



## NatureBank Asset Management Inc.

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

For the three months ended March 31, 2017

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Financial Position

At March 31, 2017 and December 31, 2016

(Expressed in Canadian dollars)

	Notes	March 31, 2017	December 31, 2016
<b>ASSETS</b>			
Current Assets			
Cash		\$ 519,535	\$ 404,500
Accounts and other receivables	3	436,805	816,853
Inventory	4	448,211	483,715
Prepaid expenses		281,104	279,189
Consideration receivable		1	1
Total Current Assets		1,685,656	1,984,258
Deposits		29,674	29,674
Property and equipment		44,557	43,238
Intangible assets		70,066	83,766
<b>Total Assets</b>		<b>\$ 1,829,953</b>	<b>\$ 2,140,936</b>
Current Liabilities			
Accounts payable and accrued liabilities	5	\$ 1,273,885	\$ 1,571,941
Taxes payable		-	53,021
Provisions	6	1,944,708	1,939,333
Deferred revenue		677,687	499,640
Convertible debentures		616,592	603,784
Total Current Liabilities		4,512,872	4,667,719
Provisions	6	58,188	58,188
Convertible debentures	7	192,571	188,419
Deferred revenue		19,047	19,047
Total Liabilities		4,782,678	4,933,373
Shareholders' Deficiency			
Share capital	8	14,791,255	14,501,255
Subscriptions received		-	290,000
Share-based payment reserve	9	2,490,743	2,490,743
Equity component of convertible debenture		74,048	74,048
Accumulated other comprehensive income		(9,542)	(8,501)
Deficit		(20,299,229)	(20,139,982)
Total Shareholders' Deficiency		(2,952,725)	(2,792,437)
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>\$ 1,829,953</b>	<b>\$ 2,140,936</b>

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

Approved on behalf of the Board:

*"Dirk Walterspacher"*

Dirk Walterspacher, Director

*"Alexander Zang"*

Alexander Zang, Director

**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three-month periods ended March 31, 2017 and 2016

(Expressed in Canadian dollars)

	Note	March 31, 2017	March 31, 2016
Revenue		\$ 490,558	\$ 616,296
Cost of goods sold		131,763	86,065
Gross profit		358,795	530,231
<b>Operating expenses</b>			
Amortization		3,113	2,768
Amortization of intangible assets		14,102	13,800
Consulting fees		9,600	66,020
Foreign exchange		(4,703)	26,582
Professional, investor and agent fees		48,205	42,325
Research & development, and project costs		-	22,507
Salaries, management fees and benefits		356,239	528,576
Selling, general and administrative		64,769	187,653
Total operating expenses		491,325	890,231
		(132,530)	(360,000)
Accretion expense	6	(5,604)	(5,604)
Finance costs		(28,920)	(24,371)
Gain on settlement of payables		52,699	
GST recovery		-	42,994
Interest expense		(54,329)	(36,270)
Interest income		-	14,576
Other income		26,760	33,533
Tax expense		(17,323)	-
		(26,717)	24,858
Loss for the period		(159,247)	(335,142)
<b>Other Comprehensive Income</b>			
Exchange loss on translation of foreign operations		(1,041)	(9,096)
Loss and comprehensive loss for the period		\$ (160,288)	\$ (344,238)
Loss per share		\$ (0.003)	(0.008)
Weighted average number of shares outstanding		51,818,854	42,475,052

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Changes in Equity

For the three-month periods ended March 31, 2017 and 2016

(Expressed in Canadian dollars)

	Share Capital		Subscriptions received	Share-based payment reserve	Equity component of debentures	Accumulated other comprehensive income	Deficit	Total
	Number	Amount						
<b>Balance at December 31, 2015</b>	42,475,052	\$ 14,169,940	\$ -	\$ 2,468,208	\$ 41,489	\$ 5,291	\$ (18,225,875)	\$ (1,540,947)
Equity component of convertible debenture	-	-	-	-	78,446	-	-	78,446
Exchange gain on translation of foreign operations	-	-	-	-	-	(9,096)	-	(9,096)
Loss for the period	-	-	-	-	-	-	(335,142)	(335,142)
<b>Balance at March 31, 2016</b>	42,475,052	14,169,940	-	2,468,208	119,935	(3,805)	(18,561,017)	(1,806,739)
Issuance of shares for asset acquisition	1,874,524	149,962	-	-	-	-	-	149,962
Issuance of shares for business combination	5,181,500	181,353	-	-	-	-	-	181,353
Subscription received	-	-	290,000	-	-	-	-	290,000
Share-based compensation	-	-	-	22,535	-	-	-	22,535
Equity component of convertible debenture	-	-	-	-	(45,887)	-	-	(45,887)
Exchange gain on translation of foreign operations	-	-	-	-	-	(4,696)	-	(4,696)
Loss for the period	-	-	-	-	-	-	(1,578,965)	(1,578,965)
<b>Balance at December 31, 2016</b>	49,531,076	14,501,255	290,000	\$ 2,490,743	\$ 74,048	(8,501)	(20,139,982)	(2,792,437)
Issuance of shares for private placement	2,900,000	290,000	(290,000)	-	-	-	-	-
Exchange gain on translation of foreign operations	-	-	-	-	-	(1,041)	-	(1,041)
Loss for the period	-	-	-	-	-	-	(159,247)	(159,247)
<b>Balance at March 31, 2017</b>	52,431,076	\$ 14,791,255	\$ -	\$ 2,490,743	\$ 74,048	(9,542)	\$ (20,299,229)	\$ (2,952,725)

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Cash Flow  
for the three-month periods ended March 31, 2017 and 2016  
(Expressed in Canadian dollars)

	March 31, 2017	March 31, 2016
Cash provided by (used in):		
Operating activities		
Income (loss)	\$ (159,247)	\$ (335,142)
Items not involving cash:		
Amortization of equipment	3,113	2,768
Amortization of intangibles	14,102	13,800
Accretion expense	5,604	5,604
Accrued interest expense	54,042	36,155
Finance costs on convertible debt	28,920	24,371
Interest income	-	(13,599)
Gain on settlement of payables	52,699	-
Unrealized foreign exchange	(1,604)	51,176
Changes in non-cash operating working capital:		
Accounts and other receivables	386,249	(45,764)
Inventory	35,931	(93,971)
Prepaid expenses and deposits	(1,939)	(16,676)
Accounts payable and accrued liabilities	(413,248)	(3,308)
Taxes payable	(53,694)	-
Provisions	(229)	(3,961)
Deferred Revenue	177,331	190,466
Net cash flows provided by (used in) operating activities	128,040	(188,081)
Investing activities		
Acquisition of equipment	(4,397)	(9,368)
Net cash used in investing activities	(4,397)	(9,368)
Financing activities		
Proceeds from convertible debentures, net of issuance costs	-	350,000
Repayment of convertible debt (interest)	(6,750)	-
Interest paid on provisions	-	(36,155)
Net cash provided by (used in) financing activities	(6,750)	313,845
Impact of exchange rate changes on cash	(1,858)	(18)
Increase (decrease) in cash	115,035	116,378
Cash, beginning of period	404,500	188,116
Cash, end of period	\$ 519,535	\$ 304,494

**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Cash Flow  
for the three-month periods ended March 31, 2017 and 2016  
(Expressed in Canadian dollars)

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

	March 31, 2017	March 31, 2016
Accrued interest on convertible debt	5,211	6,620.85
Interest on provisions included in accounts payable and accrued liabilities	47,715	-

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## 1. Nature and Continuance of Operations

NatureBank Asset Management Inc. (the “Company”) was incorporated under the Business Corporations Act (BC). The Company’s head office, principal address, and registered and records office is located at Unit 1000-675 West Hastings Street, Vancouver, British Columbia, V6B 1N2, Canada.

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

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

The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company has negative working capital at March 31, 2017 and may require additional funding and/or profitable operations for the upcoming year. Material uncertainties related to the Company’s ability to secure additional funding or deliver profitable operations may cast significant doubt on the entity’s ability to continue as a going concern. Realizable values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## 2. General Information and Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared on a basis consistent with the accounting policies applied for the year ending December 31, 2016 and follow the same accounting policies and methods of application as the 2016 annual consolidated financial statements. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected notes are included that are significant to understanding the Company’s financial position and performance since the last annual consolidated financial statements for the year ended December 31, 2016.

Where applicable comparative figures have been reclassified to conform to the presentation used in the current period.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 30, 2017.

**3. Accounts and Other Receivables**

	March 31, 2017	December 31, 2016
Trades receivables	\$ 291,389	\$ 733,557
Government sales tax receivable and value added tax receivable	91,404	50,122
Income tax receivable	-	50,122
Other receivables	54,012	29,174
<b>Total</b>	<b>\$ 436,805</b>	<b>\$ 816,853</b>

**4. Inventory**

	March 31, 2017	December 31, 2016
<b>Work-in-Process</b>		
Project development costs	\$ 425,683	\$ 411,691
<b>Finished Goods</b>		
VERs	22,528	72,024
<b>Total</b>	<b>\$ 448,211</b>	<b>\$ 483,715</b>

**5. Accounts payable and accrued liabilities**

	March 31, 2017	December 31, 2016
Trade payables	\$ 650,329	\$ 795,701
Accrued liabilities	623,556	693,678
Government sales tax payable and value added tax	-	82,565
<b>Total</b>	<b>\$ 1,273,885</b>	<b>\$ 1,571,941</b>

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

	March 31, 2017			December 31, 2016		
	Short term	Long term	Total	Short term	Long term	Total
Maintenance & Monitoring	\$ 53,221	\$ 58,188	\$ 111,409	\$ 53,450	\$ 58,188	\$ 111,638
Future purchase consideration	1,891,487	-	1,891,487	1,885,883	-	1,885,883
<b>Total</b>	<b>\$ 1,944,708</b>	<b>\$ 58,188</b>	<b>\$ 2,002,896</b>	<b>\$ 1,939,333</b>	<b>\$ 58,188</b>	<b>\$ 1,997,521</b>

**6. Provisions, Long and Short Term (cont'd)**

		Maintenance, Monitoring, & Reporting	Future Purchase Consideration	Total
Balance, December 31, 2016	\$	111,638	\$ 1,885,883	\$ 1,997,521
Incurred during the period		(229)	-	(229)
Interest accretion		-	5,604	5,604
Balance, March 31, 2017	\$	111,409	\$ 1,891,487	\$ 2,002,896

**7. Debentures**

	Debenture A	Debenture B	Debenture C	Debenture D	Debenture E	Debenture F	TOTAL
First Tranche							
Amount at date-of-issue	\$ 232,892	\$ 94,504	\$ 211,751	\$ -	\$ -	\$ -	\$ 539,147
Second Tranche							
Amount at date-of-issue	-	-	-	38,793	193,970	38,793	271,556
Accretion	33,768	9,729	21,141	3,528	12,182	2,896	83,244
Payments	-	-	-	-	(125,000)	-	(125,000)
Equity Component Adjustment	-	-	-	-	25,492	-	25,492
Gain on early Redemption	-	-	-	-	(2,236)	-	(2,236)
Balance, December 31, 2016	266,660	104,233	232,892	42,321	104,408	41,689	792,203
Accretion	5,800	2,105	4,904	920	2,310	921	16,960
Balance, March 31, 2017	\$ 272,460	\$ 106,338	\$ 237,796	\$ 43,241	\$ 106,718	\$ 42,610	\$ 809,163

During the period ended March 31, 2017, the Company recorded finance costs of \$28,920 which includes accretion of \$16,960 and accrued interest of \$11,960 in relation to the above listed debentures.

## 7. Share Capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued

The Company closed a non-brokered private placement for \$290,000 at \$0.10 per unit (the "Offering") on the January 19, 2017. The Offering was composed of 2,900,000 units of the Company, with each unit consisting of one common share and one full share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.15 per share for a period of 12 months following the date of closing of the Offering.

## 8. Share Options

The following table summarizes the continuity of the Company's share options at March 31, 2017:

	Number of options	Weighted Average exercise price
Outstanding, December 31, 2015	3,475,000	\$ 0.10
Granted	300,000	0.10
Forfeited or expired	(850,000)	0.10
Outstanding, December 31, 2016	2,925,000,	0.10
Forfeited or expired	200,000	0.10
Outstanding, March 31, 2017	2,725,000	\$ 0.10

During the three-months ending March 31, 2017, the Company recognized \$nil (2016 - \$nil) in share-based compensation for share options that vested during the period.

Options outstanding and exercisable as at March 31, 2017 were as follows:

Expiry Date	Number of Options Outstanding	Exercise Price	Number of Options Outstanding and Exercisable	Remaining Life (years)
January 10, 2018	700,000	0.10	700,000	0.78
January 25, 2018	275,000	0.10	275,000	0.82
September 30, 2018	150,000	0.10	150,000	1.50
April 8, 2019	1,300,000	0.10	1,300,000	2.02
July 14, 2021	300,000	0.10	300,000	4.29
<b>Total</b>	<b>2,725,000</b>		<b>2,725,000</b>	
Weighted Average Fair Value of Options Granted				2015 - \$ nil 2016 - \$0.08

## 9. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the period ended March 31, 2017 and 2016 are as follows:

	March 31, 2017	March 31, 2016
Salaries, management fees and benefits	\$ 146,549	\$ 183,113
Share-based payments (i)	-	-

- (i) Share-based payments are the fair value of options granted to key management personnel and vested during the quarter.

Amounts due to/from related parties at March 31, 2017 and December 31, 2016 included in accounts & other receivables, accounts payable and accrued liabilities are as follows:

	March 31, 2017	December 31, 2016
Due from related parties	\$ 450	\$ 126,836
Due to related parties	(608,305)	598,400
Accrued debenture interest due to related party	5,839	20,149

Included in payables and accrued liabilities at March 31, 2017 is \$21,333 (December 31, 2016 - \$74,366) due to a company who has two directors in common and is a significant shareholder of the Company.

During the three months ended March 31, 2017, sales revenues of \$32,440 (2016 - \$307,607) was recognized from a customer who has one director in common and is a significant shareholder of the Company. Included in receivables is \$nil (December 31, 2016 - \$126,639) and included in payables is \$37,880 (December 31, 2016 - \$nil).

Included in payables and accrued liabilities at March 31, 2017 is \$95,430 (December 31, 2016 - \$95,430) due to/from a company whose significant shareholder is a director of the company.

Included in payables and accrued liabilities at March 31, 2017 is \$247,231 (December 31, 2016 - \$286,465) due to a company who has a director in common and is the former CEO of the Company.

Included in payables and accrued liabilities at March 31, 2017 is \$106,734 (December 31, 2016 - \$59,019) due to a company whose CFO is a director of the Company.

**10. Revenues**

	March 31, 2017	March 31, 2016
Sale of VERs	\$ 89,323	\$ 10,185
Consulting	401,215	604,471
Management fees	20	1,640
<b>Total</b>	<b>\$ 490,558</b>	<b>\$ 616,296</b>

**11. Segmented Information**

The Company has one reportable segment, being that of the development and sale of VERs.

**Revenues**

	March 31, 2017	March 31, 2016
Canada	\$ 255,880	\$ 129,578
Germany	\$ 62,238	97,310
USA	39,128	88,676
South & Central America	113,025	293,077
Other	20,287	7,655
<b>Total</b>	<b>\$ 490,558</b>	<b>\$ 616,296</b>

The Company had concentrated revenues as follows:

	March 31, 2017	March 31, 2016
Forest Finance Service GmbH and related Co's.	3%	56%
Customer A	25%	4%
Other	72%	40%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The Company is actively working to diversify its product and customer base in order to mitigate the risk of economic dependency.

## 12. Events After the Reporting Date

### 1. Stock Option Grant

In April 2017, the Company granted 1,075,000 options with a 5 year term and exercise price of \$0.10 to staff as an incentive (850,000 options) and to Small Cap Invest Ltd. under a consulting contract (225,000 options).

### 2. Issuance of shares in exchange for existing debt

The Company issued 200,000 common shares from treasury at a price of \$0.05 to Small Cap Invest Ltd. in return for the cancellation of existing invoices to the value of \$10,000. These invoices were incurred under an existing consulting contract.