NatureBank Asset Management Inc.

Consolidated Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
NatureBank Asset Management Inc.

We have audited the accompanying consolidated financial statements of NatureBank Asset Management Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NatureBank Asset Management Inc. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about NatureBank Asset Management Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

May 1, 2017

NATUREBANK ASSET MANAGEMENT INC.
Consolidated Statements of Financial Position
At December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Notes	2016	2015
ASSETS			
Current Assets			
Cash		$ 404,500	$ 188,116
Accounts and other receivables	5	816,853	745,902
Inventory	6	483,715	455,362
Prepaid expenses	7	279,189	266,898
Consideration receivable	10	1	627,616
Total Current Assets		1,984,258	2,283,894
Deposits	8	29,674	29,674
Property and equipment	9	43,238	41,010
Intangible assets	11	83,766	32,200
Total Long-term Assets		156,678	102,884
Total Assets		$ 2,140,936	$ 2,386,778
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable and accrued liabilities	13	$ 1,571,941	$ 819,074
Taxes payable		53,021	112,326
Provisions	14	1,939,333	1,515,185
Deferred revenue		499,640	189,904
Obligation to issue shares	16	-	181,353
Convertible debentures	15	603,784	-
Total Current Liabilities		4,667,719	2,817,842
Provisions	14	58,188	531,996
Convertible debentures	15	188,419	551,697
Deferred revenue		19,047	26,190
Total Long-term Liabilities		265,654	1,109,883
Total Liabilities		4,933,373	3,927,725
Shareholders' Deficiency			
Share capital	16	14,501,255	14,169,940
Subscriptions received	16	290,000	
Share-based payment reserve	18	2,490,743	2,468,208
Equity component of convertible debenture	15	74,048	41,489
Accumulated other comprehensive income		(8,501)	5,291
Deficit		(20,139,982)	(18,225,875)
Total Shareholders' Deficiency		(2,792,437)	(1,540,947)
Total Liabilities and Shareholders' Deficiency		$ 2,140,936	$ 2,386,778

Nature and continuance of operations (note 1)
Commitments (note 21)
Events after the reporting period (note 27)

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

Approved on behalf of the Board:

"Dirk Walterspacher" *"Alexander Zang"*

Dirk Walterspacher, Director Alexander Zang, Director

NATUREBANK ASSET MANAGEMENT INC.
Consolidated Statements of Comprehensive Loss
For the Year Ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Note	2016		2015
Revenue	20	3,672,056	$	3,666,381
Cost of goods sold		1,598,394		1,149,309
Gross profit		2,073,662		2,517,072
Operating Expenses				
Accounts receivable write-down	19	9,706		231,220
Amortization	9	12,827		10,459
Amortization of intangible assets	11	114,979		80,200
Consulting fees		176,476		268,387
Foreign exchange		8,763		(130,717)
Inventory write-down		5,328		9,542
Inventory write-down recovery		-		(12,500)
Professional, investor and agent fees		266,371		300,822
Research & development, and project costs		47,042		333,457
Salaries, management fees and benefits		1,864,885		1,714,295
Selling, general, and administrative		822,998		704,109
Share-based compensation	18	22,535		37,333
Total Operating Expenses		3,3551,910		3,546,607
		(1,278,248)		(1,029,535)
Accretion expense	14	(22,727)		(86,777)
Consideration receivable write-down	10	(623,354)		-
Discount on convertible debenture		-		47,108
Finance costs	15	(122,041)		(19,226)
Gain on early redemption of convertible debenture	15	2,236		
Gain on provision estimate revision	14	25,303		-
Gain on settlement of payables		3,301		-
GST Recovery		42,994		-
Goodwill impairment	12	-		(1,061,899)
Interest expense		(167,020)		(95,863)
Interest income		54,263		42,970
Loss on disposal of property and equipment	9	(3,566)		-
Other income		154,356		46,043
		(656,255)		(1,127,644)
Loss before income taxes for the year		(1,934,504)		(2,157,179)
Current income tax	24	-		(112,326)
Deferred tax recovery	24	20,396		13,830
Loss for the year		(1,914,107)		(2,255,675)
Other Comprehensive Income				
Exchange gain on translation of foreign operations		(13,792)		5,291
Loss and comprehensive loss for the year		(1,927,899)	$	(2,250,384)
Loss per share		(0.04)		(0.06)
Loss per share, basic and diluted		(0.04)		(0.06)
Weighted average number of shares outstanding		46,119,027		36,068,659

NATUREBANK ASSET MANAGEMENT INC.
Consolidated Statements of Changes in Shareholders' Deficiency)
For the Year Ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Share Capital							
	Number	**Amount**	**Subscriptions received**	**Share-based payment reserve**	**Equity component of debentures**	**Accumulated other comprehensive income**	**Deficit**	**Total**
Balance at December 31, 2014	30,841,552	$ 13,355,595	$ -	$ 2,430,875	$ -	$ -	$ (15,970,200)	$ (183,730)
Issuance of shares for business combination	11,633,500	814,345	-	-	-	-	-	814,345
Share-based compensation	-	-	-	37,333	-	-	-	37,333
Equity component of convertible debenture	-	-	-		41,489	-	-	41,489
Exchange gain on translation of foreign operations	-	-	-		-	5,291	-	5,291
Loss for the year	-	-	-	-	-	-	(2,255,675)	(2,255,675)
Balance at December 31 , 2015	42,475,052	14,169,940	-	2,468,208	41,489	5,291	(18,225,875)	(1,540,947)
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
Subscriptions received	-	-	290,000	-	-	-	-	290,000
Share-based compensation	-	-	-	22,535	-	-	-	22,535
Equity component of convertible debenture	-	-	-	-	32,559	-	-	32,559
Exchange gain on translation of foreign operations	-	-	-	-	-	(13,792)	-	(13,792)
Loss for the year	-	-	-	-	-	-	(1,914,107)	(1,914,107)
Balance at December 31, 2016	49,531,076	$ 14,501,255	$ 290,000	$ 2,490,743	$ 74,048	$ (8,501)	$ (20,139,982)	$ (2,792,437)

NATUREBANK ASSET MANAGEMENT INC.
Consolidated Statements of Cash Flow
For the Year Ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
Cash provided by (used in) continuing operating activities:		
Loss for the year	$ (1,914,107)	$ (2,255,675)
Items not involving cash:		
Accounts receivable write-down	9,706	231,220
Amortization	12,827	10,459
Amortization of intangible assets	114,979	80,200
Inventory write-down	5,328	9,542
Share-based compensation	22,535	37,333
Accretion expense	22,727	86,777
Accrued interest expense	165,709	95,863
Consideration receivable write-down	623,354	-
Discount on convertible debenture	-	(47,108)
Finance costs on convertible debt	122,041	19,226
Gain on early redemption of convertible debenture	(2,236)	-
Gain on provision estimate revision	(25,303)	-
Gain on settlement of payables	3,301	-
Goodwill impairment	-	1,061,899
Interest income	(54,188)	(46,336)
Loss on disposal of property and equipment	3,566	-
Unrealized foreign exchange	25,757	(125,275)
Deferred tax recovery	(20,396)	(13,830)
Current income tax expense	-	112,326
Changes in non-cash operating working capital (note 26):	749,229	(433,005)
Net cash flows used in operating activities:	(135,171)	(1,176,384)
Investing activities provided by (used in):		
Acquisition of equipment	(15,920)	(10,081)
Acquisition of Forest Finest	-	18,274
Cash paid for distribution rights	(25,000)	(25,000)
Disposition of equipment	900	-
Consideration received from WWC	37,575	53,815
Payment for business combination	-	(53,815)
Net cash used in investing activities	40,020	(16,807)
Financing activities:		
Interest paid on provisions	(83,748)	(95,863)
Proceeds from convertible debentures, net of issuance costs	350,000	641,575
Repayment of convertible debt (principal)	(125,000)	-
Repayment of convertible debt (interest)	(35,347)	-
Shares subscriptions received	290,000	-
Net cash provided by financing activities	395,905	545,712

(Expressed in Canadian dollars)

Impact of exchange rate changes on cash		(4,330)		623
Increase (decrease) in cash		216,384		(646,856)
Cash, beginning of year		188,116		834,972
Cash, end of year	$	404,500	$	188,116

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

		2016		2015
Accounts receivables applied to provisions	$	-	$	53,815
Accrued interest on convertible debt		23,481		6,676
Equity component of convertible debt		32,559		41,489
Interest on provisions included in accounts payable and accrued liabilities		59,019		-
Consideration receivable repayment applied to provisions		37,574		-
Acquisition transactions as described in Note 4				

1. Nature and Continuance of Operations

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

The Company's head office, principal address, and registered and records office is located at Unit 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 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. The Company has negative working capital at December 31, 2016, and it will require securing 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 casts 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 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.

(Expressed in Canadian dollars)

2. 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

Company	Jurisdiction of Incorporation	2016 Ownership %	2015 Ownership %	Status
Offsetters Clean Technology Inc. ("OCT")	British Columbia, Canada	100%	100%	Operating
ERA Ecosystem Restoration Associates Inc.	British Columbia, Canada	100%	100%	Operating
ERA Ecosystem Services U.S., Inc.	Nevada, United States	100%	100%	Operating
Forest Finest Consulting GmbH	Bonn, Germany	100%	100%	Operating
Nature Ventures GmbH	Zurich, Switzerland	100%	n/a	Operating
NatureBank Technology, Inc.	British Columbia, Canada	100%	100%	Operating
Carbon Credit Corp. ("CCC")	British Columbia, Canada	100%	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 Canadian and U.S. subsidiaries is the Canadian Dollar ("CAD"). The functional currency of its European subsidiaries is the Euro ("Euro" or "€"). The presentation currency of the financial statements is the CAD.

e) Approval of the Financial Statements

The financial statements of the Company for the years ended December 31, 2016 and 2015 were approved and authorized for issue by the Board of Directors on May 1, 2017.

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 the weighted average method for each specific project.

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.

Revenue from the sale of VERs is recorded when the VERs have been retired, collectability is assured and the sales price is determinable. 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.

Revenue from carbon management advising and project development services is recognized as earned, based on performance according to the specific terms of the contract or on the basis of percentage of completion method where the revenue is reconcilable to services performed as a proportion of total services.

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%
Vehicle	30%

e) Intangible assets

Intangible assets include development costs directly related to new projects. Costs are capitalized until the project is ready for commercial purposes and are then amortized over the expected life of the project. Sales, marketing and distribution rights have an expected life equal to the term of the contract, typically five years.

3. Significant Accounting Policies (cont'd)

f) Goodwill

Goodwill represents the excess of the price paid for the acquisition of a consolidated entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating unit to which it relates.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount.

g) 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.

3. Significant Accounting Policies (cont'd)

h) 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 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.

i) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (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 presented, all options and warrants have been excluded from the calculation as they are considered anti-dilutive. Potentially dilutive options and warrants excluded from dilutive loss per share totalled 4,925,000 (2015 – 6,963,000).

k) 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.

3. Significant Accounting Policies (cont'd)

l) 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.

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.

m) 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.

n) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss – This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognised in profit or loss.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available for sale – Non-derivative financial assets not included in the above categories are classified as available for sale. They are carries at fair value with changes in fair value recognized in other comprehensive income (loss) and recognised profit or loss.

3. Significant Accounting Policies (cont'd)

n) Financial instruments (cont'd)

Financial assets (cont'd)

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the future estimated cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognised in profit or loss.

Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method.

o) Business combinations

The acquisition method of accounting is used to account for business combinations by the Company. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

3. Significant Accounting Policies (cont'd)

p) 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 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 fair 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.

The Company must also estimate the provision for future payments to the third party seller of Offsetters Clean Technology Inc. ("OCT") and Carbon Credit Corp. ("CCC") (notes 4 & 14). This provision is based on discounted future cash flows estimated by management, based on expectations of future contracts and sales. Management considers current market demand, general trends and expected costs, and customer contracts when estimating future cash flows. An increase in future sales beyond expectations would result in an increase in this liability.

(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) Impairment of Goodwill

Goodwill is tested annually for impairment and is allocated to the CGU to which it relates. Impairment is determined by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount. The assessment of the recoverable amount used in the goodwill impairment analysis requires management to make estimates and assumptions about expected sales volumes and prices, for which management considers historical prices and current market trends, as well as considering the Company's current projects, their expected output, costs and timing. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that a change in circumstances will alter these projections, which may impact the recoverable amount of the assets.

3. Significant Accounting Policies (cont'd)

q) Future changes in accounting policies not yet adopted

IFRS 9 – Financial Instruments ("IFRS 9")
In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")
In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 – Leases ("IFRS16")
On January 13, 2016, the IASB issued IFRS 16, Leases, according to which, all leases will be on the statement of financial position, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has not yet completed the process of assessing the impact that IFRS 9, IFRS 15, and IFRS 16 and will have on its consolidated financial statements, or whether to early adopt these new requirements.

4. Acquisitions

OCT and CCC

On December 14, 2012, the Company purchased all the issued and outstanding shares of OCT 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 3rd party seller 20% of any equity financings 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 3rd 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 OCT 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 14.

(Expressed in Canadian dollars)

4. Acquisitions (cont'd)

Forest Finest Consulting GmbH

On June 22, 2015 the Company signed a Share Exchange Agreement with German company Forest Finance Service GmbH ("Forest Finance"), whereby the Company acquired ownership in the following Forest Finance subsidiaries:

- 100% of the issued and outstanding shares of ForestFinest Consulting GmbH ("Forest Finest" or FFC")
- 15% of the issued and outstanding securities of Forest Finance France SAS

The consideration was issued in two tranches. The first tranche of 11,633,500 shares was issued by the Company out of treasury in July 2015.

The second tranche would be a minimum of zero (0) and a maximum of 5,181,500 shares. The Shareholder Exchange Agreement had established a formula, based on the average of free cash flow from 2014 to 2015. Forest Finance could earn up to the maximum additional 5,181,500 common shares provided these assets achieve audited 2015 cash flows of at least €154,173 (CDN $219,965).

This transaction qualifies as a business combination and was accounted for using the acquisition method of accounting. To account for the transaction, the Company has determined the fair value of the assets and liabilities of FFC at the date of the acquisition and a purchase price allocation. These fair value assessments require management to make significant estimates and assumptions as well as applying judgment in selecting the appropriate valuation techniques.

The aggregate amount of the total acquisition consideration is $995,698, comprised as follows:

Consideration:		**Fair Value**	**Note:**
Fair value of 11,633,500 shares at $0.07 per share	$	814,345	(i)
Future consideration		181,353	(ii)
Total Consideration	$	995,698	

(i) The fair value of shares issued was determined by multiplying the number shares issued by the share price of the Company on July 20, 2015.

(ii) Future consideration represented the expected second tranche share issuance. The Company estimated the fair value of the 2015 cash flow figure from the statement of operations. The minimum share issue of zero (0) and maximum share issue of 5,181,500 shares formed the basis for the range of estimates. Forest Finest' s 2015 results exceeded the estimated fair value cash flow figure, thus the maximum number of shares, 5,181,500, were issued at a fair value of $0.035 per share during the year ended December 31, 2016.

The purchase price was allocated as follows:

Purchase Price Allocation		**Fair Value**
Cash	$	18,274
Accounts and other receivables		72,974
Prepaid expenses		474
Goodwill		1,061,899
Accounts payable and accrued liabilities		(68,805)
Deferred revenue		(89,118)
Total Purchase Price	$	995,698

(Expressed in Canadian dollars)

4. Acquisitions (cont'd)

The Company incurred costs related to the acquisition totaling $64,448 to complete the acquisition which were recorded in professional, investor and agent fees on the statement of comprehensive loss.

FFC has contributed $354,777 net income from the acquisition date to December 31, 2015. Had the acquisition occurred on January 1, 2015, the Company's comprehensive loss for the year would have been $2,389,179. These accounts have been determined by applying the Company's accounting policies and adjusting the results of FFC to account for operations since January 1, 2015.

Forest Carbon Group

On April 1, 2016, the Company's wholly owned subsidiary Forest Finest Consulting GmbH signed a Purchase Agreement with Forest Carbon Group GmbH ("FCG") that contemplated the purchase of certain assets necessary to continue the business operations of FCG for 1,874,524 common shares of the Company. FCG was owned by WBZ GmbH, a significant shareholder of the Company and owned by two directors of the Company. The purchase was completed on July 6, 2016.

The amount of total acquisition consideration is as follows:

Consideration:	**Fair Value**
Fair value of 1,874,524 shares at $0.08 per share	$ 149,962

The fair value of shares issued was determined by multiplying the number of shares issued by the share price of the Company on July 6, 2016.

The purchase price was allocated as follows:

	Allocation of Purchase Price	**Note:**
Fixed assets	$ 3,601	(i)
Inventory	4,435	(ii)
Intangible assets	141,926	(iii)
	$ 149,962	

(i) Fixed assets includes furnishings.
(ii) Inventory includes all the rights to the VERs existing on the date of sale that are listed in the Markit Environmental Registry.
(iii) Intangible assets include all of FCG's existing customer contracts and related data.

(Expressed in Canadian dollars)

5. Accounts and Other Receivables

		2016		2015
Trades receivables	$	737,557	$	655,268
Income tax receivable		50,122		-
Other receivables		29,174		90,634
	$	816,853	$	745,902

6. Inventory

		2016		2015
Work-in-Process				
Project development costs	$	411,691	$	432,576
Finished Goods				
VERs		72,024		22,786
	$	483,715	$	455,362

7. Prepaid Expenses

		2016		2015
Prepaid operating expenses	$	62,703	$	38,458
Prepaid VER purchases		208,948		214,600
Advances		7,538		13,840
	$	279,189	$	266,898

8. Deposits

		2016		2015
Premises lease	$	18,174	$	18,174
Credit card collateral		11,500		11,500
Long term project deposit		-		-
	$	29,674	$	29,674

(Expressed in Canadian dollars)

9. Property and Equipment

	Computer Equipment	Furniture and Equipment	Total
Balance at December 31, 2014	10,538	69,877	80,415
Additions	6,450	3,631	10,081
Balance at December 31, 2015	16,988	73,508	90,496
Additions	15,856	3,665	19,521
Disposals	(3,253)	(3,665)	(6,918)
Balance at December 31, 2016	29,591	73,508	103,099
Balance at December 31, 2014	8,127	30,900	39,027
Amortization	2,033	8,426	10,459
Balance at December 31, 2015	10,160	39,326	49,486
Amortization	6,000	6,827	12,827
Disposals	(2,452)	-	(2,452)
Balance at December 31, 2016	13,708	46,153	59,861
Carrying Amounts			
Balance at December 31, 2015	$ 6,828	$ 34,182	$ 41,010
Balance at December 31, 2016	15,883	27,355	43,238

During the year ended December 31, 2016 the Company sold computer equipment with a net book value of $4,466 for proceeds of $900. The Company recognized a loss on disposal of equipment of $3,566 on the statement of comprehensive loss.

(Expressed in Canadian dollars)

10. Consideration Receivable

Effective January 1, 2012, the Company entered into 50/50 joint venture agreement with Wildlife Works LLC ("WWC"), in order to bring the Mai Ndombe Reduced Emissions from Forest Destruction or Degradation ("REDD+") project in the Democratic Republic of Congo ("DRC") to verification.

In October 2013, the Company entered into an agreement to sell its interest in the Mai Ndombe Joint Venture Project to WWC. WWC was to pay a total of US$1,800,000 as follows:

1. US $250,000 within ten days of closing, being December 17, 2013 (received)
2. US $310,000 on or before April 1, 2014 (received)
3. US $310,000 on or before July 1, 2014 (received)
4. US $310,000 on or before October 1, 2014 (received)
5. US $620,000 on or before January 1, 2015 (amended – see below)

In 2014 the Company applied US$50,000 against a payable to WWC and applied US$100,000 against certain DRC Government fines levied against the joint venture. The remaining US$470,000 was amended whereby WWC paid US$50,000 in March 2015, US$20,000 in April 2016 and a further US$400,000 was to be paid in installments throughout 2016. The Company and WWC signed an amendment agreement, effective July 31, 2016. It extended the due date to October 31, 2016. WWC failed to make the full scheduled payment to the Company and instead paid $10,000, which leaves an outstanding balance of US$390,000.

The outstanding receivable of US$390,000 (CAD$523,653) [2015 – US$420,000 (CAD$581,280)] was recorded as consideration receivable. The amending agreement states that interest shall accrue with ten percent (10%) simple annual interest payable on any amounts remaining unpaid until the date of full payment of the outstanding amount. Accrued interest at December 31, 2016 totaled US$74,255 (CAD$99,702).

Due to the uncertainty of receiving payment, the Company recorded a provision to adjust the consideration receivable to $1.

11. Intangible Assets

	Sales, Marketing & Distribution Rights (i)	Contracts and Brand Value (ii)	Total
Balance at December 31, 2014	**$ 87,400**	**$ -**	**$ 87,400**
Acquisition	25,000	-	25,000
Amortization	(80,200)	-	(80,200)
Balance at December 31, 2015	**32,200**	**-**	**32,200**
Acquisition	25,000	141,926	166,296
Amortization	(57,200)	(57,779)	(114,979)
Foreign exchange effect	-	(381)	(381)
Balance at December 31, 2016	**$ -**	**$ 83,766**	**$ 83,766**

(Expressed in Canadian dollars)

11. Intangible Assets (cont'd)

(i) In September 2011, CCC entered into a 5-year agreement for the exclusive right to distribute, market, purchase and sell certain carbon credits from a specific project. The Company acquired these rights as part of the acquisition of CCC.

The original agreement expired in 2016. The rights were fully amortized over the initial 5 year term. The Company received commissions from the sale and distribution of credits generated by this project. In March 2015 the Company signed an additional agreement with set commission payable to the Company for years 2015 – 2020.

(ii) On July 6, 2016, the Company completed the purchase of certain assets of FCG including existing client contracts. The terms of the customer contract vary with the fixed term contracts ending in 2018 at the latest. The contracts are being amortized based on the pattern of benefits expected to be received from the projected net income of the contracts according to the following schedule:

2016	40%
2017	40%
2018	20%

12. Goodwill

Goodwill of $1,061,899 arose from the Company's acquisition of FFC in July 2015 and represents brand value and reputation, key customer relationships, personnel and existing projects that are not separately identified.

The cash flow projection is based on the cash flow forecasting for the purchased asset for the next 2 years and would use a discount rate of 15%. However due to the high degree of uncertainty in forecasting the performance of this asset over the next 2 years, the Company has concluded an impairment of goodwill would be appropriate and accordingly wrote down the carrying value to $nil.

13. Accounts payable and accrued liabilities

	2016	2015
Trade payables	$ 795,701	$ 446,252
Accrued liabilities	693,678	288,924
Government sales tax payable and value added tax	82,562	83,898
Total	$ 1,571,941	$ 819,074

(Expressed in Canadian dollars)

14. Provisions, Long and Short Term

			2016			2015
	Short term	Long term	Total	Short term	Long term	Total
Maintenance, monitoring, & reporting (i)	$ 53,450	$ 58,188	$ 111,638	$ 69,000	$ 77,451	$ 146,451
Future purchase consideration (ii)	1,885,883	-	1,885,883	1,446,185	454,545	1,900,730
Total	$1,939,333	$ 58,188	$1,997,521	$1,515,185	$531,996	$2,047,181

	Maintenance, Monitoring & Reporting	Future Purchase Consideration	Total
Balance, December 31, 2014	**146,451**	**1,867,768**	**2,014,219**
Payments	-	(53,815)	(53,815)
Interest accretion	-	86,777	86,777
Balance, December 31, 2015	**146,451**	**1,900,730**	**2,047,181**
Incurred for the year	(9,510)	-	(9,510)
Revision of estimate	(25,303)	-	(25,303)
Payments	-	(37,574)	(37,574)
Interest accretion	-	22,727	22,727
Balance, December 31, 2016	**111,638**	**1,885,883**	**1,997,521**

(i) Maintenance 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, 2016 the Company incurred $9,510 in expenses related to the obligation and reduced the estimated future costs by $6,040 as a result of a site visit.

The present value of the maintenance and monitoring obligations using an effective discount rate of 2.34% (2015 - 1%) is currently estimated at $111,638 (2015 - $146,451) reflecting anticipated cash flows over the next 25 years. The undiscounted value of these obligations is $166,150 (2015 - $181,700)

(ii) As part of the purchase consideration for the acquisition of OCT 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 is dependent on certain revenue outcomes, subject to maximum of cash payments of $5,500,000 from 2013 – 2016. This provision is discounted at 10%.

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

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 as follows:

- i) $250,000 due on or before December 31, 2013 *(paid)*
- ii) $250,000 due on or before April 30, 2014 (*paid)*
- iii) $250,000 on or before July 31, 2014 (*paid)*
- iv) $250,000 on or before October 31, 2014 (*paid)*, and
- v) $500,000 on or before January 31, 2015 *($91,390 paid)*

During the years ended December 31, 2016 and 2015, 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 per the most recent amendments dated March 17, 2016 and July 31, 2016, the payments were extended as follows. Subsequent to December 31, 2016, an additional extension dated April 28, 2017 was signed.

- i) Remaining $408,610 of the $1,500,000 due on or before December in 2013 was extended to October 31, 2016 (additional extension to July 31, 2017) *
- ii) The $500,000 due on or before December 31, 2014 was extended to December 30, 2016 (additional extension to December 31, 2017) *
- iii) The $500,000 due on or before December 31, 2015 was extended to December 30, 2016 (additional extension to December 31, 2017) *
- iv) The $500,000 due on or before December 31, 2016 was extended to December 30, 2017 *

*As of January 1, 2014 the unpaid portion of the payments shall bear interest at a rate of 10% per annum

During the year ended December 31, 2016 the Company incurred $142,767 in interest expense on the outstanding loans of which $59,019 remains outstanding in accounts payable and accrued liabilities.

15. 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.

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. WBZ is an existing shareholder of the Company, and is controlled by two directors of the Company.

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.

The present value of Debenture A as at December 31, 2016 using an effective interest rate of 15% is $266,660.

15. 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 Gravitas Ventures 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 mature 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%. The present value of Debenture B and Debenture C as at December 31, 2016 is $104,233 and $232,892 respectively.

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 have 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 present value of Debenture D, Debenture E and Debenture F as at December 31, 2016 is $42,321, $104,408, and $41,689 respectively.

WBZ is a significant shareholder of the Company and is owned by two directors of the Company

(Expressed in Canadian dollars)

15. Convertible Debentures (Cont'd)

	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
Accretion	9,312	1,029	2,209	-	-	-	12,550
Balance, December 31, 2015	242,204	95,533	213,960	-	-	-	551,697
Second Tranche Amount at date-of-issue	-	-	-	38,793	193,970	38,793	271,556
Accretion	24,456	8,700	18,932	3,528	12,182	2,896	70,694
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

During the year ended December 31, 2016, the Company recorded finance costs of $122,041 (2015 - $19,226) which includes accretion of $70,694 (2015 - $12,550) and accrued interest of $51,347 (2015 – $6,676).

16. Share Capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued

On July 20, 2015, the Company completed a business combination where by the Company acquired all of the issued and outstanding common shares of Forest Finest (Note 4). As consideration, the Company issued 11,633,500 shares (the first tranche) valued at $814,345. In July 2016 the Company issued an additional 5,181,500 shares at $181,353 representing the second tranche of the consideration for the business combination. This was previously recorded as an obligation to issue shares at December 31, 2015.

On July 6, 2016, the Company completed an asset acquisition where by the Company acquired certain assets of FCG (Note 4). As consideration, the Company issued 1,874,524 shares valued at $149,962.

(b) Subscriptions received

In October 2016, the Company received subscription proceeds of $290,000 toward the issue of 2,900,000 common shares at $0.10 per share. Subsequent to December 31, 2016, these shares were issued (Note 27).

(Expressed in Canadian dollars)

17. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted average exercise price
Outstanding, December 31, 2014, and 2015	3,488,000	$0.30
Expired	(1,488,000)	0.17
Outstanding, December 31, 2016	2,000,000	$0.40

At December 31, 2016, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	$0.40	March 31, 2017

Subsequent to year end, the outstanding warrants expired unexercised. The Company signed an agreement on April 19, 2016 committing to issue 3,000,000 share purchase warrants exercisable at $0.10 until March 31, 2018, pending TSX-V approval.

18. Share Options

In March 2015, the shareholders approved a new stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares. In addition the term was reduced to five years.

The stock option plan will be used to provide an incentive to the directors, officers, employees, and consultants as additional compensation and as an opportunity to participate in the growth of the Company. Options may be granted with such vesting provisions as 25% on date of grant and 25% every six months thereafter such that Options shall be fully vested ad exercisable over a period of 18 months.

The following table summarizes the continuity of the Company's share options at December 31, 2016:

	Number of options	Weighted Average exercise price
Outstanding, December 31, 2014	**3,925,000**	**$ 0.10**
Forfeited or expired	(450,000)	0.10
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**

(Expressed in Canadian dollars)

18. Share Options (cont'd)

During the year ended December 31, 2016, the Company recognized $22,535 in share-based compensation for 300,000 share options that were granted in the year. The share options can be exercised at a price of $0.10 per share for a period of five years until July 14, 2021. The share options vested immediately on the grant date. During the year ended December 31, 2015 the Company recognized $37,333 in share-based compensation for share options that vested and were repriced in the year.

The fair value for share options granted (2015 – repriced) have been estimated using the Black-Scholes option pricing model using the following weighted average assumptions

	2016	2015
Risk-free interest rate	0.64%	0.61%
Expected life (in years)	5	2.09 – 3.33
Expected volatility	171.27%	179.14 – 190.71%
Expected dividend rate	-%	-%
Fair Value	$0.08	$0.09

Options outstanding and exercisable as at December 31, 2016 were as follows:

Expiry Date	Number of Options Outstanding	Exercise Price 2016	Number of Options Outstanding and Exercisable	Remaining Life (years)
January 10, 2018	700,000	0.10	700,000	1.03
January 23, 2018	275,000	0.10	275,000	1.06
September 30, 2018	150,000	0.10	150,000	1.75
April 8, 2019	1,500,000	0.10	1,500,000	2.27
July 14, 2021	300,000	0.10	300,000	4.54
	2,925,000		2,925,000	
Weighted Average Fair Value of Options Granted			2015 - $nil 2016 $0.08	

(Expressed in Canadian dollars)

19. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the year ended December 31, 2016 and 2015 are as follows:

		2016		2015
Salaries, management fees and benefits	$	777,491	$	789,342
Share-based payments (i)		-		9,808

(i) Share-based payments are the fair value of options granted to key management personnel that vested or were re-priced during the year.

Amounts due to/from related parties at December 31, 2016 and 2015 included in accounts and other receivables, and accounts payable and accrued liabilities are as follows:

		2016		2015
Due from related parties	$	126,836	$	363,670
Due to related parties		598,400		243,783
Accrued debenture interest due to related party		20,149		6,970

During the year ended December 31, 2016, sales revenues of $67,373 (2015 - $nil) was recognized from a customer who has two directors in common and is a significant shareholder of the Company. Included in accounts payable at December 31, 2016 is $74,366 (2015 - $nil).

During the year ended December 31 2016, sales revenues of $701,183 (2015 - $697,738) was recognized from a customer who has one director in common and is a significant shareholder of the Company. Included in receivables at December 31, 2016 is $126,639 (2015 - $362,420), and included in payables is $nil (2015 – $14,667).

At December 31, 2015, the Company wrote-down a receivable of $195,527 due from a private company with a director in common and a former officer in common.

Included in accounts payable and accrued liabilities at December 31, 2016 is $95,430 (2015 - $77,930) due to a company whose significant shareholder is a director of the Company.

Included in accounts payable and accrued liabilities at December 31, 2016 is $286,465 (2015 - $132,421) due to a company who has a director in common and is the former CEO of the Company.

20. Revenues

Year Ended December 31		2016		2015
Sale of VERs	$	1,627,132	$	1,257,271
Consulting		2,018,774		2,216,788
Management fees		26,150		192,322
Total	$	3,672,056	$	3,666,381

(Expressed in Canadian dollars)

21. Commitments

a) In 2013, the Company entered into a premises lease agreement with minimum annual payments as below:

2017	$ 103,080
2018	$ 17,180

b) 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 US$239,850 (CDN $322,047) to August 31, 2016. In addition, the Company agreed to pay 8% interest on the delayed payments starting from the date they were initially due. As of December 31, 2016, interest totaling US$17,472 (CDN$22,975) has been accrued.

22. 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, 2016, the Company's capital structure consists of shareholders' deficiency.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2016.

(Expressed in Canadian dollars)

23. Financial Instruments and Risk Management

(a) 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, 2016	Loans and receivables	Fair Value through Profit or Loss	Other financial liabilities
Financial assets			
Cash	$ -	$ 404,500	$ -
Accounts and other receivables	816,853	-	-
Consideration receivable	1	-	-
Financial liabilities			
Accounts payable and accrued liabilities	-	-	1,571,941
Provisions	-	-	1,997,521
Convertible debentures	-	-	792,203
	$ 816,854	$ 404,500	$ 4,361,665

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, 2016, the Company cash is measured at fair value using Level 1 inputs.

(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:

	2016
Cash	$ 404,500
Accounts and other receivables	816,853
Consideration receivable	1
	$ 1,221,354

23. Financial Instruments and Risk Management (cont'd)

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.

Consideration receivable

Consideration receivable is due from WWC on the sale of the Company's interest in the joint venture. Staggered payments were due through December 2015 of which only a portion was received. Due dates were extended until October 31, 2016 with WWC going into default on November 1, 2016. The Company recorded a provision to adjust the consideration receivable to $1.

(b) Liquidity

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, 2016, the Company had a cash balance of $404,500 (2015 - $188,116) to settle current liabilities of $4,667,719. (2015 - $2,817,842).

Management is currently restructuring contracts in order to ensure sufficient liquidity throughout 2017 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.

(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, Euro's and Swiss Francs. As at December 31, 2016, the Company had net monetary assets of $10,309 held in US dollars, €213,087 held in Euros, and had net monetary liabilities of CHF 5,440 held in Swiss Francs. A fluctuation in the exchange rates between the Canadian and US dollar of 10% would result in $1,384 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 $30,192 change in the profit and loss of the Company. A fluctuation in the exchange rates between the Canadian dollar and the Swiss Franc of 10% would result in $719 change in the profit and loss of the Company.

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

23. Financial Instruments and Risk Management (cont'd)

In 2016, 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 2016, but may in the future.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has cash balances, accounts receivable, other receivables and payables 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.

(iii) Price Risk

The Company's finished goods inventory may be exposed to price risk with respect to voluntary carbon credit prices. Carbon credit price risk is defined as the potential adverse impact on the Company's earnings due to movements in price for carbon offsets in the voluntary market. Most of the Company's inventory and VER production for 2016 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.

(Expressed in Canadian dollars)

24. Income Taxes

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

		2016		2015
Loss for the year	$	(1,914,107)	$	(2,157,179)
Expected income tax (recovery)		(485,000)		(612,000)
Change in statutory, foreign tax, foreign exchange rates and other		(16,396)		(8,504)
Permanent differences		5,000		315,000
Adjust to prior years provision versus statutory tax returns		20,000		128,000
Expiry of non-capital losses		13,000		-
Changes in unrecognised deductible temporary differences		443,000		276,000
Total income tax expense (recovery)	$	(20,396)	$	98,496

Current income tax	$	-	$	112,326
Deferred tax recovery	$	(20,396)	$	(13,830)

The significant components of the Company's deferred tax assets and liabilities are as follows:

		2016		2015
Deferred Tax Assets (liabilities)				
Convertible debenture	$	(20,936)	$	(13,830)
Non-capital losses		20,936		13,830
Net deferred tax liability	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars)

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	2016	Expiry date range	2015	Expiry date range
Scientific Exploration & Experimental Development expenditures	$ 117,000	No expiry date	$ 117,000	No expiry date
Property and equipment	217,000	No expiry date	205,000	No expiry date
Provisions	89,000	No expiry date	101,000	No expiry date
Allowable capital losses	9,000	No expiry date	9,000	No expiry date
Other	252,000	2017 to 2020	164,000	2035 to 2037
Non-capital losses available for future period				
Canada	14,626,000	2017 to 2036	13,667,000	2017 to 2036
USA	671,000	2034 to 2036	407,000	2034 to 2035
Switzerland	398,000	2022	-	

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

25. Segmented Information

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

Revenues
Geographic information is as follows:

Year Ended December 31	2016	2015
Canada	$ 1,449,613	$ 2,373,899
Europe	1,163,075	687,237
USA	431,444	410,344
South & Central America	593,252	192,258
Other	34,672	2,643
Total	$ 3,672,056	$ 3,666,381

The Company had concentrated revenues as follows:

Year Ended December 31	2016	2015
Forest Finance Service GmbH & related Co's	21%	19%
Customer A	9%	13%
Customer B	12%	18%
Other	58%	50%
Total	100%	100%

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

(Expressed in Canadian dollars)

26. Supplemental Disclosures with respect to cash flows

Changes in non-cash operating working capital:

	December 31, 2016	December 31, 2015
Accounts and other receivables	$ (117,835)	$ (640,744)
Inventory	(30,964)	(246,288)
Prepaid expenses and deposits	(13,094)	43,273
Accounts payable and accrued liabilities	669,923	403,323
Taxes payable	(54,591)	
Provisions	(9,510)	-
Deferred revenue	305,300	7,431
Total	$ 749,229	$ (433,005)

27. Events After the Reporting Date

1. Closing of Private Placement

   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 is 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. The Company did not pay commissions in connection with the Offering.

2. 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).

3. 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.