

## **Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2022**

### **Background**

This management discussion and analysis (“**MD&A**”) of the financial position of Ostrom Climate Solutions Inc. (“**Ostrom**”, the “**Company**” and “**us**,” “**our**” or “**we**”) and results of its operations for the year ended December 31, 2022 is prepared as at June 1, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the related notes thereto. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). All currency amounts are expressed in Canadian dollars, unless otherwise noted. This MD&A is prepared in conformity with National Instrument 51- 102F1 and has been approved by the Board of Directors.

### **Forward-Looking statements**

This MD&A includes forward-looking statements including in particular forward-looking statements regarding working capital, access to financing, the ability of the Company’s projects with recurring verifications to retain their validation status within the scope of changes in voluntary or regulated standards or guidance, the ability of counterparties to sale or purchase contracts to remain going concerns, and possible changes in greenhouse gas emissions regulation in the United States, Canada, Europe or other jurisdictions. Forward-looking Statements may be identified by the use of words such as “will”, “may”, “plan”, “could”, “should” and other similar wording or meanings. Where forward-looking statements are included, the material assumptions underlying them and the risk factors affecting them are referenced. Except for historical information contained in this MD&A, the following disclosures are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of applicable Canadian provincial securities laws or are future oriented financial information and, as such, are based on an assumed set of economic conditions and courses of action. Please refer to the cautionary note regarding the risks associated with forward-looking statements at the back of this MD&A

The Company does not intend, and does not intend to assume any obligation, to update these forward-looking statements or information to reflect changes in assumptions or circumstances or any other events affecting such statements or information other than as required by applicable law. Where a material change to forward-looking statements occurs and its disclosure is required by applicable law, that material change is disclosed as soon as practicable in a news release and material change report and, when applicable, is included with future MD&A and other continuous disclosure documents. All material changes to forward-looking statements are made available on SEDAR at [www.sedar.com](http://www.sedar.com)

### **Description of the business**

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, currently trading under the symbol “**COO**”. 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 climate risk management, both physical and transition for corporations, environmental commodity developments (specifically carbon offset projects but also more

broadly) and climate change mitigation activities. The Company has 4 divisions – Carbon Management and Innovation, Domestic Land Use, International Land Use and a Retail Offset Sales business delivered as the Offsetters Community.

As industry becomes increasingly interested in the climate space, Ostrom is seeing increased demand of its services. The Company has an extensive track record in developing environmental assets in some of the most challenging jurisdictions globally. For more than a decade, Ostrom has been a trusted advisor and partner with First Nations in Canada, ensuring they have the required information available, allowing them to incorporate environmental commodity values into their natural resource decision making. Ostrom is recognized as a tenured and accomplished project development company having been at the forefront of environmental asset development for more than 15 years. The Company has an experienced team with the knowledge and experience to both originate viable carbon projects as well as allocate capital into high quality, risk-managed sustainable investments.

The team at Ostrom has developed over 10 million tonnes of carbon offsets in numerous jurisdictions using many different standards, protocols and of various project types. With demand for offsets expected to rapidly grow over the next 5 – 10 years we are well placed to capitalize on that growth, and have recently raised \$1M of equity capital in order to allow the team to continue its focus on aggressively developing our project pipeline.

The market has seen a steep rise in carbon commodity prices in the last year, and a move towards more sophistication in trading capabilities (both of which can be evidenced by the NGeo and Geo contracts on “CBL” – a global exchange platform for transacting energy and environmental commodity products). This general trend is expected to continue, as is the steady increase in the number of net-zero commitments being publicly made both at a corporate level and at jurisdictional levels.

#### **Developments during the year ended December 31, 2022**

- On January 7, 2022, the Company announced the rebrand of subsidiary Offsetters Clean Technology Inc. to Ostrom Climate Solutions (Canada) Inc.
- 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 for gross proceeds of \$999,925. Each unit consist 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. Three insiders of the Company, Guy O’Loughnane, Alexander Zang and Forest Finance Services GmbH (Harry Assenmacher) participated in the Offering for aggregate cash consideration to the Company of \$500,000, which constitutes a Related Party Transaction under Exchange Policy 5.9. The investment by and participation of Mr. O’Loughnane in the Offering resulted in Mr O’Loughnane being a control person of the Company on a partially diluted basis in accordance with the policies of the Exchange. On closing, Mr. O’Loughnane holds or has direction or control over 11,239,423 common shares of the Company and stock options and Warrants exercisable for an aggregate of 6,276,923 common shares of the Company, resulting in a total holding of 21% of the common shares of the Company, on a partially diluted basis (assuming the exercise by Mr. O’Loughnane of his outstanding options and warrants). The Company received shareholder approval by way of written consents to the creation of Mr. O’Loughnane as a control person of the Company.

- On July 18, 2022 WBZ GmbH amended convertible debenture originally issued on July 15, 2015, closed it with NatureBank Technology Inc. and issued new convertible debenture of \$280,000 to Ostrom Climate Solutions Inc., with maturity date of Jun 14, 2027.
- On August 4, 2022 the Company issued 1,099,032 common shares to settle accrued and unpaid interest owed to WBZ GmbH, for the original debenture issued to NatureBank Technology Inc.

### **Critical Accounting Estimates and Policies**

The significant accounting policies applied, and the critical accounting estimates made in the preparation of the financial statements are in Note 3 of the audited consolidated financial statements for the years ended December 31, 2022 and 2021.

### ***Initial adoption of new accounting standards***

The adoption of any new accounting standards have been disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2022 and 2021.

### ***Accounting standards issued but not yet in effect***

Pronouncements that may have an impact to the Company have been disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2022 and 2021.

### **Selected Annual Information**

The following table sets forth selected financial information for the Company for the fiscal years ended December 31, 2022, 2021 and 2020.

<b>December 31,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total assets	2,350,296	2,747,031	2,020,976
Non-current financial liabilities	368,617	337,462	263,559
Revenues	3,964,612	3,618,866	2,387,584
Income (loss) from continued operations	(490,351)	(1,139,817)	309,101
Total income (loss) for the year	(490,351)	(1,139,817)	309,101
Income (loss) from continued operations per share – basic and diluted	(0.007)	(0.018)	0.005
Total income (loss) per share – basic and diluted	(0.007)	(0.018)	0.005
Weighted average number of common shares outstanding	75,098,143	61,752,679	61,752,679

### *2022 vs 2021*

Total assets as of December 31, 2022 and 2021 were \$2,350,296 and \$2,747,031, respectively. The decrease in total assets was primarily a result of a decrease in accounts payable & accrued liabilities of \$807,836, deferred revenue of \$205,967 and convertible debenture of \$45,086. The decrease was offset by an increase in sales of \$345,746 and decrease in accounts and other receivables of \$82,663. The decrease in cash is a result of the Company consuming \$1,639,991 in net cash flows from operating activities, largely due to a change in non-cash operating working capital of \$1,089,116, primarily due to decreases in accounts payable and accrued liabilities and deferred revenue mentioned above. Contract development cost decreased due to change in the number of consulting contracts ongoing and entered during the year. Inventory increased, even with the increase in sales, due to the timing of carbon offset sales to major customers.

Total non-current financial liabilities as at December 31, 2022 and 2021 were \$368,617 and \$337,462, respectively. The increase in total non-current financial liabilities was primarily a result of an increase in non-current convertible debentures, by \$152,711, as the Company issued a new convertible debenture in the current year to a settle current convertible debenture that was outstanding as at December 31, 2021. This increase was offset by \$121,556 caused by the Company's loan payable under the Canadian Emergency Business Account ("CEBA") loan program moving from non-current to current liabilities.

During the year ended December 31, 2022, the Company generated \$3,964,612 in sales revenue compared to sales of \$3,618,866 in the same period in 2021. The increase in revenues was mostly due to timing of carbon offset sales to major customers, and the steady recovery of business after the Covid-19 business slow-down in 2020.

During the year ended December 31, 2022, the Company generated a net loss of \$490,351 compared to a net loss of \$1,139,817 during the same period in 2021. The change is primarily a result of an increase in gross profit of \$292,320, a gain on finance activities and other items of \$144,672 recorded in 2022 compared to a loss of \$529,495 during 2021 and offset by an increase in operating expenses of \$317,021. The Company had wrote-down \$501,822 of prepaid and inventory in 2021 and in 2022 received \$181,650 of previously wrote-off accounts receivable, which responds for the \$144,000 in gain on collection of bad debt and most of interest income. The Company also saw an increase in gross profit associated with an increase in advisory and consulting sales.

### Summary of Quarterly Results

The following table provides selected quarterly unaudited financial data for the eight most recently completed interim quarters:

	Three months ended							
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	1,659,627	1,139,014	676,819	489,152	1,874,003	425,378	848,604	470,881
Income (loss) for the period	(17,450)	181,362	(237,729)	(416,534)	(391,835)	(244,159)	(174,990)	(328,833)
Basic and diluted income (loss) per share	(0.0002)	0.0023	(0.0031)	(0.0054)	(0.0062)	(0.004)	(0.0028)	(0.005)

### Summary of Results During Prior Eight Quarters

The Company's revenue in the fourth quarter of 2022 was \$1,659,627 compared to \$1,874,003 in the same quarter of 2021. The Company's quarterly revenue continues to be variable and is dependent on the scheduling of transactions within sales contracts and the delivery and billing of advisory services. However, the second and third quarter of the year commonly generates higher revenues because offset sales to Municipalities in British Columbia occur mainly during the second quarter of the year. The fourth quarter of this year and last year included the revenue from several projects that were completed in the last few months of the year.

Revenues from sales of offsets and consulting services can be variably dependent on seasonal demand from customers as well as dependent on when deferred revenues are recognized. The Company expects sales revenue to remain inconsistent on a quarterly basis.

### Results of Operations – For the years ended December 31, 2022 and 2021

The results of operations for the years ended December 31, 2022 and 2021 are summarized below:

	Year ended December 31,	
	2022	2021
Revenue		
Sale of VERs	\$ 2,316,653	\$ 2,561,753
Consulting	1,647,959	1,057,113
	3,964,612	3,618,866
Cost of sales	(2,315,421)	(2,261,995)
Gross profit	1,649,191	1,356,871
Operating expenses	(2,284,214)	(1,967,193)
<b>Income (loss) before other items</b>	<b>(635,023)</b>	<b>(610,322)</b>
Other income and (expenses)	144,672	(529,495)
<b>Net income (loss) for the year</b>	<b>(490,351)</b>	<b>(1,139,817)</b>

#### Revenue

Sale of VERs decrease by \$245,100 in 2022 compared to 2021 mainly due the timing of contracts and sales recognition. The Company is seeing an increase in demand for VERs as industry becomes increasingly interested in the climate space and the steady recovery of business after the Covid-19 business slow-down in 2020. In addition, the market has seen a steep rise in prices in the last year. Consulting revenue saw a increase of \$590,846 for the year ended December 31, 2022, compared to 2021 due various new projects closed during the fiscal year.

#### Cost of sales and gross profit

Cost of sales increased by \$53,426 year over year compared to an increase in revenue of \$345,746 for 2022 compared to 2021. This resulted in an increase in the gross profit margin from 37% for the year ended December 31, 2021, to 42% for the year ended December 31, 2022. The primary reason for the increase in the gross profit margin is due to an increase in consulting revenue, which has a higher profit margin than VER sales.

### **Operating expenses**

During the year ended December 31, 2022 and 2021, operating expenses were \$2,284,214 and \$1,967,193, respectively. Significant changes in operating expenditures in 2022 vs 2021 are categorized in the table below:

<b>Operating expenses</b>	<b>Year ended December 31, 2022 Increase (decrease) in expense</b>	<b>Comment</b>
Amortization of right-of-use asset	\$ (19,307)	The right-of-use asset was fully amortized as at March 31, 2021, the end of the contractual lease term. There were no amortization of right-of-use asset in 2022.
Consulting fees	(51,917)	Despite the increase of new projects, requiring specialized research and modelling, the company increased its staff in the year of 2022, decreasing the expenses of external providers.
Salaries, management fees and benefits	361,440	Increase is related to the hiring of additional staff to meet the needs related to growing the business in the Canadian subsidiary.
Selling, general, and administrative	45,120	Increase due to increase in IT, communication and other expenses directly related to hiring additional staff, and website improvements to meet the needs of growing international business. In addition, selling, general and administrative expenses include \$90,000 in office lease expense related to the Company's office lease that was extended from to March 31, 2023, and is accounted for as a short-term lease.
Share-based compensation	(139,541)	Related to options issued and vested during the year ended December 31, 2021 compared to none in 2022.
Professional, investor, agent fees	118,218	Increase in legal fees of \$59,112 in 2022 due the legal support on the 2022 debenture issuance. Increase in audit and tax fees in 2022 of \$54,000, with approximately \$25k related to 2021 audit fees, recognized during the fiscal year 2022.
Other	3,008	Primarily related to amortization in 2022 compared to 2021.
<b>Total</b>	<b>\$ 317,021</b>	

### **Other income and expenses**

During the year ended December 31, 2022, other income and expenses resulted in a net other income of \$144,672 compared to a net other expense of \$529,495 in 2021. Significant changes in other income and expenses in 2022 vs 2021 are categories in the table below:

<b>Other income and expenses</b>	<b>Year ended December 31, 2022 Increase (decrease) in net other expense</b>	<b>Comment</b>
Write-down of receivables, prepaids, and inventory	\$ (500,856)	For the year ended December 31, 2022, the Company had \$966 in prepaid and inventory write-downs compared to \$501,822 for the same period in 2021.
Gain on collection of bad debt	(144,000)	In 2022 the company received a payment of \$181,650 which included \$144,000 of a previously written-off accounts receivable and \$37,650 of interests.
Finance costs	12,842	Finance costs are made up of both accretion (15%) and interest (6% & 10%). Finance costs were higher in 2022 due to a higher interest rate on the new debenture (Debenture H), and its related accretion.
Interest Income	(37,607)	Mainly due the receivable of interest on the gain on collection of debt.
Accounts payable write-down	(34,200)	Write-off of 2015 closed subsidiary bill.
Gain (Loss) on provision estimate revision	25,082	Represents a change in estimate revision of \$25,082 in 2021 against \$nil in 2022.
Other	4,572	Represents changes in interest income and expense and other income.
<b>Total</b>	<b>\$ (674,167)</b>	

### **Reconciliation of Use of Proceeds from Financing Activities**

The Company raised gross proceeds of \$999,925 through a private placement financing and \$82,427 through share issuances. The proceeds raised from the private placement were used by the Company for general working capital purposes and the share issuance for settlement of debentures.

## Liquidity and Capital Resources

The Company's operating, investing, and financing activities for the year ended December 31, 2022, resulted in a decrease in cash of \$808,819 (2021: \$969,897) from continuing operations.

As of December 31, 2022, the Company had an available cash balance of \$977,910 (December 31, 2021: \$1,786,729) to settle current liabilities of \$2,836,708 (December 31, 2021: \$3,915,706). The Company's current monetary assets of \$1,181,010 (consisting of cash and receivables) exceed its current monetary liabilities of \$840,271 (consisting of payables & accrued liabilities and short-term provisions) by \$340,739.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining debt financing.

The Company's current liabilities mature as follows:

1. Accounts payables and accrued liabilities of \$591,059 (December 31, 2021: \$1,398,895) with 3% overdue, some payables due within three months and some accruals due within 12 months. Payables sixty days past their invoice date are considered overdue.
2. Expected project maintenance, monitoring and reporting of \$71,212 (December 31, 2021: \$71,212) have been delayed indefinitely.
3. Of the \$243,112 future purchase consideration payable, \$121,556 is overdue, with the remaining \$121,556 coming due on July 22, 2023 and all classified as short-term.
4. Convertible debentures of \$509,456 are due within the next 12 months.
5. On January 12, 2022, the repayment date to receive the loan forgiveness under the CEBA program was extended from December 31, 2022 to December 31, 2023. As of December 2022, the Company's current loan payable balance is classified as a short-term liability.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

While the Company has made great strides in dealing with liquidity issues, it can experience cash flow and working capital difficulties on a year to year basis. Such liquidity concerns are expected to continue until the Company is able to finalise some large unique revenue projects currently delayed by regulatory review by the California Air Resources Board, or until the Company is able to identify new revenue opportunities, either in the carbon or sustainable agro-forestry space. The Company is continually working to address the cash flow and working capital difficulties. The Company has been diligently working on addressing (i) diversification of its revenue streams and (ii) reducing or removing debt from its balance sheet. The Company will continue to (i) secure business or equity financing transactions which would improve its immediate financial and working capital position and (ii) repay remaining debt to its debtholders.

## Related Party Transactions

Related parties and related party transactions are summarized below and include transactions with key management personnel of the Company.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Key management	Position
Phi Cull	CEO and Director
Rosita Morandin	CFO (on leave from August 4, 2022 until April 3, 2023)
Slavica Leporis	Interim CFO (appointed on August 4 <sup>th</sup> 2022)
Harry Assenmacher, Chairman	Director
Gary Bull	Director (resigned February 2, 2023)
Petrina Ooi	Director (appointed February 2, 2023)
Guy O'loughnane	Director
Eduard Weber-Bemnet	Director
Alexander Zang	Director

### Key management compensation

Remuneration attributable to key management is summarized as follows:

	Year ended December 31,	
	2022	2021
<b>Salaries, management fees and benefits</b>		
Phil Cull	\$ 175,880	\$ 157,933
Rosita Morandin	66,485	107,449
Slavica Leporis	38,045	
	280,410	265,382
<b>Consulting fees</b>		
James Tansey	15,149	
WBZ GmbH	10,000	15,000
	25,149	15,000
<b>Share-based compensation</b>		
Guy O'Loughnane	-	139,541
	-	139,541
<b>Total</b>	287,910	419,923

### *Other related party transactions*

During the years ended December 31, 2022 and 2021, other related party transactions consisted of the following:

	December 31, 2022		December 31, 2021	
Sub-leasing of office space, included in other income	\$	30,000	\$	30,000

### *Related party balances*

As at December 31, 2022 and 2021, the Company had the following balances outstanding with related parties:

	December 31, 2022		December 31, 2021	
Due to key management or companies related to key management, included in accounts payable and accrued liabilities	\$	288,333	\$	99,585
Due from key management, included in accounts and other receivables		(83)		(660)
Convertible debentures held by WBZ GmbH, a significant shareholder of the Company and controlled by directors Alexander Zang and Eduard Weber-Bemnet		516,475		516,575
Convertible debentures held by Guy O'loughnane, a Director of the Company		350,000		350,000
Accrued interest on convertible denture held by WBZ GmbH		9,907		76,729
Accrued interest on convertible denture held by Guy O'loughnane	\$	4,277	\$	4,277

Except as disclosed above, the Company does not have any ongoing contractual or other commitments resulting from transactions with related parties.

### **Financial Risk Management**

#### *Fair Values*

The Company's financial instruments are classified as follows. Unless otherwise disclosed their carrying values approximate their fair values due to the short-term nature of these instruments.

<b>December 31, 2022</b>	<b>Amortized cost (financial assets)</b>	<b>Fair Value through Profit or Loss</b>	<b>Amortized cost (financial liabilities)</b>
<b>Financial assets</b>			
Cash	\$ 977,910	\$ -	\$ -
Accounts and other receivables	203,100	-	-
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	-	-	591,059
Provisions	-	-	320,484
Convertible debentures	-	-	806,801
Loan payable	-	-	120,000
	<b>\$ 1,181,010</b>	<b>\$ -</b>	<b>\$ 1,838,344</b>

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

At December 31, 2022, the Company does not have any financial assets or liabilities measured at fair value. Credit Risk

*a) Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk to its financial assets is summarized below:

	<b>2022</b>
Cash	\$ 977,910
Accounts and other receivables	203,100
	<b>\$ 1,181,010</b>

## Cash

The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Management assesses credit risk of cash as very low.

## Accounts and other receivables

The majority of the Company's accounts receivables consists of amounts due from customers from completed sales. The Company monitors its accounts receivables through standard credit and reference checks.

### a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As of December 31, 2022, the Company had a cash balance of \$977,910 to settle current liabilities of \$ 2,836,708.

Management is currently restructuring contracts in order to ensure sufficient liquidity throughout 2022 and onward.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing.

The table below summarizes the maturity profile of the Company's financial liabilities:

December 31, 2022	Current Within 1 year	Non-current 1-5 years	Non-current 5 years - beyond
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	\$ 591,059	\$ -	\$ -
Provisions	249,212	-	71,212
Convertible debentures	509,456	297,345	-
Loan payable	120,000	-	-

### b) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

#### (i) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign currency risk on the cash, accounts receivable, accounts payable and accrued liabilities balances denominated in US dollars

and Euros. As at December 31, 2022, the Company had net monetary assets of \$304,915 held in US dollars, and €893 held in Euros. A fluctuation in the exchange rates between the Canadian and US dollar of 10% would result in \$41,298 change in the profit and loss of the Company. A fluctuation in the exchange rates between the Canadian dollar and Euro of 10% would result in \$129 change in the profit and loss of the Company

Management maintains cash accounts denominated in US dollars to complete foreign currency and considers this practice adequate to mitigate significant foreign currency fluctuations for US dollar transactions.

In 2022, a significant proportion of the Company's sales commitments were in foreign currencies. The Company did not engage in hedging contracts to manage exposure to foreign exchange risk in 2022, but may in the future.

*(ii) Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has cash balances, accounts receivable, other receivables and accounts payables and accrued liabilities that are not subject to interest rate risk due to their short-term to maturity. The Company does not rely on interest income from cash accounts or short term loans to maintain operations. There is minimal interest rate risk on interest bearing debt, as the Company's convertible debentures and provisions are not subject to floating interest rates.

*(iii) Price Risk*

The Company's finished goods inventory may be exposed to price risk with respect to voluntary carbon credit prices. Carbon credit price risk is defined as the potential adverse impact on the Company's earnings due to movements in price for carbon offsets in the voluntary market. Most of the Company's inventory and VER production for 2022 is committed to customers under contract. Price risk at the present time is not material to the Company. If the Company were to carry inventory in the future beyond its sales requirements, the price risk to the Company relating to fluctuations in the price of carbon credits could be material.

**Off-Balance Sheet Arrangements**

None.

### **Proposed Transactions**

None.

### **Disclosure of Outstanding Share Data**

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

As of June 1, 2023, the Company had 78,235,171 common shares issued and outstanding. In addition, there are 15,383,460 warrants and 1,200,000 stock options outstanding.

### **Subsequent Events**

None

### **Cautionary Note Regarding Forward Looking Statements**

CERTAIN OF THE STATEMENTS AND INFORMATION IN THIS MD&A CONSTITUTE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND “FORWARD-LOOKING INFORMATION” WITHIN THE MEANING OF APPLICABLE CANADIAN PROVINCIAL SECURITIES LAWS RELATING TO THE COMPANY AND ITS OPERATIONS. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACT MAY BE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS MD&A THE WORDS “BELIEVES”, “EXPECTS”, “INTENDS”, “PLANS”, “FORECAST”, “OBJECTIVE”, “OUTLOOK”, “PROJECTED” “ANTICIPATED”, “BUDGET”, “LIKELY” AND SIMILAR WORDS OR EXPRESSIONS IDENTIFY FORWARD-LOOKING INFORMATION OR STATEMENTS. THESE FORWARD-LOOKING STATEMENTS OR INFORMATION RELATE TO, AMONG OTHER THINGS: WORKING CAPITAL, ACCESS TO FINANCING, THE ABILITY OF COUNTERPARTIES TO SALE OR PURCHASE CONTRACTS TO REMAIN GOING CONCERNS AND GREENHOUSE GAS EMISSIONS REGULATION IN THE UNITED STATES, CANADA, EUROPE OR OTHER JURISDICTIONS.

THESE STATEMENTS REFLECT THE COMPANY’S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE NECESSARILY BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT ARE DISCLOSED IN THOSE PORTIONS OF THE MD&A DEALING WITH THEM AND, WHILE CONSIDERED REASONABLE BY THE COMPANY, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, POLITICAL AND SOCIAL UNCERTAINTIES AND CONTINGENCIES. MANY FACTORS, KNOWN AND UNKNOWN, COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT ARE OR MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A AND THE COMPANY HAS MADE ASSUMPTIONS AND ESTIMATES BASED ON OR RELATED TO MANY OF THESE FACTORS. SUCH FACTORS MAY INCLUDE: THE ENVIRONMENT FOR BORROWING AND LENDING, POSSIBLE DOWNTURN IN BRITISH COLUMBIA’S RESOURCE ECONOMY, THE POSSIBLE RECESSION OF THE NORTH AMERICAN ECONOMY AND REDUCTION IN DEMAND FOR PRODUCTS AND SERVICES RELATED TO SUSTAINABILITY AND ENVIRONMENTAL PERFORMANCE, THE PERFORMANCE OF THE VENTURE MARKET FOR SECURITIES, WHETHER THE INTERNATIONAL COMMUNITY WILL RALLY AROUND REDD PROJECTS AS A WAY TO PROTECT ENDANGERED RAINFORESTS WITHIN THE MANAGEMENT OF CLIMATE CHANGE, THE STABILITY OF GOVERNMENT AND THE RULE OF LAW IN LESS DEVELOPED COUNTRIES, SPECIFICALLY THE DEMOCRATIC REPUBLIC OF THE CONGO, THE ABILITY OF THE COMPANY’S PROJECTS WITH RECURRING VERIFICATIONS TO RETAIN THEIR VALIDATION STATUS WITHIN THE SCOPE OF POTENTIAL CHANGES IN VOLUNTARY OR REGULATED STANDARDS OR GUIDANCE, AND POSSIBLE CHANGES IN GREENHOUSE GAS EMISSIONS REGULATION IN THE UNITED STATES, CANADA, EUROPE OR OTHER JURISDICTIONS.