



Klimat X Developments Inc.
(formerly Earl Resources Limited)

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022
and 2021 (Unaudited)

Klimat X Developments Inc. (formerly Earl Resources Limited)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For the three and nine months ended September 30, 2022 and 2021

NOTICE OF NO REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Klimat X Developments Inc. (formerly Earl Resources Limited) and its subsidiaries (“Klimat X” or the “Company”) for the three and nine months ended September 30, 2022 and 2021 have been prepared by and are the responsibility of the Company’s management.

Under National Instrument 51-102 – *Continuous Disclosure Obligations*, Part 4, subsection 4.3(3)(b), if a reporting issuer engaged an auditor to perform a review of the interim financial statements and the auditor was unable to complete the review, the interim financial statements must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial statements and the reasons why the auditor was unable to complete the review. The Company engaged its auditor to complete an interim review for the quarter ending September 30, 2022, but due to certain outstanding matters described in this paragraph, the auditor did not receive sufficient appropriate evidence to form a conclusion on such matters and was not able to complete its review for the quarter ending September 30, 2022, prior to the Company’s filing deadline of November 28, 2022. Since the Company acquired Pomeroon Trading (Holdings) Limited and its wholly-owned subsidiary, Pomeroon Trading Inc. (together “PTHL”) on June 29, 2022, the Company has been in a transition stage to get the financial reporting process in PTHL to the level required for a public company. Such evidence that was not obtained or procedures that were not able to be completed in a timely manner are in relation to PTHL, and include evidence of for certain balances of PTHL to review the balance sheet of PTHL and perform inquiry and analytical procedures to assess the plausibility of the material items identified.

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

For the three and nine months ended September 30, 2022 and 2021

<i>(Canadian \$)</i>	Note	September 30 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents		4,021,549	164,825
Accounts receivable		65,995	-
Prepaid expenses and deposits	4	524,151	933
Inventories		2,327	-
Total current assets		4,614,022	165,758
Non-current assets			
Right-of-use assets	5	2,293,325	-
Property, plant and equipment	6	385,551	-
Intangible assets	7	5,675,658	-
Goodwill	8	7,920,714	-
Total non-current assets		16,275,248	-
Total assets		20,889,270	165,758
LIABILITIES AND EQUITY (DEFICIT)			
Current liabilities			
Accounts payable and accrued liabilities		260,376	335,481
Current portion of debt	9	549,580	-
Current portion of lease liabilities	10	184,832	-
Total current liabilities		994,788	335,481
Non-current liabilities			
Lease liabilities	10	2,168,041	-
Total non-current liabilities		2,168,041	-
Total liabilities		3,162,829	335,481
Shareholders' equity (deficit)			
Share capital	11	20,407,192	2,526,787
Reserves		1,736,952	1,583,500
Retained deficit		(7,202,012)	(4,280,010)
Total shareholder's equity (deficit) attributable to Klimat X Developments Inc. shareholders		14,942,132	(169,723)
Non-controlling interest	4	2,784,309	-
Total equity (deficit)		17,726,441	(169,723)
Total liabilities and equity (deficit)		20,889,270	165,758
Commitments and contingencies	17		

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

Klimat X Developments Inc. (formerly Earl Resources Limited)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS
AND COMPREHENSIVE LOSS (Unaudited)

For the periods

<i>(Canadian \$)</i>	Note	2022	Three months ended Sept. 30 2021	2022	Nine months ended Sept. 30 2021
Revenue		28,098	-	28,098	-
Cost of sales		(76,430)	-	(76,430)	-
		(48,332)	-	(48,332)	-
Consulting fees	15	(1,116,693)	-	(1,907,923)	(141,759)
Depreciation expense	5,6	(30,612)	-	(30,612)	-
Bad debt expense		(23)	-	(23)	-
Marketing		(164,377)	-	(168,027)	-
Listing and filing fees		(8,613)	-	(76,504)	(9,027)
Office and administrative		(106,192)	-	(120,234)	(24,162)
Professional fees		(86,074)	-	(490,645)	(37,472)
Share-based payments	13	-	-	(39,000)	-
Travel and corporate development		(25,872)	-	(58,307)	-
Total expenses		(1,538,456)	(51,681)	(2,891,275)	(212,420)
Finance cost		(43,163)	-	(29,811)	-
Foreign exchange		(12,887)	-	(12,887)	-
Net loss		(1,642,838)	(51,681)	(2,982,305)	(212,420)
Cumulative translation adjustment		114,452	-	114,452	-
Net loss and comprehensive loss		(1,528,386)	(51,681)	(2,867,853)	(212,420)
Net loss attributable to:					
Owners of the Company		(1,582,525)	(51,681)	(2,922,002)	(212,420)
Non controlling interest ("NCI")		(60,303)	-	(60,303)	-
		(1,642,838)	(51,681)	(2,982,305)	(212,420)
Other comprehensive income attributable to:					
Owners of the Company		75,538	-	75,538	-
Non controlling interest ("NCI")		38,914	-	38,914	-
		114,452	-	114,452	-
Loss per shares – basic and diluted		(0.04)	(0.00)	(0.07)	(0.01)
Weighted average shares outstanding – basic and diluted		86,222,661	38,490,400	55,307,617	38,490,400

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

(Canadian \$, except Common Shares)

	Common shares outstanding	Share capital	Reserves – stock based payments	Reserves – foreign exchange	Retained deficit	Total for owners	NCI	Total equity
At December 31, 2020	38,490,400	2,526,787	61,500	-	(2,210,958)	377,329	-	377,329
Net loss for the period	-	-	-	-	(212,400)	(212,420)	-	(212,420)
At September 30, 2021	38,490,400	2,526,787	61,500	-	(2,423,378)	164,909	-	164,909
At December 31, 2021	38,490,400	2,526,787	1,583,500	-	(4,280,010)	(169,723)	-	(169,723)
Share issuances – cash	11	21,705,127	9,767,307	-	-	9,767,307	-	9,767,307
Share issuances – in-kind	11	1,361,509	612,679	-	-	612,679	-	612,679
Acquisition of PTHL	4a	9,915,625	4,462,031	-	-	4,462,031	2,844,612	7,306,643
Shares issued – Sierra Leone Transaction	4b	7,500,000	3,375,000	-	-	3,375,000	-	3,375,000
Share issue costs, net of tax	11	-	(336,612)	-	-	(336,612)	-	(336,612)
Share-based payments	13	-	-	39,000	-	39,000	-	39,000
Cumulative translation adjustment	-	-	-	114,452	-	114,452	-	114,452
Net loss for the period	-	-	-	-	(2,922,002)	(2,922,002)	(60,303)	(2,982,305)
At September 30, 2022 ⁽¹⁾	78,972,661	20,407,192	1,622,500	114,452	(7,202,012)	14,942,132	2,784,309	17,726,441

(1) Common Shares outstanding at September 30, 2022 excludes 7,250,000 Common Shares issued on June 29, 2022 to Dr. James Tansey, Chief Executive Officer and a director of Klimat X, in exchange for an assignment of his rights and interest in 33% of the Original Commission of CMCC in the Yucatan Contract (Note 4c). In accordance with IFRS 2, Share-based payments, shares issued in exchange for goods received (i.e., the above-mentioned rights acquired in the Yucatan Transaction), Klimat X only recognizes the rights as an intangible asset in a share-based transaction when the goods are received. The assignment of the Yucatan Contract to Klimat X remains conditional upon express approval of the Government of the State of Yucatan, Mexico. As such, no intangible asset for the assignment of these rights and interest are recognized and the Common Shares issued are not reflected in the outstanding Common Shares at September 30, 2022.

In addition, pursuant to a share repurchase agreement dated June 6, 2022 with Dr. James Tansey and Canvas Impact Advisors Ltd., led by Dr. James Tansey, 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.

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

Klimat X Developments Inc. (formerly Earl Resources Limited)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the periods

		Three months ended September 30		Nine months ended September 30	
<i>(Canadian \$)</i>	Note	2022	2021	2022	2021
CASH FLOWS USED IN OPERATING ACTIVITIES					
Net loss		(1,642,838)	(51,681)	(2,982,305)	(212,420)
Adjusted for:					
Depreciation expense	6	30,612	-	30,612	-
Accretion expense – lease liability	10	46,878	-	46,878	-
Foreign exchange		(12,887)	-	(12,887)	-
Share-based payments	13	39,000	-	39,000	-
Changes in non-cash working capital					
Prepaid expense		(412,124)	-	(439,937)	(1,250)
Accounts payables		(377,815)	(27,142)	(117,749)	216
Accounts receivables		66,858	-	66,858	-
Inventory		4,288	-	4,288	-
Net cash flow used in operating activities		(2,297,028)	(78,823)	(3,365,242)	(213,454)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Acquisition of PTHL – cash acquired	4a	-	-	63,016	-
Acquisition of rights / intangibles	7	(1,212,305)	-	(1,863,505)	-
Development of intangibles	7	(437,153)	-	(437,153)	-
Net cash flows used in investing activities		(1,649,458)	-	(2,237,642)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from private placements	11	-	-	9,767,307	-
Share issue costs	11	-	-	(87,348)	-
Loan repayment	9	(220,351)	-	(220,351)	-
Net cash flow from financing activities		(220,351)	-	9,459,608	-
Increase (decrease) in cash and cash equivalents		(4,166,837)	(78,823)	3,856,724	(213,454)
Cash and cash equivalents, beginning of period		8,188,386	383,033	164,825	517,664
Cash and cash equivalents, end of period		4,021,549	304,210	4,021,549	304,210

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

Klimat X Developments Inc. (formerly Earl Resources Limited)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and nine month periods ended September 30, 2022 and 2021
(All amounts in Canadian \$, except as indicated)

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 Bridge Financing in late January 2022 (Note 11c);
- the closing of the Guyana Transaction on June 29, 2022 (Note 4a);
- the closing of the Sierra Leone Transaction on June 29, 2022 (Note 4b);
- the closing of the Yucatan Transaction on June 29, 2022 (Note 4c);
- the exchange of the subscription receipts issued pursuant to the Concurrent Financing for Common Shares on June 29, 2022 (Note 11c); and
- the issuance of Common Shares pursuant to the Shares for Services Agreement on June 29, 2022 (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 final 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 Pomeroun 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 September 30, 2022:

Name of subsidiary	Jurisdiction of incorporation/formation
Pomeroun Trading (Holdings) Limited ⁽¹⁾	Cayman Islands
Pomeroun Trading Inc. ⁽²⁾	Co-operative Republic of Guyana

(1) Incorporated on January 19, 2018. Klimat X owns a 65% interest.

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

Klimat X Developments Inc. (formerly Earl Resources Limited)

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(Unaudited)

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2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of compliance and basis of measurement

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, 2021. 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, 2021.

These Financial Statements have been approved by the Board of Directors on November 28, 2022.

b) Basis of measurement, functional and presentation currency and operating segments

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. Pomeroon Trading (Holdings) Limited and its wholly-owned subsidiary, Pomeroon Trading Inc. (together "PTHL"), acquired as part of the Guyana Transaction (Note 4a) has the U.S. dollar and Guyanese dollar as its respective functional currencies. PTHL presents its consolidated financial statements in U.S. dollars.

Klimat X currently manages its business on the basis of two operating and reportable segments. At period end, management is undergoing an assessment of the detailed factors used to identify the Company's operating and reporting segments, which may result in the presentation of further segmented information in future accounting periods.

c) 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 a business combination

The fair value of assets acquired and liabilities assumed in a business combination, including contingent consideration and goodwill, 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.

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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.

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 based on the composition of revenue and costs in the locations in which Klimat X operates.

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) Principles of consolidation

The consolidated financial statements include the accounts of Klimat X and its subsidiaries. Subsidiaries are entities over which Klimat X has control. Subsidiaries are consolidated from the date of acquisition of control and continue to be consolidated until the date that there is a loss of control. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method, where the identifiable assets acquired and liabilities assumed are recognized and measured at their fair value at the date of acquisition, with the exception of income taxes, lease liabilities and right-of-use assets. Any excess of the purchase price over the value of the net assets acquired is recognized as goodwill and any deficiency of the purchase price over the value of the net assets acquired is recorded as a bargain purchase gain in net income (loss). At acquisition, goodwill is allocated to each of the cash-generating units ("CGUs") to which it relates.

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Subsequent measurement of goodwill is at cost less any accumulated impairment losses. Associated transaction costs are expensed when incurred.

c) Revenue recognition

Revenue is derived from the sale of goods with revenue recognized at a point in time. This is because the Company provides, and the customer accepts the goods simultaneously. Revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. There is no judgement involved in allocating the contract price to each unit ordered in such contracts.

d) Finance costs (income)

Finance costs (income) in net income (loss) include interest expense recognized on debt, the interest component of lease payments, debt renewal and other lending fees, amortization of long-term debt financing costs and accretion expense of provisions, financing costs and interest income.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term highly liquid interest-bearing investments that are readily convertible into cash with a remaining term to maturity of 90 days or less when acquired. Restricted cash is disclosed separately.

f) Biological assets

The Company's biological assets consists of water nuts.

Water nuts growing on trees are accounted for as biological assets until the point of harvest. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell. Changes in fair value of growing water nuts are recorded in revenue in net income (loss). Costs related to growing the water nuts and harvesting the water nuts are expensed as incurred.

Water nuts are continuously harvested throughout the year. Costs incurred in harvesting are recognized as part of the cost of sales. The Company carries its biological assets (water nuts growing on trees) and water nuts at the time of harvest (recorded in inventories immediately after harvest) at fair value less costs to sell.

The fair value of water nuts growing on the trees is determined by reference to the local market prices for water nuts.

g) Inventories

Inventories, including agricultural produce, are valued at the lower of cost and net realizable value.

Cost is arrived at using the purchase price, or fair value less costs to sell at the point of harvest in the case of agricultural produce. Fair value is determined by reference to local market prices. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

h) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets and subsequent expenditures to the extent that they can be measured, and future economic benefit is probable, less any related government assistance, such as research and development tax credits. Repairs and maintenance are expensed as incurred.

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(Unaudited)

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Management estimates the useful life and salvage value of property, plant and equipment based on expected utilization and expected life. Residual values, methods of depreciation and useful lives are reviewed annually and if necessary, changes are accounted for prospectively.

Bearer plants' costs incurred in growing the water nuts and maintaining the bearer plants may benefit both the nuts and plants. Costs of maintenance and fertilizer are capitalized as part of the cost of the plant until the plant reaches maximum production, thereafter such costs are expensed. Any costs allocatable to the nuts growing on the trees are expensed as incurred. Klimat X has determined that bearer plants reach maximum production ten years after the trees have been planted.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful economic lives. The following useful lives are utilized for each determining depreciation:

Asset class	Useful life
Bearer plants	50 years
Rehabilitation asset	50 years
Buildings/plants	50 years
Machinery and equipment	4 – 10 years
Office equipment	2 – 5 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date an asset becomes fully depreciated, is derecognized or is classified as available for sale. Depreciation does not cease when an asset becomes idle.

Bearer plants will not be depreciated until they reach a stage where agricultural produce is expected. Bearer plants' depreciation commences after maturity at month 37.

The carrying amount of an asset is derecognized when the asset is disposed of or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss from derecognition of the asset is included in the calculation of net income (loss) in the period the item is derecognized. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

i) Intangible assets

The Company's intangible assets consist of development costs and consideration paid to acquire rights or the assignment of future rights to enter into commercial terms relating to carbon credit and agroforestry projects.

Intangible assets are measured at cost less accumulated amortization and impairment losses, if any. Cost includes the purchase price to acquire an asset or costs directly attributable to the internal generation of an asset. Internally generated intangible assets arising from development activities involving a plan or design for new or substantially improved products and processes are capitalized only if the development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and Klimat X has the intention and sufficient resources to complete development and use or sell the assets.

Intangible assets acquired as part of a business combination are capitalized separately from goodwill if the asset is separable or arises from contractual or legal rights, and the fair value can be measured reliability on initial recognition.

Expenditures on research activities undertaken with the prospect of gaining technical knowledge are expensed as incurred.

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Intangible assets are depreciated on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite useful life are not depreciated. The following useful lives are utilized for each determining amortization:

Asset class	Useful life
Project scoping and development costs	5 – 50 years
Investment in carbon credit and agroforestry rights	10 to 50 years

j) Leases and Right-of-use (“ROU”) assets

Klimat X may lease property, plant and equipment. The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. Klimat X allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases in which Klimat X is a lessee and ROU assets

Leases are recognized as a ROU asset and a corresponding lease liability at the date on which the leased asset is available for use by Klimat X. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. These payments are discounted using Klimat X’s incremental borrowing rate when the rate implicit in the lease is not readily available. The Company may use a single discount rate for a portfolio of leases with reasonably similar characteristics.

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net income (loss) over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether Klimat X will exercise a purchase, extension or termination option that is within the control of Klimat X. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in net income (loss) if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability; initial direct costs incurred; and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset; less any lease payments made at or before the commencement date. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

ROU assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Leases that have a term of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in net income (loss) over the lease term.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using Klimat X’s incremental borrowing rate, when the rate implicit to the

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lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net income (loss) that reflects the proportionate decrease in scope.

k) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets including property, plant and equipment, intangible assets and ROU assets are reviewed separately for indicators of impairment at each reporting period or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include but are not limited to changes in Klimat X's business plans, economic performance of the assets, changes in activity levels, an increase in the discount rate or evidence of physical damage or obsolescence.

If indicators of impairment exist, the recoverable amount of the CGU is estimated as the greater of value in use ("VIU") and fair value less costs of disposal ("FVLCD"). VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of a CGU or an asset. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in net income (loss).

Impairment losses, other than goodwill, recognized in prior periods are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. In the event that an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized on the asset in prior periods. The amount of the reversal is recognized in net income (loss).

Goodwill is tested for impairment at least annually or as events occur that could result impairment. Goodwill is tested for impairment at an operating segment level by comparing the carrying amounts of the operating segment's assets, property and equipment, intangible assets, ROU assets and goodwill, and comparing the recoverable amount. The recoverable amount of the operating segment is estimated as the greater of VIU and FVLCD. VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of the underlying assets. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in net income (loss). Goodwill impairments are not reversed.

l) Provisions and contingencies

A provision is recognized if, as a result of a past event, Klimat X has a present obligation, legal or constructive, that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Where applicable, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as accretion expenses in finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably, and outflow of cash is less than

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remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

m) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in net income (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable income differs from net income (loss) as it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. Klimat X reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Share capital

Common Shares are classified as equity. Incremental costs directly attributable to the issuance of shares or other equity instruments are recognized as a deduction from equity, net of any income taxes.

Proceeds from issuances by the Company of units consisting of Common Shares are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the Common Shares. If the proceeds from the offering are less than or equal to the estimated fair market value of Common Shares issued, a nil carrying amount is assigned to the warrants.

o) Equity-settled share-based compensation

Klimat X has equity-settled incentive programs and payment plans for the granting of additional Common Shares. Klimat X follows the fair value method of valuing share-based compensation instruments. Under this method, compensation cost is measured at the fair value on the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of an instrument, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The fair value of each tranche within an award is measured at the date of the grant using the Black-Scholes option pricing model.

Where the terms of an incentive program are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement or is otherwise beneficial to the holder of that instrument as measured at the date of modification over the remaining vesting period.

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p) Per share amounts

Basic income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of Common Shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the net income (loss) attributable to common shareholders and the weighted average number of Common Shares outstanding for the effects of dilutive potential Common Shares which include stock options under the Company's stock option plan and any other designated instruments as approved and directed by the Board of Directors. The calculation assumes that the proceeds on exercise of these instruments are used to repurchase shares at the average market price during the period. Should the Company have a loss in a period, these instruments would be anti-dilutive and are excluded from the determination of fully diluted loss per share.

q) Financial instruments

Financial instruments are recognized when Klimat X becomes a party to the contractual provisions of the instrument.

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income, or at amortized cost. This determination is made at initial recognition based on the Company's business model and contractual cash flows of the financial instruments. All financial instruments are initially recognized at fair value, net of any transaction costs except for financial instruments that are subsequently classified as FVTPL, where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification.

The Company classifies its cash and cash equivalents and accounts receivable as financial assets at amortized cost, and accounts payable and accrued liabilities and debt as financial liabilities at amortized cost, using the effective interest rate. Interest expense is recognized in finance costs in net income (loss).

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and Klimat X has transferred substantially all the risks and rewards of ownership.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net income (loss) based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net income (loss).

Fair value measurements

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company's financial instruments are initially recorded at fair value or at amounts that approximate fair value in the financial statements. Financial instruments subsequently revalued at fair value are further categorized using a three-level hierarchy that reflects the significance of the inputs used in determining fair value.

The Company establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets

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for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Impairment of financial assets

Klimat X recognizes loss allowances for expected credit losses (“ECLs”) on its accounts receivables. Klimat X measures loss allowances at an amount equal to lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for ECL. The Company’s historical bad debt expense has not been significant and is typically limited to specific customer circumstances. Management considers the credit worthiness and past payment history as well as any past due amounts in determining ECLs. Management’s assumptions are updated and adjusted at each reporting date. Credit losses are measured as the present value of all cash shortfalls, i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Klimat X expects to receive. ECLs are discounted at the effective interest rate of the related financial asset.

Offsetting financial assets and liabilities

Financial assets and liabilities are not offset unless Klimat X has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

r) Related party transactions

Related party transactions are accounted for at the exchange amount which is the amount agreed upon between the parties.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

s) Foreign currency translation and transactions

For entities whose functional currency is the Canadian dollar, the Company translates foreign denominated monetary assets and liabilities at period-end exchange rates, and foreign denominated non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in net income (loss) in the period in which they occur. Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

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For foreign entities whose functional currency is not the Canadian dollar, the Company translates assets, including goodwill, and liabilities at period-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in other comprehensive income as foreign currency translation differences.

t) Operating Segments

Klimat X currently generates revenue primarily from the sale of coconuts and coconut-related by-products, and intercropping from its majority ownership of Pomeroun Trading (Holdings) Limited which conducts business through its wholly-owned subsidiary, Pomeroun Trading Inc., operating in Guyana. Management has determined that the Company has two reportable segments as the nature of services provided are organized based on the operating results of its consolidated business activities.

u) 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 on June 29, 2022. The adoption of this standard did not have a significant impact on the Company.

v) 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.

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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 887,703 common shares or approximately sixty percent 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 business operations in Guyana, and its wholly-owned subsidiary, Pomeroon Trading Inc. (together “PTHL”), in exchange for 9,915,625 Common Shares issued for total consideration of \$4.5 million, pursuant to an agreement entered into with PTHL and certain shareholders on February 25, 2022 (“Guyana COB Agreement”). PTHL operates a sustainable agriculture business, including the rehabilitation of coconut farms in Guyana. The Klimat X Common Shares were valued at \$0.45 per Common Share using the share price of Klimat X on the acquisition date.

The Guyana Transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed on the acquisition date are provisionally recorded at fair value as follows:

	US \$	PTHL Canadian \$
Fair value of net assets acquired		
Cash and cash equivalents	48,903	63,016
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	1,789,535	2,305,995
Property, plant and equipment	277,457	357,531
Goodwill	6,146,758	7,920,714
Accounts payable and accrued liabilities	(403,814)	(520,355)
Debt	(571,948)	(737,012)
Lease liabilities	(1,789,535)	(2,305,995)
Total fair value of net assets acquired	5,670,218	7,306,643
Consideration and Non-controlling interest		
Common Shares issued to PTHL shareholders	3,462,697	4,462,031
Cash	-	-
Total share and cash consideration	3,462,697	4,462,031
Non-controlling interest	2,207,521	2,844,612
Total consideration and non-controlling interest	5,670,218	7,306,643

The preliminary purchase price allocation is based on management’s best estimate of the assets acquired and liabilities assumed. Upon finalizing the value of the net assets acquired, adjustments may be required.

The goodwill recognized on this acquisition was attributed to the strategic benefits that consolidated operations are expected to bring, expected future cash flows generated from the ability to develop and grow Klimat X operations. The goodwill recognized is not deductible for tax purposes.

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The fair value of accounts receivable acquired amounts to \$132,853. The gross amount of account receivables was \$148,536, of which \$15,683 was expected to be uncollectible at the acquisition date.

In addition, in accordance with the Guyana COB Agreement, Klimat X agreed to subscribe for an additional 187,000 PTHL common shares for cash, at an implied price per PTHL common share of US\$4.00 or consideration in the amount of US\$748,000. On July 5, 2022, Klimat X completed this subscription for an aggregate total purchase price of \$975,242 (US\$748,000), which results in Klimat X holding approximately 65% ownership interest in PTHL.

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.

b) Sierra Leone Transaction

On June 29, 2022, Klimat X acquired an assignment of a minimum of 51% of the carbon credits, timber rights and revenues and biological assets rights and revenues to be generated by the operations of Rewilding Maforki Ltd. ("RML") in Sierra Leone pursuant to its Maforki Project, pursuant to agreements entered into by the Company on February 25, 2022, as amended, in consideration for 7,500,000 Common Shares issued at \$0.45 per share ("RML Consideration Shares") for share consideration in the amount of \$3,375,000 (the "Sierra Leone COB Agreement") and cash consideration pursuant to the prepayment agreement, as described below, 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, the sole shareholder RML.

RML, an entity incorporated under the laws of Sierra Leone on November 15, 2021, 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, and is in the process of obtaining additional Individual Landowner Agreements for an aggregate total of approximately 25,000 hectares of land in Sierra Leone (when including the existing executed Individual Landowner Agreements). RML is expected to complete the land title formalities with regard to the Maforki Project in the near future. It is anticipated that the Maforki Project can be reserved for rewilding activities and therefore is expected to become a generator of accredited carbon credits.

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

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RML to further the Maforki Project. As discussed above, RML has engaged chiefdoms located at the Maforki Project and has entered into related multi-stakeholder agreements with such chiefdoms approximately 25,000 hectares of land in Sierra Leone.

Klimat X recognized the \$3,375,000 acquisition of RML's rights to the carbon credits to be generated by RML from the Maforki Project as an intangible asset to be amortized over its useful life of 25 years, the initial term of RML's leased land. Acquiring these rights was subject to the Sierra Leone Prepayment Agreement. As such, Klimat X recognized the US\$750,000 (\$965,236) Initial Advance made to RML as additional consideration in acquiring these intangible assets (Note 7).

c) Yucatan Transaction

On June 29, 2022, Klimat X acquired an assignment from Compania Mexicana de Captacion de Carbon ("CMCC") of all its rights and interests to develop and market carbon credits under its existing contract with the Government of the State of Yucatan in Mexico in exchange for aggregate consideration of \$50,000, pursuant to an agreement to acquire all of CMCC's rights and interests under a consulting services agreement dated May 11, 2021 between CMCC and the Government of the State of Yucatan, Mexico, (the "Yucatan Contract"), to develop and market carbon credits with respect to certain areas in the State of Yucatan in Mexico 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 remains committed at September 30, 2022, which became due upon completion of the relisting requirements of Klimat X on July 19, 2022.

Formal completion of the assignment of the Yucatan Contract to Klimat X remains conditional upon express 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"). The exclusive nature of the Yucatan Contract is expected to allow Klimat X to negotiate a higher profit share with the Government of Yucatan in return for the investment required to produce carbon credits.

Dr. James Tansey, Chief Executive Officer and a director of Klimat X following the COB and a holder of 33% of the shares of CMCC concurrently entered into an agreement with CMCC and the Company dated November 25, 2021 (the "Commission Agreement") whereby the parties have agreed that 33% of the Original Commission shall be assigned and payable to Klimat X on a go-forward basis, in consideration for the issuance to Dr. Tansey of 7,250,000 Common Shares. On June 29, 2022, the Company acquired the

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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 \$0.45 per share for total consideration in the amount of \$3,262,500 to Canvas Impact Advisors Ltd. (“Canvas”), led by Dr. James Tansey. 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, subject to extension at discretion of the Klimat X Board of Directors (Note 11d).

At September 30, 2022, prepaid expenses and deposits include \$26,949 related to the assignment of CMCC rights and interest acquired, including the initial \$25,000 non-refundable deposit. Common Shares outstanding at September 30, 2022 excludes the 7,250,000 Common Shares issued on June 29, 2022 to Dr. James Tansey, in exchange for an assignment of his rights and interest in 33% of the Original Commission of CMCC in the Yucatan Contract. In accordance with IFRS 2, *Share-based payments*, shares issued in exchange for goods received (i.e. the above-mentioned rights acquired in the Yucatan Transaction), Klimat X only recognizes the rights as an intangible asset in a share-based transaction when the goods are received. The assignment of the Yucatan Contract to Klimat X remains conditional upon approval of the Government of the State of Yucatan, Mexico. As such, no intangible asset for the assignment of these rights and interest are recognized and the Common Shares issued are not reflected in the outstanding Common Shares at September 30, 2022. In addition, pursuant to the Share Repurchase Agreement with Dr. James Tansey and Canvas Impact Advisors Ltd., led by Dr. James Tansey, 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. If Government Consent is obtained prior to this deadline, Klimat X will recognize the \$26,949 deposit and subsequent \$25,000 instalment acquiring an assignment of CMCC’s rights and interest in the Yucatan Contract and the share consideration for the interest in the Original Commission as an intangible asset. The Original Commission agreement is in effect for a period of two years from the May 11, 2021 effective date and any such intangible assets recognized will be amortizes over the remaining effective period of the Government Consent granted.

d) Transaction costs

Klimat X incurred transaction costs of \$280,000 in conjunction with the COB, relating to legal, filing and other transaction-specific costs, all of which have been expensed as part of general and administrative expenses in the nine month period ended September 30, 2022.

5. RIGHT-OF-USE ASSETS

<i>(Canadian \$)</i>	PTHL Leasehold estate	Total
Cost		
At December 31, 2021 and 2020	-	-
Acquisition (Note 4)	2,305,995	2,305,995
At September 30, 2022	2,305,995	2,305,995
Accumulated depreciation and impairment		
At September 30, 2022	(12,670)	(12,670)
Carrying amount		
At December 31, 2021	-	-
At September 30, 2022	2,293,325	2,293,325

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

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6. PROPERTY, PLANT AND EQUIPMENT

<i>(Canadian \$)</i>	PTHL Bearer plants	PTHL Rehabilitation asset	PTHL Building, machinery and equipment	Total
Cost				
At December 31, 2021 and 2020	-	-	-	-
Acquisition (Note 4)	116,113	138,195	103,223	357,531
At September 30, 2022	116,113	138,195	103,223	357,531
Accumulated depreciation and impairment				
At September 30, 2022	(5,827)	(6,935)	(5,180)	(17,942)
Cumulative translation adjustment – foreign exchange impact				
At September 30, 2022	14,927	17,765	13,270	45,962
Carrying amount				
At December 31, 2021	-	-	-	-
At September 30, 2022	125,213	149,025	111,313	385,551

Klimat X's property, plant and equipment consists of bearer plants, rehabilitation asset, and building, machinery and equipment:

- Bearer plants consist of the PTHL's water coconut trees used in the production of agricultural produce and related byproducts; and
- The rehabilitation assets include expenditures on additional land clearing, improved soil fertility, and increasing planting and productivity of tree plantations; and
- Building, machinery and equipment include bearer plants, nursery assets, farm and related equipment, a building, office furniture and related equipment.

7. INTANGIBLE ASSETS

<i>(Canadian \$)</i>	Maforiki (SL) Project - Rights (a)	Forest and Mangrove Protection Limited (b)	Total
Cost			
At December 31, 2021	-	-	-
Acquisition cost	4,340,236	898,269	5,238,505
Development cost	437,153	-	437,153
At September 30, 2022	4,777,389	898,269	5,675,658
Accumulated amortization and impairment			
At September 30, 2022 and December 31, 2021 and 2020	-	-	-
Carrying amount			
At December 31, 2021	-	-	-
At September 30, 2022	4,777,389	898,269	5,675,658

(1) Includes \$3,375,000 share consideration and the Initial Advance of US\$750,000 (\$965,236).

Klimat X's intangible assets consist of Sierra Leone rights.

a) Sierra Leone rights (see note 4b)

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

- Includes \$3,375,000 share consideration and the Initial Advance of \$965,236 (US\$750,000).
- RML Carbon Credits that are produced from or in connection with the Maforiki Project;

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- 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.

b) Forest and Mangrove Protection Ltd. ("FMPL")

On August 15, 2022, the Company entered into a carbon credit streaming agreement with FMPL 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 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).

8. GOODWILL

<i>(Canadian \$)</i>	Total
At December 31, 2021	-
Acquisition of PTHL (Note 4a)	7,920,714
At September 30, 2022	7,920,714

The aggregate carrying amount of goodwill allocated to each CGU is as follows:

<i>(Canadian \$)</i>	September 30 2022	December 31 2021
Guyana	7,920,714	-
Total goodwill	7,920,714	-

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9. DEBT

Debt is comprised of the following:

<i>(Canadian \$)</i>	September 30 2022	December 31 2021
Loans payable		
PTHL Loans payable - Related parties (Note 15)	600,420	-
PTHL Loans payable - Other	136,592	-
Total loans payable acquired (see Note 4a)	737,012	-
Repayment	(220,351)	-
Foreign exchange impact	32,919	-
Current portion of loans payable	(549,580)	-
Non-current portion of loans payable	-	-

Debt consists of the following loans assumed as part of the acquisition of PTHL (Note 4a):

PTHL Loans Payable – Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

<i>(Canadian \$)</i>	September 30 2022	December 31 2021
Loan note from Alma Pelly Limited – (acquired for \$600,420 with \$32,919 foreign exchange impact, see note 15)	549,580	-
Loan from 662 Ventures Ltd – (repaid \$83,759)	-	-
Total PTHL Loans payable – Related parties	549,580	-

A loan note was obtained by PTHL from Alma Pelly Limited, a UK corporation, wholly owned by Mr. Duncan Turnbull, a founder and past Chief Executive Officer, and current special advisor (designated Officer of the corporation) of PTHL, in the normal course of business. The loan note resulted from the conversion of PTHL share compensation embedded in a 2018 shareholders' agreement and is repayable in full on March 1, 2025, with the note holder having the option to convert the loan notes into the common equity of PTHL. Interest is charged at 0% per annum with a step-up to 10% if the loan is not paid at maturity. At September 30, 2022, the fair value of the loan assumed as part of the PTHL acquisition was US\$400,948 (\$549,580). Klimat X classifies this debt as current due to options to convert to equity or repay the debt prior to June 29, 2023.

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 repaid as at September 30, 2022.

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PTHL Loans Payable – Other

<i>(Canadian \$)</i>	September 30 2022	December 31 2021
Loan from Capfield UK Limited – repaid (\$64,430)	-	-
Loan from Chadlington House Property Management Services Limited – repaid (\$64,430)	-	-
Accrued interest on loans payable (repaid \$7,732)	-	-
Total PTHL Loans payable – Other (total repaid \$136,592)	-	-

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 was repaid as at September 30, 2022.

10. LEASE LIABILITIES

<i>(Canadian \$)</i>	September 30 2022	December 31 2021
At beginning of year	-	-
Acquisition (Note 4)	2,305,995	-
Accretion expense	46,878	-
At end of period	2,352,873	-
Current portion of lease liabilities	(184,832)	-
Non-current portion of lease liabilities	2,168,041	-

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 due by December 31, 2022 (US\$6,250 per month), are subject to an equity conversion right, whereby such outstanding lease payments may be converted into common shares of PTI. If this equity right is exercised, the carrying amount of such payables will be converted to shares of PTI at the prevailing fair value of such shares at the conversion date.

To date, the estate’s landowner family has not exercised such conversion rights. At September 30, 2022, the Company has accrued US\$150,000 (\$193,290) of such outstanding lease payments subject to conversion rights and included in accounts payable and accrued liabilities on the statement of financial position.

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 8% per annum appropriate for the location, type of property and length of term.

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

(Canadian \$)	September 30 2022	December 31 2021
Less than 1 year	144,968	-
2 to 3 years	386,580	-
4 to 5 years	386,580	-
More than 5 years	7,876,568	-
Total lease payments	8,794,696	-
Amounts representing interest over the term of the lease	(6,488,701)	-
Present value of lease liabilities	2,305,995	-

11. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

- An unlimited number of Common Shares without par value

b) Issued share capital

(Canadian \$, except number of shares)	Number of shares	Amount
Common Shares		
At December 31, 2020 and 2021	38,490,400	2,526,787
Share issuances – cash	21,705,127	9,767,307
Bridge Financing	1,000,000	450,000
Concurrent Financing – Tranche 1	20,482,827	9,217,272
Concurrent Financing – Tranche 2	222,300	100,035
Share issuances – in kind	1,361,509	612,679
Shares for Services Agreements	807,588	363,415
Concurrent Financing advisor services	553,921	249,264
Share issuances in connection with COB	17,415,625	7,837,031
Acquisition of PTHL (Note 4a)	9,915,625	4,462,031
Issued in connection with Sierra Leone Transaction (Note 4b)	7,500,000	3,375,000
Issued in connection with Yucatan Transaction (Note 4c) ⁽¹⁾	-	-
Share issue costs, net of tax		(336,612)
Incurred (cash), net of tax	-	(87,348)
Share issuance	-	(249,264)
At September 30, 2022 ⁽¹⁾	78,972,661	20,407,192

(1) Common Shares outstanding at September 30, 2022 excludes 7,250,000 Common Shares issued on June 29, 2022 to Dr. James Tansey, Chief Executive Officer and a director of Klimat X, in exchange for an assignment of his rights and interest in 33% of the Original Commission of CMCC in the Yucatan Contract (Note 4c). In accordance with IFRS 2, Share-based payments, shares issued in exchange for goods received (i.e., the above-mentioned rights acquired in the Yucatan Transaction), Klimat X only recognizes the rights as an intangible asset in a share-based transaction when the goods are received. The assignment of the Yucatan Contract to Klimat X remains conditional upon express approval of the Government of the State of Yucatan, Mexico. As such, no intangible asset for the assignment of these rights and interest are recognized and the Common Shares issued are not reflected in the outstanding Common Shares at September 30, 2022.

In addition, pursuant to a share repurchase agreement dated June 6, 2022 with Dr. James Tansey and Canvas Impact Advisors Ltd., led by Dr. James Tansey, 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.

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c) Share issuances

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 pay a cash finder’s fee of \$9,261 and issue an aggregate of 553,921 Common Shares valued at \$249,264 at a price of \$0.45 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 \$363,415 owing to certain arm’s-length service providers of the Company through the issuance of 807,588 Common Shares, at a deemed price of \$0.45 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 \$63,415 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 \$50,000 to 1LS Consulting, in order to settle fees for certain legal, transactional and foreign advisory services;
- 55,555 Common Shares valued at \$25,000 to Guy Bertin, in order to settle fees for certain transactional and foreign advisory services; and
- 500,000 Common Shares valued at \$225,000 to Clarus Securities Inc., in order to settle fees for certain transactional and foreign advisory services.

Shares for Concurrent Financing advisor services

In connection with the Concurrent Financing, the Company agreed to pay a cash finder’s fee of \$9,261 and issue an aggregate of 553,921 Common Shares valued at \$249,264 at a price of \$0.45 per Common Share at the closing of the COB, representing 6% of the gross proceeds raised from subscriptions in the

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Concurrent Financing introduced by certain arm's length finders.

Other share issue costs

During the three and nine month periods ended September 30, 2022, the Company incurred \$87,348 of share issue costs in cash, including the \$9,261 cash finder's fee related to the Concurrent Financing.

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.

d) Escrowed Common Shares

Common Shares outstanding at September 30, 2022, includes the following escrowed shares:

TSXV requirements

Upon relisting on the TSXV on July 19, 2022, in accordance with TSXV policies and the Company's registrar and transfer agent acting as escrow agent:

- 32,255,939 Common Shares held by "Principals" of Klimat X (as defined in TSXV policies) will be held under a TSXV Tier 2 Value escrow agreement;
- 1,007,740 Common Shares held by Principals of Klimat X will be held under a TSXV Tier 1 Value escrow agreement; and
- 2,682,577 Common Shares held by PTHL shareholders who received Common Shares as consideration for their PTHL shares will be held under a TSXV Tier 2 Value escrow agreement.

As a result, at September 30, 2022, 35,946,256 Common Shares (or approximately 42% of the total Common Shares) are subject to escrow.

Voluntary escrow

In addition, Dr. James Tansey, the new CEO of Klimat X following the COB, Mr. Neil Passmore, the new Director of Corporate Development and sitting on the Board of Directors following the COB and Mr. Ford Nicholson, Director, and Mr. Kevin Godlington, the new Director of Operations of Klimat X, key principals of Klimat X, have additionally agreed to enter into a voluntary escrow arrangement for a period of one year whereby all Common Shares held or controlled by them will remain subject to escrow during such time period.

Common Shares outstanding at September 30, 2022, excludes the following:

Share Repurchase Agreement

On June 6, 2022, the Company entered into a share repurchase agreement with Dr. James Tansey and Canvas Impact Advisors Ltd. whereby if the Government Consent has not be received by the Company for the assignment of the Commission agreement by the Government of the state of Yucatan on or before the date that is 120 days from the date of the agreement (the "Deadline Date"), the Company shall have the option (the "Repurchase Option") to repurchase from Canvas for cancellation the Consideration Shares at a price equal to \$0.01 per Consideration Share (the "Repurchase Price").

In the event that the Government Consent has not been received on or before the Deadline Date, the board of directors of the Company (excluding the Executive Shareholder) may determine, in its sole discretion, to extend the Deadline Date for a period of up to an additional one-hundred and twenty (120) days provided such members of the board of directors are satisfied that the Government Consent is reasonably forthcoming.

As at the date of these Financial Statements, the Company has not received Government Consent.

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12. 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 capital structure of Klimat X consists of the following:

<i>(Canadian \$)</i>	September 30 2022	December 31 2021
Current assets	(4,614,022)	(165,758)
Current liabilities	994,788	335,481
Working capital deficit (surplus) or net current (assets) liabilities	(3,619,234)	169,723
Lease liabilities – non-current	2,168,041	-
Shareholders' equity (deficit)	14,942,132	(169,723)
	13,490,939	-

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 three and six months ended September 30, 2022.

13. 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

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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:

	September 30 2022		December 31 2021	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
<i>(Canadian \$, except number of stock options)</i>				
Stock options				
Outstanding at beginning of year	3,849,040	0.445	-	-
Cancelled	(3,849,040)	0.445	-	-
Granted	3,849,040	0.450	3,849,040	0.445
Outstanding at end of period	3,849,040	0.450	3,849,040	0.445
Weighted average remaining life		5.0 years		4.9 years
Vested and exercisable at end of period	3,849,040	0.450	3,849,040	0.445

On June 29, 2022, a total of 3,849,040 stock options with an exercise price of \$0.445 per share which were due to expire in November 2026 were re-priced to have an exercise price of \$0.45 per share and amended to expire in June 2027 and reissued to the same option holders. Both the re-pricing of the exercise price and amendment to the option term were approved by the TSX Venture Exchange. This transaction was accounted for as a modification under IFRS 2, *Share-based payments*.

In connection with the stock option modification, the Company determined an incremental value of \$39,000 recognized immediately as the modified stock options are fully vested and exercisable.

The estimated fair value of the stock options granted during the period was calculated using the Black-Scholes model and the following assumptions:

	Nine months ended Sept 30 2022	Year ended December 31 2021
Share price on grant date	\$0.45	\$0.445
Exercise price	\$0.45	\$0.445
Expected life (years)	5	5
Expected volatility	141%	141%
Risk-free interest rate	3.17%	1.29%
Expected forfeiture rate	-	-
Expected dividend yield	-	-
Weighted average fair value per stock option	\$0.40	\$0.39

Estimated forfeiture rates are adjusted to the actual forfeiture rate at time of forfeiture. Expected volatility is based on the historical volatility of publicly traded peer companies. The risk-free interest rate is based on Government of Canada bonds of a similar duration.

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c) Equity-settled share-based payments for goods received.

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Klimat X's financial assets consist of cash and cash equivalents and accounts receivable.

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.

At September 30, 2022, the carrying value and fair value of the debt accounted for under amortized cost was \$549,580. The estimated fair value of the debt is based on pricing sourced from market data, which is considered a Level 2 fair value input.

Financial risk management

Klimat X's activities expose it to certain financial risks, including market risk, credit risk and liquidity 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 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 expense 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 the acquisition of PTHL closed on June 29, 2022 and the Company effectively recognized the net assets acquired as at June 30, 2022, the results of operations and net income (loss) and other comprehensive income (loss) attributable to PTHL will only be consolidated as of July 1, 2022. 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 September 30, 2022.

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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 September 30, 2022, 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 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. 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.

Based on historical default rates, the Company believes that no additional allowance for doubtful accounts provision is necessary in respect of accounts receivables.

Klimat X held cash and cash equivalents of \$4,021,549 at September 30, 2022 which represents its maximum credit exposure on these assets (December 31, 2021 - \$164,825). 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 expected timing of cash outflows relating to financial liabilities at September 30, 2022 are outlined in the Commitments and contingencies section below (Note 17).

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15. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions

The Company incurred the following with directors and companies controlled by Directors of the Company:

<i>(Canadian \$)</i>	Three months ended		Nine months ended	
	2022	Sept. 30 2021	2022	Sept. 30 2021
Consulting fees	803,316	-	999,672	-
Administration fees	-	16,012	-	16,012
	803,316	16,012	999,672	16,012

Due from (to) related parties

The Company has the following owing to related parties:

<i>(Canadian \$)</i>	Note	September 30 2022	December 31 2021
Current liabilities			
<i>Accounts payable</i>			
Due to directors and/or officers		68,700	48,533
<i>Debt</i>			
PTHL Loans payable – Related Parties	9	549,580	-
		618,280	48,533

Commitments

PTHL related party advisory agreements

PTHL has entered into two advisory agreements with Alma Pelly Limited, a UK corporation, wholly owned by Mr. Duncan Turnbull, a founder and past Chief Operating Officer of PTHL and 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, for advisory and consulting services for the period from January 1, 2022 to December 31, 2024, each for US\$60,000 per annum.

16. SEGMENTED REPORTING

The net loss by segment for the three and nine months ended September 30, 2022 and 2021 are as follows:

<i>(Canadian \$)</i>	Three months ended Sept. 30, 2022			Three months ended Sept. 30, 2021		
	Guyana	Unallocated	Total	Guyana	Unallocated	Total
Revenue	28,098	-	28,098	-	-	-
Cost of good sold	(76,430)	-	(76,430)	-	-	-
Other operating expenses	(127,465)	(1,410,991)	(1,538,456)	(51,681)	(51,681)	(51,681)
Share-based payments	-	-	-	-	-	-
Other expenses	(1,564)	(13,352)	(13,352)	-	-	-
Net loss	(177,362)	(1,465,476)	(1,642,838)	-	(51,681)	(51,681)

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<i>(Canadian \$)</i>	Nine months ended Sept. 30, 2022			Nine months ended Sept. 30, 2021		
	Guyana	Unallocated	Total	Guyana	Unallocated	Total
Revenue	28,098	-	28,098	-	-	-
Cost of good sold	(76,430)	-	(76,430)	-	-	-
Other operating expenses	(127,465)	(2,724,810)	(2,852,275)	-	(212,420)	(212,420)
Share-based payments	-	(39,000)	(39,000)	-	-	-
Other expenses	(1,564)	(41,134)	(42,698)	-	-	-
Net loss	(177,362)	(2,804,943)	(2,982,305)	-	(212,420)	(212,420)

<i>(Canadian \$)</i>	Nine months ended Sept. 30, 2022			Nine months ended Sept. 30, 2021		
	Guyana	Unallocated	Total	Guyana	Unallocated	Total
Expenses						
General and administrative	-	1,313,819	1,313,819	-	(212,420)	(212,420)
Share-based payments	-	39,000	39,000	-	-	-
Total expenses	-	1,352,819	1,352,819	-	(212,420)	(212,420)
Finance costs (income)	-	(13,352)	(13,352)	-	-	-
Net loss	-	(1,339,467)	(1,339,467)	-	(212,420)	(212,420)

The segment assets and liabilities as at September 30, 2022 and December 31, 2021 are as follows:

<i>(Canadian \$)</i>	Sept. 30, 2022			December 31, 2021		
	Guyana	Unallocated	Total	Guyana	Unallocated	Total
Segment assets	11,194,580	9,694,690	20,889,270	-	165,758	165,758
Segment liabilities	(2,969,403)	(193,426)	(3,162,829)	-	(335,481)	(335,481)

17. COMMITMENTS AND CONTINGENCIES

Other commitments – Right of first offer

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.

Litigation and claims

The Company may be involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on the Company's financial position or results of operations.

PTHL founder claim of debt

On April 22, 2020, PTHL received a letter from a founder in which the founder purported to claim a debt of US\$250,000 as a result of expenses purportedly incurred on behalf of PTHL at or around the time that PTI was established in Guyana. The founder also claims rights to shares issued by PTHL to its majority shareholder at the time. The founder has threatened to commence legal proceedings against PTHL if its claim is not addressed. To date, no such proceedings had commenced.

Klimat X Developments Inc. (formerly Earl Resources Limited)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and nine month periods ended September 30, 2022 and 2021

(All amounts in Canadian \$, except as indicated)

No provision for the claim has been made in these Financial Statements as supporting evidence of the alleged expenditure has not been provided. PTHL intends to defend itself against these claims should such proceedings commence.

Corporate Information

OFFICERS

Dr. James Tansey
CEO and Director

Matthew Roma
CFO, Corporate Secretary and Director

Kevin Godlington
Director of African Operations

Neil Passmore
Director of Corporate Development and Director

BOARD OF DIRECTORS

Paul Matysek^{1,2,3,4}
Executive Chairman

Ford Nicholson^{1,2,3,4}
Lead Director

Robert Cross

Mischa Zajtmann^{1,2,3,4}

Dr. James Tansey

CEO and Director

Neil Passmore
Director of Corporate Development and Director

- 1 - Member of the Audit Committee
- 2 - Member of the Human Resources and Compensation Committee
- 3 - Member of the Safety and Sustainability Committee
- 4 - Member of the Nominations and Corporate Governance Committee

CORPORATE OFFICE

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BANKERS

Bank of Montreal
Vancouver, British Columbia

LAWYERS

Borden Ladner Gervais LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta

INVESTOR RELATIONS INFORMATION

investors@klimatx.com

STOCK EXCHANGE LISTING

TSX Venture Exchange ("TSXV")
Trading Symbol: KLX