OSTROM CLIMATE SOLUTIONS INC.

(formerly NatureBank Asset Management Inc.)

Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

For the six and three months ended June 30, 2023 and 2022

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, “Continuous Disclosure Obligations”, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The Company’s external auditors, Davidson & Company LLP, have not performed a review of these condensed consolidated interim financial statements.

(Expressed in Canadian dollars)

	Notes		June 30, 2023		December 31, 2022
ASSETS					
Current Assets					
Cash		$	518,180	$	977,910
Accounts and other receivables	3		602,903		203,100
Inventory	4		1,061,805		689,238
Contract development costs	5		253,906		253,906
Prepaid expenses	6		150,401		150,546
Deposit	7		51,250		51,250
Total Current Assets			2,638,445		2,325,950
Property and equipment			28,127		24,346
Right-of-use asset					-
Total Long-term Assets			28,127		24,346
Total Assets		$	2,666,572	$	2,350,296
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current Liabilities					
Accounts payable and accrued liabilities	8	$	766,861	$	591,059
Provisions			269,712		249,212
Deferred revenue			2,533,427		1,366,981
Convertible debentures			536,114		509,456
Loans	9		125,936		120,000
Total Current Liabilities			4,232,050		2,836,708
Provisions			50,772		71,272
Convertible debentures			282,935		297,345
Long-term Liabilities			333,707		368,617
Total Liabilities		$	4,565,757	$	3,205,325
Shareholders' Deficiency					
Share capital			15,914,267		15,914,267
Reserves			2,838,622		2,838,622
Equity component of convertible debenture			161,299		161,299
Deficit			(20,813,373)		(19,769,217)
Total Shareholders' Deficiency			(1,899,185)		(855,029)
Total Liabilities and Shareholders' Deficiency		$	2,666,572	$	2,350,296

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

Approved on behalf of the Board:

"Phil Cull"
Phil Cull, Director

"Guy O'loughnane"
Guy O'loughnane, Director

Condensed Consolidated Interim Statements of Income (Loss)
For the six months ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

	Note	June 30, 2023	June 30, 2022
Revenue	12,13	$ 727,341	$ 1,165,971
Cost of goods sold		410,875	682,270
Gross profit		316,466	483,701
Operating Expenses			
Amortization		6,037	6,650
Amortization of right-of-use asset		-	-
Consulting fees		76,890	72,540
Foreign exchange		9,272	(1,177)
Professional, investor and agent fees		66,428	158,845
Salaries, management fees and benefits		977,030	705,815
Selling, general and administrative		169,726	153,313
Total operating expenses		1,305,383	1,095,986
		(988,917)	(612,285)
Finance costs		(42,041)	(35,152)
Gain on disposal of property and equipment		-	-
Interest expense		(29,551)	(23,006)
Interest income		1,353	53
Interest on lease liability			-
Other income		15,000	16,127
		(55,239)	(42,978)
Net loss for the period		$ (1,044,156)	$ (654,263)
Loss per share, basic and diluted		$ (0.013)	$ (0.008)
Weighted average number of shares outstanding		78,235,171	77,136,139

Condensed Consolidated Interim Statements of Income (Loss)
For the three months ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

	Note	June 30, 2023	June 30, 2022
Revenue	11,12	$ 201,724	$ 676,819
Cost of goods sold		106,017	332,019
Gross profit		95,707	344,800
Operating Expenses			
Amortization		6,037	3,716
Amortization of right-of-use asset		-	-
Consulting fees		49,995	35,255
Foreign exchange		8,370	(7,244)
Professional, investor and agent fees		1,585	75,433
Salaries, management fees and benefits		527,832	373,449
Selling, general and administrative		26,960	80,531
Total operating expenses		620,779	561,140
		(525,072)	(216,340)
Finance costs	9, 11	(21,324)	(17,715)
Gain on disposal of property and equipment		-	-
Interest expense		(15,890)	(11,220)
Interest income		828	-
Interest on lease liability		-	-
Other income		7,500	7,500
		(28,886)	(21,389)
Net loss for the period		$ (553,958)	$ (237,729)
Loss per share, basic and diluted		$ (0.007)	$ (0.003)
Weighted average number of shares outstanding		78,235,171	61,752,679

Condensed Consolidated Interim Statements of Changes in Equity
For the six months ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

	Share Capital					
	Number	Amount	Share-based payment reserve	Equity component of debentures	Deficit	Total
Balance at December 31, 2021	61,752,679	$ 14,836,687	$ 2,838,622	$ 97,420	$ (19,278,866)	$ (1,506,137)
Share-based compensation	15,383,460	999,925	-	-	-	999,925
Equity component of debentures	-	-	-	1,201	-	1,201
Income for the period	-	-	-	-	(654,263)	(654,263)
Balance at June 30, 2022	77,136,139	15,836,612	2,838,622	98,621	(19,933,129)	(1,159,274)
net of shares issuance cost	-	(4,772)	-	-		(4,772)
Issuance of shares to settle debt	1,099,032	82,427	-	-		82,427
Equity component of debenture	-	-	-	62,678		62,678
Loss for the period	-	-	-	-	163,912	163,912
Balance at December 31, 2022	78,235,171	$ 15,914,267	$ 2,838,622	$ 161,299	$ (19,769,217)	$ (855,029)
Issuance of shares to settle debt	-	-	-	-	-	-
Equity component of debenture	-	-	-	-	-	-
Loss for the period	-	-	-	-	(1,044,156)	(1,044,156)
Balance at June 30, 2023	78,235,171	$ 15,914,267	$ 2,838,622	$ 161,299	$ (20,813,373)	$ (1,899,185)

(Expressed in Canadian dollars)

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash provided by (used in) continuing operating activities:		
Loss for the period	$ (1,044,156)	(654,263)
Items not involving cash:		
Amortization	6,037	6,650
Amortization of right-of-use asset	-	-
Finance costs on convertible debentures	42,041	35,152
Interest expense	35,487	27,032
Interest free benefit on government loan	-	-
Gain on disposal of equipment	-	-
Changes in non-cash operating working capital:		
Accounts and other receivables	(399,803)	(69,588)
Inventory	(372,567)	(558,821)
Contract development costs	-	(123,659)
Prepaid expenses and deposits	145	(2,728)
Deposit	-	(11,500)
Accounts payable and accrued liabilities	131,926	(778,230)
Deferred Revenue	1,166,446	437,335
Loan payable	-	-
Net cash flows used in operating activities	(434,444)	(1,692,620)
Investing activities		
Acquisition of property and equipment	(9,818)	(6,653)
Proceeds from sale of equipment	-	-
Net cash used in investing activities	(9.818)	(6,653)
Financing activities		
Interest paid on convertible debentures	(15,468)	[illegible]
Interest paid on provisions	-	-
Issuance of shares to settle debt	-	999,925
Proceeds from government loan	-	-
Proceeds from convertible debenture	-	-
Repayment of debenture	-	-
Net cash provided by financing activities	(15,468)	977,988
Net decrease in cash	(459,730)	(721,910)
Cash, beginning of period	977,910	1,786,729
Cash, end of period	$ 518,180	$ 1,064,819

Supplemental disclosures and non-cash transactions relating to financing and investing activities:

	June 30, 2023	June 30, 2022
Accrued interest on convertible debt	$ 28,510	$ 87,220

1. Nature and Continuance of Operations

Ostrom Climate Solutions Inc. (the "Company") was incorporated on July 6, 2005 under the Business Corporations Act (BC). The Company was classified as a Capital Pool Company and completed an initial public offering and commenced trading on the TSX Venture Exchange ("TSX-V") on April 25, 2006.

The Company's head office, principal address, and registered and records office is located at Unit 300-948 Homer Street, Vancouver, British Columbia, V6B 2W7, Canada.

The Company's primary business is the sourcing, financing, development, and commercialization of sustainable commodities across the forestry and carbon sectors.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business and continue operations for the next twelve months.

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company has negative working capital at June 30, 2023 and may require additional funding and/or profitable operations for the upcoming year. Material uncertainties related to the Company's ability to secure additional funding or deliver profitable operations may cast significant doubt on the entity's ability to continue as a going concern. Realizable values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. General Information and Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared on a basis consistent with the accounting policies applied for the year ending December 31, 2022 and follow the same accounting policies and methods of application as the 2022 annual consolidated financial statements. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected notes are included that are significant to understanding the Company's financial position and performance since the last annual consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements were approved by the Board of Directors on August 29, 2022.

At June 30, 2023, the Company had a working capital deficiency (current assets less current liabilities) of $1,593,605 (December 31, 2022 - $510,758). For the period ended June 30, 2023 the Company incurred a loss of $1,044,156 (2022 - $654,515) and the cash used by operating activities was $434,443 (2022 – $1,692,620).

(Expressed in Canadian dollars)

3. Accounts and Other Receivables

		June 30, 2023		December 31, 2022
Trades receivables	$	562,306	$	183,942
Sales tax receivable		3,831		-
Other receivables		36,766		19,158
Total	**$**	**602,903**	**$**	**203,100**

4. Inventory

		June 30, 2023		December 31, 2022
Work-in-Process				
Project development costs	$	146,708	$	78,984
Finished Goods				
VERs		915,097		610,254
Total	**$**	**1,061,805**	**$**	**689,238**

5. Contract Development Costs

During the six months ended June 30, 2023, the Company entered new consulting contracts related to providing advisory and consulting services such as climate risk assessments, feasibility studies, greenhouse gas inventories and methodology development. As at June 30, 2023, the Company had capitalized $253,906 (December 2022 - $253,906) in costs related to these contracts.

6. Prepaid Expenses

		June 30, 2023		December 31, 2022
Prepaid operating expenses	$	51,541	$	51,686
Prepaid VER purchases		98,860		98,860
Advances		-		-
	$	**150,401**	**$**	**150,546**

(Expressed in Canadian dollars)

7. Deposits

		June 30, 2023		December 31, 2022
Credit card collateral		28,750		28,750
Lease		22,500		22,500
	$	**51,250**	**$**	**51,250**

8. Accounts payable and accrued liabilities

		June 30, 2023		December 31, 2022
Trade payables	$	347,952	$	234,639
Accrued liabilities		346,914		337,980
Sales tax payable		71,995		18,440
Total	**$**	**766,861**	**$**	**591,059**

9. Loan Payable

Canadian Emergency Business Account ("CEBA")

On May 12, 2020, the Company received two $40,000 CEBA loans which are interest-free loans to cover operating costs. Repaying the balance of each loan on or before December 31, 2022 will result in a loan forgiveness of $10,000 on each loan. Pursuant to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 Financial Instruments: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA loans at $66,149, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The Company calculated the fair value of the loan benefit to be $18,403 and recognized this amount as other income on the statements of income (loss) and comprehensive income (loss).

On February 9, 2021, the Company received a $20,000 expansion on each of the two CEBA loans. Repaying the balance of each loan on or before December 31, 2022 will now result in a loan forgiveness of $20,000 on each loan. The Company estimated the initial carrying value of the expansions on the CEBA loans at $33,118, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The Company calculated the fair value of the loan benefit to be $6,882 and recognized this amount as other income on the statements of income (loss) and comprehensive income (loss).

(Expressed in Canadian dollars)

9. Loan Payable (cont'd)

Canadian Emergency Business Account ("CEBA")

		June 2022		December 2022
Balance, beginning of year	$	120,000	$	108,954
Loans received		-		-
Interest free benefit		-		-
Interest expense		5,936		11,046
Total	**$**	**125,936**	**$**	**120,000**

As at June 30, 2022, the Company has classified the loan payable as a current liability as its intention is to pay the loan prior to December 31, 2022.

On January 12, 2022, the repayment date to receive the loan forgiveness was extended from December 31, 2022 to December 31, 2023.

10. Debentures

During the period ended June 30, 2023, the Company recorded finance costs of $42,041 (Jun 2022: $35,152), which represents accrued interest on the debentures.

11. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the period ended June 30, 2023 and 2022 are as follows:

Six months ended June 30		2023		2022
Salaries and benefits	$	104,902	$	148,936
Consulting fees		-		-

Three months ended June 30		2023	2022
Salaries and benefits	$	18,884	87,220
Consulting fees		-	-

Amounts due to/from related parties at June 30, 2023, and December 31, 2022 included in accounts & other receivables, accounts payable and accrued liabilities are as follows:

(Expressed in Canadian dollars)

12. Related Party Transactions and Balances (cont'd)

	June 30, 2023	December 31, 2022
Due from related parties	$ -	$ 83
Due to related parties	284,917	288,333
Accrued debenture interest due to related party	28,512	14,185

During the six months ended June 30, 2023, the Company recognized other income of $15,000 (2022 – $15,000) from sub-leasing office space to a company who has one director in common.

Included in accounts payables and accrued liabilities at June 30, 2023 is $245,110 (December 2022 – $243,112) due to a director of the Company. Additionally, included in convertible debentures is accrued interest of $4,249 (December 2022 - $4,277).

Included in accounts payables and accrued liabilities at June 30, 2023 is $39,308 (December 2022 – $nil) due to a director of the Company.

13. Revenues

Six months ended June 30	2023	2022
Sale of VERs	$ 421,858	672,038
Consulting	305,483	493,932
Total	$ 727,341	1,165,971

Three months Ended June 30	2023	2022
Sale of VERs	$ 67,987	$ 285,269
Consulting	133,737	391,550
Total	$ 201,724	$ 676,819

(Expressed in Canadian dollars)

14. Segmented Information

The Company has one reportable segment, operating in Canada and United States, being that of the development and sale of VERs and consulting services.

Revenues

Six months Ended June 30		2023	2022
Canada	$	654,607	958,413
USA		72,734	207,558
Europe		-	-
Other		-	-
Total	$	727,341	1,165,971

Three months Ended June 30		2023		2022
Canada	$	181,552	$	564,162
USA		20,172		112,657
Europe		-		-
Other		-		-
Total	$	201,724	$	676,819

The Company had concentrated revenues as follows:

Six months Ended June 30	2023	2022
Customer A	46%	23%
Customer B	8%	15%
Other	46%	62%
	100%	100%

Three months Ended June 30	2023	2022
Customer A	46%	12%
Customer B	8%	9%
Other	46%	79%
	100%	100%

The Company's customers contributing to the concentrated revenues are not comparative balances from year to year.

15. Events After Reporting Date

On July 28th, 2023 Mrs. Paula Achilles was appointed as Interim CFO following Mrs. Rosita Morandin, the Company's former CFO, returned from her leave in the position of Interim Controller.