



# Ostrom Climate Solutions Inc.

Consolidated Financial Statements  
(Expressed in Canadian dollars)

For the year ended December 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Ostrom Climate Solutions Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Ostrom Climate Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("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 Company 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at December 31, 2022, the Company has accumulated net losses of \$19,769,217 and has a working capital deficiency of \$510,758. Furthermore, there is uncertainty related to the Company's ability to secure additional funding or deliver profitable operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

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 year. 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 matter described below to be the key audit matter to be communicated in our auditor's report.

### *Completeness and accuracy of revenue*

As described in Note 17 to the consolidated financial statements, the Company recognized \$3,964,612 of revenue for the year ended December 31, 2022. As more fully described in Note 3 to the consolidated financial statements, the Company recognized revenue from the sale of verified emission reduction units and consulting services. Revenue is recognized upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration the Company expects to receive or upon satisfaction of performance obligations under the contract terms.



The principal considerations for our determination that the recognition of revenue is a key audit matter are the material nature of the balance and the nature of consulting service contracts whereby revenue is recognized based on the extent of progress towards completion of the performance obligation. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence for revenue recognized.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, but were not limited to:

- Evaluating the appropriateness of management's assessment of revenue recognition criteria based on the Company's sales or service arrangements.
- Performing substantive testing procedures over revenue transactions including, obtaining and summarizing agreements and testing of source documents and third-party reports to ensure completeness, occurrence, accuracy and appropriate cut-off of revenue recognized.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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 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 Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 the 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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 year 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 Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

June 1, 2023

**OSTROM CLIMATE SOLUTIONS INC.**

## Consolidated Statements of Financial Position

At December 31, 2022 and 2021

(Expressed in Canadian dollars)

	Notes	2022	2021
<b>ASSETS</b>			
Current Assets			
Cash	\$	977,910	\$ 1,786,729
Accounts and other receivables	5	203,100	285,763
Inventory	6	689,238	154,991
Contract development costs	6	253,906	320,602
Prepaid expenses	7	150,546	130,869
Deposits	8	51,250	39,750
Total Current Assets		2,325,950	2,718,704
Property and equipment	9	24,346	28,327
Total Long-term Assets		24,346	28,327
Total Assets	\$	2,350,296	\$ 2,747,031
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
Current Liabilities			
Accounts payable and accrued liabilities	11 \$	591,059	\$ 1,398,895
Provisions	13	249,212	127,656
Deferred revenue		1,366,981	1,572,948
Convertible debentures	14	509,456	707,253
Loans payable	12	120,000	108,954
Total Current Liabilities		2,836,708	3,915,706
Provisions	13	71,272	192,828
Convertible debentures	14	297,345	144,634
Total Long-term Liabilities		368,617	337,462
Total Liabilities	\$	3,205,325	4,253,168
Shareholders' Deficiency			
Share capital	15	15,914,267	14,836,687
Reserves	15	2,838,622	2,838,622
Equity component of convertible debenture		161,299	97,420
Deficit		(19,769,217)	(19,278,866)
Total Shareholders' Deficiency		(855,029)	(1,506,137)
Total Liabilities and Shareholders' Deficiency	\$	2,350,296	\$ 2,747,031

Nature and continuance of operations (note 1)

Commitment (note 18)

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

Approved on behalf of the Board on June 1, 2023 by:

*"Phil Cull"**"Harry Assenmacher"*

Phil Cull, Director

Harry Assenmacher, Director

**OSTROM CLIMATE SOLUTIONS INC.**

## Consolidated Statements of Loss and Comprehensive Loss

For the Years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

	Note	2022	2021
Revenue	17	\$ 3,964,612	\$ 3,618,866
Cost of goods sold		2,315,421	2,261,995
Gross profit		1,649,191	1,356,871
<b>Operating Expenses</b>			
Amortization	9	14,274	11,028
Amortization of right-of-use asset	10	-	19,307
Consulting fees	16	111,422	163,339
Foreign exchange		(18,931)	(18,693)
Professional, investor and agent fees		247,213	128,995
Salaries, management fees and benefits	16	1,578,298	1,216,858
Selling, general, and administrative		351,938	306,818
Share-based compensation	15,16	-	139,541
Total Operating Expenses		2,284,214	1,967,193
		(635,023)	(610,322)
Accounts payable extinguishment		60,710	26,510
Finance costs	14	(77,435)	(64,593)
Gain on disposal of property and equipment	9	-	5
Gain on provision estimate revision	13	-	25,082
Interest expense		(51,591)	(51,602)
Interest income		37,650	43
Write-down of receivables, prepaids and inventory	5,6,7	(966)	(501,822)
Gain on collection of bad debt		144,000	-
Other income	16	32,304	36,882
		144,672	(529,495)
Loss for the year		(490,351)	(1,139,817)
Loss per share - basic and diluted		\$ (0.007)	\$ (0.018)
Weighted average number of common shares outstanding – basic and diluted		75,098,143	61,752,679

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

**OSTROM CLIMATE SOLUTIONS INC.**

Consolidated Statements of Changes in Shareholders' Deficiency

For the Years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

	<u>Share Capital</u>		Reserves	Equity component of debentures	Deficit	Total
	Number	Amount				
<b>Balance at December 31, 2020</b>	61,752,679	\$ 14,836,687	\$ 2,699,081	\$ 74,048	\$ (18,139,049)	\$ (529,233)
Share-based compensation	-	-	139,541	-	-	139,541
Equity component of debentures	-	-	-	23,372	-	23,372
Loss for the year	-	-	-	-	(1,139,817)	(1,139,817)
<b>Balance at December 31, 2021</b>	61,752,679	14,836,687	2,838,622	97,420	(19,278,866)	(1,506,137)
Private placement	15,383,460	999,925	-	-	-	999,925
Shares issuance cost	-	(4,772)	-	-	-	(4,772)
Shares issued for settlement of debentures	1,099,032	82,427	-	-	-	82,427
Equity component of debentures	-	-	-	63,879	-	63,879
Loss for the year	-	-	-	-	(490,351)	(490,351)
<b>Balance at December 31, 2022</b>	78,235,171	\$ 15,914,267	\$ 2,838,622	\$ 161,299	\$ (19,769,217)	\$ (855,029)

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

**OSTROM CLIMATE SOLUTIONS INC.**  
Consolidated Statements of Cash Flows  
For the Years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars)

	2022	2021
Operating activities:		
Loss for the year	\$ (490,351)	\$ (1,139,817)
Items not involving cash:		
Accounts payable extinguishment	(60,710)	(26,510)
Amortization	14,274	11,028
Amortization of right-of-use asset	-	19,307
Finance costs on convertible debentures	77,435	64,593
Gain on provision estimate revision	-	(25,082)
Gain on disposal of property and equipment	-	(5)
Interest expense	51,591	51,602
Interest free benefit on government loan	-	(6,882)
Share-based compensation	-	139,541
Write-down of receivables, prepaids and inventory	966	501,822
Gain on collection of bad debt	(144,000)	-
Changes in non-cash operating working capital (note 23):	(1,089,116)	1,433,352
Net cash flows provided by (used in) operating activities:	(1,639,991)	1,022,949
Investing activities:		
Acquisition of property and equipment	(10,293)	(19,801)
Proceeds on sale of property and equipment	-	225
Net cash flows used in investing activities	(10,293)	(19,576)
Financing activities:		
Interest paid on convertible debentures	(43,034)	(51,230)
Interest paid on provision	(22,246)	(22,246)
Interest paid on commitment	(88,488)	-
Repayment of convertible debenture	-	(250,000)
Net proceeds from private placement	995,153	250,000
Proceeds from government loan	-	40,000
Net cash flows provided by (used in) financing activities	841,385	(33,476)
Change in cash	(808,819)	969,897
Cash, beginning of year	1,786,729	816,832
Cash, end of year	\$ 977,910	\$ 1,786,729

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

	2022	2021
Accrued interest on convertible debentures	\$ 14,185	\$ 81,005

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

## **OSTROM CLIMATE SOLUTIONS INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### **1. Nature and Continuance of Operations**

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

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

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

These consolidated 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. As of December 31, 2022, the Company has accumulated net losses of \$19,769,217 since inception and has a working capital deficiency of \$510,758. Furthermore, there is uncertainty related to the Company’s ability to secure additional funding or deliver profitable operations. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Realizable values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business or ability to raise funds.

## OSTROM CLIMATE SOLUTIONS INC.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### 2. General Information and Basis of Preparation

a) Statement of Compliance

These consolidated financial statements including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of Consolidation

The subsidiaries of the Company are:

Company	Jurisdiction of Incorporation	Ownership %	Status
Ostrom Climate Solutions (Canada) Inc. (“OCS”)	British Columbia, Canada	100%	Operating
ERA Ecosystem Restoration Associates Inc.	British Columbia, Canada	100%	Operating
ERA Ecosystem Services U.S., Inc.	Nevada, United States	100%	Operating
NatureBank Technology, Inc.	British Columbia, Canada	100%	Inactive
Carbon Credit Corp. (“CCC”)	British Columbia, Canada	100%	Inactive

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

c) Basis of Measurement

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

d) Functional Currency

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

e) Approval of the Consolidated Financial Statements

The consolidated financial statements of the Company for the years ended December 31, 2022 and 2021 were approved and authorized for issue by the Board of Directors on June 1, 2023.

## OSTROM CLIMATE SOLUTIONS INC.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies

#### a) Project development expenditures

The Company incurs project expenditures to research properties, conduct pre-feasibility evaluation activities, scope projects, acquire carbon rights and develop carbon rights to project validation either intended for sale or use from an independent third party. The Company records project expenditures as either research costs, which are expensed as incurred, or development expenditures, which are either included in inventory or capitalized as an intangible asset depending on whether the carbon offset credits from the project are intended for sale or use.

The costs to develop the projects include directly attributable labor, overhead, materials and consulting fees. The Company will capitalize costs to develop a project intended for use that it legally holds the carbon rights to, as long as the Company:

- (i) maintains assurance over the technical feasibility of completing the project
- (ii) has the intention to have the project validated and sell or use the Verified Emission Reduction units ("VERs").
- (iii) has the ability to use or sell the VERs.
- (iv) can demonstrate the project has probable future economic benefits.
- (v) has adequate technical and financial resources to complete the development to sell the VERs.
- (vi) has the ability to reliably measure the expenditure attributable to the project during its development.

If the development costs do not meet these requirements or the Company does not hold the carbon rights to the project, the Company will expense the costs as incurred. Costs are capitalized on projects intended for use until the commencement of production and are then amortized over the expected life of the project on a units of production basis.

Expenditures incurred in connection with developing a project to which the Company holds with the intent to sell are considered work in process costs of inventory which are intangible in nature. If a project cannot be validated, the Company will review it for impairment based on its recoverability. The Company will assess projects for impairment on a regular basis to ensure the carrying value does not exceed the recoverable value for a project. Where the carrying value does exceed the recoverable value, the Company will record the impairment by writing down the project to its recoverable value, less estimated costs to complete the project.

#### b) Inventories

The Company's inventory consists of project development costs and finished goods. Project development cost inventory consists of carbon rights, labor and material costs incurred to advance the projects through validation and verification. Finished goods are VERs ready for sale and they are recognized when registered with an official VER registry company. The registry process means the inventory is registered in the name of the Company and available for sale.

Inventory is measured at the lower of cost or net realizable value. Inventory is valued using specific identification method for each specific project.

## OSTROM CLIMATE SOLUTIONS INC.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (cont'd)

#### c) Revenue Recognition

The Company recognizes revenue from the sales of VERs, carbon management, project development consulting services, and other environmental consulting services. Revenue is recognized upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services or upon satisfaction of performance obligations under the contract terms. Performance obligations are satisfied and revenue is recognized, either over time or at a point in time, according to the specific terms of the contract.

#### **VERs**

The Company sells VERs to customers whereby the Company transfers the VERs directly to the customer or retires the VERs on the customer's behalf. Revenue from the sale of VERs is recorded when the VERs have been retired or transferred and the Company's performance obligation has been satisfied. Retirement of VERs is done at an official VER registry company, either in the name of the buyer or in the name of the Company, in which case the Company retires the VERs on behalf of its clients. VERs are retired so that no other party can claim the benefits from the VERs.

Deferred revenue is derived from the sale of carbon offsets when the client has been invoiced or the cash has been collected, but the VERs have not yet been transferred to or retired on behalf of the customer. Deferred revenue is recognized as revenue upon the retirement of the VERs. In situations where the customer desires specific project VERs, revenue may be deferred for more than twelve months.

#### **Carbon management, project development consulting services, and other consulting services**

The Company provides carbon management and consulting services on a fixed fee basis. Performance obligations for services are typically satisfied over time as services are rendered. Revenue is recognized based on the extent of progress towards completion of the performance obligation, on a project-by-project basis. The method used to measure progress depends on the nature of the services and completion of deliverables. Losses on contracts are recognized in the period when the loss is known and can be reasonably estimated. Amounts received from customers in advance of completion of the work are recorded as deferred revenue. Work completed towards performance obligations that have not been satisfied are recorded as contract development costs.

When the outcome of an arrangement cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable. The estimates of revenue depends on management judgement and assumptions regarding expected total costs and revenues and recoverability of expenses. Management also uses judgement in assessing the assurance of collectability.

#### d) Property and equipment

Property and equipment are recorded at cost less accumulated impairment losses and amortization.

Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment.

The Company amortizes its assets on a declining balance basis over the estimated useful lives of the assets as follows:

Computer equipment	45%
Furniture and equipment	20%

**OSTROM CLIMATE SOLUTIONS INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars)

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**3. Significant Accounting Policies (cont'd)**

## e) Impairment of non-financial assets

The Company's non-financial assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

## f) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pre-tax rate that reflects 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 a finance cost in comprehensive income (loss).

Provisions related to future validation, maintenance and monitoring of projects are estimated in cost of goods sold at the time the related sale of carbon rights and VERs is recognized, and are estimated on an individual basis. As the Company performs maintenance activities its provision is reduced. Over time, the actual costs of the maintenance liabilities may differ from the original estimate or the estimate may need to be revised. When better information becomes available that leads to a revised estimate or the results differ, the Company recognizes the effect as an expense adjustment in that period.

**OSTROM CLIMATE SOLUTIONS INC.**

Notes to the Consolidated Financial Statements  
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(Expressed in Canadian dollars)

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**3. Significant Accounting Policies (cont'd)**

## g) Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

For the years ended December 31, 2022 and 2021, there were no “in the money” dilutive instruments that impacted the calculation of dilutive income (loss) per share.

## h) Foreign exchange

Transactions in currencies other than the functional currency of the entity are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in determination of comprehensive loss.

Where applicable, the functional currency is translated into the presentation currency using the period-end rates for assets and liabilities while the operations and cash flows are translated using average rates of exchange. Exchange adjustments arising when net assets and profit or loss are translated into the presentation currency are taken into a separate component of equity and reported in other comprehensive income or loss.

## i) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

## OSTROM CLIMATE SOLUTIONS INC.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (cont'd)

#### i) Income taxes (cont'd)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

#### j) Share-based payments

The Company grants stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods and services rendered.

#### k) Financial instruments

##### **Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

##### **Measurement**

###### ***Financial assets and liabilities at amortized cost***

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

###### ***Financial assets and liabilities at FVTPL***

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the profit or loss in the period in which they arise.

###### ***Financial assets at FVTOCI***

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) as they arise.

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### 3. Significant Accounting Policies (cont'd)

#### k) Financial Instruments (cont'd)

##### ***Impairment of financial assets at amortized cost***

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### ***Derecognition***

###### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

###### Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

#### l) Convertible debentures

Convertible debentures are financial instruments that are accounted for separately depending on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

#### m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

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### 3. Significant Accounting Policies (cont'd)

#### m) Leases

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any de-commissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

- A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of: fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

#### n) Government grants and assistance

Government grants are recognized when there is reasonable assurance that the relevant conditions of the grant are met and that the grant will be received. The Company records the grant in net loss as a reduction of the cost of related expenditures in the period in which eligible costs are incurred. Where government grants are provided in the form of a forgivable loan, proceeds are recorded as a financial liability and not recognized as a reduction of the cost of the related expenditures incurred until reasonable assurance of forgiveness has been obtained.

#### o) Critical accounting estimates, judgments and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the annual consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based

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### 3. Significant Accounting Policies (cont'd)

on management's experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the annual consolidated financial statements are:

(i) Provisions

The Company must estimate its provisions for maintenance and monitoring activities for some of its projects. These provisions are measured based on the requirements of the scope and development plan of each individual project, as well as historical experience and planned budgeted expenditures. Each project is unique in nature and past experience may not be indicative of the maintenance requirements for a different project.

In determining the value of each provision, assumptions are made with respect to discount rates, the expected cost of future project maintenance and monitoring and the expected timing of those costs, to the extent that a reliable estimate can be made.

Management revises estimates as better information becomes available. To the extent that the estimate cannot be reliably determined beyond the next twelve months, no provision is accrued.

(ii) Inventory valuation

The Company values all finished goods inventory at the lower of cost and net realizable value. Management reviews the market and pricing for carbon credits held in inventory in order to estimate net realizable value on a quarterly basis.

(iii) Revenue recognition

The Company has carbon management, project development and other consulting arrangements whereby performance obligations for services are typically satisfied over a time as services are rendered. Judgement is applied regarding the timing and allocation of revenue based on management's estimate of the extent of progress towards completion of the performance obligations.

p) Accounting standards issued but not yet effective

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

Definition of Accounting Estimates (Amendments to IAS 8) – the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The Company anticipates that these amendments will not have a material impact on the results of operations and financial position of the Company.

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### 4. Acquisitions

#### *OCS and CCC*

On December 14, 2012, the Company purchased all the issued and outstanding shares of OCS and CCC (the "Acquisition") from the three holders of those shares: Dr. James Tansey ("Tansey"), Donovan Woollard ("Woollard") and a third-party seller (the "3rd Party Seller"). In consideration, the Company paid cash of \$500,000, issued 2,000,000 share purchase warrants at a value of \$237,680 and issued 2,200,000 common shares at a value of \$440,000.

As further consideration, the Company was required to make cash payments to the 3rd Party Seller, as follows:

- (i) on or before December 30, 2013, the Company will pay the 3rd Party Seller the greater of (A) \$1,500,000 or (B) the sum of 15% of the net cash it receives from projects unrelated to its current operations (the "Net Cash Received" and the "15% Payment") in 2013 and 35% of commission revenue received from the Great Bear Project (a "GBI Payment") in 2013;
- (ii) on or before December 30, 2014, the Company will pay the 3rd Party Seller the greater of (A) \$500,000 or (B) the sum of the 15% Payment for the Net Cash Received in 2014 and the GBI Payment for 2014;
- (iii) on or before December 30, 2015, the Company will pay the 3rd Party Seller the greater of (A) \$500,000 or (B) the sum of the 15% Payment for the Net Cash Received in 2015 and the GBI Payment for 2015;
- (iv) on or before December 30, 2016, the Company will pay the 3rd Party Seller the greater of (A) \$500,000 (the "Fifth Cash Payment") or (B) the sum of the 15% Payment for the Net Cash Received in 2016 and the GBI Payment for 2016; and
- (v) 15% of Net Cash Received and the GBI Payments during the period of December 31, 2016 to March 31, 2017 attributable to revenues accrued in 2016 to the extent that the sum of (A) such amount and (B) 15% of the Net Cash Received in 2016 and the GBI Payment for 2016, exceeds the Fifth Cash Payment.
- (vi) The Company shall pay to the 3<sup>rd</sup> party seller 20% of any equity financing of projects unrelated to the Company's current operations.

The total of all cash payments above, including the \$500,000 paid on closing, shall not be less than \$3,500,000 and not more than \$6,000,000. At December 31, 2012, the Company estimated the future cash consideration to be \$3,110,546 which represented the discounted expected future value of annual cash payments that will be made to the 3<sup>rd</sup> Party Seller. The Company estimated the fair value of the future cash payments as the net present value of future cash payments based upon its expectations of future cash revenues from OCS and CCC's current operations, commissions from the Great Bear Project and the Company's future potential projects and operations. A discount rate of 10% was used and the future annual minimum payments of \$3,000,000 and maximum payments of \$5,500,000 formed the basis for the range of estimates. These terms have been amended as detailed in note 13.

### 5. Accounts and Other Receivables

	2022		2021	
Trades receivables	\$	183,942	\$	254,285
Other receivables		19,158		31,478
	\$	<b>203,100</b>	\$	<b>285,763</b>

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**5. Accounts and Other Receivables (cont'd)**

During the year ended December 31, 2022, the Company wrote-off \$966 (2021: \$nil) of trade receivables due to collection uncertainty.

**6. Inventory**

	2022	2021
<b>Work-in-Process</b>		
Project development costs	\$ 78,984	\$ 918
<b>Finished Goods</b>		
VERs	610,254	154,073
	<b>\$ 689,238</b>	<b>\$ 154,991</b>

During the year ended December 31, 2022, the Company wrote-off \$nil (2021: \$432,093) of project development costs due to uncertainty of its development in the future.

**Contract Development Costs**

During the year ended December 31, 2022, the Company entered into various consulting contracts related to providing advisory and consulting services such as climate risk assessments, feasibility studies, greenhouse gas inventories and methodology development and other reports the Company has expertise. As of December 31, 2022, the Company had capitalized \$253,906 (2021 - \$320,602) in costs related to these contracts.

**7. Prepaid Expenses**

	2022	2021
Prepaid operating expenses	\$ 51,686	\$ 32,009
Prepaid VER purchases	98,860	98,860
	<b>\$ 150,546</b>	<b>\$ 130,869</b>

During the year ended December 31, 2022, the Company wrote-off \$nil (2021: \$69,729) of prepaid VER purchases due to uncertainty of development of the underlying project.

**8. Deposits**

	2022	2021
Credit card collateral	28,750	17,250
Rent deposit	22,500	22,500
	<b>\$ 51,250</b>	<b>\$ 39,750</b>

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**9. Property and Equipment**

	Computer Equipment	Furniture and Equipment	Total
<b>Balance at December 31, 2020</b>	<b>\$ 30,262</b>	<b>\$ 40,014</b>	<b>\$ 70,276</b>
Additions	19,801	-	19,801
Disposals	(1,880)	-	(1,880)
<b>Balance at December 31, 2021</b>	<b>\$ 48,183</b>	<b>\$ 40,014</b>	<b>88,197</b>
Additions	10,293	-	10,293
Disposals	-	-	-
<b>Balance at December 31, 2022</b>	<b>58,476</b>	<b>\$ 40,014</b>	<b>98,490</b>
<b>Balance at December 31, 2020</b>	<b>\$ 14,956</b>	<b>\$ 35,546</b>	<b>\$ 50,502</b>
Amortization	10,134	894	11,028
Disposals	(1,660)	-	(1,660)
<b>Balance at December 31, 2021</b>	<b>\$ 23,430</b>	<b>\$ 36,440</b>	<b>\$ 59,870</b>
Amortization	13,559	715	14,274
Disposals	-	-	-
<b>Balance at December 31, 2022</b>	<b>36,989</b>	<b>37,155</b>	<b>74,144</b>
<b>Carrying Amounts</b>			
<b>Balance at December 31, 2021</b>	<b>\$ 24,754</b>	<b>\$ 3,574</b>	<b>\$ 28,327</b>
<b>Balance at December 31, 2022</b>	<b>21,486</b>	<b>2,860</b>	<b>24,346</b>

During the year ended December 31, 2022, the Company recorded \$nil (2021: \$5) gain on disposal of property and equipment.

**10. Right of Use Asset and Lease Liability**

On April 1, 2019, the Company signed a 24-month office lease agreement.

The tables below show the right-of-use ("ROU") asset and lease liability balance as of December 31, 2022 and 2021, including the impact of the discounted interest and amortization. Amortization of the ROU asset was calculated using the straight-line method over the remaining lease term. The lease liability was measured at the present value of the lease payments, discounted using an incremental borrowing rate of 15%.

	2022		2021	
ROU asset	\$	-	\$	19,307
Accumulated amortization		-		(19,307)
<b>ROU asset</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

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**10. Right of Use Asset and Lease Liability (cont'd)**

The lease expired on April 1, 2022 and the Company signed a new 12-month lease. The Company has elected not to recognize the right-of-use asset and lease liability for short-term leases and accordingly during the year ended December 31, 2022 recognized rent expense of \$90,000 (2021 - \$67,500) which is included in selling, general, and administrative expense on the statements of loss and comprehensive loss.

During the year ended December 31, 2022, the Company earned \$30,000 (2021 - \$30,000) in other income from sub-leasing the leased office space.

**11. Accounts Payable and Accrued Liabilities**

	2022	2021
Trade payables	\$ 234,639	\$ 943,338
Accrued liabilities	337,980	437,671
Government sales tax payable	18,440	17,886
	<b>\$ 591,059</b>	<b>\$ 1,398,895</b>

**12. Loans Payable****Canadian Emergency Business Account (“CEBA”)**

On May 12, 2020, the Company received two \$40,000 CEBA loans which are interest-free loans to cover operating costs. The loans are due on December 31, 2025 however, as amended on January 12, 2022, repaying the balance of each loan on or before December 31, 2023 will result in a loan forgiveness of \$10,000 on each loan. Pursuant to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 Financial Instruments: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA loans at \$66,149, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The Company calculated the fair value of the loan benefit to be \$18,403 and recognized this amount as other income on the statements of loss and comprehensive loss.

On February 9, 2021, the Company received a \$20,000 expansion on each of the two CEBA loans. Repaying the balance of each loan on or before December 31, 2023 will now result in a loan forgiveness of \$20,000 on each loan. The Company estimated the initial carrying value of the expansions on the CEBA loans at \$33,118, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The Company calculated the fair value of the loan benefit to be \$6,882 and recognized this amount as other income on the statements of loss and comprehensive loss.

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**12. Loans Payable (cont'd)****Canadian Emergency Business Account ("CEBA")**

	2022		2021	
Balance, beginning of year	\$	108,954	\$	66,149
Loans received		-		40,000
Interest free benefit		-		(6,882)
Interest expense		11,046		9,687
<b>Total</b>	<b>\$</b>	<b>120,000</b>	<b>\$</b>	<b>108,954</b>

**13. Provisions, Long and Short Term**

	2022			2021		
	Short term	Long term	Total	Short term	Long term	Total
Maintenance, monitoring, & reporting (i)	\$ 6,100	\$71,272	<b>77,372</b>	\$ 6,100	\$ 71,272	<b>\$ 77,372</b>
Future purchase consideration (ii)	\$ 243,112	-	<b>243,112</b>	121,556	121,556	<b>243,112</b>
	<b>\$ 249,212</b>	<b>\$71,272</b>	<b>320,484</b>	<b>\$ 127,656</b>	<b>\$ 192,828</b>	<b>\$ 320,484</b>

	Maintenance, Monitoring & Reporting	Future Purchase Consideration	Total
<b>Balance, December 31, 2021</b>	<b>102,454</b>	<b>243,112</b>	<b>345,566</b>
Revision of estimates	(25,082)	-	(25,082)
<b>Balance, December 31, 2021</b>	<b>\$ 77,372</b>	<b>\$ 243,112</b>	<b>\$ 320,484</b>
Revision of estimates	-	-	-
<b>Balance, December 31, 2022</b>	<b>\$ 77,372</b>	<b>\$ 243,112</b>	<b>\$ 320,484</b>

- (i) Maintenance refers to the Community Ecosystem Restoration Plan ("CERP") project and relates to obligations to ensure planted trees reach a free growing state and have out-competed surrounding vegetation. Given the estimation uncertainty inherent in this provision, the Company accrues only the costs that can be reliably measured. Monitoring refers to the Denman Island Project and related obligations to monitor the project area over a total of 30 years. During the year ended December 31, 2022 the Company incurred \$nil (2021 - \$nil) in expenses related to the obligations and reduced the estimated future obligation by \$nil (2021 - \$25,082).

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### 13. Provisions, Long and Short Term (cont'd)

The present value of the maintenance and monitoring obligations using an effective discount rate of 1.76% (2021 – 1.76%) is currently estimated at \$77,372 (2021 - \$77,372) reflecting anticipated cash flows over the next 20 years. The undiscounted value of these obligations is \$98,300 (2021 - \$98,300).

There have been no new additions to maintenance and monitoring obligations in the current year.

- (ii) As part of the purchase consideration for the acquisition of OCS and CCC (as described in Note 4), the Company was required to make minimum cash payments of \$1,500,000 in 2013 and \$500,000 in each of 2014 – 2016. The total amount of the payment was dependent on certain revenue outcomes, subject to maximum of cash payments of \$5,500,000 from 2013 – 2016.

During 2013, the Company was unable to make its required minimum payment of \$1,500,000. The Company entered into a waiver and standstill agreement to waive and amend the terms of the 2013 payment due in December 2013 of \$1,500,000 with multiple payments due during the period of December 31, 2013 and October 31, 2016.

During the years ended December 31, 2017 and 2016, the Company entered into multiple amending agreements whereby the maturity dates of the payments were extended as the Company was unable to meet its obligations.

As at December 31, 2018, the Company owed \$1,564,945 as follows:

- i) \$64,945 of the initial \$1,500,000 due on or before December in 2013 , which was extended to December 31, 2017 (previously October 31, 2016 and July 31, 2017)
- ii) \$500,000 due on or before December 31, 2014 was extended to December 31, 2017\*
- iii) \$500,000 due on or before December 31, 2015 was extended to December 31, 2017\*
- iv) \$500,000 due on or before December 31, 2016 was extended to December 31, 2017\*

\*As of January 1, 2014 the unpaid portion of the payments bore interest at a rate of 10% per annum. Maturity dates for the above listed payments were not met and full provision of \$1,564,945 was classified as current. The provision is secured by the assets of OCS and CCC.

On July 5, 2019, the Company entered into the Eighth Amending Agreement (“Amending Agreement”) restructuring the remaining debt and interest owed to the 3rd Party Seller. The agreement is based on the in-debt balance as of July 5, 2019 of \$1,824,321 (\$1,564,945 principal and accrued interest of \$259,376).

The repayment terms of the Amending Agreement are as follows:

- i) 50% of the debt to be converted into common shares of the Company at a deemed price of \$0.10 per share (the “Converted Debt”). On July 22, 2019, 9,121,603 common shares were issued at a value of \$182,432 to satisfy the outstanding debt of \$912,160. The Company recognized a gain on debt settlement of \$729,728.
- ii) \$442,800 of the debt to be settled with the proceeds from the sale of Forest Finest Consulting GmbH (“FFC”) through two separate cash payments of \$221,400 with the first to be made on closing of the FFC Deal and the second 2 months thereafter. FFC was a previously held subsidiary of the Company that was sold on July 12, 2019. The initial payment of \$221,400 was made on July 22, 2019, and the second payment of \$221,400 was made on August 1, 2019.

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### 13. Provisions, Long and Short Term (cont'd)

- iii) The remaining balance (the "Remaining Debt") (\$469,361) to be paid in three separate cash payments
- 50% to be paid on the date of receipt of the second payment from the FFC Deal (\$234,680 paid on July 22, 2019);
  - 25% to be paid on July 22, 2021 (pursuant to the Ninth Amending Agreement, described below, extended to July 22, 2021); and
  - 25% to be paid on July 22, 2021 (pursuant to the Ninth Amending Agreement, described below, extended to July 22, 2022).

The interest that continued to accrue (\$8,431) between July 5, 2019 and July 31, 2019 was added to the remaining principal (\$234,681) to become the restructured debt (\$243,112).

On March 20, 2020, an assignment of debt agreement was entered into whereby the Remaining Debt was assigned from the third-party lender to a director of the Company. Effective May 11, 2020, the Company and the director finalized the Ninth Amending Agreement extending the due dates of the principal payments to July 22, 2021 and July 22, 2022 respectively. Effective June 30, 2021, the Company signed an Amending Agreement to the Ninth Amendment, extending the principal payments to July 22, 2022 and July 22, 2023. As at December 31, 2022, the payments have not been made. The total Remaining Debt is classified as a short-term liability.

During the year ended December 31, 2022, the Company incurred and paid \$24,311 (2021 - \$24,311) in interest expense on the outstanding loan with \$2,065 (2021 - \$2,065) outstanding in accounts payable and accrued liabilities.

### 14. Convertible Debentures

On July 27, 2015, the Company entered into a convertible debenture agreement ("Debenture A"). Debenture A is between WBZ GmbH ("WBZ"), a German company, and Naturebank Technology, Inc. ("NBT"). The Debenture calls for WBZ to lend a total of \$280,000 to NBT. WBZ is a significant shareholder of the Company and is owned by two directors of the company.

The Debenture bears interest of 5% per annum, simple interest payable annually and can be converted at any time at the lesser of: (i) \$3.50 of Principal Amount and applicable interest per common share of NBT; or (ii) the last price paid by any arm's length party for common shares of NBT, subject to the requirement that conversion of the Debenture cannot result in issuance of shares representing more than a 7.5% interest in NBT. The Debenture may be converted at any time by WBZ but WBZ cannot demand repayment for a period of two years. The Debenture can be re-paid by NBT at any time.

Since the conversion feature is not a 'fixed for fixed' conversion it is considered an embedded derivative. The convertible debenture collectively is a hybrid instrument for which the debt component should be represented separately. The difference between the fair value of the derivative and the face value of the debt will be allocated to the debenture liability. Upon initial recognition, the fair value of the derivative was determined to be immaterial. At year end the fair value was also determined to be immaterial.

As at December 31, 2017, Debenture A was fully accreted up to its face value of \$280,000. On June 15, 2022 Debenture A in the amount of \$280,000 was cancelled and replaced with Debenture H. Accrued and unpaid interest of \$82,427 was settled by issuance of 1,099,032 common shares (Note 15).

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### **14. Convertible Debentures (cont'd)**

On November 6, 2015, the Company announced its intention to raise up to \$750,000 of convertible debentures. The first tranche of \$361,575 closed in December 2015. The first tranche is made up of two debentures ("Debenture B" and "Debenture C"). Debenture B is for \$111,575 and is held by WBZ, and Debenture C is for \$250,000 and held by Ridley Park Capital Inc., both have a term of two years. Debenture C is secured by a carbon project within the Company's portfolio of carbon assets being developed for the Californian carbon market.

The first tranche debentures bear interest of 6% per annum, simple interest payable semi-annually, and can be converted at any time at a conversion price of \$0.10. The debentures matured on November 10, 2017 and December 8, 2017 respectively.

Debenture B and C are both compound financial instruments. At the date of issuance of Debenture B \$17,070 was attributed to the equity component and \$94,504 to the liability component. At the date of issuance of Debenture C \$38,249 was attributable to the equity component and \$211,751 to the liability component. Both were calculated using an effective interest rate of 15%. As at December 31, 2017 Debenture B and C were fully accreted up to their face values of \$111,575 and \$250,000 respectively.

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.

In March 2016 the Company closed the second and final tranche of its non-brokered private placement of convertible debentures. The second tranche consists of three debentures ("Debenture D", "Debenture E" and "Debenture F"). Debentures D and F, worth \$50,000 each, are held by Philip C. Swift and Debenture E, worth \$250,000, is held by WBZ. All Debentures issued had a term of three years from the date of issuance and bear interest at a rate of 6.00% per annum, payable on each 6 month anniversary. The outstanding principal and interest of each Debenture are convertible at the option of the subscriber, at any time prior to the maturity date being January 21, 2019, March 14, 2019, and March 23, 2019 respectively, into common shares of the Company at a conversion price of \$0.10 per common share. A total of \$125,000 of these second tranche Debentures are secured by a security interest granted on a receivable contract that the Company is currently developing. The remainder of the Debentures are unsecured.

Debenture D, Debenture E, and Debenture F are all compound financial instruments. At the date of issuance of Debenture D \$11,207 was attributed to the equity component and \$38,793 to the liability component.

At the date of issuance of Debenture E \$56,033 was attributable to the equity component and \$193,970 to the liability component. At the date of issuance of Debenture F \$11,207 was attributable to the equity component and \$38,973 to the liability component. On September 23, 2016, an early re-payment of principal of \$125,000 was made towards Debenture E. As a result of the early redemption, the carrying value of the debenture was reduced by \$101,743 and the equity component was reduced by \$25,492. The Company recognized a gain on settlement of debt of \$2,236. All three debentures were calculated using an effective interest rate of 15%. The accreted value of Debenture D, Debenture E and Debenture F as at December 31, 2019 are \$50,000, \$125,000 and \$50,000.

On February 11, 2021, an assignment and assumption of debt agreement was entered into whereby Debentures D and F were assigned from the holder to Guy O'Loughnane, a director of the Company.

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 tranche thirty months, and fifth tranche thirty-six months from the

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**14. Convertible Debentures (cont'd)**

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 \$ 0.125.

Debenture G is a compound financial instrument. At the date of issuance \$23,372 was attributed to the equity component and \$226,628 to the liability component. This was calculated using an effective interest rate of 15%. The accreted value of Debenture G at December 31, 2022 is \$246,563.

On June 15, 2022 the Company entered into a convertible debenture agreement ("Debenture H") for \$280,000 with WBZ. Repayment of the debenture is scheduled sixty months from the date of issuance. Debenture H bears interest of 5% per annum, simple interest payable monthly, and can be converted at any time from the issuance date at a conversion price of \$ 0.125.

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 accreted value of Debenture H at December 31, 2022 is \$223,663.

	Balance, December 31st, 2020	Principal repayment	Debenture issuance	Accretion	Balance, December 31st, 2021	Debenture re-issuance	Accretion	Balance, December 31st, 2022
<b>Debenture A</b>	\$ 280,000	-	-	-	280,000	(280,000)	-	\$ -
<b>Debenture B</b>	\$ 111,575	-	-	-	111,575	-	-	\$ 111,575
<b>Debenture C</b>	\$ 250,000	(250,000)	-	-	-	-	-	\$ -
<b>Debenture D</b>	\$ 50,000	-	-	-	50,000	-	-	\$ 50,000
<b>Debenture E</b>	\$ 125,000	-	-	-	125,000	-	-	\$ 125,000
<b>Debenture F</b>	\$ 50,000	-	-	-	50,000	-	-	\$ 50,000
<b>Debenture G</b>	\$ -	-	226,628	8,720	235,312	-	12,054	\$ 246,563
<b>Debenture H</b>	\$ -	-	-	-	-	217,322	6,341	\$ 223,663
<b>TOTAL</b>	<b>\$ 866,575</b>	<b>(250,000)</b>	<b>226,628</b>	<b>8,720</b>	<b>851,887</b>	<b>(62,678)</b>	<b>18,395</b>	<b>\$ 806,801</b>

During the year ended December 31, 2022, the Company recorded finance costs of \$77,435 (2021 - \$64,593) which includes accretion of \$18,395 (2021 - \$8,720) and accrued interest of \$59,040 (2021 - \$55,873).

At December 31, 2022 \$509,456 (2021 - \$707,253) was classified as a short-term liability due within next 12 months and remaining \$297,345 (2021 - \$144,634) as long-term liability.

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### 15. Share Capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued

Years Ended December 31, 2022 and 2021

On February 28, 2022, the Company closed a non-brokered private placement consisting of 15,383,460 units at a per unit price of \$0.065 for gross proceeds of \$999,925. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.085 for five years. The Company incurred share issuance costs of \$4,772 in connection with the private placement.

Two directors and one significant shareholder of the Company participated in the private placement. Alexander Zang, a director of the Company and a director of WBZ (a significant shareholder of the Company) was issued 1,076,923 units for \$70,000. Guy O'Loughnane, a director of the Company, was issued 5,076,923 units for \$330,000. Forest Finance Service GmbH, a significant shareholder of the Company and whose significant owner is director of the Company was issued 1,538,461 units for \$100,000. These constitute an aggregate of \$500,000 from related parties.

On August 4, 2022, the Company issued 1,099,032 common shares to settle accrued interest on Debenture A (Note 14).

There were no issuances of share capital during the year ended December 31, 2021.

#### 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.

The following table summarizes the continuity of the Company's share options at December 31, 2022:

	Number of options	Weighted Average exercise price
<b>Outstanding, December 31, 2020</b>	<b>325,000</b>	<b>\$ 0.10</b>
Issued	1,200,000	0.10
<b>Outstanding, December 31, 2021</b>	<b>1,525,000</b>	<b>0.10</b>
Expired	(325,000)	0.10
<b>Outstanding, December 31, 2022</b>	<b>1,200,000</b>	<b>\$ 0.10</b>

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**15. Share Capital (cont'd)**

During the year ended December 31, 2022, the Company recognized \$nil (2021 - \$139,541) in share-based compensation for share options that were granted.

The fair value for share options granted have been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2022	2021
Risk-free interest rate	-%	0.80%
Expected life (in years)	-	5
Expected volatility	-%	189%
Expected dividend rate	-%	0%
Fair value per option	\$-	\$0.12

Options outstanding and exercisable as at December 31, 2022 were as follows:

Expiry Date	Number of Options Outstanding	Exercise Price	Number of Options Outstanding and Exercisable	Remaining Life (years)
July 15, 2026	1,200,000	0.10	1,200,000	3.54

Warrants

The following table summarizes the continuity of the Company's warrants at December 31, 2022:

	Number of Warrants	Weighted Average exercise price
<b>Outstanding, December 31, 2020 and 2021</b>	-	\$ -
Issued	15,383,460	-
<b>Outstanding, December 31, 2022</b>	<b>15,383,460</b>	<b>\$ 0.085</b>

Warrants outstanding and exercisable as at December 31, 2022 were as follows:

Expiry Date	Number of Warrants Outstanding	Exercise Price	Number of Warrants Outstanding and Exercisable	Remaining Life (years)
February 28, 2027	15,383,460	0.085	15,383,460	4.16

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**16. Related Party Transactions and Balances**

During the years ended December 31, 2022 and 2021, the Company entered into the following transactions with related parties, directors and key management personnel. Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company and include all directors and officers.

The remuneration of key management personnel during the year ended December 31, 2022 and 2021 are as follows:

	2022		2021	
Salaries, management fees and benefits	\$	280,410	\$	265,382
Consulting fees		25,149		15,000
Share-based compensation		-		139,541

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

	2022		2021	
Due from related parties	\$	83	\$	660
Due to related parties		288,333		99,585
Accrued debenture interest due to related party		14,185		81,006

During the year ended December 31 2022, the Company recognized other income of \$30,000 (2021 – \$30,000) from sub-leasing office space from a company who has one director in common.

Included in accounts payable and accrued liabilities at December 31, 2022 is \$nil (2021 – \$43,750) due to a company whose significant shareholder is a director of the Company.

Included in accounts payables and accrued liabilities at December 31, 2022 is \$nil (2021 – \$16,853) due to a company which has two directors in common.

Included in convertible debentures at December 31, 2022 is accrued interest of \$9,907 (2021 – \$76,729) due to a company which has two directors in common and is a significant shareholder of the Company.

Included in accounts payables and accrued liabilities at December 31, 2022 is \$243,112 (2021 – \$2,065) due to a director of the Company. Additionally, included in convertible debentures is accrued interest of \$4,277 (2021 - \$4,277).

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**17. Revenues**

Year Ended December 31	2022	2021
Sale of VERs	\$ 2,316,653	\$ 2,561,753
Consulting	1,647,959	1,057,113
<b>Total</b>	<b>\$ 3,964,612</b>	<b>\$ 3,618,866</b>

**18. Commitment**

On April 1, 2011, the Company signed an agreement to purchase certain VERs over a five-year period. An amending agreement was signed effective August 31, 2015 which restructured the delivery and payment schedule of the VERs. A second amending agreement was signed effective June 13, 2016 which further restructured the delivery and payment schedule of the remaining 41,000 VERs to be purchased, extending the final delivery and payment of \$322,047 (US\$239,850) to August 31, 2016. During the period of June 14, 2016 to December 31, 2019, a total of 11,000 VERs were delivered leaving the balance outstanding at 30,000 VERs.

The Company agreed to pay 8% interest on the delayed payments starting from the date they were initially due.

As of December 31, 2022, total interest accrued was \$9,333 (2021 - \$77,157) and \$88,488 was paid in interest owed during the year ended December 31, 2022 (2021 - \$39,860).

**19. Capital Management**

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company, upon approval from its Board of Directors, will maintain or adjust the capital structure through the issuance of shares, the acquisition or disposition of assets or adjustment of the amount of cash. The Board of Directors does not establish quantitative returns on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements, continue the development of carbon offset projects and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

At December 31, 2022, the Company's capital structure consists of shareholders' deficiency.

The Company's overall strategy with respect to capital risk management remains unchanged for the year ended December 31, 2022.

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**20. Financial Instruments and 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.

December 31, 2022	Amortized cost (financial assets)	Fair Value through Profit or Loss	Amortized cost (financial liabilities)
<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
Loans 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.

## (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:

	2022
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.

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### 20. Financial Instruments and Risk Management (cont'd)

#### *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.

#### (b) 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	-
Loans payable	120,000	-	-

#### (c) 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 had net monetary liabilities of €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.

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**20. Financial Instruments and Risk Management (cont'd)**

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.

**(i) 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.

**(ii) 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.

**21. Income Taxes**

A reconciliation of current income and deferred taxes at statutory rates with reported taxes follow:

	2022		2021	
Loss for the year	\$	(490,351)	\$	(1,139,817)
Expected income tax (recovery)		(132,000)		(308,000)
Change in statutory, foreign tax, foreign exchange rates and other		(2,000)		(136,000)
Permanent differences		3,000		38,000
Adjust to prior years provision versus statutory tax returns		(104,000)		43,000
Changes in unrecognised deductible temporary differences		235,000		363,000
Total income tax expense	\$	-	\$	-

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**21. Income Taxes (cont'd)**

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

Temporary Differences	2022	Expiry date range
Property and equipment	200,000	No expiry date
Allowable capital losses	447,000	No expiry date
Intangible assets and other	224,000	2027 onwards
Non-capital losses available for future periods	15,511,000	2026 onwards
Canada	14,443,000	2026 to 2042
USA	1,069,000	2034 onwards

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**22. Segmented Information**

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

**Revenues**

Geographic information is as follows:

Year Ended December 31	2022		2021	
Canada	\$	3,568,063	\$	1,546,362
Europe		82,856		349,616
USA		313,693		1,722,888
<b>Total</b>	<b>\$</b>	<b>3,964,612</b>	<b>\$</b>	<b>3,618,866</b>

The Company had concentrated revenues as follows:

Year Ended December 31	2022	2021
Customer A	11%	46%
Customer B	8%	10%
Customer C	5%	5%
Other	76%	39%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The Company's customers contributing to the concentrated revenues are not comparative balances from year to year. The Company is actively working to diversify its product and customer base in order to mitigate the risk of economic dependency.

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**23. Supplemental Disclosures with Respect to Cash Flows**

Changes in non-cash operating working capital:

	December 31, 2022	December 31, 2021
Accounts and other receivables	\$ (225,697)	\$ (57,403)
Inventory	534,247	90,400
Contract development costs	(66,696)	(271,824)
Prepaid expenses	19,677	(7,407)
Deposits	11,500	(22,500)
Accounts payable and accrued liabilities	610,118	736,907
Deferred revenue	205,967	965,179
Total	\$ 1,089,116	\$ 1,433,352