Klimat X Developments Inc.
(Formerly Earl Resources Limited)

Consolidated Financial Statements
For the year ended December 31, 2022 and 2021

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Independent Auditor's Report

To the Shareholders of Klimat X Developments Inc. (formerly Earl Resources Limited)

Opinion

We have audited the consolidated financial statements of Klimat X Developments Inc. (formerly Earl Resources Limited) (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements which indicates that for the year ended December 31, 2022 the Group has incurred a net loss of $4,872,884 and has an accumulated deficit of $9,029,834 as at December 31, 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Common shares fair value

Description of the key audit matter

The Company completed three acquisition transactions during the year, as disclosed in Note 4 to the consolidated financial statements: the acquisition of shares of Pomeroon Trading (Holdings) Limited, the acquisition of rights to future carbon credits in Sierra Leone, and the acquisition of rights to future carbon credits in Yucatan. The measurement of these transactions required the

Company to determine the fair value of the Company's common shares that were used as part of the consideration and to measure stock based compensation in these acquisition transactions. This was a key audit matter because the Company was not actively traded at the transactions date so there was estimation in determining the fair value (Note 2c).

How the audit matter was addressed in the audit
Our audit procedures included, but were not limited to, the following:

- Use of our valuation experts to assist in assessing the Group's methodology used to measure the fair value
- Reviewing the calculations prepared by the Group for mathematical accuracy
- Testing the fair values of the Group's net assets and the quantity of shares outstanding at the valuation date to supporting documentation
- Assessing the adequacy of the Group's related disclosures

Other Matter

The comparative figures included in consolidated financial statements as at and for the year ended December 31, 2021 were audited by a another auditor who expressed an unmodified opinion on those consolidated financial statements on March 25, 2022.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis for the year ended December 31, 2022 filed with the relevant Canadian Securities Commission.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis for the year ended December 31, 2022 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is John Leavitt.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
May 2, 2023

Klimat X Developments Inc. (formerly Earl Resources Limited)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the year ended December 31, 2022 and 2021

(Canadian $)	Note	December 31 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents		2,318,750	164,825
Accounts receivable	14	75,303	-
Prepaid expenses and deposits		264,020	933
Biological assets		5,071	-
Inventories		4,132	-
Total current assets		2,667,276	165,758
Non-current assets			
Right-of-use assets	5	4,728,297	-
Property, plant and equipment	6	381,000	-
Carbon credit streaming agreements	7	4,129,956	-
Total non-current assets		9,239,253	-
Total assets		11,906,529	165,758
LIABILITIES AND EQUITY (DEFICIT)			
Current liabilities			
Accounts payable and accrued liabilities		787,259	335,481
Current portion of lease liabilities	10	131,189	-
Total current liabilities		918,448	335,481
Non-current liabilities			
Convertible debenture	9	296,969	-
Lease liabilities	10	1,427,548	-
Total non-current liabilities		1,724,517	-
Total liabilities		2,642,965	335,481
Shareholders' equity (deficit)			
Share capital	11	15,793,367	2,526,787
Other reserves		1,789,860	1,583,500
Accumulated deficit		(9,029,834)	(4,280,010)
Total shareholder's equity (deficit) attributable to Klimat X Developments Inc. shareholders		8,553,393	(169,723)
Non-controlling interest	4	710,170	-
Total equity (deficit)		9,263,564	(169,723)
Total liabilities and equity (deficit)		11,906,259	165,758

Approved by the Board of Directors on May 1, 2023:

"James Tansey" Director
James Tansey

"Neil Passmore" Director
Neil Passmore

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

Klimat X Developments Inc. (formerly Earl Resources Limited)
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the year ended

(Canadian $)	Note	December 31 2022	December 31 2021
Revenue		68,587	-
Cost of sales		(172,999)	-
		(104,412)	-
Consulting fees (note 15)		(2,570,477)	(221,003)
Professional fees		(237,241)	(214,828)
Depreciation expense (note 5, 6)		(60,914)	-
Marketing		(215,416)	(8,762)
Listing and filing fees		(82,013)	(15,654)
Office and administration		(221,989)	(34,375)
Share-based compensation (note 4c, 13)		(1,221,360)	(1,522,000)
Travel and corporate development		(109,958)	(52,430)
		(4,719,368)	(2,069,052)
Other expenses			
Finance cost		(134,786)	-
Gain on settlement of accounts payable (note 11)		95,353	-
Foreign exchange		(9,671)	-
Net loss		(4,872,884)	(2,069,052)
Other comprehensive loss			
Cumulative translation adjustment		(98,359)	-
Net loss and comprehensive loss		(4,971,243)	(2,069,052)
Net loss attributable to:			
Owners		(4,749,824)	(2,069,052)
Non controlling interest ("NCI")		(123,060)	-
		(4,872,884)	(2,069,052)
Other comprehensive loss attributable to:			
Owners		-	-
NCI		(98,359)	-
		(98,359)	-
Weighted average shares outstanding		63,099,902	38,490,400
Loss per share (basic and diluted)		(0.08)	(0.05)

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

Klimat X Developments Inc. (formerly Earl Resources Limited)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

		Attributable to Shareholders of Klimat X Developments Inc.							
(Canadian $, except Common Shares)	Note	Number of Common Shares	Share capital	Share-based payments reserve	Foreign exchange reserve	Accumulated deficit	Total	Non-controlling interest	Total equity
At December 31, 2020		38,490,400	2,526,787	61,500	-	(2,210,958)	377,329	-	377,329
Share-based payments		-	-	1,522,000	-	-	1,522,000	-	1,522,000
Net loss for the period		-	-	-	-	(2,069,052)	(2,069,052)	-	(2,069,052)
At December 31, 2021		38,490,400	2,526,787	1,583,500	-	(4,280,010)	(169,723)	-	(169,723)
At December 31, 2021		38,490,400	2,526,787	1,583,500	-	(4,280,010)	(169,723)	-	(169,723)
Share issuances – cash	11	21,705,127	9,767,307	-	-	-	9,767,307	-	9,767,307
Share issuances – in-kind	11	1,361,509	190,611	-	-	-	190,611	-	190,611
Acquisition of PTHL	4a	9,915,625	1,399,298	-	-	-	1,399,298	931,590	2,330,888
Shares issued – Sierra Leone Transaction	4b	7,500,000	1,050,000	-	-	-	1,050,000	-	1,050,000
Shares issued – Yucatan Transaction	4c	7,250,000	1,015,000	-	-	-	1,015,000	-	1,015,000
Share issue costs, net of tax	11	-	(155,636)	-	-	-	(155,636)	-	(155,636)
Share-based payments	13	-	-	206,360	-	-	206,360	-	206,360
Cumulative translation reserves		-	-	-	-	-	-	(98,359)	(98,359)
Net loss for the period		-	-	-		(4,749,824)	(4,749,824)	(123,060)	(4,872,885)
At December 31, 2022		86,222,661	15,793,367	1,789,860	-	(9,029,834)	8,553,393	710,171	9,263,564

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

Klimat X Developments Inc. (formerly Earl Resources Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended

(Canadian $)	Note	December 31, 2022	December 31, 2021
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss		(4,872,884)	(2,069,052)
Adjusted for:			
Share-based payments		1,221,360	1,522,000
Accretion expense		139,810	-
Depreciation		60,914	-
Gain in settlement on accounts payable		(95,353)	-
Foreign exchange		9,671	-
Changes in non-cash working capital			
Prepaid expenses		(179,806)	(933)
Accounts payables		(375,450)	195,146
Accounts receivables		57,550	-
Inventory		(2,588)	-
Net cash flow used in operating activities		(4,036,776)	(352,839)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of PTHL – cash acquired	4a	63,016	-
Acquisition of PTHL – transaction cost	4a	(261,227)	
Acquisition of rights – Sierra Leone Initial Advance		(3,079,956)	-
Net cash flows used in investing activities		(3,278,168)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan		(220,351)	-
Proceeds from private placement	11	9,767,307	-
Share issue costs	11	(78,087)	-
Net cash flow from financing activities		9,468,869	-
Increase (decrease) in cash and cash equivalents		2,153,925	(352,839)
Cash and cash equivalents, beginning of year		164,825	517,664
Cash and cash equivalents, end of year		2,318,750	164,825

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

1. REPORTING ENTITY

Klimat X Developments Inc. (formerly Earl Resources Limited) and its subsidiaries ("Klimat X" or the "Company") is a carbon exploration and development company with global reach into jurisdictions with production potential from forestry and marine carbon sequestration projects.

Klimat X was incorporated under the British Columbia *Companies Act* as a Specialty Limited Company on November 21, 1963. In July 1998, the Company continued to the Cayman Islands. In February 2018, the Company continued back to British Columbia. Prior to the COB (as defined below), the Company's principal business activities historically included acquiring options to explore and develop mineral properties internationally. From a period beginning in 2003 and ending on closing date of the COB (as defined below), the Company was inactive with limited operations, and its common shares ("Common Shares") were listed on the NEX board of the TSXV ("NEX") under the symbol "ERL.H".

The head office and principal address of the Company is located at Suite 390, 1050 Homer Street, Vancouver, British Columbia, V6B 2W9, Canada.

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

- the closing of the Guyana Transaction (Note 4a);
- the closing of the Sierra Leone Transaction (Note 4b);
- the closing of the Yucatan Transaction (Note 4c);
- the closing of the Bridge Financing (Note 11c);
- the completion of the Concurrent Financing (Note 11c); and
- the completion of the Shares for Services Agreement (Note 11c).

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

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

Following the acquisition of Pomeroon Trading (Holdings) Limited on June 29, 2022 (Note 4), the Company has the following subsidiaries, incorporated and/or formed, and consolidated in these financial statements as of December 31, 2022:

Name of subsidiary	Jurisdiction of incorporation/formation
Pomeroon Trading (Holdings) Limited ("PTHL") (1)	Cayman Islands
Pomeroon Trading Inc. ("PTI") (2)	Co-operative Republic of Guyana
Pomeroon Suriname N.V(3)	Suriname

(1) Incorporated on January 19, 2018. On June 29, 2022, Klimat X acquired a 74% interest.

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

(3) Incorporated on September 13, 2022, and a wholly owned subsidiary of Pomeroon Trading (Holdings) Limited.

2. BASIS OF PREPARATION AND GOING CONCERN

a) Basis of presentation and going concern

These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). and have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The policies set out below were consistently applied to all periods presented.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, twelve months from the end of the reporting year.

The Company has not yet generated income or cashflow from operations. As at December 31, 2022, the Company had cash and cash equivalents of $2,318,750 (2021 - $165,825), a working capital of $1,748, 828 (2021 - $169,723 deficit) and an accumulated deficit of $9,029,834 (2021 - $4,280,010). For the year ended December 31, 2022, the Company incurred a net loss of $4,872,884 (2021 - $2,069,052) and negative cashflows from operations of $4,036,776 (2021 – 352,839). The Company will require additional financing, through various means including but not limited to equity financing, to continue with its carbon streaming programs and to meet its future obligations and administrative expenses. There is no assurance that the Company will be successful in raising the additional required funds.

The above noted conditions indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

The Board of Directors approved the consolidated financial statements on May 1, 2023.

b) Basis of measurement, functional and presentation currency

These Financial Statements have been prepared on a going concern basis, under the historical cost convention, except certain financial instruments which are recorded at fair value, and using the accrual basis of accounting, except for cash flow information.

These Financial Statements are presented in Canadian dollars, Klimat X's functional currency, unless otherwise indicated.

Name of subsidiary	Functional currency
Pomeroon Trading (Holdings) Limited	US Dollars
Pomeroon Trading Inc.	Guyanese dollar
Pomeroon Suriname N.V	Surinamese dollar

c) Use of estimates, judgements and assumptions

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments are based on management's best understanding of current events and actions that Klimat X may undertake in the future. Actual results may differ from these estimates and judgments. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and for any future years affected.

Significant estimates, judgements or assumptions used in these Financial Statements are outlined below:

Fair value of assets acquired and liabilities assumed in asset acquisition

The fair value of assets acquired and liabilities assumed through asset acquisition, including measuring the fair value of the consideration, is estimated based on information available at the date of the acquisition. Estimates are used to determine the fair value of the acquired assets and assumed liabilities and include quoted market prices and widely accepted valuation techniques.

Fair value of equity-settled share-based payments

The Company uses a Black-Scholes option pricing model to determine the fair value of equity-settled share-based payments. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

Accounting for and valuation of carbon credit streaming agreements

The Company from time to time will acquire carbon credit agreements. Each carbon credit agreement has its own unique terms and significant judgment is required to assess the appropriate accounting treatment. Significant estimates and assumptions in the fair value assessment are included in note 7.

Fair value of common shares

The Company completed three transactions on June 29, 2022 (Note 4). The measurement of the Company's shares was required to determine the amounts recorded in the transactions. As the Company was not trading on that date there is judgment in determining the fair value of the share price on that date. The Company has determined that the fair value of the net assets best represents the fair value of the Company's value at that date.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax basis. Estimates of Klimat X's future taxable income are considered in assessing the utilization of available tax losses. The calculation of income taxes involves many complex factors including the interpretation of relevant tax legislation and an analysis of the amount of future taxable income.

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from Klimat X's estimate, the ability of Klimat X to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. Klimat X records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which Klimat X operates.

Functional currency

The designation of the functional currency of the Company and each of its subsidiaries is a judgment using the currency of the primary economic environment in which that the entity operates in.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by Klimat X for all periods presented in these Financial Statements.

a) Principles of consolidation

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

b) Revenue recognition

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

c) Finance costs (income)

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

d) Cash and cash equivalents

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

e) Biological assets

The Company's biological assets consists of water coconuts.

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

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

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

f) Inventories

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

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

g) Property, plant and equipment

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

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

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

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

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

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

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

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

h) Carbon credit streaming agreements

Carbon credit streaming agreements are agreements that are expected to be settled through the delivery of carbon credits. The contractual arrangements, in certain circumstances, could result in the Company receiving cash upon expiry of the contracts. Additionally, the Company's business model for these agreements is to take delivery of the carbon credits and subsequently sell them shortly after delivery for the purpose of generating a profit. Accordingly, the carbon credit streaming agreements are accounted for as financial instruments. These agreements are initially and subsequently measured at fair value through profit or loss. The Company has entered into carbon credit streaming agreements as described in Note 7.

i) Leases and Right-of-use ("ROU") assets

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

Leases in which Klimat X is a lessee and ROU assets

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

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

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

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

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

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

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using Klimat X's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset and recognizing a gain or loss in net income (loss) that reflects the proportionate decrease in scope.

j) Impairment of non-financial assets

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

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

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

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

k) Provisions and contingencies

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

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

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably, and outflow of cash is more than remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

l) Income taxes

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

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

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

m) Share capital

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

n) Equity-settled share-based compensation

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

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

o) Per share amounts

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

p) Financial instruments

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

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

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

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

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

Fair value measurements

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

The Company establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

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

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

Impairment of financial assets

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

Offsetting financial assets and liabilities

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

q) Related party transactions

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

r) Foreign currency translation and transactions

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

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

s) Operating Segments

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

t) Adoption of new/amended accounting standards

In May 2020, the IASB issued an amendment to International Accounting Standard 41, *Agriculture*, ("IAS 41") as part of its *Annual Improvements to IFRS Standards 2018– 2020*. The amendment removes the requirement for an entity to exclude taxation cash flows when calculating the fair value of its biological assets. An entity is permitted to use post-tax cash flows and a post-tax rate to discount those cash flows. The amendment was effective for annual periods beginning on or after January 1, 2022.

Klimat X adopted the amendments to IAS 41 with the acquisition of PTHL on June 29, 2022. The adoption of this standard did not have a significant impact on the Company.

u) Recent accounting pronouncements and/or future accounting standards

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on these Financial Statements.

4. CHANGE OF BUSINESS - ACQUISITIONS

On June 29, 2022, in connection with the Reactivation of its TSXV listing, Klimat X completed its previously announced COB (Note 1), which included the following acquisitions:

a) Guyana Transaction

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

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

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

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

b) 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

Klimat X

Transaction") and provide for the Advance ("Sierra Leone Prepayment Agreement")) to Aristeus Projects Limited.

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

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

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

c) Yucatan Transaction

On June 29, 2022, Klimat X acquired an assignment from Compania Mexicana de Captacion de Carbon ("CMCC") of all CMCC's rights and interests to develop and market carbon credits under CMCC's existing contract with the Government of the State of Yucatan in Mexico in exchange for aggregate consideration of $50,000 ("Yucatan COB Agreement"), of which $25,000 was paid as a non-refundable deposit upon execution of the agreement and $25,000 was paid additionally as at December 31, 2022, which became due upon completion of the relisting requirements of Klimat X on July 19, 2022. The total consideration was recorded as business development consulting fee as the transaction has not closed as at December 31, 2022. The current agreement that CMCC has in place with the Government of Yucatan expires in February 2024, there is currently ongoing discussions to extend the agreement.

The assignment of the Yucatan Contract to Klimat X remains conditional upon approval of the Government of the State of Yucatan, Mexico ("Government Consent").

Pursuant to the Yucatan Contract, CMCC has the right to 5% of the net value of the carbon credits successfully sold (or the equivalent to the final transaction price) resulting from the determination, development, execution, structuring, marketing, and selling of such as provided in the Yucatan Contract (the "Original Commission"). On June 29, 2022, the Company acquired 33% of the Original Commission assigned and payable to Klimat X on a go-forward basis, in consideration for 7,250,000 Common Shares issued at a fair value to Canvas Impact Advisors Ltd. ("Canvas"), a consulting firm owned 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 (Note 11d). On October 27, 2022, the repurchase options lapsed and the fair value of $1,050,000 was recorded as share based compensation and share capital.

5. RIGHT-OF-USE ASSETS

(Canadian $)	PTHL Leasehold estate	Total
Cost		
At December 31, 2021, and 2020	-	-
Acquisition (Note 4)	4,699,437	4,699,437
At December 31, 2022	4,699,437	4,699,437
Accumulated depreciation and impairment		
At December 31, 2021, and 2020	-	-
Depreciation expense	53,353	53,353
At December 31, 2022	53,353	53,353
Foreign exchange impact	82,213	82,213
Carrying amount		
At December 31, 2021	-	-
At December 31, 2022	4,728,297	4,728,297

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

6. PROPERTY, PLANT AND EQUIPMENT

(Canadian $)	PTHL Bearer plants	PTHL Building, machinery and equipment	Total
Cost			
At December 31, 2021, and 2020	-	-	-
Acquisition (Note 4)	254,308	103,223	357,531
At December 31, 2022	254,308	103,223	357,531
Accumulated depreciation			
At December 31, 2021, and 2020	-	-	- -
Depreciation	1,650	5,911	7,562
At December 31, 2022, and December 31, 2021, and 2020	1,650	5,911	7,562
Foreign exchange impact	5,560	25,470	31,030
Carrying amount			
At December 31, 2021	-	-	-
At December 31, 2022	258,218	122,782	381,000

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

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

7. CARBON CREDIT STREAMING AGREEMENTS

(Canadian $)	IEG	FMPL	Maforki (SL) Project - Rights	Total
Cost				
At December 31, 2021, and 2020	-	-	-	-
Acquisition – Sierra Leone rights (Note 4b) [(1)]	-	-	2,622,468	2,622,468
Acquisition – FMP	338,463	1,169,025	-	1,507,488
At December 31, 2022	338,463	1,169,025	2,622,468	4,129,956

(1) Includes $1,050,000 share consideration and the initial cash advances

Sierra Leone rights

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

- RML Carbon Credits that are produced from or in connection with the Maforki Project;
- Timber rights and revenues that are produced or generated from or in connection with the Maforki Project; and
- Biological asset rights and revenues that are produced or generated from or in connection with the Maforki Project.

All-in consideration for the Initial Advance and the issuance of Consideration Shares to RML and subject to and in accordance with the terms of a deed agreement and the Sierra Leone Prepayment Agreement.

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.

Infinitum Energy PTE. Ltd ("IEG")

On September 9, 2022, the Company entered into a carbon credit development agreement with Infinitum Energy PTE Ltd. IEG is in the process of developing a 1,000 t/day waste-to-energy facility in the greater Western Area of Sierra Leone. IEG and the Company believe that within operations of the Project, it may be possible to generate carbon credits from avoided methane emissions associated with the breakdown of biological materials in the waste stream, which may then allow the Project to become an originator of accredited voluntary carbon credits. KLX has agreed and provided IEG US$250,000 ($338,463) to fund the development activities of the Project by IEG and to determine whether KLX can generate such Carbon Credits.

Fair Value

As at December 31, 2022, management has assessed that the fair value of the carbon credit streaming agreements approximates the cash and equity payments disbursed to the projects. The Company has determined that there has been no change in the fair value from the acquisition dates made with arms length parties.

8. DEBT

Debt is comprised of the following:

(Canadian $)	December 31 2022	December 31 2021
Loans payable		
Opening balance	-	-
PTHL Loan payable - 662 Ventures Ltd (related party) (a)	83,759	-
PTHL Loans payable – Other (b)	136,592	-
Payment	(220,351)	-
Total loans payable	-	-
Current portion of loans payable	-	-
Non-current portion of loans payable	-	-

a) A loan was obtained by PTHL from 662 Ventures Limited, a UK corporation, wholly owned by Mr. Neil Passmore, a founder of PTHL, Director of Corporate Development of Klimat X and a member of the Board of Directors of Klimat X, in the normal course of business. The loan balance of US$65,000 ($83,759) was fully repaid in July 2022.

b) *PTHL Loans Payable – Other*

(Canadian $)	December 31 2022	December 31 2021
Opening balance	-	-
Loan from Capfield UK Limited	64,430	-
Loan from Chadlington House Property Management Services Limited	64,430	
Accrued interest on loans payable	7,732	-
Repayment	(136,592)	-
Total PTHL Loans payable - Other	-	-

On January 1, 2022, Capfield UK Limited and Chadlington House Property Management Services Limited, corporations with a common shareholder, each advanced a US$50,000 loan to PTHL at 12% interest per annum as interim financing for PTHL prior to the close of the Klimat X transaction. The total loan balance of US$100,000 ($128,860) and accrued interest thereon was repaid in July 2022.

9. CONVERTIBLE DEBENTURE

On April 6, 2022, the Company's subsidiary, PTHL obtained a US$416,327 unsecured, non-interest bearing convertible debenture from Alma Pelly Limited, a UK Corporation, in the normal course of business. The terms of the loan are disclosed below. Upon acquisition of PTHL (see Note 4), the Company allocated the residual value of US$229,721 ($294,042) to PTHL's equity reserves based on a discount rate of 35%. The fair value of the liability portion of the convertible debenture was therefore US$186,606 ($240,461).

December 31

(Canadian $)	2022
At December 31, 2021	-
Acquisition (Note 4)	240,461
Accretion expense	42,494
Foreign exchange impact	14,014
At December 31, 2022	296,969

Terms	Details
Maturity Date	March 1, 2025
Conversion right	The Company can elect the conversion of the debt at any time after June 30, 2023, at US$4.00/PTHL share. This must be agreed upon with the lender. Convertible at any time at the option of the holder at US$4.00/PTHL share. If lender rejects the conversion offered by the Company, the lender has the right to request 65% of the loan outstanding to be paid in cash ("Cash Payment"), and the remaining 35% to be converted at US$1.00/PTHL share, or cash, or mix of both.
Interest rate	Non-interest bearing However, if the Company fails to pay the loan by the maturity date, the outstanding loan shall accrue simple interest at a rate of 10% per annum. In the event the Company fails to pay the Cash Payment, the remaining loan would accrue a quarterly compounded interest of 20% per annum.

10.LEASE LIABILITIES

(Canadian $)	December 31 2022	December 31 2021
At beginning of year	-	-
Acquisition (Note 4)	1,483,164	-
Less payments recorded to accounts payable	(75,000)	
Accretion expense	74,785	-
Foreign exchange impact	73,220	-
Ending lease liability	1,556,169	
Current portion of lease liabilities	131,189	-
Non-current portion of lease liabilities	1,427,548	-

Lease liabilities consist of PTHL's agricultural land lease acquired as part of the acquisition of PTHL (Note 4a).

On January 29, 2018, Pomeroon Trading Inc. ("PTI") entered into a 50-year agreement for the lease of agricultural land known as the Stoll Estate, 700 acres set in the Pomeroon River, Guyana, in exchange for monthly lease payments of US$12,500.

Pursuant to the lease, 50% of the monthly lease payments, are subject to an equity conversion right, whereby such outstanding lease payments may be paid in common shares of PTI. If this equity right is exercised, the carrying amount of such payables will be pain in shares of PTI at the prevailing fair value of such shares at the conversion date. Starting July 1, 2022, no lease payments will be allowed to be paid in common shares of PTI; any further lease payments will be settled in cash. As at December 31, 2022, total lease payments subjected to be paid in common shares was US$285,000 (currently recorded in accounts payable. No payment in common shares was ever exercised since the inception of the lease.

For the leased estate, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments at an implied borrowing rate of 13% per annum appropriate for the location, type of property and length of term.

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

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

11. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue:

- An unlimited number of Common Shares without par value

b) Share issuances

Share issuances – cash

Bridge Financing

On January 28, 2022, in order to fund certain costs related to closing the COB, the Company completed a non-brokered private placement of 1,000,000 Common Shares at a price of $0.45 per Common Share for aggregate gross proceeds of $450,000.

Concurrent Financing

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

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

In connection with the Concurrent Financing, the Company agreed to issue an aggregate of 553,921 Common Shares valued at $77,549 at a price of $0.14 per Common Share at the closing of the COB, representing 6% of the gross proceeds raised from subscriptions in the Concurrent Financing introduced by certain arm's length finders.

Share issuances – in-kind and Share issue costs

Shares for Services Agreements

Pursuant to certain Common Shares for services agreements ("Shares for Services Agreements"), in connection with certain consulting and other services provided to the Company with respect to reviewing, considering, analyzing and closing the COB transactions and related transactional matters, the Company settled certain outstanding accounts payable in the aggregate amount of $208,415 owing to certain arm's-length service providers of the Company through the issuance of 807,588 Common Shares, at $0.14 per Common Share, in full satisfaction of the related services, as of which have been rendered in full prior to the COB. The Shares for Services Agreements included the issuance of:

- 140,922 Common Shares valued at $19,729 to Park Energy Law UK Ltd., in order to settle fees for certain legal, transactional and foreign advisory services;
- 111,111 Common Shares valued at $15,556 to 1LS Consulting, in order to settle fees for certain legal, transactional and foreign advisory services;
- 55,555 Common Shares valued at $7,778 to Guy Bertin, in order to settle fees for certain transactional and foreign advisory services; and
- 500,000 Common Shares valued at $70,000 to Clarus Securities Inc., in order to settle fees for certain transactional and foreign advisory services.
- Total gain recognized upon settlement was 95,353

Share issuances – COB

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

c) Escrowed Common Shares

As at December 31, 2022, 33,434,321 Common Shares (or approximately 42% of the total Common Shares) are subject to escrow.

12. CAPITAL MANAGEMENT

The Company's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of any identified business opportunities and to maintain a flexible capital structure for the benefit of its stakeholders.

Klimat X considers its capital structure to include working capital, debt, lease liabilities and shareholders' equity (deficit).

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, enter into joint venture arrangements, acquire or dispose of assets and adjust capital and operating expenditures to manage its current and projected available capital.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth. The Company is not subject to externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2022.

13. SHARE-BASED PAYMENTS

a) Share-based incentive programs and payment plans

The Company has the following share-based compensation and payment plans:

Stock option plan (equity-settled)

The Company has established a stock option plan (the "2010 Rolling Option Plan"), approved by the shareholders on November 10, 2010, whereby the Company may grant stock options from time to time, subject to regulatory terms and approval, to employees, officers, directors and service providers of the Company to recognize the contributions made by individuals to the Company's growth and furnish an incentive to the future success and prosperity of the Company.

The 2010 Rolling Option Plan is based on the maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding Common Shares, calculated from time to time. Pursuant to the 2010 Rolling Option Plan, if outstanding stock options are exercised, or expired, and/or the number of issued and outstanding Common Shares of the Company increases, then the options available to grant under the plan increase proportionately. The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than the discounted market price, as calculated pursuant to the policies of the TSXV, or such other minimum price as may be required by the TSXV.

Stock options can have a maximum term of ten (10) years and typically terminate 90 days following the termination of the holder's employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors and determined at the time the options are granted.

Common shares issued in exchange for goods received/services rendered (equity-settled)

The Company may issue Klimat X Common Shares from time to time to service providers, vendors or consultants in exchange for services rendered to the Company, as determined by the Board of Directors.

b) Stock options

The following table provides a summary of the Company's stock options:

(Canadian $, except number of stock options)	Number of stock options	December 31 2022 Weighted average exercise price	Number of stock options	December 31 2021 Weighted average exercise price
Stock options				
Outstanding at beginning of year	3,849,040	0.445	-	-
Cancelled	(4,824,040)	0.445	-	-
Granted	6,349,040	0.350	3,849,040	0.445
Outstanding at end of period	5,374,040	0.350	3,849,040	0.445
Weighted average remaining life		4.6 years		4.9 years
Vested and exercisable at end of period	5,374,040	0.334	3,849,040	0.445

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

The assumptions used for the stock option modification was as follows:

	Year ended December 31 2022
Share price on grant date	$0.14
Exercise price	$0.45
Expected life (years)	5
Expected volatility	70%
Risk-free interest rate	3.16%
Expected forfeiture rate	-
Expected dividend yield	-
Weighted average fair value per stock option	$0.29

In connection with the stock option modification, the Company determined an incremental value of $22,351 recognized immediately as the modified stock options are fully vested and exercisable.

The estimated fair value of the 2,500,000 stock options granted during the year (all vested upon grant) was calculated using the Black-Scholes model and the following assumptions:

	Year ended December 31 2022	Year ended December 31 2021
Share price on grant date	$0.12	$0.445
Exercise price	$0.20	$0.445
Expected life (years)	5	5
Expected volatility	87%	141%
Risk-free interest rate	3.70%	1.29%
Expected forfeiture rate	-	-
Expected dividend yield	-	-
Weighted average fair value per stock option	$0.07	$0.39

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

For the year ended December 31, 2022, $206,360 (2021 - $1,522,000) of share-based payment expense related to stock options was recognized in net loss. $22,351 was related to the stock option reprice. The remaining $184,009 relates to new stock options granted.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Klimat X's financial assets consist of cash and cash equivalents, accounts receivable and carbon credit streaming agreements.

Klimat X's financial liabilities consist of accounts payable and accrued liabilities and debt (Note 9).

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of those instruments.

The Company's debt is recorded at amortized cost using the effective interest method.

Financial risk management

Klimat X's activities expose it to certain financial risks, including market risk, credit risk, liquidity risk and carbon market risk.

Market risk

Market risk is the risk that changes in market conditions, such as interest rates and foreign exchange rates will affect Klimat X's net loss or the 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 expenses using a mix of fixed and variable interest rates on its debt. Changes in interest rates could result in an increase or decrease in the amount the Company pays to service variable interest rate debt.

The interest rates on PTHL's debt loans payable are fixed and not subject to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that future cash flows or the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Company is primarily exposed to fluctuations in the U.S. dollar and Guyanese dollar in relation to its foreign operations.

As such, a 1% change in the value of the U.S. dollar and Guyanese dollar would have had no material impact on the net loss and comprehensive loss of Klimat X at December 31, 2022.

Commodity price risk

The Company may be exposed to commodity price risk through the sale of its agricultural produce and biological assets and inventories held.

At December 31, 2022, the Company does not hold significant biological assets or inventories nor has it recognized significant revenue related to the sale of its agricultural produce.

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 for PTHL 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 to measure ECL. 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.

As at December 31, 2022, trade account receivable was $32,642 (2021 - $nil). Payment terms with customers vary by contract; however, standard payment terms are 30 days from the invoice date. Any credits risk related to the accounts receivable will have an immaterial impact to the Company.

Klimat X held cash and cash equivalents of $2,318,750 at December 31, 2022, which represents its maximum credit exposure on these assets (December 31, 2021 - $164,825). The cash is held with major, high credit-quality financial institution counterparties and management believes credit risk is minimal.

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Liquidity risk

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

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

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

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

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

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.

15.RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions

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

Key management personnel compensation:

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

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. See note 7 for details.

Due from (to) related parties

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

16.SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended Dec 31, 2022	2021
Accounts receivable (note 4) - acquired	132,853	-
Prepaid expenses (note 4)- acquired	83,281	-
Biological assets (note 4) - acquired	5,891	-
Inventories (note 4) - acquired	724	-
Right-of-use assets (note 4) - acquired	4,699,437	-
Property, plant and equipment (note 4) - acquired	357,531	-
Accounts payable and accrued liabilities (note 4)- acquired	(806,641)	-
Debt (note 4) – acquired	(220,350)	-
Convertible debenture – acquired	(240,461)	
Lease liabilities (note 4) - acquired	(1,483,164)	-
Share issuance for carbon credits streaming agreement	(2,065,000)	-
Share issuance – finder's fees	(77,549)	-

17.SEGMENTED REPORTING

Year ended December 31, 2022	Guyana	Corporate	Total
Revenue	68,587	-	68,587
Cost of sales	(172,999)	-	(172,999)
General and administration	(275,861)	(3,222,148)	(3,498,008)
Share based compensation	-	(1,221,360)	(1,221,360)
Other	(63,253)	14,149	(49,104)
Net loss	(443,526)	(4,429,359)	(4,872,884)
Segmented assets	5,538,257	6,368,272	11,906,529
Segmented liabilities	2,592,254	50,711	2,642,965

Year ended December 31, 2021	Guyana	Corporate	Total
General and administration	-	(547,052)	(547,052)
Share based compensation	-	(1,522,000)	(1,522,000)
Net loss	-	(2,069,052)	(2,069,052)
Segmented assets	-	165,758	165,758
Segmented liabilities	-	335,481	335,481

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18.TAX PROVISION

A reconciliation of income taxes computed at Canadian statutory rate to the reported income taxes is provided as follows:

(Canadian $)	Year ended December 31 2022	December 31 2021
Loss for the year	(4,872,884)	(2,069,052)
Canadian statuary tax rate	27%	27%
Income tax recovery computed at statuary tax rate	(1,315,679)	(558,644)
Change in statutory, foreign tax, foreign exchange rates	47,303	-
Permanent differences and other	(355,693)	412,973
Share issue costs	(52,490)	-
Unused tax losses and tax offsets	1,676,559	145,671
	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	As at December 31 2022	December 31 2021
Non-capital losses	7,038,703	809,590
Right of use asset	(1,558,737)	-
Lease liabilities	1,558,737	-
Carbon streaming contracts	11,663	11,662
Financing costs	166,923	17,644
Unrecognized future deductible amounts	7,217,289	838,896

The Company's unused non-capital losses have the following expiry dates:

Year	Canada	Guyana	Suriname	Total
2038	89,919	-	-	89,919
2039	93,152	-	-	93,152
2040	80,749	-	-	80,749
2041	545,771	-	-	545,771
2042	3,914,876	-	-	3,914,876
No Expiry	-	2,308,073	6,164	2,314,237
	4,724,467	2,308,073	6,164	7,038,703