022. The adoption of this standard did not have a significant impact on the Company.

b) Recent accounting pronouncements and/or future accounting standards

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on these Financial Statements.

4. CHANGE OF BUSINESS - ACQUISITIONS

On June 29, 2022, in connection with the Reactivation of its TSXV listing, Klimat X completed its previously announced COB (Note 1), which included the following acquisitions:

a) Guyana Transaction

On June 29, 2022, Klimat X acquired approximately 74% of the issued and outstanding common shares of Pomeroon Trading (Holdings) Limited (the "Guyana Transaction"), a company incorporated under the laws of the Cayman Islands having its principal leased asset in Guyana, and its wholly-owned subsidiary, Pomeroon Trading Inc. (together "PTHL"), in exchange for 9,915,625 Common Shares issued for total fair value of \$1,399,298 and cash consideration of \$981,300, pursuant to an agreement entered into with PTHL and certain shareholders on February 25, 2022 ("Guyana COB Agreement"). PTHL's primary asset is a long-term land lease.

The Guyana Transaction has been accounted for as an asset acquisition whereby the net assets acquired and the liabilities assumed on the acquisition date at fair value per below. Non-controlling interest was measured based on the portion of the fair value of net assets purchased.

| | <i>US \$</i> | <i>PTHL Canadian \$</i> |
|---|------------------|-----------------------------|
| Fair value of net assets acquired | | |
| Cash and cash equivalents | 48,903 | 63,016 |
| Other receivables – cash considerations | 748,000 | 981,300 |
| Accounts receivable | 103,099 | 132,853 |
| Prepaid expenses | 64,629 | 83,281 |
| Biological assets | 4,572 | 5,891 |
| Inventories | 562 | 724 |
| Right-of-use assets | 3,646,930 | 4,699,437 |
| Property, plant and equipment | 277,457 | 357,531 |
| Accounts payable and accrued liabilities | (626,342) | (806,641) |
| Debt | (170,999) | (220,351) |
| Convertible debenture | (186,606) | (240,461) |
| Lease liabilities | (1,150,632) | (1,483,164) |
| Total fair value of net assets acquired | 2,759,574 | 3,573,416 |
| Consideration and Non-controlling interest | | |
| Common Shares issued to PTHL shareholders | 1,085,905 | 1,399,298 |
| Cash consideration | 748,000 | 981,300 |
| Transaction cost | 202,722 | 261,228 |
| Total consideration | 2,036,627 | 2,641,826 |
| Non-controlling interest | 722,947 | 931,590 |
| Total consideration and non-controlling interest | 2,759,574 | 3,573,416 |

The Guyana COB Agreement also provides that the Company shall execute a right of first offer agreement, valid for a period of 12 months following closing of the transactions pursuant to the Guyana COB Agreement, pursuant to which the Company will agree with PTHL that, subject to one or more qualifying carbon credit project(s) being initiated by PTHL (to the satisfaction of the Company), the Company will make an offer to all remaining shareholders of PTHL to acquire all of their PTHL common shares at a price to be agreed, but which price shall be subject to a minimum of US\$8.00 per share and subject to approval of the TSX Venture Exchange, accepting that the consideration to be paid pursuant to any such acquisition shall be settled through the issuance of additional Common Shares (at a price calculated as the 30 day volume-weighted average price of Common Shares) unless otherwise mutually agreed between the Company and a remaining PTHL shareholder. No value was recorded for the right of first offer as it is not probable.

b) Sierra Leone Transaction

On June 29, 2022, Klimat X acquired an assignment of a minimum of 51% of the carbon credits to be generated by the operations of Rewilding Maforki Ltd. (“RML”) in Sierra Leone, pursuant to agreements entered into by the Company on February 25, 2022, in consideration for 7,500,000 Common Shares issued at a fair value of \$0.14 per share (“RML Consideration Shares”) for consideration in the amount of \$1,050,000 (the “Sierra Leone COB Agreement”) and the prepayment agreement between Klimat X, RML and Aristeus Projects Limited, as amended on June 24, 2022, to effect the transaction (“Sierra Leone Transaction”) and provide for the Advance (“Sierra Leone Prepayment Agreement”) to Aristeus Projects Limited.

RML, an entity incorporated under the laws of Sierra Leone on November 15, 2021 (owned by the Company’s Director of Operations), has engaged chiefdoms in Sierra Leone located at Malal, Rokon, Gbonkohyeni and Maforay communities (together referred to as the “Maforki Project”) and has entered

into related multi-stakeholder agreements with such chiefdoms for approximately 25,000 hectares of land. RML has also entered into agreements between RML and the applicable landowners in Malal, Rokon, Gbonkohyeni and Maforay communities in Sierra Leone located at the Maforki Project ("Individual Landowner Agreements") for approximately 8,000 hectares of land in Sierra Leone located at the Maforki Project.

Pursuant to the Sierra Leone Prepayment Agreement and for further consideration of the assignment of the future carbon credits, Klimat X has also agreed to advance in one or more advances for aggregate funds of up to US\$750,000, comprising the fully committed portion of the Advance ("Initial Advance"), to RML in order to assist RML in the initial setup works and costs associated with the Maforki Project together with funding Eco Securities baseline and project design document reports required in assessing project viability. Klimat X, in its discretion, may also make one or more advances for aggregate funds of up to US\$350,000, comprising the portion of the Advance to be advanced at the discretion of Klimat X ("Subsequent Advance") to RML to further the Maforki Project.

Acquiring these rights was subject to the Sierra Leone Prepayment Agreement. As such, Klimat X recognized the US\$1,195,000 (\$1,572,468) of advances as acquisition cost during the year ended December 31, 2022.

c) Yucatan Transaction

On June 29, 2022, Klimat X acquired an assignment from Compania Mexicana de Captacion de Carbon ("CMCC") of all CMCC's rights and interests to develop and market carbon credits under CMCC's existing contract with the Government of the State of Yucatan in Mexico in exchange for aggregate consideration of \$50,000 ("Yucatan COB Agreement"), of which \$25,000 was paid as a non-refundable deposit upon execution of the agreement and \$25,000 was paid additionally as at December 31, 2022, which became due upon completion of the relisting requirements of Klimat X on July 19, 2022. The total consideration was recorded as business development consulting fee as the transaction has not closed as at December 31, 2022. The current agreement that CMCC has in place with the Government of Yucatan expires in February 2024, there is currently ongoing discussions to extend the agreement.

The assignment of the Yucatan Contract to Klimat X remains conditional upon approval of the Government of the State of Yucatan, Mexico ("Government Consent").

Pursuant to the Yucatan Contract, CMCC has the right to 5% of the net value of the carbon credits successfully sold (or the equivalent to the final transaction price) resulting from the determination, development, execution, structuring, marketing, and selling of such as provided in the Yucatan Contract (the "Original Commission"). On June 29, 2022, the Company acquired 33% of the Original Commission assigned and payable to Klimat X on a go-forward basis, in consideration for 7,250,000 Common Shares issued at a fair value to Canvas Impact Advisors Ltd. ("Canvas"), a consulting firm owned by Dr. James Tansey (Company's Chief Executive Officer).

Pursuant to a share repurchase agreement with Dr. James Tansey and Canvas dated June 6, 2022 (the "Share Repurchase Agreement"), the Company has the option to repurchase these Common Shares from Canvas at \$0.01 per Common Share if Government Consent has not been obtained 120 days from the date of the agreement (Note 11d). On October 27, 2022, the repurchase options lapsed and the fair value of \$1,050,000 was recorded as share based compensation and share capital for the year ended December 31, 2022.

5. RIGHT-OF-USE ASSETS

| <i>(Canadian \$)</i> | PTHL Leasehold estate | Total |
|---|-----------------------------|-----------|
| Cost | | |
| At December 31, 2021, and 2020 | - | - |
| Acquisition (Note 4) | 4,699,437 | 4,699,437 |
| At December 31, 2022, March 31, 2023 | 4,699,437 | 4,699,437 |
| Accumulated depreciation and impairment | | |
| At December 31, 2021, and 2020 | - | - |
| Depreciation expense | 53,353 | 53,353 |
| At December 31, 2022 | 53,353 | 53,353 |
| Depreciation expense | 25,497 | 25,497 |
| At March 31, 2023 | 78,850 | 78,850 |
| Foreign exchange impact – December 31, 2022 | 82,213 | 82,213 |
| Foreign exchange impact – March 31, 2023 | 7,436 | 7,436 |
| Carrying amount | | |
| At December 31, 2022 | 4,728,297 | 4,728,297 |
| At March 31, 2023 | 4,628,023 | 4,628,023 |

Klimat X's right of use assets include the Guyana leasehold estate.

6. CARBON CREDIT STREAMING AGREEMENTS

| <i>(Canadian \$)</i> | IEG | FMPL | Maforki (SL) Project - Rights | Total |
|--|---------|-----------|-------------------------------------|-----------|
| Cost | | | | |
| At December 31, 2021, and 2020 | - | - | - | - |
| Acquisition – Sierra Leone rights (Note 4b) ⁽¹⁾ | - | - | 2,622,468 | 2,622,468 |
| Acquisition – FMP | 338,463 | 1,169,025 | - | 1,507,488 |
| At December 31, 2022 | 338,463 | 1,169,025 | 2,622,468 | 4,129,956 |
| Advances | - | - | 242,703 | 242,703 |
| At March 31, 2023 | 338,463 | 1,169,025 | 2,865,171 | 4,372,659 |

(1) Includes \$1,050,000 share consideration and the initial cash advances

Sierra Leone rights

RML assigned and transferred to Klimat X fifty-one per cent (51%) of all:

- RML Carbon Credits that are produced from or in connection with the Maforki Project;
- Timber rights and revenues that are produced or generated from or in connection with the Maforki Project; and
- Biological asset rights and revenues that are produced or generated from or in connection with the Maforki Project.

All-in consideration for the Initial Advance and the issuance of Consideration Shares to RML and subject to and in accordance with the terms of a deed agreement and the Sierra Leone Prepayment Agreement.

Forest and Mangrove Protection Ltd. ("FMPL")

On August 15, 2022, the Company entered into a carbon credit streaming agreement with FMPL, a Company owned by the Company's Director of Operations, to acquire carbon credit development rights for approximately 32,000 hectares of land located in Sierra Leone. Pursuant to the acquisition, the Company will assume FMPL's cost of the land rights acquisition and all carbon credit development costs associated with implementing a large-scale rewilding project under the relevant Verra afforestation/reforestation protocol, in exchange for the carbon credit rights and other

revenues generated through the sale of timber and other biological assets produced from, or in connection with the project. The cost of acquisition was \$898,269 (US\$655,912). Following the initial acquisition, the Company invested an additional \$270,756 (US\$200,000) into the FMPL project.

Infinitum Energy PTE. Ltd (“IEG”)

On September 9, 2022, the Company entered into a carbon credit development agreement with Infinitum Energy PTE Ltd. IEG is in the process of developing a 1,000 t/day waste-to-energy facility in the greater Western Area of Sierra Leone. IEG and the Company believe that within operations of the Project, it may be possible to generate carbon credits from avoided methane emissions associated with the breakdown of biological materials in the waste stream, which may then allow the Project to become an originator of accredited voluntary carbon credits. KLX has agreed and provided IEG US\$250,000 (\$338,463) to fund the development activities of the Project by IEG and to determine whether KLX can generate Carbon Credits.

Fair Value

As at March 31, 2023 and December 31, 2022, management has assessed that the fair value of the carbon credit streaming agreements approximates the cash and equity payments disbursed to the projects. The Company has determined that there has been no change in the fair value from the acquisition dates made.

7. DEBT

Debt is comprised of the following:

| <i>(Canadian \$)</i> | March 31 2023 | December 31 2022 |
|--|------------------|---------------------|
| Loans payable | | |
| Opening balance | - | - |
| PTHL Loan payable - 662 Ventures Ltd (related party) (a) | - | 83,759 |
| PTHL Loans payable – Other (b) | - | 136,592 |
| Payment | - | (220,351) |
| Total loans payable | - | - |
| Current portion of loans payable | - | - |
| Non-current portion of loans payable | - | - |

a) A loan was obtained by PTHL from 662 Ventures Limited, a UK corporation, wholly owned by Mr. Neil Passmore, a founder of PTHL, Director of Corporate Development of Klimat X and a member of the Board of Directors of Klimat X, in the normal course of business. The loan balance of US\$65,000 (\$83,759) was fully repaid in July 2022.

b) PTHL Loans Payable – Other

| <i>(Canadian \$)</i> | March 31 2023 | December 31 2022 |
|--|------------------|---------------------|
| Opening balance | - | - |
| Loan from Capfield UK Limited | - | 64,430 |
| Loan from Chadlington House Property Management Services Limited | - | 64,430 |
| Accrued interest on loans payable | - | 7,732 |
| Repayment | - | (136,592) |
| Total PTHL Loans payable - Other | - | - |

On January 1, 2022, Capfield UK Limited and Chadlington House Property Management Services Limited, corporations with a common shareholder, each advanced a US\$50,000 loan to PTHL at 12% interest per annum as interim financing for PTHL prior to the close of the Klimat X transaction. The total loan balance of US\$100,000 (\$128,860) and accrued interest thereon was repaid in July 2022.

8. CONVERTIBLE DEBENTURE

On April 6, 2022, the Company's subsidiary, PTHL obtained a US\$416,327 unsecured, non-interest bearing convertible debenture from Alma Pelly Limited, a UK Corporation, in the normal course of business. The terms of the loan are disclosed below. Upon acquisition of PTHL (see Note 4), the Company allocated the residual value of US\$229,721 (\$294,042) to PTHL's equity reserves based on a discount rate of 35%. The fair value of the liability portion of the convertible debenture was therefore US\$186,606 (\$240,461).

| <i>(Canadian \$)</i> | |
|-------------------------|---------|
| At December 31, 2021 | \$ - |
| Acquisition (Note 4) | 240,461 |
| Accretion expense | 42,494 |
| Foreign exchange impact | 14,014 |
| At December 31, 2022 | 296,969 |
| Accretion expense | 25,941 |
| Foreign exchange impact | (304) |
| At March 31, 2023 | 322,606 |

| Terms | Details |
|------------------|---|
| Maturity Date | March 1, 2025 |
| Conversion right | The Company can elect the conversion of the debt at any time after June 30, 2023, at US\$4.00/PTHL share. This must be agreed upon with the lender. Convertible at any time at the option of the holder at US\$4.00/PTHL share. If lender rejects the conversion offered by the Company, the lender has the right to request 65% of the loan outstanding to be paid in cash ("Cash Payment"), and the remaining 35% to be converted at US\$1.00/PTHL share, or cash, or mix of both. |
| Interest rate | Non-interest bearing However, if the Company fails to pay the loan by the maturity date, the outstanding loan shall accrue simple interest at a rate of 10% per annum. |

| | |
|--|---|
| | In the event the Company fails to pay the Cash Payment, the remaining loan would accrue a quarterly compounded interest of 20% per annum. |
|--|---|

9. LEASE LIABILITIES

| <i>(Canadian \$)</i> | March 31 2023 | December 31 2022 |
|--|------------------|---------------------|
| At beginning of year | 1,558,737 | - |
| Acquisition (Note 4) | - | 1,483,164 |
| Less payments recorded to accounts payable | - | (75,000) |
| Accretion expense | 50,552 | 74,785 |
| Foreign exchange impact | (26,008) | (73,220) |
| Ending lease liability | 1,583,281 | 1,556,169 |
| Current portion of lease liabilities | 127,016 | 131,189 |
| Non-current portion of lease liabilities | 1,456,265 | 1,427,548 |

Lease liabilities consist of PTHL's agricultural land lease acquired as part of the acquisition of PTHL (Note 4a).

On January 29, 2018, Pomeroon Trading Inc. ("PTI") entered into a 50-year agreement for the lease of agricultural land known as the Stoll Estate, 700 acres set in the Pomeroon River, Guyana, in exchange for monthly lease payments of US\$12,500.

Pursuant to the lease, 50% of the monthly lease payments, are subject to an equity conversion right, whereby such outstanding lease payments may be paid in common shares of PTI. If this equity right is exercised, the carrying amount of such payables will be a gain in shares of PTI at the prevailing fair value of such shares at the conversion date. Starting July 1, 2022, no lease payments will be allowed to be paid in common shares of PTI; any further lease payments will be settled in cash. As at March 31, 2023, total lease payments subjected to be paid in common shares was US\$285,000 (currently recorded in accounts payable). No payment in common shares was ever exercised since the inception of the lease.

For the leased estate, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments at an implied borrowing rate of 13% per annum appropriate for the location, type of property and length of term.

The Company has the following future commitments associated with its lease liabilities:

| <i>(Canadian \$)</i> | March 31 2023 | December 31 2022 |
|---|------------------|---------------------|
| Less than 1 year | 203,942 | 203,160 |
| 2 to 3 years | 405,583 | 406,320 |
| 4 to 5 years | 405,583 | 406,320 |
| More than 5 years | 8,066,934 | 8,329,560 |
| Total lease payments | 9,082,642 | 9,345,360 |
| Amounts representing interest over the term of the lease | (7,499,361) | (7,786,623) |
| Present value of lease liabilities | 1,583,281 | 1,558,737 |

10. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

- An unlimited number of Common Shares without par value

b) Share issuances

Period ended March 31, 2023

There were no share issuances for the period.

Year ended December 31, 2022

Share issuances – cash

Bridge Financing

On January 28, 2022, in order to fund certain costs related to closing the COB, the Company completed a non-brokered private placement of 1,000,000 Common Shares at a price of \$0.45 per Common Share for aggregate gross proceeds of \$450,000.

Concurrent Financing

On January 28, 2022 and February 1, 2022, in connection with the proposed COB, the Company completed the first tranche of a non-brokered private placement of 20,482,827 Subscription Receipts at a price of \$0.45 per subscription receipt ("Subscription Receipt") for aggregate gross proceeds of \$9,217,272, and a second tranche of such non-brokered private placement on May 30, 2022 of 222,300 Subscription Receipts at a price of \$0.45 per Subscription Receipt for aggregate gross proceeds of \$100,035.

On June 29, 2022, upon closing of the COB, each Subscription Receipt was automatically exchanged (without any further action by the holder of such Subscription Receipt and for no further payment) for one Common Share upon satisfaction of the escrow release conditions. The proceeds from the Concurrent Financing will be used to fund the COB, develop the business, and for working capital and general corporate purposes.

In connection with the Concurrent Financing, the Company agreed to issue an aggregate of 553,921 Common Shares valued at \$77,549 at a price of \$0.14 per Common Share at the closing of the COB, representing 6% of the gross proceeds raised from subscriptions in the Concurrent Financing introduced by certain arm's length finders.

Share issuances – in-kind and Share issue costs

Shares for Services Agreements

Pursuant to certain Common Shares for services agreements ("Shares for Services Agreements"), in connection with certain consulting and other services provided to the Company with respect to reviewing, considering, analyzing and closing the COB transactions and related transactional matters, the Company settled certain outstanding accounts payable in the aggregate amount of \$208,415 owing to certain arm's-length service providers of the Company through the issuance of 807,588 Common Shares, at \$0.14 per Common Share, in full satisfaction of the related services, as of which have been rendered in full prior to the COB. The Shares for Services Agreements included the issuance of:

- 140,922 Common Shares valued at \$19,729 to Park Energy Law UK Ltd., in order to settle fees for certain legal, transactional and foreign advisory services;
- 111,111 Common Shares valued at \$15,556 to 1LS Consulting, in order to settle fees for certain legal, transactional and foreign advisory services;
- 55,555 Common Shares valued at \$7,778 to Guy Bertin, in order to settle fees for certain transactional and foreign advisory services; and
- 500,000 Common Shares valued at \$70,000 to Clarus Securities Inc., in order to settle fees for certain transactional and foreign advisory services.
- Total gain recognized upon settlement was 95,353

Share issuances – COB

Common Share issuances as a result of the Guyana Transaction, Sierra Leone Transaction and the Yucatan Transaction are detailed in Notes 4a, 4b and 4c, respectively.

c) Escrowed Common Shares

As at March 31, 2023, 27,548,465 (December 31, 2022, 33,434,321) Common Shares are subject to escrow.

11. CAPITAL MANAGEMENT

The Company's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of any identified business opportunities and to maintain a flexible capital structure for the benefit of its stakeholders.

Klimat X considers its capital structure to include working capital, debt, lease liabilities and shareholders' equity (deficit).

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, enter into joint venture arrangements, acquire or dispose of assets and adjust capital and operating expenditures to manage its current and projected available capital.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth. The Company is not subject to externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the period ended March 31, 2023.

12. SHARE-BASED PAYMENTS

a) Share-based incentive programs and payment plans

The Company has the following share-based compensation and payment plans:

Stock option plan (equity-settled)

The Company has established a stock option plan (the "2010 Rolling Option Plan"), approved by the shareholders on November 10, 2010, whereby the Company may grant stock options from time to time, subject to regulatory terms and approval, to employees, officers, directors and service providers of the Company to recognize the contributions made by individuals to the Company's growth and furnish an incentive to the future success and prosperity of the Company.

The 2010 Rolling Option Plan is based on the maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding Common Shares, calculated from time to time. Pursuant to the 2010 Rolling Option Plan, if outstanding stock options are exercised, or expired, and/or the number of issued and outstanding Common Shares of the Company increases, then the options available to grant under the plan increase proportionately. The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than the discounted market price, as calculated pursuant to the policies of the TSXV, or such other minimum price as may be required by the TSXV.

Stock options can have a maximum term of ten (10) years and typically terminate 90 days following the termination of the holder's employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors and determined at the time the options are granted.

Common shares issued in exchange for goods received/services rendered (equity-settled)

The Company may issue Klimat X Common Shares from time to time to service providers, vendors or consultants in exchange for services rendered to the Company, as determined by the Board of Directors.

b) Stock options

The following table provides a summary of the Company's stock options:

| <i>(Canadian \$, except number of stock options)</i> | Number of stock options | March 31, 2023 – three months ended Weighted average exercise price | Number of stock options | December 31, 2022 – year ended Weighted average exercise price |
|--|----------------------------|---|----------------------------|--|
| Stock options | | | | |
| Outstanding at beginning of year | 5,374,040 | 0.334 | 3,849,040 | 0.445 |
| Cancelled | - | - | (4,824,040) | - |
| Granted | - | - | 6,349,040 | - |
| Outstanding at end of period | 5,374,040 | 0.334 | 5,374,040 | 0.445 |
| Weighted average remaining life | | 4.39 years | | 4.6 years |
| Vested and exercisable at end of period | 5,374,040 | 0.334 | 5,374,040 | 0.334 |

There were no stock options granted for the period ended March 31, 2023 and March 31, 2022.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Klimat X's financial assets consist of cash and cash equivalents, accounts receivable and carbon credit streaming agreements.

Klimat X's financial liabilities consist of accounts payable and accrued liabilities and debt (Note 9).

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of those instruments.

The Company's debt is recorded at amortized cost using the effective interest method.

Financial risk management

Klimat X's activities expose it to certain financial risks, including market risk, credit risk, liquidity risk and carbon market risk.

Market risk

Market risk is the risk that changes in market conditions, such as interest rates and foreign exchange rates will affect Klimat X's net loss or the value of financial instruments.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

Klimat X may manage its interest expenses using a mix of fixed and variable interest rates on its debt. Changes in interest rates could result in an increase or decrease in the amount the Company pays to service variable interest rate debt.

The interest rates on PTHL's debt loans payable are fixed and not subject to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that future cash flows or the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Company is primarily exposed to fluctuations in the U.S. dollar and Guyanese dollar in relation to its foreign operations.

As such, a 1% change in the value of the U.S. dollar and Guyanese dollar would have had no material impact on the net loss and comprehensive loss of Klimat X at March 31, 2023.

Commodity price risk

The Company may be exposed to commodity price risk through the sale of its agricultural produce and biological assets and inventories held.

At March 31, 2023, the Company does not hold significant biological assets or inventories nor has it recognized significant revenue related to the sale of its agricultural produce.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset will default, resulting in Klimat X incurring a financial loss.

The Company's accounts receivables are predominantly for PTHL customers and other partners who are subject to normal industry credit risks in Guyana. The Company assesses the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As at March 31, 2023, trade account receivable was \$127,817 (December 31, 2022 - \$75,303). Payment terms with customers vary by contract; however, standard payment terms are 30 days from the invoice date. Any credits risk related to the accounts receivable will have an immaterial impact to the Company.

Klimat X held cash and cash equivalents of \$1,345,506 at March 31, 2023, which represents its maximum credit exposure on these assets (December 31, 2022 - \$2,318,750). The cash is held with major, high credit-quality financial institution counterparties and management believes credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that Klimat X will be unable to fulfill its obligations associated with financial liabilities on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point.

The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, lease obligations and long-term debt.

Klimat X mitigates this risk through efforts to maintain the support of its lenders and through the issuance of additional capital, if required.

The Company has the following payments (gross amount, undiscounted) due within the period noted below:

| | Within 1 year | 1-3 years | 3-5 years | More than 5 years | Total |
|-----------------------|------------------|----------------|----------------|-------------------|-------------------|
| Accounts payables | 913,873 | - | - | - | 913,873 |
| Convertible debenture | - | 563,268 | - | - | 563,268 |
| Lease liability | 202,942 | 405,884 | 405,884 | 8,066,935 | 9,081,645 |
| | 1,116,815 | 969,152 | 405,884 | 8,066,935 | 10,558,786 |

Carbon market risk

Carbon market risk is the risk that the fair value of a financial instrument will fluctuate from changes in market forces including, but not limited to, interest rates, voluntary carbon credit prices, foreign exchange, and timing and number of anticipated carbon credit deliveries and sales. There has been no change in fair value in the year for the carbon credit assets acquired.

13. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions

Except as disclosed elsewhere, the Company incurred the following with directors and companies controlled by Directors of the Company for the period ended March 31:

Key management personnel compensation:

| | 2023 | 2022 |
|----------------------------|----------------|---------------|
| Management/consulting fees | 214,900 | 94,578 |
| | 214,900 | 94,578 |

On June 29, 2022, the Company entered into a carbon credit streaming agreement with RML, a Company owned by the Company's Director of Operations. See note 7 for details.

On August 15, 2022, the Company entered into a carbon credit streaming agreement with FMPL, a Company owned by the Company's Director of Operations. See note 7 for details.

Due from (to) related parties

As at March 31, 2023, the Company owes \$32,963 (December 31, 2022 - \$11,572) to directors or officers of the Company.

14.SEGMENTED REPORTING

| Period ended March 31, 2023 | Guyana | Corporate | Total |
|------------------------------------|------------------|------------------|-------------------|
| Revenue | 45,653 | - | 45,653 |
| Cost of sales | (115,926) | - | (115,926) |
| General and administration | (126,285) | (599,314) | (725,599) |
| Other | (69,138) | (21,885) | (91,023) |
| Net loss | (266,695) | (886,895) | (886,895) |
| Segmented assets | 3,445,630 | 7,754,477 | 11,200,107 |
| Segmented liabilities | 2,734,693 | 85,067 | 2,819,760 |
| Period ended March 31, 2022 | Guyana | Corporate | Total |
| General and administration | - | (325,522) | (325,522) |
| Net loss | - | (325,522) | (325,522) |
| Segmented assets | - | 9,703,335 | 9,703,335 |
| Segmented liabilities | - | 9,748,580 | 9,748,580 |