



Klimat X Developments Inc.

**Management's Discussion and Analysis**

For the unaudited interim period ended September 30, 2023 and  
2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BASIS OF PRESENTATION AND DESCRIPTION OF THE COMPANY

**November 27, 2023** - The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations for Klimat X Developments Inc. 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 period ended September 30, 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.

The Company's focus is on mobilizing investment dollars to develop nature-based solutions on an unprecedented scale drawing on the experience of some of the most senior executives in the mining and resource sectors and emerging market leaders.

Klimat X is in the business 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 secures pre-purchase and offtake agreements with funds, commodity traders, and large final emitters to finance the development of Nature Based Solutions.

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".

## CARBON STREAMING CONTRACTS

### Sierra Leone Transaction

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

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

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

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

### 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 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.

#### **AGREEMENT WITH THE GOVERNMENT OF SURINAME**

On April 25, 2023, the Company announced it has signed a binding agreement with the national government of Suriname to develop mangrove carbon credit and agroforestry projects. The Company has built a presence in Suriname and is actively conducting fieldwork to establish project size and feasibility. The Company expects to complete a draft Project Design Document in Q3 2023.

#### **CARBON CREDIT OFFTAKE TRANSACTION AGREEMENT**

On July 18, 2023, the Company entered into a carbon credit offtake transactions agreement with a Fortune 100 company ("Buyer") wherein the Buyer will pre-purchase carbon credits from the Company's Sierra Leone Rewilding Project.

- The pre-purchase agreement will cover the remaining capital costs of the first 5,000 ha of native species planting, with 1,000 – 1,200 ha of planting anticipated to be completed by the end of the 2023 season and with the PDD to be validated in 2023.
- The first of three USD \$500,000 payments for 2023 to the Company is scheduled for transfer within four weeks.
- Under the pre-purchase financing structure, US\$2.5M of investment is repaid in tons of carbon credits issued at a pre-agreed price by the project. The initial project area will generate an IRR of up to 20% based on current modelling assumptions and pricing scenarios.
- The Buyer has the option to purchase the balance of the 75-80% of the carbon credits from the first 5,000 ha of planting at small discount to a mutually agreed carbon index price that reflects the scale and volume of high-quality reforestation projects in the market.
- The Buyer has a time limited Right of First Offer to pre-purchase credits from the remaining 20,000 ha within the project area.
- The Company has committed to produce and validate the credits under the highest standards of the Verra protocol, including their Climate, Community, Biodiversity standards (CCB).

- The Company is committed to equitable revenue sharing arrangements with local smallholders and a transparent Free Prior and Informed Consent process monitored by Namati, an independent third party non-governmental organization.
- Project implementation will restore degraded forest land owned by smallholders, providing income from carbon markets and providing employment to thousands of seasonal workers in a region with high unemployment and incomes below the poverty line.
- The first 5,000 ha is anticipated to produce 1.6-1.9M tonnes of carbon credits during the first 30 years, and over the full lifespan and scale-up of the project, it has the potential to produce up to 15m tonnes of credits from 25,000 ha. Independent carbon market forecasts for restoration projects of this type indicate pricing of USD20-30/ton as demand grows for high quality credits.

During the period ended September 30, 2023, the Company received the first \$664,475 (USD \$500,000) payment from the Buyer which has been presented as deferred revenue in these financial statements.

## 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 and has completed 400 ha YTD.
- 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.
- 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

The following table summarizes selected financial data reported by Klimat X for the three and six months ended June 30, 2023 and 2022. The information set forth should be read in conjunction with the audited consolidated financial statements prepared in accordance with IFRS, and the related notes thereon. All amounts are in Canadian dollars, unless otherwise specified.

<i>(Canadian \$)</i>	Note	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
<b>Revenue</b>		43,737	28,098	128,683	28,098
<b>Cost of goods sold</b>		(121,938)	(76,430)	(344,624)	(76,430)
		(78,201)	(48,332)	(215,941)	(48,332)
<b>Expenses</b>					
Consulting fees		(902,321)	(1,116,693)	(1,696,742)	(1,907,923)
Professional fees		(22,980)	(86,074)	(435,067)	(490,645)
Amortization expense		(34,966)	(30,612)	(100,782)	(30,612)
Bad debt expense		-	(23)	-	(23)
Marketing and investor relations		(168,012)	(164,377)	(467,493)	(168,027)
Listing and filing fees		(6,905)	(8,613)	(29,290)	(76,504)
Office and administration		(88,752)	(106,192)	(340,813)	(120,234)
Travel and corporate development		(30,565)	(25,872)	(66,643)	(58,307)
Share-based payments	11c	(15,937)	-	(61,271)	(39,000)
Total expenses		(1,270,438)	(1,538,456)	(3,198,101)	(2,891,275)
<b>Other expenses</b>					
Finance costs		(43,613)	(43,163)	(145,823)	(29,811)
Foreign exchange loss		(23,418)	(12,887)	(64,389)	(12,887)
<b>Net loss</b>		<b>(1,415,670)</b>	<b>(1,642,838)</b>	<b>(3,624,254)</b>	<b>(2,982,305)</b>
<b>Other comprehensive (loss) income</b>					
Cumulative translation adjustment		(307,021)	114,452	(256,565)	114,452
<b>Net loss and comprehensive loss</b>		<b>(1,772,691)</b>	<b>(1,528,386)</b>	<b>(3,880,819)</b>	<b>(2,867,853)</b>
<b>Net loss attributable to:</b>					
Owners		(1,402,308)	(1,582,535)	(3,446,445)	(2,922,002)
Non-controlling interest ("NCI")		(13,362)	(60,303)	(177,809)	(60,303)
		(1,415,670)	(1,642,838)	(3,624,254)	(2,982,305)
<b>Other comprehensive income attributable to:</b>					
Non-controlling interest ("NCI")		(307,021)	114,452	(256,565)	114,452
		(307,021)	114,452	(256,565)	114,452
Weighted average shares outstanding		87,558,486	86,222,661	86,669,573	55,307,617
Loss per share (basic and diluted)		(0.02)	(0.02)	(0.04)	(0.05)

During the period ended September 30, 2023, the Company incurred a net loss of \$3.6M (2022 - \$3.0M). The current period's losses were fairly consistent with prior period's, with the slight increase being attributable to increased business and operational activities during the current period. More specifically, the following contributed to the movements noted:

- i) Cost of goods sold was \$345K in the current period vs. \$76K in the prior period. This is in line with higher revenues from coconuts during the period as a result of increased efficiencies in operations.
- ii) Depreciation expense was \$101K in the current period vs. \$31K in the prior period. This increase is due to the additions in property, plant, and equipment during the period.
- iii) Marketing expense was \$467K in the current period vs. \$168K in the prior period. This movement was the result of the efforts to continue building awareness of the Company after the COB and during its second year of operations. In the prior period, there was very little marketing efforts as the Company was just a shell company.
- iv) Office and administrative expenses were \$340K in the current period vs. \$120K in the prior period. This increase is due to significantly more transactions and business activities in the current period resulting from the COB in June 2022 when the Company was just a shell company.
- v) The Company recorded finance costs of \$145K in the current period vs. \$30K in the prior period. This is predominantly due to higher lease accretion during the period.

### Financial condition

The following table compares selected financial information as of:

	September 30, 2023	December 31, 2022
Total assets	12,465,961	11,906,529
Total non-current liabilities	2,538,762	1,724,517
Dividends granted	-	-

Total assets at September 30, 2023 consisted predominantly of right of use assets of \$5.6M and carbon credit streaming agreements totaling \$5.3M. Non-current liabilities consist of \$2.5M in lease liabilities, \$664K in deferred revenue, and a \$323K convertible debenture. Lease liabilities increased during the period as a result of a new lease in Suriname. Deferred revenue arose during the period due to the Company entering into a carbon credit pre-purchase agreement on July 18, 2023.

## SUMMARY OF QUARTERLY INFORMATION

The table below summarizes Klimat X's quarterly financial and operational highlights for the three months ended June 30, 2023, as well as the previous seven quarters. The selected financial information is derived from the Company's unaudited condensed interim consolidated financial statements, prepared in accordance with IFRS. All amounts are in Canadian dollars, unless otherwise specified.

<i>(Canadian \$, except per share amounts and percentages)</i>	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Net loss	(1,415,670)	(1,321,689)	(886,895)	(1,890,580)	(1,642,838)	(1,013,945)	(325,522)	(1,856,632)
Net loss - NCI	(13,362)	(96,740)	(67,707)	(62,757)	(60,303)	-	-	-
Net loss – Shareholders of Company	(1,402,308)	(1,224,949)	(819,188)	(1,827,823)	(1,582,525)	(1,013,945)	(325,522)	(1,856,632)
Revenue	43,737	39,293	45,653	40,489	28,098	-	-	-
Total assets	12,465,961	10,530,507	11,200,107	11,906,529	20,889,270	23,364,357	9,703,335	165,758
Working capital surplus (deficiency) <sup>(1)</sup>	(1,546,952)	(717,977)	776,681	1,857,000	3,619,234	6,498,392	(45,245)	(169,723)
Non-current debt <sup>(1)</sup>	3,510,511	1,755,906	1,778,871	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.*

### Q3 2023 in comparison to Q2 2023

The increase in net loss compared to Q2 2023 can be attributable to higher expenses incurred towards office and administration, as well as professional fees during the second year of operations after the COB. This is due to the overall increased business activities carried out during the current period. Total assets increased during the period predominantly due to a new lease as well as increased investment in relation to the carbon credit streaming agreements. Non-current debt increased during the period as a result of the new lease as well as the deferred revenue from the carbon credit prepurchase agreement.

### Q2 2023 in comparison to Q1 2023, Q4 2022, Q3 2022, and Q2 2022

The Company continues to run a net loss in the current quarter as the Company has continued to incur expenses growing our global carbon presence. The major contributors to this are consulting, marketing, and professional fees. Prior to Q3 2022, the Guyana coconut operation did not exist. As such, there are no revenues during Q2 2022. Total assets in Q2 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 Q2 2022 to Q3 2023 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. Non-current debt increased during the period as a result of the new lease as well as the deferred revenue from the carbon credit prepurchase agreement.

### Q2 2023 in comparison to Q1 2022 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 Q3 2023 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>	Nine months ended	
	September 30,	
	2023	2022
Net cash flow used in operating activities	(1,980,896)	(3,365,242)
Net cash flows used in investing activities	(728,814)	(2,237,642)
Net cash flow from financing activities	972,985	9,459,608
Increase (decrease) in cash and cash equivalents	(1,736,725)	3,856,724
Cash and cash equivalents, beginning of period	2,318,750	164,825
Cash and cash equivalents, end of period	582,025	4,021,549

As at September 30, 2023, the Company's working capital deficiency was \$1.5 million (December 31, 2022 – \$1.8M surplus). The decrease is largely due to the increase in accounts payable which is reflective of the increased business and operational activities as compared to the prior period. This also resulted in a decrease in cash as expenses are being paid to carry on the business operations.

Cash flow used in operating activities in the current three-month period was \$2.0 million vs. \$3.4 million in 2022. The significant decrease in cash flow used in operating activities from 2023 to 2022 was predominantly the result of the increase in non-cash operating working capital changes related to prepaids and accounts payable.

Cash flow used in investing activities during the current three-month period was \$729K vs. \$2.2 million in 2022. The decrease is due to less investing activities in the current period relating to advances to the Sierra Leone project.

Cash flows from financing activities in the current year were \$973K vs. \$9.5 million in 2022. This is due to the private placement proceeds in 2022 which were significantly lower in the current period. Financing activities are expected to fluctuate year over year.

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	Warrants
As at September 30, 2023	92,934,228	5,550,000	6,036,567
Stock options granted	-	-	-
Share issuance – private placement	1,126,666	-	1,126,666
As at date of report	94,060,894	5,550,000	7,163,233

On October 6, 2023, the Company closed the final tranche of the non-brokered private placement offering, with the placement of 1,126,666 units at a price of \$0.15 per unit for gross proceeds of \$169,000. Each unit consists of one common share and one share purchase warrant with each warrant entitling the holder to purchase one share of the company at a price of \$0.25 per share with an expiry date of October 6, 2025.

## 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	As at September 30, 2023
Fees and expense related to transaction	350,000	261,228
Estimated go forward accounting/legal	200,000	672,308
Carbon credit project feasibility/development work	2,500,000	2,679,038
G&A	2,150,000	3,462,485
Co-investments in new projects	3,867,015	3,959,883
<b>Total expenditure</b>	<b>9,067,015</b>	<b>11,034,942*</b>
<b>Cash position as at September 30, 2023</b>		<b>582,025</b>

\*Company has exceeded the planned spending from filing statement through the use of proceeds from subsequent financing initiatives.

As at September 30, 2023, the Company has spent the expected expenditure per June 2022 filing statements. All spending was in the normal course of business and the Company has already raised further funding from working capital purposes since the COB concurrent financing.

## 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](http://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.

### Financial risk management

Klimat X's activities expose it to certain financial risks, including market risk, credit risk and liquidity risk. The following table summarizes the Company's financial instruments as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	\$	\$
<b>Financial Assets</b>		
Amortized cost:		
Cash	582,025	2,318,750
Accounts receivable	170,133	75,303
<b>Financial Liabilities</b>		
Amortized cost:		
Accounts payable and accrued liabilities	2,353,640	787,259
Convertible debenture	323,769	296,969

### *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 September 30, 2023 and 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 \$582,025 at September 30, 2023 which represents its maximum credit exposure on these assets (December 31, 2022 - \$2,318,750). The cash is held with major, high credit- quality financial institution counterparties and management believes credit risk is minimal.

### *Liquidity risk*

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

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

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

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

	Within 1 year	1-3 years	3-5 years	More than 5 years	Total
Accounts payables	2,353,640	-	-	-	2,353,640
Convertible debenture	-	565,297	-	-	565,297
Lease liability	203,673	407,346	407,346	7,994,165	9,012,530
	<b>2,557,313</b>	<b>972,643</b>	<b>407,346</b>	<b>7,994,165</b>	<b>11,931,467</b>

## ACCOUNTING STANDARDS, CHANGES AND PRONOUNCEMENTS

Klimat X's audited consolidated financial statements for the year ended December 31, 2022 and 2021, and the unaudited interim period ended September 30, 2023 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 unaudited interim financial statements for the period ended September 30, 2023.

A summary of significant accounting policies can be found in the audited consolidated financial statements for the years ended December 31, 2022, and unaudited interim financial statements for the period ended September 30, 2023.

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 the audited consolidated financial statements for the years ended December 31, 2022, and unaudited interim financial statements for the period ended September 30, 2023.

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 period ended September 30, 2023 and 2022:

Related party	Nature of transactions
Bedrock Capital (Paul Matysek, Director)	Consulting fees
Paloduro Investments (Robert Cross, Director)	Consulting fees
RW Global Consulting Corp. (Matthew Roma, Officer)	Consulting fees
662 Ventures (Neil Passmore, Director, Officer)	Consulting fees
Canvas Impact (James Tansey, Director, Officer)	Consulting fees

Key management personnel compensation:

<i>(Canadian \$)</i>	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Consulting fees	38,404	803,316	114,654	999,672
Management fees	195,900	-	495,200	-
	234,304	803,316	609,854	999,672

On June 29, 2022, the Company entered into a carbon credit streaming agreement with RML, a Company owned by the Company's Director of Operations (Kevin Godlington).

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 (Kevin Godlington).

### *Due to related parties*

As at September 30, 2023, the Company owes \$196,250 (December 31, 2022 - \$11,572) to directors or officers of the Company.

## 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:

	September 30	December 31
<i>(Canadian \$)</i>	2023	2022
Less than 1 year	203,673	203,160
2 to 3 years	407,346	406,320
4 to 5 years	407,346	406,320
More than 5 years	7,994,165	8,329,560
Total lease payments	9,012,530	9,345,360
Amounts representing interest over the term of the lease	(6,305,454)	(7,786,623)
Present value of lease liabilities	2,707,076	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**

As at September 30, 2023 and date of this report, the Company is not a party to any off balance sheet arrangements or transactions.

### **PROPOSED TRANSACTIONS**

As at September 30, 2023 and the date of this report, 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](mailto:info@klimatx.com). Additional information related to Klimat X is available on the Company's website at [www.klimatx.com](http://www.klimatx.com) or under the Company's SEDAR profile at [www.sedar.com](http://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.