



Klimat X Developments Inc.
(formerly Earl Resources Inc.)

Management's Discussion and Analysis
For the year ended December 31, 2022 and 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

May 1, 2023 - The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for Klimat X Developments Inc. (formerly Earl Resources Limited) and its subsidiaries ("Klimat X" or the "Company" which includes references to "we", "our", "us", "its"), is a review of the operations, current financial position and condition for the years ended December 31, 2022, and 2021 prepared as of May 1, 2023, and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and introduces financial measures which are not defined under IFRS aimed at helping the reader in making comparisons to metrics similarly disclosed by industry peers. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Measures" and "Forward-Looking Information" included at the end of this MD&A.

DESCRIPTION OF BUSINESS

Klimat X, headquartered in Vancouver, British Columbia, Canada, is a carbon exploration and development company with global reach into jurisdictions with the highest production potential from forestry and marine carbon sequestration projects.

Klimat X is in the early stages of developing validated and verified carbon credits from afforestation and reforestation of degraded land areas and marine ecosystems, including mangroves, for sale into international voluntary carbon markets. In contrast to streaming and royalty companies, Klimat X works upstream as a direct owner and operator of projects, addressing a key supply constraint in the current market and the rapidly growing demand for carbon credits in global voluntary and regulated markets. Klimat X intends to achieve this by investing in the exploration, restoration and management of terrestrial and marine systems that can either be protected to enhance the sequestration of greenhouse gases or restored from a degraded status to fully productive ecosystems. Klimat X will draw on the experience of a senior executive team and board that provide access into key target jurisdictions through relationships in the mining and natural resources sectors, combined with decades of experience in carbon markets. Klimat X plans to deploy capital at risk under various arrangements (including cooperation, assignment and production sharing agreements) with large landowners and governments in various suitable jurisdictions around the world.

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".

CHANGE OF BUSINESS TRANSACTIONS AND REACTIVATION OF LISTING

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

- the closing of the Guyana Transaction;
- the closing of the Sierra Leone Transaction;
- the closing of the Yucatan Transaction;
- the closing of the Bridge Financing;
- the completion of the Concurrent Financing; and
- the completion of the Shares for Services Agreement

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

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

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 (the "Bridge Financing").

Concurrent Financing

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

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

In connection with the Concurrent Financing, the Company agreed to issue an aggregate of 553,921 Common Shares valued at \$77,549 at a price of \$0.14 per Common Share at the closing of the COB,

representing 6% of the gross proceeds raised from subscriptions in the Concurrent Financing introduced by certain arm's length finders.

Guyana Transaction

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

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

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

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



Sierra Leone Transaction

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

RML, an entity incorporated under the laws of Sierra Leone on November 15, 2021, has engaged chiefdoms in Sierra Leone located at Malal, Rokon, Gbonkohyeni and Maforay communities (together referred to as the "Maforki Project") and has entered into related multi-stakeholder agreements with such chiefdoms for approximately 25,000 hectares of land. RML has also entered into agreements between RML and the applicable landowners in Malal, Rokon, Gbonkohyeni and Maforay communities in Sierra Leone located at the Maforki Project ("Individual Landowner Agreements") for approximately 8,000 hectares of land in Sierra Leone located at the Maforki Project.

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

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

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 was paid additionally as at December 31, 2022, which became due upon completion of the relisting requirements of Klimat X on July 19, 2022. The total consideration was recorded as business development consulting fee as the transaction has not closed as at December 31, 2022. The current agreement that CMCC has in place with the Government of Yucatan expires in February 2024, There is currently ongoing discussions to extend the agreement.

The assignment of the Yucatan Contract to Klimat X remains conditional upon approval of the Government of the State of Yucatan, Mexico ("Government Consent"). Pursuant to the Yucatan Contract, CMCC has the right to 5% of the net value of the carbon credits successfully sold (or the equivalent to the final transaction price) resulting from the determination, development, execution, structuring, marketing, and selling of such as provided in the Yucatan Contract (the "Original Commission"). On June 29, 2022, the Company acquired the 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 to Canvas Impact Advisors Ltd. ("Canvas"), led by Dr. James Tansey (Company's Chief Executive Officer).

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

Forest and Mangrove Protection Ltd. ("FMPL")

On August 15, 2022, the Company entered into a carbon credit streaming agreement with FMPL, a Company owned by the Company's Director of Operations, to acquire carbon credit development rights for approximately 32,000 hectares of land located in Sierra Leone. Pursuant to the acquisition, the Company will assume FMPL's cost of the land rights acquisition and all carbon credit development costs associated with implementing a large-scale rewilding project under the relevant Verra afforestation/reforestation protocol, in exchange for the carbon credit rights and other revenues generated through the sale of timber and other biological assets produced from, or in connection with the project. The cost of acquisition was \$898,269 (US\$655,912). Following the initial acquisition, the Company invested an additional \$270,756 (US\$200,000) into the FMPL project.

OUTLOOK

Klimat X currently has projects under development in Sierra Leone, Guyana, Suriname and the State of Yucatan in Mexico, and is actively developing projects in other key jurisdictions. As of the date of this report, Klimat X is proud to report the following highlights:

- Sierra Leone project team has completed the first 400 hectares of reforestation in the Maforki Kingdom of Sierra Leone. Planting activity started in July 2022 with the completion of the relisting of the company and this is a major accomplishment. This area is equivalent to almost 750 soccer pitches. Over the lifespan of the project, this area will produce up to 200,000 tonnes of carbon credits. A very significant ramp up in planting activity in 2023, which also generates significant economic and employment benefits to local rural communities. The company takes a world-leading approach to securing consent over the planting activities and to economic benefit sharing.
- The company has established a nursery and sourced seedlings to plant 1000 ha during the summer of 2023.
- Klimat X has secured rights to almost 60,000 hectares of reforestation in the country of Sierra Leone and is also developing a large-scale programme for protecting and restoring degraded mangrove areas along the coastline covering tens of thousands of hectares. The company has completed extensive feasibility work in the mangrove areas for both conservation and restoration projects. In late 2023 the company planted 14 ha of mangroves in a test site on degraded land and established a nursery for mangrove seedlings.
- The company is also active in the State of Yucatan and in Guyana and is making very strong progress in new project development across all jurisdictions.
- Klimat X received a feasibility study confirming scope of Sierra Leone project with near term goal of securing further land and carbon rights of 75-100,000 hectares;

- Accelerated activity and focus on the State of Yucatan, Mexico project includes reforestation of up to 25,000 hectares of degraded mangrove with local partners Compañía Mexicana de Captación de Carbono (CMCC) within a 100,000ha area that could also generate conservation credits.
- Silvestrum Climate Associates have completed a pre-feasibility report confirming that there is significant potential in the State of Yucatan for restoration projects.
- The company remains confident in the approach of working upstream to secure and de-risk project sites using equity. The company has made strong progress in securing investor interest in pre-purchase agreements that should help fund project capital expenditures.

Klimat X is pursuing a strategy to develop financing, pre-sales and offtake agreements with large buyers seeking to meet the growth in demand for credits anticipated by the Task Force on Voluntary Carbon Credits.

RESULTS OF OPERATIONS

	December 31 2022	December 31 2021	December 31 2020
<i>(Canadian \$)</i>			
Revenue	68,587	-	-
Cost of sales	(172,999)	-	-
	(104,412)	-	-
Consulting fees	(2,570,477)	(221,003)	(18,375)
Professional fees	(237,241)	(214,828)	(11,797)
Depreciation expense	(60,914)	-	-
Marketing	(215,414)	(8,762)	-
Listing and filing fees	(82,013)	(15,654)	3,612
Office and administration	(221,989)	(34,375)	(32,338)
Share-based compensation	(1,221,360)	(1,522,000)	-
Travel and corporate development	(109,958)	(52,430)	(1,651)
	(4,719,368)	(2,069,052)	(75,461)
Other expenses			
Finance cost	(134,786)	-	135
Gain on settlement of accounts payable	95,353	-	-
Foreign exchange	(9,672)	-	-
Net loss	(4,872,885)	(2,069,052)	(75,326)
Net loss attributable to:			
Owners	(4,749,824)	(2,069,052)	(75,326)
Non controlling interest ("NCI")	(123,060)	-	-
	(4,872,884)	(2,069,052)	(75,326)

During the year ended December 31, 2022, the Company incurred a net loss of \$4.9M (2021 - \$2.1M). When compared to prior year's comparative period, the current year's losses were significantly higher predominantly to the following:

- i) Gross loss was \$104K in the current year vs. nil in the prior year. This was the result of the acquisition of the PTHL entity in the current year. The PTHL business operated at a loss in 2022 which is expected as it ramps up the business.
- ii) Consulting fees were \$2.6M in the current year vs. \$220K in the prior year. This was the result of the company hiring consultants globally to advance the various projects the Company is involved in. In fiscal 2021, the Company was only a shell company.
- iii) Marketing expense in the current year was \$215K vs. \$9K in the prior year. The increase in marketing expenses was the result of the increased efforts to build awareness of the Company after the COB. In the prior year, there was very little marketing efforts as the Company was just a shell company.

During the year ended December 31, 2022, the Company incurred a net loss of \$4.9M (2020 - \$75K). When compared to the comparative period, the current year's losses were significantly higher predominantly to the following:

- i) Gross loss was \$104K in the current year vs. nil in the prior year. This was the result of the acquisition of the PTHL entity in the current year. The PTHL business operated at a loss in 2022 which is expected as it ramps up the business.
- ii) Consulting fees were \$2.6M in the current year vs. \$18K in the comparative year. This was the result of the company hiring consultants globally to advance the various projects the Company is involved in. In fiscal 2020, the Company was only a shell company.
- iii) Marketing expense in the current year was \$215K vs. \$nil in the comparative year. The increase in marketing expenses was the result of the increased efforts to build awareness of the Company after the COB. In the comparative year, there were no marketing efforts as the Company was just a shell company.

Financial condition

The following table compares selected financial information as of December 31:

	2022	2021	2020
Total assets	11,906,529	165,758	517,664
Total non-current liabilities	1,724,517	-	-
Dividends granted	-	-	-

Total assets in 2020 and 2021 consisted predominantly of cash. Total assets in the current year consist of cash and cash equivalents of \$2.3M, prepaid expenses of \$265K, right of use assets of \$4.7M and carbon credit streaming agreements of \$4.1M. There were no non-current liabilities in the comparative years. The 2022 liability is related to the PTHL land lease and the convertible debenture.

SUMMARY OF QUARTERLY INFORMATION

The table below summarizes Klimat X's quarterly financial and operational highlights for the three months ended December 31, 2022 as well as the previous seven quarters:

<i>(Canadian \$, except per share amounts and percentages)</i>	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Net loss	(1,890,580)	(1,642,838)	(1,013,945)	(325,522)	(1,856,632)	(51,681)	(148,551)	(12,188)
Revenue	40,489	28,098	-	-	-	-	-	-
Total assets	11,906,529	20,889,270	23,364,357	9,703,335	165,758	305,460	384,283	505,828
Working capital surplus (deficiency) ⁽¹⁾	1,857,000	3,619,234	6,498,392	(45,245)	(169,723)	164,909	216,590	365,141
Non-current debt ⁽¹⁾	1,724,517	2,168,041	2,168,041	-	-	-	-	-

(1) Non-GAAP measure as defined in the Non-GAAP measures section of this MD&A.

Q4 2022 in comparison to Q3 2022, Q2 2022 and Q1, 2022

The net loss in the current quarter was the highest to date as the Company has continued to incur expenses growing our global carbon presence. The major contributors to this are consulting and professional fees. Revenue in the current period was slightly higher than the last quarter due to growth in our coconut business. Prior to Q3 2022, this coconut operation did not exist. Total assets in Q1 2022 were the result of the capital raise however the funds were still in escrow until the COB occurred. Total assets in Q2 2022 were the result of the COB being approved by the TSX-V and the multiple acquisitions that occurred. The significant decrease in total assets from Q3 2022 to Q4 2022, was the finalization of the purchase price allocation and the consideration value paid for the assets. Working capital following the COB has slowly declined as the Company has deployed the capital it had raised on various initiatives in the global carbon space as we continue to develop our business.

Q4 2022 in comparison to Q4 2021 and all prior quarters presented

Prior to Q1 2022 the Company operated as a shell company. The Company had cash from equity financings and incurred general corporate overhead costs. There were no operations prior to the COB.

In Q4, 2022 the Company incurred significantly higher consulting and professional fee expenses driving a much higher net loss. The Total assets were significantly higher as a result of a large equity financing as well as several share acquisitions. Non-current debt in the current quarter is associated with the long term PTHL land lease.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

<i>(Canadian \$)</i>	December 31,		
	2022	2021	2020
Net cash flow used in operating activities	(4,036,776)	(352,839)	(74,045)
Net cash flows used in investing activities	(3,278,168)	-	-
Net cash flow from financing activities	9,468,869	-	497,119
Increase (decrease) in cash and cash equivalents	2,153,925	(352,839)	423,074
Cash and cash equivalents, beginning of period	164,825	517,664	94,590
Cash and cash equivalents, end of period	2,318,750	164,825	517,664

As at December 31, 2022, the Company's working capital was \$2.6M (December 31, 2021 deficit - \$170k; December 31, 2020 \$377,329). The increase was the result of multiple equity financings that occurred in the current year. There were no capital raises in 2021, and the capital raise in 2020 was for \$497K.

Cash flow used in operating activities in the current period was \$4.0M vs. \$400K in 2021, \$75K in 2020. The significant increase in cash flow used in operating activities from 2021 to 2022 was the result of a higher net loss of \$2M, increase of \$600K spent on prepaid expenses, an increase of \$430K in settling accounts payables, and a \$75K gain on settlement of accounts payable. In general, there was significantly less activity in the prior year and leading up to the COB as the Company was a shell company prior to the COB.

The significant increase in cash flow used in operating activities from 2020 to 2022 was the result of a higher net loss of \$4.5M, and an increase of \$600K spent on prepaid expenses. In general there was significantly less activity in the prior year and leading up to the COB as the Company was a shell company prior to the COB.

Cash flow used in investing activities was \$3.3M in the current year. There were no investing cash flows in the comparative years. The cash flows used in investing activities were the result of the PTHL acquisition as well as the Sierra Leone acquisition of rights.

Cash flows from financing activities in the current year were \$9.5M. There were no financing cash flows in 2021, and the cash flows from financing activities in 2020 were \$497K. The current year cash flows from financing activities were the result of equity financings for \$9.8M, offset by repayment of loans of \$220K and share issue costs of \$80K. The 2020 cash flows from financing were from a private placement.

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.

Share capital

Klimat X had the following outstanding Common Shares and equity instruments as at the date of this report:

	Common Shares	Stock options
As at December 31, 2022	86,222,661	5,374,040
Stock options granted	-	100,000
As at date of report	86,222,661	5,474,000

On April 20, 2023, the Company granted 100,000 stock options with an exercise price of \$0.20, with an expiry term of 5 years.

USE OF PROCEEDS ANALYSIS

In connection with the COB, the Company prepared a use of proceeds from the concurrent financing. The totals included in the filing statement and the actual spend to date is presented below:

Category	Per Filing Statement	Actuals
Fees and expense related to transaction	350,000	261,228
Estimated go forward accounting/legal	200,000	237,241
Carbon credit project feasibility/development work	2,500,000	1,477,496
G&A	2,150,000	2,030,805
Co-investments in new projects	3,000,000	2,741,494
Guyana facility	750,000	-
Unallocated	117,015	-
Total	9,067,015	6,748,264

The company anticipated incurring \$90K more in expenses associated with the transaction that actually incurred. Total expense associated with legal and accounting to date have been \$37K more than anticipated. This is due to added complexity as part of the work done by the auditors during the year on the PTHL acquisition and the multiple carbon credit streaming agreements that Company invested in. The Company continues to complete the Carbon project development work. To date the Company has incurred \$1.5M of the total \$2.5M presented in the filing statement. As of December 31, 2022 the Company has co-invested in multiple new projects in Sierra Leone and Yucatan. As of December 31, 2022, the company had incurred \$260K less than what was presented in the filing statement. No funds have been spent on the Guyana facility as of December 31, 2022.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any special purpose entities nor is it a party to any off-balance sheet arrangements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Klimat X's objectives will be pursued in conjunction with its commitment to participating in a circular economy and by fulfilling the Company's environmental, social and corporate governance ("ESG") values.

E – Projects are focused on nature-based solutions, involving both conservancy and restoration projects to generate carbon credits and reduce greenhouse gas emissions;

S – The Company operates as a community-focused business, focusing on partnering with local indigenous groups including as hosts for its operations and as workforce participants; and

G – The Company is committed to strong governance practices in its current operations and in the planned growth and development of nature-based solutions. Klimat X is dedicated to developing a sustainable business through collaboration with stakeholders, communities, local indigenous groups, employees and contractors, customers, and investors and through responsible development, disciplined asset management, financial strength and resiliency, and the capacity to operate and grow sustainably.

Klimat X is committed to maintaining meaningful and collaborative relationships in the countries, regions, and communities in which it operates, with a key focus on working with indigenous groups, who are integral to their local communities and environment and who will make up a significant percentage of the project level workforce.

RISK ASSESSMENT

There are a number of risks facing Klimat X. Some of the risks are common to all businesses while others are specific to the sector within which Klimat X operates.

Many of these risks are outside of the Company's control. The risks and uncertainties described below are not the only risks that the Company faces. Additional risks and uncertainties, including those of which management is not currently aware of or which are currently deemed immaterial, may adversely affect the Company. Any of these factors, either alone or taken together, could have a material adverse effect on the Company and could change whether any forward-looking statements are ultimately realized.

These risks cannot be eliminated, however, Klimat X's management is committed to proactively monitoring, and where possible, mitigating risk. Issues affecting, or with the potential to affect, the Company's assets, operations and/or reputation, are generally of a strategic nature or are emerging issues that can be identified early and then managed, but occasionally include unforeseen issues that arise unexpectedly and must be managed on an urgent basis. Klimat X takes a proactive approach to the identification and management of issues that may affect the Company's assets, operations and/or reputation and has established consistent and clear policies, procedures, guidelines and responsibilities for issue identification, management and mitigation.

The general and specific risks to which the Company is exposed to as well as the business risks with regards to the COB as described in the "Change of Business Transaction and Reactivation of Listing" section is summarized in the "Risk Factors" section below and should be read in conjunction with the detailed "Risk Factors" section in the *Company's Filing Statement (In respect of the Change of Business Transaction of Earl Resources Limited pursuant to Policy 5.2 of the TSX Venture Exchange)* dated as of June 8, 2022 and available under the Company's SEDAR profile at www.sedar.com.

RISK FACTORS

Klimat X is subject to various risks and investment in its publicly traded Common Shares should be considered highly speculative. The Company considers the following material risk factors in addition to those outlined or otherwise referred to below, related to both its own operations and that of its subsidiary PTHL. If any of the following risks or uncertainties occur, Klimat X's business, financial condition, and results of operations could be materially and adversely affected and the trading price of Klimat X's securities could decline.

Additional Funding

Depending on future exploration, development, acquisition and divestiture plans, the Klimat X may require additional financing. In particular, the current projects of the Klimat X are capital intensive and may never be able to realize any revenue or profits until considerable additional financing has been arranged to bring such projects into a position where they are able to validate and verify carbon credits.

Klimat X's Management Team may not be Successful in implementing its Business Strategy

There can be no assurance that the Klimat X's management team will be successful in implementing its strategy or that forecasted results will be realized going forward. The management team may experience difficulties in effecting key strategic goals such as growth and investment top tier assets and the development of exploration projects. The performance of the Klimat X's operations could be adversely affected if the Klimat X's management team cannot implement the stated business strategy effectively.

Inaccurate Estimates of Growth Strategy

Market opportunity estimates and growth strategies are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate and may not be indicative of future growth. Since the growth in demand for carbon credits from large voluntary market Klimat X is relatively new, the trend may not gain wider acceptance, or experience widespread growth, as anticipated.

While the Klimat X's estimates of growth are made in good faith and based on assumptions and estimates the Klimat X believes to be reasonable, the estimates may not prove to be accurate. Further, even if the estimate of market opportunity and growth strategy does prove to be accurate, the Klimat X could fail to capture a significant portion, or any portion, of the available market.

Non-Operated Risk of Significant Assets

The assets not operated by the Klimat X in which the Klimat X has a 65% ownership interest in, and the majority of near-term future revenues are attributed to that asset. As a result, the Klimat X may not have the ability to manage development of the assets on a pace that the Klimat X would choose. Further, managing the cost of development is largely the responsibility of the operator of the asset. To date, the operator and the Klimat X have agreed on the exploration and development efforts for the asset. A Joint Operating Agreement between PTHL and the Klimat X will be put in place to provide certain protections such as the right to audit the operator, the right for approval of all capital plans for the block and the approval of an annual capital and operating budget.

Projects

The Klimat X's ability to produce, sustain or increase levels of carbon credit production is dependent in part on the success of its projects. There are many risks and unknowns inherent in all projects. For example, the economic feasibility of projects is based upon many factors, including:

- the accuracy of carbon credit reserve estimates;
- carbon recoveries with respect to Klimat X projects;
- capital and operating costs of such projects;
- the timetables for the construction, commissioning and ramp-up of such projects and any delays or interruptions;
- the accuracy of engineering and technical specification and changes in scope;
- the ability to manage large-scale construction;
- the future prices of the carbon credits; and
- the ability to secure appropriate financing to develop such projects.

The Klimat X's ability to maintain its license to operate in all of the jurisdictions in which the Klimat X has projects is also important to the success of those projects.

Risks Inherent in an Agriculture Business

The Company's business involves cultivation of agricultural products. As such, the business is subject to the risks inherent in the agricultural business, including but not limited to, pests, plant diseases, crop failure and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of the Company's agriculture products, and of agricultural products processed from the projects, and consequently on the Company's sales, profitability and financial condition.

Risks Specifically Relating to Klimat X's Securities

- Market Price of Common Shares
- Changing Investor Sentiment
- Equity Dilution
- Forward-Looking Statements May Prove Inaccurate

Additional Risks Specific to Klimat X's Business

- Diseases and Epidemics (such as Covid-19) may Adversely Impact the Klimat X's Business
- Labor Relations
- Limited Operating History for the Klimat X's Strategy
- Reputational Risk Associated with Klimat X's Operations
- Expansion into New Activities
- Klimat X Depends on its Key Personnel
- Ability to Attract and Retain Qualified Personnel
- Acquisitions and Integration
- Due Diligence
- Future Acquisitions
- Failure to Realize Anticipated Benefits of Acquisitions
- Foreign Investments and Operations

Risks Relating to Klimat X's Operations

- Competition
- Reduced Carbon Credit Demand
- Verification, Cancellation and Other Risks Associated with Carbon Credits
- Carbon Trading May Become Obsolete
- Concentration Risk
- Government Regulations and Changes in Legislation
- Political Uncertainty
- Security and insurance
- Liquidity and level of indebtedness
- Exchange and capital controls
- Currency fluctuations
- Environmental, Health, Safety Regulations
- Title to Properties and Assets
- Litigation
- Breach of Confidentiality
- Cash from Subsidiaries
- Global Financial Conditions
- Inflation
- Income Taxes
- Changes in Accounting Standards and Interpretations
- Internal Controls
- Infrastructure and IT Systems
- Reserve estimates
- Earning of the Klimat X
- Accounting Adjustments
- Carbon Credit Price Volatility
- Lack of Liquidity and High Volatility of Carbon Markets
- Carbon Pricing Initiatives are based on Scientific Principles that are Subject to Debate
- Permitting
- Social Disruptions and Instability
- Corruption
- Legal systems
- Sensitivity to Nature and Climate Conditions
- Potential Conflicts of Interest
- Ability to Support the Carrying Value of Goodwill and Non-Current Assets

Environmental and Other Regulatory Requirements

The current or future operations of the Company, including development activities and production within the project areas, may require permits from various governmental authorities and such operations are and may be subject to laws and regulations governing growing, cultivation and similar activities. There can be no assurance that the Company will be able to obtain or maintain all approvals and permits that may be required to develop or operate the projects on terms which enable operations to be conducted at economically justifiable costs. In particular, there can be no assurance that the Company will receive the Government Consent (as defined above) required for the Yucatan Contract.

The Company Relies on International Advisors and Consultants in Order to Keep Abreast of Material Legal, Regulatory and Government Developments that Impact its Business and Operations in the Jurisdictions in which it Operates.

The legal and regulatory requirements in the foreign countries in which the Company operates, as well as local business culture and practices are different from those in Canada. The Company's officers and

directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist with governmental relations. The Company must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of carbon credits as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond its control. The impact of any such changes may adversely affect the Company's business.

Risks Specific to Foreign Subsidiary PTHL

A significant portion of the Klimat X's business is carried on through a foreign subsidiary, PTHL. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and this entity, could restrict the Klimat X's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Klimat X's valuation and stock price. The performance of PTHL can be impacted by many factors:

- Risk operating in Guyana
- Coconut market risk
- Climate risk
- Risk to war
- Labor costs
- Risk of theft

Risks Specific to PTHL's Operations

Harvesting, processing, and development activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government, or other interference in the maintenance or provision of such infrastructure could adversely affect PTHL's operations, financial condition, and results of operations. Operating risks include but are not limited to the following:

- Energy Prices
- Supply and Demand Imbalances
- Other Environmental Factors
- Other Agricultural Risk
- Coconut Disease
- Biological pests (bugs, fungus)

The risks referred to herein are not the only risks and uncertainties that Klimat X faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

FINANCIAL RISKS

Klimat X defines financial risk as the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on the Company's cash flows.

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.

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 December 31, 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.

Carbon market risk

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

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 \$2,318,750 at December 31, 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 Company has the following payments (gross amount, undiscounted) due within the period noted below:

	Within 1 year	1-3 years	3-5 years	More than 5 years	Total
Accounts payables	787,259	-	-	-	787,259
Convertible debenture	-	563,873	-	-	563,873
Lease liability	203,160	406,320	406,320	8,329,560	9,345,360
	990,419	970,193	406,320	8,329,560	10,696,492

ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

Klimat X's audited consolidated financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board. The MD&A should be read in conjunction with the Company's audited financial statements for the years ended December 31, 2022 and 2021.

A summary of significant accounting policies can be found in Note 3 to the audited consolidated financial statements for the years ended December 31, 2022, and 2021.

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.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

A summary of Klimat X's critical accounting estimates, judgments and assumptions, including those for the COB, can be found in Note 3 to the audited consolidated financial statements for the years ended December 31, 2022 and 2021.

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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to

ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

Disclosure controls and procedures (“DC&P”) are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding information to be included in public disclosures required under Canadian securities law.

Internal controls over financial reporting (“ICFR”) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Absolute assurance cannot be provided that all misstatements have been detected because of inherent limitations in all control systems. The Company’s management is responsible for designing and maintaining adequate ICFR for the Company.

In preparation for completing the COB and readying for Klimat X’s Reactivation as a venture reporting issuer, the Company has commenced a process to strengthen its control systems and internal control environment.

It should be noted that a control system, including Klimat X’s disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

RELATED PARTY TRANSACTIONS

Related party transactions

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

Related party	Nature of transactions
Bedrock Capital (Director)	Consulting fees
Paloduro Investments (Director)	Consulting fees
RW Global (Officer)	Consulting fees
662 Ventures (Director, Officer)	Consulting fees
Canvas Impact. (Director, Officer)	Consulting fees

Key management personnel compensation:

	2022	2021
Management/consulting fees	979,003	-
Share based compensation	980,977	1,324,288
Administration fees	-	16,012
	1,959,980	1,340,300

Due from (to) related parties

The Company current owes \$11,572 (2021 - \$48,533) to directors or officers of the Company as at December 31, 2022.

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.

Lease Liabilities

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

	December 31	December 31
<i>(Canadian \$)</i>	2022	2021
Less than 1 year	203,160	-
2 to 3 years	406,320	-
4 to 5 years	406,320	-
More than 5 years	8,329,560	-
Total lease payments	9,345,360	-
Amounts representing interest over the term of the lease	(7,786,623)	-
Present value of lease liabilities	1,558,737	-

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.

OFF BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off balance sheet arrangements.

PROPOSED TRANSACTIONS

There Company does not have any proposed transactions.

ADDITIONAL INFORMATION

Additional information regarding Klimat X and its business and operations can be obtained by contacting the Company at Klimat X Developments Inc., Suite 1012, 1030 West Georgia Street, Vancouver, British Columbia, Canada or by e-mail at info@klimatx.com. Additional information related to Klimat X is available on the Company's website at www.klimatx.com or under the Company's SEDAR profile at www.sedar.com.

NON-GAAP MEASURES

Klimat X uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by IFRS. The following terms: "working capital" and "non-current debt" are not recognized measures under IFRS and may not be comparable to that reported by other companies. Klimat X believes that, in addition to measures prepared in accordance with IFRS, these non-GAAP measures provide useful information to evaluate the Company's performance and ability to generate cash, profitability and meet financial commitments.

These non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated in such forward-looking statements.

Forward looking information and statements are included throughout this MD&A and include, but are not limited to, statements pertaining to the following:

- the Company's ability to continue as a going concern;
- the potential impacts of access to capital conditions;
- the Company's projects in various international locations, including in the Middle East and Africa;
- the Company's liquidity and capital resources; and
- the nature of the risks faced by the Company.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- general economic conditions in Canada, the United States and globally, including reduced availability of debt and equity financing generally;
- industry conditions, including fluctuations in the pricing;
- governmental regulation of carbon credit industry, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- incorrect assessments of the value of acquisitions;

- unanticipated operating events which can reduce production or cause production to be delayed;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- availability of financing on acceptable terms;
- competition for, among other things, capital, acquisitions of land and skilled personnel;
- the need to obtain required approvals from regulatory authorities;
- general business and market conditions; and
- economic slowdown as a result of COVID-19.

These factors should not be considered exhaustive.

Forward-looking statements or information is based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. The Company currently believes the expectations reflected in these forward-looking statements are reasonable but cannot assure that such expectations will prove to be correct, and thus, such statements should not be unduly relied upon. These forward-looking statements are made as of the date of this MD&A and the Company disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, unless required pursuant to applicable laws. Risk and assumptions that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the heading "Risks Assessment" in this MD&A. Although the Company has attempted to take into account important factors that could cause actual costs or operating results to differ materially, there may be other unforeseen factors and therefore results may not be as anticipated, estimated or intended.

The above summary of assumptions and risks related to forward-looking information has been provided in this MD&A in order to provide readers with a more complete perspective on the Company's future operations and prospects. Readers are cautioned that this information may not be appropriate for other purposes. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.