



OSTROM CLIMATE SOLUTIONS INC.

(formerly Naturebank Asset Management Inc.)

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

For the nine and three months ended September 2022 and 2021

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

Ostrom Climate Solutions Inc.

Condensed Consolidated Interim Statements of Financial Position

At September 30, 2022 and December 31, 2021

(Expressed in Canadian dollars)

	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current Assets			
Cash		\$ 762,948	\$ 1,786,729
Accounts and other receivables	3	354,126	285,763
Inventory	4	779,345	154,991
Contract development costs	5	475,945	320,602
Prepaid expenses	6	163,429	130,869
Deposit	7	51,250	39,750
Total Current Assets		2,587,043	2,718,704
Property and equipment		26,329	28,327
Total Long-term Assets		26,329	28,837
Total Assets		\$ 2,613,372	\$ 2,747,031
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable and accrued liabilities	8	\$ 509,431	\$ 1,398,895
Provisions		249,212	127,656
Deferred revenue		1,698,551	1,572,948
Convertible debentures	9	319,944	707,253
Loan payable	10	117,138	108,954
Total Current Liabilities		2,894,276	3,915,706
Provisions		71,272	192,828
Convertible Debentures	9	480,631	144,634
Long-term Liabilities		551,903	337,462
Total Liabilities		\$ 3,446,179	\$ 4,253,168
Shareholders' Deficiency			
Share capital		15,919,039	14,836,687
Reserves		2,838,622	2,838,622
Equity component of convertible debenture		161,299	97,420
Deficit		(19,751,767)	(19,278,866)
Total Shareholders' Deficiency		(832,807)	(1,506,137)
Total Liabilities and Shareholders' Deficiency		\$ 2,613,372	\$ 2,747,031

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

Approved on behalf of the Board:

"Phil Cull"

Phil Cull, Director

"Guy O'loughnane"

Guy O'loughnane, Director

Ostrom Climate Solutions Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	Note	September 30, 2022	September 30, 2021
Revenue	12	\$ 2,304,985	\$ 1,744,863
Cost of goods sold		1,123,110	1,060,313
Gross profit		1,181,875	684,550
Operating Expenses			
Amortization		10,365	7,338
Amortization of right-of-use asset		-	19,307
Consulting fees		82,441	129,261
Foreign exchange		(24,572)	(1,110)
Professional, investor and agent fees		195,861	98,785
Salaries, management fees and benefits		1,074,579	922,989
Selling, general and administrative		249,836	200,160
Total operating expenses		1,588,510	1,376,730
		(406,635)	(692,180)
Finance costs	9, 11	(56,258)	(46,785)
Gain on disposal of property and equipment		-	36
Interest expense		(33,688)	(38,467)
Interest income		53	32
Other income		23,627	29,382
		(66,266)	(55,802)
Net loss for the period		\$ (472,901)	\$ (747,982)
Net loss per share, basic and diluted		\$ (0.006)	\$ (0.012)
Weighted average number of shares outstanding		78,235,171	61,752,679

Ostrom Climate Solutions Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	Note	September 30, 2022	September 30, 2021
Revenue	12	\$ 1,139,014	\$ 425,378
Cost of goods sold		440,840	187,260
Gross profit		698,174	238,118
Operating Expenses			
Amortization		3,715	3,019
Amortization of right-of-use asset		-	-
Consulting fees		9,901	54,073
Foreign exchange		(23,395)	(2,391)
Professional, investor and agent fees		37,016	41,480
Salaries, management fees and benefits		368,764	275,977
Selling, general and administrative		96,523	86,759
Total operating expenses		492,524	458,917
		205,650	(220,799)
Finance costs	9, 11	(21,106)	(17,836)
Interest expense		(10,682)	(13,035)
Interest income		-	11
Interest on lease liability		-	-
Other income		7,500	7,500
		(24,288)	(23,360)
Net Income (loss) for the period		\$ 181,362	\$ (244,159)
Net Income (loss) per share, basic and diluted		\$ 0.002	\$ (0.004)
Weighted average number of shares outstanding		78,235,171	61,752,679

Ostrom Climate Solutions Inc.

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	Share Capital		Share-based payment re- serve	Equity component of debentures	Deficit	Total
	Number	Amount				
Balance at December 31, 2020	61,752,679	\$ 14,836,687	\$ 2,699,081	\$ 74,048	\$ (18,139,049)	\$ (529,233)
Equity component of debentures	-	-	-	24,703	-	24,703
Loss for the period	-	-	-	-	(747,982)	(747,982)
Balance at September 30, 2021	61,752,679	\$ 14,836,687	\$ 2,699,081	\$ 98,751	\$ (18,887,031)	\$ (1,252,512)
Shared-based compensation	-	-	139,541	-	-	139,541
Equity component of debentures	-	-	-	(1,331)	-	(1,331)
Loss for the period	-	-	-	-	(391,835)	(391,835)
Balance at December, 2021	61,752,679	\$ 14,836,687	\$ 2,838,622	\$ 97,420	\$ (19,278,866)	\$ (1,506,137)
Shared-based compensation	16,482,492	1,082,352	-	-	-	1,082,352
Equity component of debentures	-	-	-	63,879	-	63,879
Loss for the period	-	-	-	-	(472,901)	(472,901)
Balance at December, 2021	78,235,171	\$ 15,919,039	\$ 2,838,622	\$ 161,299	\$ (19,751,767)	\$ (832,807)

Ostrom Climate Solutions Inc.

Condensed Consolidated Interim Statements of Cash Flow

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash provided by (used in) continuing operating activities:		
Income (loss) for the period	\$ (472,901)	\$ (747,982)
Items not involving cash:		
Amortization	10,365	7,338
Amortization of right-of-use asset	-	19,307
Finance costs on convertible debentures	37,324	46,785
Gain on disposal of equipment	-	(36)
Interest expense	41,872	38,467
Interest free benefit on government loan	-	(6,882)
Changes in non-cash operating working capital:		
Accounts and other receivables	(451,577)	137,997
Inventory	(624,354)	191,082
Contract development costs	(155,343)	(235,531)
Prepaid expenses and deposits	(32,560)	(15,736)
Deposit	(11,500)	(22,500)
Accounts payable and accrued liabilities	(896,039)	(80,200)
Deferred Revenue	490,333	621,026
Loan payable	-	7,088
Net cash flows provided by (used in) operating activities	(2,064,380)	(39,777)
Investing activities		
Acquisition of property and equipment	(8,367)	(13,717)
Proceeds from sale of property and equipment	-	225
Net cash provided by (used in) investing activities	(8,367)	(13,492)
Financing activities		
Interest paid on convertible debentures	(33,387)	(33,150)
Interest paid on provisions	-	(12,122)
Issuance of shares to settle debt	1,082,352	-
Proceeds from Government loan (CEBA)	-	40,000
Proceeds from convertible debenture	-	250,000
Repayment of convertible debt	-	(250,000)
Net cash provided by financing activities	1,048,965	(5,272)
Net increase (decrease) in cash	(1,023,782)	(58,541)
Cash, beginning of period	1,786,729	816,832
Cash, end of period	\$ 762,947	\$ 758,291

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

	September 30, 2022	September 30, 2021
Accrued interest on convertible debt	\$ 6,759	\$ 84,158

1. Nature and Continuance of Operations

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

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

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

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

The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company has negative working capital at September 30, 2022 and may require additional funding and/or profitable operations for the upcoming year. Material uncertainties related to the Company’s ability to secure additional funding or deliver profitable operations may cast significant doubt on the entity’s ability to continue as a going concern. Realizable values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. General Information and Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared on a basis consistent with the accounting policies applied for the year ending December 31, 2021 and follow the same accounting policies and methods of application as the 2020 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, 2021. These condensed consolidated interim financial statements were approved by the Board of Directors on November 29, 2021.

At September 30, 2022, the Company had a working capital deficiency (current assets less current liabilities) of \$307,233 (December 31, 2021 - \$1,197,002). For the period ended September 30, 2022 the Company incurred a loss of \$472,901 (September 30, 2021 - \$747,982) and the cash used by operating activities was \$2,064,380 (December 31, 2021 – cash provided by was \$1,022,949). Significant transactions in the nine months include the principal and interest payment of \$362,427.40 to the holder of “Debenture A”, and the issuance of Debenture H for \$280,000. Interest amount of Debenture A of \$82,427.40 was settled by issuance of 1,099,032 common shares.

Ostrom Climate Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Accounts and Other Receivables

	September 30, 2022	December 31, 2021
Trades receivables	\$ 340,092	\$ 254,285
Sales tax receivable	-	-
Other receivables	14,034	31,478
Total	\$ 354,126	\$ 285,763

4. Inventory

	September 30, 2022	December 31, 2021
Work-in-Process		
Project development costs	\$ 15,282	\$ 918
Finished Goods		
VERs	764,063	154,073
Total	\$ 779,345	\$ 154,991

5. Contract Development Costs

During the nine months ended September 30, 2022, the Company entered new consulting services contracts and continued working on project deliverables from prior year contracts. As at September 30, 2022, the Company capitalized \$475,945 (2021 - \$320,602) in costs related to these contracts.

6. Prepaid Expenses

	September 30, 2022	December 31, 2021
Prepaid operating expenses	\$ 64,569	\$ 32,009
Prepaid VER purchases	98,860	98,860
Advances	-	-
	\$ 163,429	\$ 130,869

7. Deposits

	September 30, 2022	December 31, 2021
Credit card collateral	\$ 28,750	\$ 17,250
Lease	22,500	22,500
	\$ 51,250	\$ 39,750

Ostrom Climate Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

8. Accounts payable and accrued liabilities

	September 30, 2022	December 31, 2021
Trade payables	\$ 224,666	\$ 943,338
Accrued liabilities	268,240	437,671
Sales tax payable	16,526	17,886
Total	\$ 509,431	\$ 1,398,895

9. Debentures

	Debenture A	Debenture B	Debenture D	Debenture E	Debenture F	Debenture G	Debenture H	TOTAL
Balance, December 31, 2021	\$ 280,000	\$ 111,575	\$ 50,000	\$ 125,000	\$ 50,000	\$ 234,509	\$ -	\$ 571,084
Principal repayment	-	-	-	-	-	-	-	-
Debenture issuance	-	-	-	-	-	-	217,322	217,322
Accretion	-	-	-	-	-	9,016	3,153	12,169
Balance, September 30, 2021	\$ 280,000	\$ 111,575	\$ 580,000	\$ 125,000	\$ 50,000	\$ 243,525	\$ 220,475	\$ 800,575

During the nine months and three months ended September 30, 2022, the Company recorded finance costs of \$56,258 and \$21,106 respectively (Sept 2021: \$46,785 and \$17,836), which includes accretion of \$12,054 and accrued interest of \$44,204.

On March 12, 2021, a payment of \$253,822 was made to the Debenture C holder, of which \$250,000 was for principal and \$3,822 for accrued interest.

On April 1, 2021 the Company entered into a convertible debenture agreement ("Debenture G") for \$250,000 with Guy o'Loughnane, a director of the Company. Repayment of the debenture is scheduled in five equal tranches. The first tranche is payable twelve months from the issuance date, second tranche eighteen months, third tranche twenty-four months, fourth & fifth tranches thirty months from the date hereof. Debenture G bears interest of 10% per annum, simple interest payable monthly, and can be converted at any time within five years from the issuance date at a conversion price of Cad\$ 0.125. There is a four month hold on any conversions into listed shares from the date of the issuance of the Debenture.

Debenture G is a compound financial instrument. At the date of issuance \$24,703 was attributed to the equity component and \$225,297 to the liability component. This was calculated using an effective interest rate of 15%. The present value of Debenture G at September 30, 2022 is \$231,100.

On June 15, 2022 the Company entered into a convertible debenture agreement (“Debenture H”) for \$280,000 with WBZ GmbH, the company from Germany whose owner is a director of the Company. Repayment of the debenture is scheduled sixty months from the date hereof. Debenture H bears interest of 5% per annum, simple interest payable monthly, and can be converted at any time within five years from the issuance date at a conversion price of Cad\$ 0.125. There is a four month hold on any conversions into listed shares from the date of the issuance of the Debenture.

Debenture H is a compound financial instrument. At the date of issuance \$62,678 was attributed to the equity component and \$217,322 to the liability component. This was calculated using an effective interest rate of 10%. The present value of Debenture H at September 30, 2022 is \$220,475.40.

On June 15, 2022 Debenture A in the amount of \$280,000 was cancelled and accrued and unpaid interest of \$82,427.40 was settled by issuance of 1,099,032 common shares on August 4, 2022.

10. Share Capital

(a) Authorized

Unlimited common shares without par value.

(b) Issued

On February 28, 2022, the Company announced a non-brokered private placement offering of 15,383,460 units at a per unit price of \$0.065. Each unit consists of one common share in the capital of the Company and one non-transferable share purchase warrant. Each warrant entitling the purchase of one common share at a per share price of \$0.085 for 60 months from the date of issuance of the securities.

Share Options

The Company has a “rolling” stock option plan for its directors, officers, employees and consultants. The terms of the plan provide for options to be granted to a maximum of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options, subject to receipt of annual shareholder approval. The exercise price of each option shall not be less than the minimum price permitted by the policies of the TSX-V, and the options may be granted for a maximum term of five years from the date of grant. The Company records the fair value of all options granted using the Black-Scholes model as share-based payment expense of the vesting period of the options. Options shall be granted as fully vested, unless a vesting schedule is imposed by the Board, then such options will vest in stages over at least a one-year period and no more than 25% every three months.

Ostrom Climate Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

Share Options

The following table summarizes the continuity of the Company's share options at June 30, 2022:

	Number of options	Weighted Average exercise price
Outstanding, December 31, 2021	1,525,000	\$ 0.10
Forfeited or expired	(325,000)	0.10
Outstanding, September 30, 2022	1,200,000	\$ 0.10

11. Loan Payable

Canadian Emergency Business Account ("CEBA")

On February 9, 2021, the Company received additional \$40,000 of CEBA loans which are interest-free loans to cover operating costs, which was offered in the context of the Covid-19 pandemic outbreak. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$20,000. On December 31, 2022, the Corporation has the option to extend the loan for another 3 years with 5% interest rate. "Pursuant to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 Financial Instruments: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA loans at \$33,118, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The Company calculated the fair value of the loan benefit to be \$6,882 and recognized this amount as other income on the statement of income. Balance at September 31, 2022 of \$117,138 includes accrued interest of \$22,423.

12. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the nine and three months ended September 30, 2022 and 2021 are as follows:

Nine months Ended September 30	2022	2021
Salaries and benefits	\$ 222,945	\$ 198,629

Three months Ended September 30	2022	2021
Salaries and benefits	\$ 74,009	\$ 66,597

Amounts due to/from related parties at September 30, 2022 and December 31, 2021 included in accounts & other receivables, accounts payable and accrued liabilities are as follows:

Ostrom Climate Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	September 30, 2022	December 31, 2021
Due from related parties	\$ 1,619	1,399
Due to related parties	106,065	97,896
Accrued debenture interest due to related party	6,759	72,531

During the nine months ended September 30, 2022, the Company recognized other income of \$22,500 (2021 – \$22,500) from sub-leasing office space to a company who has one director in common.

Included in accounts payable and accrued liabilities at September 30, 2022 is \$43,750 (Dec 2021: \$43,750) due to a company whose significant shareholder is a director of the Company.

Included in payables and accrued liabilities at September 30, 2022 is \$15,669 (Dec 2021: \$16,853) due to a company who has two directors in common.

Included in convertible debentures at September 30, 2022 is accrued interest of \$6,117 (December 2021 – \$76,729) due to a company who has two directors in common and is a significant shareholder of the Company.

Included in accounts payables and accrued liabilities at September 30, 2022 is \$641 (December 2021 – \$2,065) due to a director of the Company. Additionally, included in convertible debentures is accrued interest of \$4,164 (December 2021 - \$4,277).

Included in accounts payables and accrued liabilities at June 30, 2022 is \$29,769 (December 2021 – \$25,300) due to a director of the Company.

Included in accounts payables and accrued liabilities at June 30, 2022 is \$6,655 (December 2021 – \$nil) due to a director of the Company.

13. Revenues

Nine Months Ended September 30	2022	2021
Sale of VERs	\$ 1,241,835	\$ 1,177,987
Consulting	1,063,149	566,876
Total	\$ 2,304,985	\$ 1,744,863

Three months Ended September 30	2022	2021
Sale of VERs	\$ 569,797	\$ 277,027
Consulting	569,217	148,351
Total	\$ 1,139,014	\$ 425,378

14. Segmented Information

Ostrom Climate Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months and nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

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

Revenues

Nine months Ended September 30	2022		2021	
Canada	\$	1,952,859	\$	824,187
USA		352,126		571,060
Europe		-		349,616
Other		-		-
Total	\$	2,304,985	\$	1,744,863

Three months Ended September 30	2022		2021	
Canada	\$	994,446	\$	190,885
USA		144,568		38,749
Europe		-		195,744
Other		-		-
Total	\$	1,139,014	\$	425,378

The Company had concentrated revenues as follows:

Nine months Ended September 30	2022	2021
Customer A	13%	33%
Customer B	12%	20%
Customer C	8%	-
Other	67%	47%
	100%	100%

Three months Ended September 30	2022	2021
Customer A	15%	46%
Customer B	12%	18%
Customer C	12%	12%
Other	61%	24%
	100%	100%

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