Ostrom Climate Solutions Inc.

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

For the three and six months ended June 30, 2024 and 2023

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.

OSTROM CLIMATE SOLUTIONS INC.
Condensed Consolidated Interim Statements of Financial Position
As at June 30, 2024, and December 31, 2023
(Expressed in Canadian dollars)

As at	Note	June 30, 2024	December 31, 2023
ASSETS			
Current Assets			
Cash		$ 537,878	$ 1,347,522
Accounts receivable	3	501,663	456,011
Inventory	4	368,801	591,477
Contract costs in-progress	5	345,834	135,084
Prepaid expenses and deposits	6	270,210	228,634
Total Current Assets		2,024,386	2,758,728
Property and equipment		19,777	22,757
Right-of-use asset	8	530,420	-
Total Long-term Assets		550,197	22,757
Total Assets		$ 2,574,583	$ 2,781,485
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable and accrued liabilities	7	$ 1,632,630	$ 1,312,171
Other liabilities		249,212	249,212
Deferred revenue		1,828,192	1,575,635
Convertible debentures		586,575	595,192
Lease liability	8	129,040	-
Total Current Liabilities		4,425,649	3,732,210
Provisions		61,586	61,586
Deferred revenue		541,560	-
Convertible debentures		242,615	236,309
Lease liability	8	425,001	-
Total Long-term Liabilities		1,207,762	297,895
Total Liabilities		$ 5,696,410	$ 4,030,105
Shareholders' Deficiency			
Share capital		17,228,110	17,228,110
Reserves	11	3,018,473	2,954,513
Equity component of convertible debenture		161,299	161,299
Deficit		(23,529,710)	(21,592,542)
Total Shareholders' Deficiency		$ (3,121,828)	$ (1,248,620)
Total Liabilities and Shareholders' Deficiency		$ 2,574,583	$ 2,781,485

Nature and continuance of operations (note 1)
Subsequent events (note 14)

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

Approved on behalf of the Board on August 26, 2024 by:

"Phil Cull" *"Christopher Morris"*

Phil Cull, Director Christopher Morris, Director

OSTROM CLIMATE SOLUTIONS INC.
Condensed Consolidated Interim Statements of Loss
For the three and six months ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

			Three months ended			Six months ended	
June 30,	**Note**		**2024**	**2023**		**2024**	**2023**
Revenue	10, 12	$	578,123	201,724	$	1,504,842	727,341
Cost of sales			209,123	106,017		992,297	410,875
Gross profit			369,000	95,707		512,545	316,466
Operating Expenses							
Amortization		$	2,610	6,037	$	4,933	6,037
Amortization of right-of-use asset	8		28,932	-		48,220	-
Consulting fees	9		88,819	49,995		156,918	76,890
Foreign exchange			(859)	8,370		(7,589)	9,272
Professional fees			94,955	1,585		173,129	66,428
Salaries, management fees and benefits	9		496,678	527,832		990,289	977,030
Selling, general, and administrative			45,831	26,960		269,190	169,726
Share-based payments	11		63,960	-		63,960	-
Research and development	5		366,867	-		698,073	-
Total Operating Expenses			1,187,793	620,790		2,397,123	1,305,383
			(818,793)	(525,072)		(1,884,578)	(988,917)
Finance costs			(24,610)	(21,324)		(38,277)	(42,041)
Interest expense			(13,531)	(15,890)		(24,297)	(29,551)
Interest income			-	828		384	1,353
Other income			-	7,500		9,600	15,000
			(38,141)	(28,886)		(52,590)	(55,239)
Net Loss for the period		$	(856,934)	(553,958)	$	(1,937,168)	(1,044,156)
Net Loss per share - basic and diluted		$	(0.009)	(0.007)	$	(0.020)	(0.013)
Weighted average number of common shares outstanding – basic and diluted			97,351,113	78,235,171		97,351,113	78,235,171

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

OSTROM CLIMATE SOLUTIONS INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
For the three and six months ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

	Share Capital					
	Number	Amount	Reserves	Equity component of debentures	Deficit	Total
Balance at December 31, 2022	78,235,171	$ 15,914,267	$ 2,838,622	$ 161,299	$ (19,769,217)	$ (855,029)
Net 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)
Balance at December 31, 2022	78,235,171	$ 15,914,267	$ 2,838,622	$ 161,299	$ (19,769,217)	$ (855,029)
Private placement	18,115,942	1,250,000	-	-	-	1,250,000
Shares issuance cost	-	(16,157)	-	-	-	(16,157)
Issuance of common shares and warrants for consulting services	1,000,000	80,000	115,891	-	-	195,891
Net loss for the year	-	-	-	-	(1,823,325)	(1,823,325)
Balance at December 31, 2023	97,351,113	$ 17,228,110	$ 2,954,513	$ 161,299	$ (21,592,542)	$ (1,248,620)
Share-based payments	-	-	63,960			63,960
Net loss for the period	-	-	-	-	(1,937,168)	(1,937,168)
Balance at June 30, 2024	97,351,113	$ 17,228,110	$ 3,018,473	$ 161,299	$ (23,529,710)	$ (3,121,828)

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

OSTROM CLIMATE SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

Six months ended, June 30	**2024**	**2023**
Operating activities:		
Net loss for the period	$ (1,937,168)	$ (1,044,156)
Items not involving cash:		
Amortization	4,933	6,037
Amortization of right-of-use asset	48,220	-
Finance costs on convertible debentures	27,206	42,041
Finance costs on lease liability	11,071	-
Interest expense	24,297	35,487
Share-based payments	63,960	-
Changes in non-cash operating working capital (Note 13):	970,781	526,147
Net cash flows used in operating activities:	(786,700)	(434,444)
Investing activities:		
Acquisition of property and equipment	(1,953)	(9,818)
Net cash flows used in investing activities	(1,953)	(9,818)
Financing activities:		
Interest paid on convertible debentures	(17,006)	(15,468)
Interest paid on provision	(3,985)	-
Net cash flows used in financing activities	(20,991)	(15,468)
Change in cash	(809,644)	(459,730)
Cash, beginning of period	1,347,522	977,910
Cash, end of period	$ 537,878	$ 518,180

Supplemental disclosures and non-cash transactions relating to financing and investing activities not disclosed elsewhere:

	June 30, 2024	June 30, 2023
Accrued interest on convertible debentures	$ 26,818	$ 28,510

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

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's head office, principal address, and registered and records office is located at Suite 400 – 322 Water Street, Vancouver, British Columbia, V6B 1B6, Canada.

The Company's primary business is carbon offset project development and climate solutions in both the private and public sectors.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

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. As of June 30, 2024, the Company has accumulated net losses of $23,529,710 since inception and has a working capital deficiency of $2,401,263. Furthermore, there is uncertainty related to the Company's ability to secure additional funding or deliver profitable operations. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Realizable values may be substantially different from carrying values as shown and these 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.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

(Expressed in Canadian dollars)

2. General Information and Basis of Preparation

a) Statement of Compliance

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, 2023 and follow the same accounting policies and methods of application as the 2023 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, 2023. These condensed consolidated interim financial statements were approved by the Board of Directors on August 26, 2024.

b) Basis of Consolidation

The subsidiaries of the Company are:

Ostrom Climate Solutions (Canada) Inc.	British Columbia, Canada	100%	Operating
ERA Ecosystem Restoration Associates Inc.	British Columbia, Canada	100%	Operating
ERA Ecosystem Services U.S., Inc.	Nevada, United States	100%	Operating
NatureBank Technology, Inc.	British Columbia, Canada	100%	Inactive
Carbon Credit Corp.	British Columbia, Canada	100%	Inactive

Significant intercompany balances and transactions, including any unrealized income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

c) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities measured at fair value.

d) Functional Currency

The functional currency of the Company and all its subsidiaries is the Canadian Dollar ("CAD").

e) Comparative figures

Certain comparative figures within operating expenses on the statements of loss and comprehensive loss have been reclassified to conform to the current period's presentation.

(Expressed in Canadian dollars)

3. Accounts Receivable

As at		**June 30, 2024**		**December 31, 2023**
Trade receivables	$	234,576	$	331,390
Other receivables		267,087		124,621
	$	**501,663**	**$**	**456,011**

Trade receivables and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 90 days past due. As at June 30, 2024, there were no impairments of accounts receivable (December 31, 2023 – Nil).

4. Inventory

As at		**June 30, 2024**		**December 31, 2023**
Work-in-process				
Project development costs		32,169		-
Finished goods				
Trade inventory – Verified Emission Reduction units (“VER” or “VERs”)	$	336,632	$	591,477
	$	**368,801**	**$**	**591,477**

5. Development and Capitalized Costs

<u>Research and Development Expenses</u>

The Company is developing rice farming and supply chain techniques as part of a large-scale project in the Philippines which may result in the development of additional VERs available to commercialize (“the Smart-Rice Project”). Upon meeting the capitalization requirements of IAS 38, these costs will be classified as ‘emission reduction projects under development’. During the three months ended June 30, 2024, the Company incurred research and development expenses related to the Smart-Rice Project of $366,867 (Six-months ended June 30, 2024 - $698,073), which are recognized as ‘research and development’ in the condensed consolidated interim statement of loss and comprehensive loss.

During the three months ended June 30, 2024, the Company entered into an agreement related to the sale of VERs from the Smart-Rice Project (the “Emissions Agreement”). The first payment under this Emissions Agreement was received as a prepayment against future developed VERs, but becomes repayable should the Company be unable to deliver VERs under the terms of the Emissions Agreement. Due to confidentiality agreements with the customer, further details cannot be disclosed at this time.

<u>Contract Costs in-Progress</u>

During the three and six months ended June 30, 2024, the Company entered into new consulting contracts related to providing advisory and consulting services such as climate risk assessments, feasibility studies, greenhouse gas inventories and methodology development and other reports the Company has expertise. As at June 30, 2024, the Company had capitalized $345,834 (December 31, 2023 - $135,084) in costs related to these contracts where revenues had yet to be billed.

(Expressed in Canadian dollars)

6. Prepaid Expenses and Deposits

As at		June 30, 2024		December 31, 2023
Prepaid expenses				
Prepaid operating expenses	$	103,612	$	74,886
Prepaid VER purchases		98,860		102,498
Deposits				
Credit card collateral		40,250		28,750
Lease deposit		26,288		22,500
Other		1,200		-
	$	**270,210**	**$**	**228,634**

7. Accounts Payable and Accrued Liabilities

As at		June 30, 2024		December 31, 2023
Trade payables	$	1,127,385	$	530,611
Accrued liabilities		479,162		719,839
Government sales tax payable		26,083		61,720
	$	**1,632,630**	**$**	**1,312,171**

8. Right-of-Use Asset and Lease Liability

On January 26, 2024, the Company signed a 5-year office lease agreement, effective February 1, 2024.

The tables below show the right-of-use ("ROU") asset and lease liability balance as of June 30, 2024, including the impact of the discounted interest and amortization. Amortization of the ROU asset is calculated using the straight-line method over the remaining lease term. The lease liability was measured at the present value of the lease payments, discounted using an incremental borrowing rate of 5%.

	Office Lease
ROU Asset	
Balance at December 31, 2023	-
Additions	578,640
Amortization	(48,220)
Balance at June 30, 2024	**$ 530,420**
Lease Liability	
Balance at December 31, 2023	-
Addition of lease liability	542,970
Interest on lease liability	11,071
Balance at June 30, 2024	**$ 554,041**

(Expressed in Canadian dollars)

9. Related Party Transactions and Balances

During the six months ended June 30, 2024 and 2023, the Company entered into the following transactions with related parties, directors and key management personnel. Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company and include all directors and officers.

The Company has performance-based bonus schemes for its executives, which are contingent upon achieving specific financial and operational targets. These targets are set and approved by the Board of Directors at the beginning of each financial year.

The remuneration of key management personnel during the three and six months ended June 30, 2024 and 2023 are as follows:

		Three months ended			Six months ended	
June 30,		**2024**	**2023**		**2024**	**2023**
Salaries, management fees and benefits	$	81,309	38,711	$	130,255	90,900

Transactions with entities controlled by directors during the three and six months ended June 30, 2024 and 2023 are as follows:

		Three months ended			Six months ended	
June 30,		**2024**	**2023**		**2024**	**2023**
Consulting fees	$	67,260	-	$	113,140	-

Amounts due to/from related parties as at June 30, 2024 and December 31, 2023 included in accounts receivable and other receivables and accounts payable and accrued liabilities are as follows:

As at		**June 30, 2024**		**December 31, 2023**
Due from related parties	$	2,594	$	2,594
Due to related parties		434,198		306,556
Accrued debenture interest due to related party		26,818		14,309

Included in other liabilities at June 30, 2024 is $243,112 (December 31, 2023 – $243,112) due to a director of the Company.

10. Revenues

		Three months ended			Six months ended	
June 30,		**2024**	**2023**		**2024**	**2023**
Sale of VERs	$	223,852	67,987	$	995,178	421,858
Consulting and advisory services		354,271	133,737		509,664	305,483
Total	**$**	**578,123**	**201,724**	**$**	**1,504,842**	**727,341**

(Expressed in Canadian dollars)

11. Share Options

During the six months ended June 30, 2024, the Company granted 7,125,000 share purchase options to its employees and directors under the Company's stock option plan. The options are exercisable at $0.10 per share and vest over a period of three years. The fair value of the options granted during the period, as determined using the Black-Scholes option pricing model, was $641,247. The significant assumptions used in the valuation model included an expected volatility of 409.59%, a risk-free interest rate of 3.77%, an expected dividend yield of 0%, and an expected life of 5 years.

For the three and six months ended June 30, 2024, the Company recognized a share-based payment expense of $63,960 in its condensed consolidated interim statement of comprehensive loss, with a corresponding increase in equity.

12. Segmented Information

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

Revenues

Geographic information is as follows:

		Three months ended			Six months ended	
June 30,		**2024**	**2023**		**2024**	**2023**
Canada	$	421,965	181,552	$	1,348,684	654,607
USA		82,953	20,172		82,953	72,734
Singapore		73,205	-		73,205	-
Total	**$**	**578,123**	**201,724**	**$**	**1,504,842**	**727,341**

The Company had concentrated revenues as follows:

		Three months ended			Six months ended	
June 30,		**2024**	**2023**		**2024**	**2023**
Customer A	$	22%	46%	$	31%	46%
Customer B		13%	8%		13%	8%
Customer C		9%	-		8%	-
Other		56%	46%		48%	46%
Total	**$**	**100%**	**100%**	**$**	**100%**	**100%**

The Company's customers contributing to the concentrated revenues are not comparative balances from period to period. As at June 30, 2024, the Company had one customer totalling 38% of outstanding accounts receivable.

(Expressed in Canadian dollars)

13. Supplemental Disclosures with Respect to Cash Flows

Changes in non-cash operating working capital:

As at June 30,		**2024**		**2023**
Accounts and other receivables		(698,169)		(399,803)
Inventory		222,676		(372,567)
Contract costs in-progress		(210,750)		-
Prepaid expenses and deposits		(77,245)		145
Accounts payable and accrued liabilities		940,152		131,926
Deferred revenue		794,117		1,166,446
Total	**$**	**970,781**	**$**	**526,147**

14. Subsequent Events

On July 29, 2024, the Company entered into a revised consulting agreement with RCM Financial Services Ltd. ("RCM"), under which RCM will continue to provide Interim CFO services to the Company through Mr. Colin Haddock. As part of this revised agreement, the Company granted 400,000 share options with an exercise price of $0.10 per share, valid for a period of five years from the date of grant.

On August 21, 2024, the Company completed a non-brokered private placement, raising $837,000 through the issuance of 16,740,000 common shares at $0.05 per share. Two insiders participated, contributing $354,500, qualifying as a Related Party Transaction under TSX Venture Policy 5.9. Finder's fees of $17,250 were paid. Net proceeds will be used for general corporate purposes.