



# NatureBank Asset Management Inc.

Consolidated Financial Statements  
(Expressed in Canadian dollars)

For the year ended December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
NatureBank Asset Management Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of NatureBank Asset Management Inc. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements income (loss) and comprehensive income (loss), changes in shareholders’ deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NatureBank Asset Management Inc. as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has negative working capital at December 31, 2018 and will require additional funding and/or profitable operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Harris.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 30, 2019

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**NATUREBANK ASSET MANAGEMENT INC.**  
Consolidated Statements of Financial Position  
At December 31, 2018 and 2017  
(Expressed in Canadian dollars)

	Notes	2018	2017
<b>ASSETS</b>			
Current Assets			
Cash		\$ 509,725	\$ 529,995
Accounts and other receivables	6	105,608	965,882
Inventory	7	506,830	498,353
Prepaid expenses	8	195,547	230,086
Assets held for sale	5	1,791,237	-
<b>Total Current Assets</b>		<b>3,108,947</b>	<b>2,224,316</b>
Deposits	9	26,200	33,025
Property and equipment	10	19,599	42,269
Intangible assets	12	-	29,662
<b>Total Long-term Assets</b>		<b>45,799</b>	<b>104,956</b>
<b>Total Assets</b>		<b>\$ 3,154,746</b>	<b>\$ 2,329,272</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
Current Liabilities			
Accounts payable and accrued liabilities	13	\$ 842,033	\$ 1,542,043
Taxes payable		-	57,000
Provisions	14	1,606,554	1,606,554
Deferred revenue		432,170	557,083
Convertible debentures	15	863,467	641,575
Liabilities held for sale	5	930,227	-
<b>Total Current Liabilities</b>		<b>4,674,451</b>	<b>4,404,255</b>
Provisions	14	58,188	58,188
Convertible debentures	15	-	205,055
Deferred revenue		4,763	11,905
<b>Total Long-term Liabilities</b>		<b>62,951</b>	<b>275,148</b>
<b>Total Liabilities</b>		<b>4,737,402</b>	<b>4,679,403</b>
Shareholders' Deficiency			
Share capital	16	14,654,255	14,654,255
Reserves	18	2,699,081	2,699,081
Equity component of convertible debenture	15	74,048	74,048
Accumulated other comprehensive income		27,869	10,289
Deficit		(19,037,909)	(19,787,804)
<b>Total Shareholders' Deficiency</b>		<b>(1,582,656)</b>	<b>(2,350,131)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>\$ 3,154,746</b>	<b>\$ 2,329,272</b>

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:

*"Phil Cull"*

*"James Tansey"*

Phil Cull, Director

James Tansey, Director

**NATUREBANK ASSET MANAGEMENT INC.**

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the Year Ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

	Note	2018	2017
Revenue	20	\$ 3,041,147	\$ 2,147,139
Cost of goods sold		996,231	623,699
Gross profit		2,044,916	1,523,440
<b>Operating Expenses</b>			
Amortization	10	5,268	7,081
Amortization of intangible assets	12	25,000	25,000
Consulting fees		79,817	227,814
Foreign exchange		(49,631)	(10,836)
Professional, investor and agent fees		142,198	125,193
Salaries, management fees and benefits	19	921,500	929,576
Selling, general, and administrative		304,012	448,553
Share-based compensation	18	-	39,384
Total Operating Expenses		1,428,164	1,791,765
		616,752	(268,325)
Accretion expense	14	-	(22,727)
Finance costs	15	(64,734)	(101,214)
Gain on disposal of property and equipment	10	-	5,215
Gain on provision estimate revision	14	-	11,612
Gain on settlement of payables		-	54,699
Interest expense	14,19	(177,011)	(210,115)
Interest income		153	-
Other income		6,076	82,314
Recovery of consideration receivable	11	-	633,385
Transaction costs	14	-	(23,954)
		(235,516)	429,215
Net income from continuing operations		381,236	160,890
<b>Discontinued Operations</b>			
Income from discontinued operations	5	368,659	191,288
Net income for the year		749,895	352,178
<b>Other Comprehensive Income</b>			
Exchange gain on translation of discontinued operations		17,580	18,790
Comprehensive income for the year		\$ 767,475	\$ 370,968
Income per share from continuing operations, basic and diluted		\$0.007	\$ 0.003
Income per share from discontinued operations, basic and diluted		\$0.007	\$ 0.004
Weighted average number of shares outstanding		52,631,076	52,631,076

**NATUREBANK ASSET MANAGEMENT INC.**

Consolidated Statements of Changes in Shareholders' Deficiency  
 For the Year Ended December 31, 2018 and 2017  
 (Expressed in Canadian dollars)

	Share Capital		Subscriptions received	Reserves	Equity component of debentures	Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Amount						
<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	145,000	(290,000)	145,000	-	-	-	-
Issuance of shares to settle debt	200,000	8,000	-	-	-	-	-	8,000
Share-based compensation	-	-	-	39,384	-	-	-	39,384
Fair value of warrants issued on provision amendment	-	-	-	23,954	-	-	-	23,954
Exchange gain on translation of discontinued operations	-	-	-	-	-	18,790	-	18,790
Income for the year	-	-	-	-	-	-	352,178	352,178
<b>Balance at December 31, 2017</b>	52,631,076	14,654,255	-	2,699,081	74,048	10,289	(19,787,804)	(2,350,131)
Exchange gain on translation of discontinued operations	-	-	-	-	-	17,580	-	17,580
Income for the year	-	-	-	-	-	-	749,895	749,895
<b>Balance at December 31, 2018</b>	52,631,076	\$ 14,654,255	\$ -	\$ 2,699,081	\$ 74,048	\$ 27,869	\$ (19,037,909)	\$ (1,582,656)

**NATUREBANK ASSET MANAGEMENT INC.**  
Consolidated Statements of Cash Flows  
For the Year Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

	2018	2017
Cash provided by (used in) continuing operating activities:		
Net income for the year	\$ 749,895	\$ 352,178
Items not involving cash:		
Accounts receivable write-down	-	623
Accretion expense	-	22,727
Accrued interest expense	178,065	210,143
Amortization	5,268	13,067
Amortization of intangible assets	25,000	82,740
Amortization of intangible assets from discontinued operations	29,662	-
Finance costs on convertible debt	64,734	101,214
Gain on disposal of property and equipment	-	(5,215)
Gain on settlement of payables	-	(54,699)
Gain on provision estimate revision	-	(11,612)
Income tax expense	-	57,000
Recovery of consideration receivable	-	(633,385)
Share-based compensation	-	39,384
Transaction costs	-	23,954
Unrealized loss on foreign exchange	-	10,829
Changes in non-cash operating working capital (note 26):	(176,384)	(87,770)
Net cash flows provided by (used in) operating activities:	876,240	121,178
Investing activities provided by (used in):		
Acquisition of property and equipment	(417)	(12,507)
Cash paid for distribution rights	(25,000)	(25,000)
Disposition of equipment	-	5,215
Consideration received from WWC	-	68,421
Net cash provided by (used in) investing activities	(25,417)	36,129
Financing activities:		
Interest paid on convertible debentures	(45,639)	(24,320)
Net cash provided by (used in) financing activities	(45,639)	(24,320)
Impact of exchange rate changes on cash	17,580	(7,492)
Increase in cash	822,764	125,495
Cash held in assets held for sale	(843,034)	-
Cash, beginning of year	529,995	404,500
Cash, end of year	\$ 509,725	\$ 529,995

**NATUREBANK ASSET MANAGEMENT INC.**  
Consolidated Statements of Cash Flows  
For the Year Ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

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

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	2018	2017
Accrued interest on convertible debt	\$ 48,207	\$ 45,949
Consideration receivable repayment applied to provisions	-	343,665
Consideration receivable repayment applied to accounts payable and accrued liabilities	-	221,300
Residual value of warrants recognized in share capital	-	145,000
Shares issued to settle debt	-	8,000
Transfer of subscriptions received to share capital	-	290,000

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**NATUREBANK ASSET MANAGEMENT INC.**

Notes to the Consolidated Financial Statements  
For the year ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

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**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 300-948 Homer Street, Vancouver, British Columbia, V6B 2W7, Canada.

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

These 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, 2018, 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 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 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. Basis of Preparation

### a) Statement of Compliance

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

### b) Basis of Consolidation

The subsidiaries of the Company are:

Company	Jurisdiction of Incorporation	2018 Ownership %	2017 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%	100%	Operating
NatureBank Technology, Inc.	British Columbia, Canada	100%	100%	Inactive
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.

\*During the year the Company has entered into a Letter of Intent (“LOI”) to sell 82% of Forest Finest Consulting GmbH (“FFC”) (Note 5).

### c) Basis of Measurement

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

### d) Functional Currency

The functional currency of the Company and all its subsidiaries is the Canadian Dollar (“CAD”), except for FFC, which 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, 2018 and 2017 were approved and authorized for issue by the Board of Directors on April 30, 2019.

### 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 services. Revenue is recognized upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services or upon satisfaction of performance obligations under the contract terms. Performance obligations are satisfied and revenue is recognized, either over time or at a point in time, according to the specific terms of the contract.

#### **VERs**

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

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

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

The Company provides carbon management and consulting services on a fixed fee basis. Performance obligations for services are typically satisfied over time as services are rendered. In contracts where the Company is not entitled to payment until the performance obligations are satisfied, revenue is recognized at the time the services are delivered. Revenue is recognized based on the extent of progress towards completion of the performance obligation, on a project-by-project basis. The method used to measure progress depends on the nature of the services.

#### 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%

#### 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) 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.

g) 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.

**NATUREBANK ASSET MANAGEMENT INC.**

Notes to the Consolidated Financial Statements  
For the year ended December 31, 2018 and 2017  
(Expressed in Canadian dollars)

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

h) Income (loss) per share

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

For the years ended December 31, 2018 and 2017, there were no “in the money” dilutive instruments that impacted the calculation of dilutive income per share.

i) 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.

j) 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.

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

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

k) 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.

l) Financial instruments

The Company adopted all of the requirements of IFRS 9 – Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

#### **Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL. The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

#### **Measurement**

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

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

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

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

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

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

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

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

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

#### **Derecognition**

##### ***Financial assets***

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

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

#### m) 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)**

n) Assets held for sale and discontinued operations

(i) Assets held for sale:

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Company must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Company measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories or financial assets. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying asset or disposal groups as held for sale, the Company presents the assets separately as a single amount and the associated liabilities separately as a single amount on the Consolidated Statement of Financial Position. Comparative period balances are not restated. Assets held for sale are not depreciated, depleted, or amortized.

(ii) Discontinued operations:

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies an operation as a discontinued operation, it represents the comparative Consolidated Statements of Comprehensive Loss as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results for the discontinued operations and any gain or loss from disposal from the consolidated statements of operations from continuing operations and presents them on a separate line as profit or loss (net of tax) from the discontinued operation. Per share information and changes to discontinued operations other consolidated comprehensive loss related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the Consolidated Statements of Cash Flows.

o) Critical accounting estimates, judgments and assumptions

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

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

(i) Provisions

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

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

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

The Company must also estimate the provision for future payments to 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) 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%

(iv) 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)**

p) New and amended accounting policies

Effective January 1, 2018, the Company adopted the following accounting standards

**IFRS 9, Financial Instruments:**

IFRS 9 Financial Instruments has replaced IAS 39, Financial Instruments: Recognition and Measurement. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated, and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of financial assets on the transition date.

**IFRS 15, Revenue from Contracts with Customers:**

In May 2014 the IASB approved IFRS 15, Revenue from Contracts with Customers, which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers, except for leases, financial instruments and insurance contracts. The adoption of IFRS 15 did not have an impact on the Company's consolidated financial statements.

**Accounting pronouncements adopted on January 1, 2019**

**IFRS 16, Leases**

In January 2016, the IASB issued IFRS 16, Leases, which would replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company will adopt this standard on January 1, 2019, the date of initial application. On initial application of the standard, the Company will use the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right-of-use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of retained earnings. The Company also plans to apply the following practical expedients permitted under the new standard:

- Leases of low dollar value will continue to be expensed as incurred; and
- The Company will not apply any grandfathering practical expedients.

## NATUREBANK ASSET MANAGEMENT INC.

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

As at January 1, 2019, the Company expect to recognize approximately \$140,000 in right-of-use assets and \$164,000 of incremental lease obligations.

### 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 3<sup>rd</sup> 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 3<sup>rd</sup> Party Seller. The Company estimated the fair value of the future cash payments as the net present value of future cash payments based upon its expectations of future cash revenues from 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.

**NATUREBANK ASSET MANAGEMENT INC.**

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**5. Assets held for sale and discontinued operations**

On March 27, 2018 the Company entered into a letter of intent (“LOI”) to sell 82% of its wholly owned subsidiary, Forest Finest Consulting GmbH (“FFC”) to the former co-CEO and a co-CEO of FFC (collectively the “Buyers”). The Company has held a Special Shareholder Meeting to approve the plan of the sale of FFC (Note 27) and as at December 31, 2018, FFC was classified as a separate disposal group held for sale.

The Buyers agreed to purchase 82% of the issued and outstanding shares of FFC (the “Purchased Shares”) for a total of \$442,800. Such consideration will be payable in two equal installments with the first due on closing and the second payable three months after closing (the “Second Payment Date”). In addition, \$250,000 of debt currently owing by FFC to the Company as inter-company debt will begin to accrue interest at 3% per annum and will be repaid by FFC on the Second Payment Date, otherwise interest will increase to 6% per annum. One half of the Purchased Shares will be held in trust by the Company until the second payment is made and the \$250,000 of debt is repaid. If the second payment is not made or the debt not repaid, the Company will have the option to retain full legal and beneficial ownership over such shares.

The major classes of assets and liabilities of FFC classified as held for sale as at December 31, 2018 are as follows:

	2018
Cash	\$ 843,034
Accounts and other receivable	900,552
Inventory	18,194
Prepaid expenses	11,638
Property and equipment	17,819
<b>Assets held for sale</b>	<b>\$ 1,791,237</b>
Accounts payable and accrued liabilities	\$ (787,875)
Taxes payable	(126,778)
Deferred revenue	(15,574)
<b>Liabilities held for sale</b>	<b>\$ (930,227)</b>

These assets and related liabilities were measured at carrying amounts, which was the lower of their carrying amount and estimated fair value less costs to sell. No fair value adjustment was recognized in the year.

## 5. Assets held for sale and discontinued operations (cont'd)

The discontinued results from operations of FFC during the year ended December 31, 2018 and 2017 are presented below:

	2018	2017
Revenue	\$ 3,474,153	\$ 2,374,119
Cost of goods sold	(1,900,922)	(1,191,643)
<b>Gross profit</b>	<b>1,573,231</b>	<b>1,182,476</b>
Amortization	(7,237)	(5,986)
Amortization of intangible assets	(30,155)	(57,740)
Foreign exchange	(16,347)	510
Professional, investor and agent fees	(19,971)	(20,318)
Salaries, management fees and benefits	(797,390)	(592,215)
Selling, general and administrative	(275,620)	(279,264)
<b>Operating expenses</b>	<b>(1,146,720)</b>	<b>(955,013)</b>
Interest expense	(1,054)	(28)
Other income	26,202	20,853
Current income tax (Note 24)	(83,000)	(57,000)
<b>Income from discontinued operations</b>	<b>368,659</b>	<b>191,288</b>
Exchange gain on translation of discontinued operations	17,580	18,790
<b>Comprehensive income from discontinued operations</b>	<b>\$ 386,239</b>	<b>\$ 210,078</b>

The breakdown of cash flows from discontinued operations is as follows:

	2018	2017
Net cash provided by operating activities	\$ 493,383	\$ 383,063
Net cash used in investing activities	(7,237)	(9,668)
Net cash used in financing activities	16,995	(208,715)
Effect of foreign exchange	9,836	3,815
Change in cash during the year	512,977	168,495

## 6. Accounts and Other Receivables

	2018	2017
Trades receivables	\$ 102,352	\$ 817,870
Income tax receivable	-	59,969
Other receivables	3,256	88,043
	<b>\$ 105,608</b>	<b>\$ 965,882</b>

## 7. Inventory

	2018	2017
<b>Work-in-Process</b>		
Project development costs	\$ 457,545	\$ 484,189
<b>Finished Goods</b>		
VERs	49,285	14,164
	<b>\$ 506,830</b>	<b>\$ 498,353</b>

## 8. Prepaid Expenses

	2018	2017
Prepaid operating expenses	\$ 14,835	\$ 32,896
Prepaid VER purchases	173,891	190,917
Advances	6,821	6,273
	<b>\$ 195,547</b>	<b>\$ 230,086</b>

## 9. Deposits

	2018	2017
Premises lease	\$ 14,700	\$ 21,525
Credit card collateral	11,500	11,500
	<b>\$ 26,200</b>	<b>\$ 33,025</b>

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**10. Property and Equipment**

	Computer Equipment	Furniture and Equipment	Total
<b>Balance at December 31, 2016</b>	\$ 29,591	\$ 73,508	\$ 103,099
Additions	10,067	2,440	12,507
Disposals	(1,659)	-	(1,659)
<b>Balance at December 31, 2017</b>	37,999	75,948	113,947
Additions	7,654	-	7,654
Assets held for sale	(28,905)	(5,596)	(34,501)
<b>Balance at December 31, 2018</b>	16,748	70,352	87,100
<b>Balance at December 31, 2016</b>	13,708	46,153	59,861
Amortization	7,423	5,644	13,067
Disposals	(1,250)	-	(1,250)
<b>Balance at December 31, 2017</b>	19,881	51,797	71,678
Amortization	8,123	4,382	12,505
Assets held for sale	(14,696)	(1,986)	(16,682)
<b>Balance at December 31, 2018</b>	13,308	54,193	67,501
<b>Carrying Amounts</b>			
<b>Balance at December 31, 2017</b>	\$ 18,118	\$ 24,151	\$ 42,269
<b>Balance at December 31, 2018</b>	\$ 3,440	\$ 16,159	\$ 19,599

During the year ended December 31, 2018 the Company did not record any gain or loss on disposal (2017 – gain of \$5,215).

**11. 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 sold its interest in the Mai Ndombe Joint Venture Project to WWC. WWC was to pay a total of US\$1,800,000 in staggered payments through to January 1, 2015.

As at December 31, 2016, the Company recorded a provision of \$623,354 (US\$464,255) to write the remaining consideration receivable down to \$1 as the amount was determined to be uncollectible.

On November 2, 2017, WWC repaid the full principal balance of \$497,195 (US\$390,000) and accrued interest of \$136,190 (US\$106,775). The Company recorded a gain on the recovery of consideration receivable in the amount of \$633,385. The proceeds received from WWC were used to pay \$564,982 to 3<sup>rd</sup> Party Seller and applied as follows: \$221,300 to overdue interest payments and \$343,665 against the Second Cash Payment (Note 14).

## 12. Intangible Assets

	Sales, Marketing & Distribution Rights		Contracts and Brand Value		Total
<b>Balance at December 31, 2016</b>	\$	-	\$	83,766	\$ 83,766
Acquisition		25,000		-	25,000
Amortization		(25,000)		(57,740)	(82,740)
Foreign exchange effect		-		3,636	3,636
<b>Balance at December 31, 2017</b>		-		29,662	29,662
Acquisition		25,000		-	25,000
Amortization		(25,000)		-	(25,000)
Amortization - discontinued operations		-		(30,155)	(30,155)
Foreign exchange effect		-		493	493
<b>Balance at December 31, 2018</b>	\$	-	\$	-	\$ -

## 13. Accounts Payable and Accrued Liabilities

	2018		2017	
Trade payables	\$	491,603	\$	848,435
Accrued liabilities		350,430		602,621
Government sales tax payable and value added tax		-		90,987
	\$	842,033	\$	1,542,043

## 14. Provisions, Long and Short Term

	2018			2017		
	Short term	Long term	Total	Short term	Long term	Total
Maintenance, monitoring, & reporting (i)	\$ 41,609	\$ 58,188	\$ 99,797	\$ 41,609	\$ 58,188	\$ 99,797
Future purchase consideration (ii)	1,564,945	-	1,564,945	1,564,945	-	1,564,945
	<b>\$1,606,554</b>	<b>\$ 58,188</b>	<b>\$1,664,742</b>	<b>\$1,606,554</b>	<b>\$ 58,188</b>	<b>\$1,664,742</b>

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

	Maintenance, Monitoring & Reporting	Future Purchase Consideration	Total
<b>Balance, December 31, 2016</b>	<b>\$ 111,638</b>	<b>\$ 1,885,883</b>	<b>\$ 1,997,521</b>
Incurred for the year	(229)	-	(229)
Revision of estimate	(11,612)	-	(11,612)
Payments	-	(343,665)	(343,665)
Interest accretion	-	22,727	22,727
<b>Balance, December 31, 2017</b>	<b>99,797</b>	<b>1,564,945</b>	<b>1,664,742</b>
<b>Balance, December 31, 2018</b>	<b>\$ 99,797</b>	<b>\$ 1,564,945</b>	<b>\$ 1,664,742</b>

- (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, 2018 the Company incurred \$nil (2017 - \$229) in expenses related to the obligation and reduced the estimated future obligation by \$nil (2017 - \$11,612).

The present value of the maintenance and monitoring obligations using an effective discount rate of 2.34% (2017 - 2.34%) is currently estimated at \$99,797 (2017 - \$99,797) reflecting anticipated cash flows over the next 25 years. The undiscounted value of these obligations is \$155,797 (2017 - \$155,797).

There have been no changes to maintenance and monitoring obligations in the current year. The Company is assessing whether they have any continued obligations due to changes to the Climate, Community and Biodiversity Standards.

- (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%. During the year Company paid \$nil (2017 - \$343,665) against the amounts owing.

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 (*of which \$91,390 was paid in the prior year – see amendment below*)

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

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

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

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

In addition to the above amendments, in 2017 the Company issued 3,000,000 warrants exercisable at a price of \$0.10 per share expiring March 31, 2018 as consideration for extending the loan. The fair value of the warrants of \$23,954 was recorded as transaction costs (Note 17).

During the year ended December 31, 2018 the Company incurred \$156,605 in interest expense on the outstanding loans with \$179,645 outstanding in accounts payable and accrued liabilities.

On July 5, 2018, the Company entered into a non-binding letter of intent for restructuring the remaining debt owed by the Company to the 3rd Party Seller. The agreement was based on the indebted balance as of May 31, 2018 of \$1,652,821 (principal being \$1,564,928 and accrued interest of \$87,893).

The terms contemplated the parties entering into an amending agreement ("Amending Agreement") with repayment of the indebted balance as follows:

- 50% of the debt to be converted into common shares of the Company at a price of \$0.10 per share on closing of the Amending Agreement (the "Converted Debt"). The remaining debt would bear interest at 10% payable monthly.
- \$432,000 of the debt to be settled with the proceeds from the proposed sale of FFC ("FFC Deal") (Note 5) through two separate cash payments of \$216,000 with the first payment to be made on closing of the FFC Deal and the second 2 months thereafter.
- The remaining balance to be paid in three separate cash payments:
  - 50% to be paid on the date of receipt of the second payment from the FFC Deal;
  - 25% to be paid one year from closing of the FFC Deal; and
  - 25% to be paid two years from closing of the FFC Deal.

Upon the above payments being made the 3rd Party Seller would agree the debt had been satisfied.

In the event of any default of debt payments, the Company would pay an amount equal to the amount of the Converted Debt, plus interest of 10% payable monthly from the date of default.

In the event the FFC Deal did not close by December 31, 2018 the letter of intent would terminate. On December 31, 2018 the parties amended the terms to extend the termination date to July 31, 2019.

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### 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.

As at December 31, 2017 Debenture A was fully accreted up to its face value of \$280,000.

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 matured on November 10, 2017 and December 8, 2017 respectively.

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

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.

## 15. Convertible Debentures (cont'd)

At the date of issuance of Debenture E \$56,033 was attributable to the equity component and \$193,970 to the liability component. At the date of issuance of Debenture F \$11,207 was attributable to the equity component and \$38,973 to the liability component. On September 23, 2016, an early re-payment of principal of \$125,000 was made towards Debenture E. As a result of the early redemption, the carrying value of the debenture was reduced by \$101,743 and the equity component was reduced by \$25,492. The Company recognized a gain on settlement of debt of \$2,236. All three debentures were calculated using an effective interest rate of 15%. The accreted value of Debenture D, Debenture E and Debenture F as at December 31, 2018 are \$49,785, \$122,946 and \$49,161.

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

	Debenture A	Debenture B	Debenture C	Debenture D	Debenture E	Debenture F	TOTAL
Balance, December 31, 2016	\$ 266,660	\$ 104,233	\$ 232,892	\$ 42,321	\$ 104,408	\$ 41,689	\$ 792,203
Accretion	13,340	7,342	17,108	3,732	9,169	3,736	54,427
Balance, December 31, 2017	280,000	111,575	250,000	46,053	113,577	45,425	846,630
Accretion	-	-	-	3,732	9,369	3,736	16,837
<b>Balance, December 31, 2018</b>	<b>\$ 280,000</b>	<b>\$ 111,575</b>	<b>\$ 250,000</b>	<b>\$ 49,785</b>	<b>\$ 122,946</b>	<b>\$ 49,161</b>	<b>\$ 863,467</b>

During the year ended December 31, 2018, the Company recorded finance costs of \$64,734 (2017 - \$101,214) which includes accretion of \$16,837 (2017 - \$54,427) and accrued interest of \$47,897 (2017 - \$46,787).

## 16. Share Capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued

2017

On January 20, 2017, the Company closed a non-brokered private placement and issued 2,900,000 units at a price of \$0.10 per unit with a total value of \$290,000. Proceeds of \$290,000 were collected during the year ended December 31, 2016 and were reclassified from subscriptions received on the closing of the transaction. Each unit consisted of one common share of the Company and one whole share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.15 per share for a period of 12 months. The Company has recognized a residual value of \$145,000 on the warrants that were granted which is recorded in reserves.

On April 21, 2017, the Company issued 200,000 common shares with a fair value of \$0.04 per share to settle debt worth \$10,000. On the transaction, the Company recognized a gain on settlement of debt of \$2,000.

## 16. Share Capital (cont'd)

2018

There were no issuances of share capital during the year ended December 31, 2018.

## 17. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted average exercise price
Outstanding, December 31, 2016	2,000,000	\$0.40
Issued	2,900,000	0.15
Issued	3,000,000	0.10
Expired	(2,000,000)	0.17
Outstanding, December 31, 2017	5,900,000	0.12
Expired	(5,900,000)	0.12
Outstanding, December 31, 2018	-	\$-

During the year ended December 31, 2017, the Company granted 3,000,000 warrants as part of an amending agreement for the provisions booked on the OCT and CCC acquisition (Note 14). The warrants could be exercised into common shares at a price of \$0.10 per common share and expired March 31, 2018. The warrants were assigned a fair value of \$23,954 which was included in 2017 transaction costs. The fair value of the warrants was estimated using the Black-Scholes option pricing model using the following assumptions:

	2018	2017
Risk-free rate	-	1.24%
Expected life (in years)	-	1
Expected volatility	-	125.92%
Fair Value per warrant	-	\$0.01

## 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 and exercisable over a period of 18 months.

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**18. Share Options (cont'd)**

The following table summarizes the continuity of the Company's share options at December 31, 2018:

	Number of options	Weighted Average exercise price
<b>Outstanding, December 31, 2016</b>	<b>2,925,000</b>	<b>\$ 0.10</b>
Granted	1,075,000	0.10
Forfeited or expired	(300,000)	0.10
<b>Outstanding, December 31, 2017</b>	<b>3,700,000</b>	<b>0.10</b>
Granted	-	-
Forfeited or expired	(1,725,000)	0.10
<b>Outstanding, December 31, 2018</b>	<b>1,975,000</b>	<b>\$ 0.10</b>

During the year ended December 31, 2018, the Company recognized \$nil (2017 - \$39,384) in share-based compensation for nil share options (2017 - 1,075,000) that were granted in the year.

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

	2018	2017
Risk-free interest rate	-%	1.08%
Expected life (in years)	-	5
Expected volatility	-%	175.04%
Expected dividend rate	-%	-%
Fair value per option	-	\$0.04

Options outstanding and exercisable as at December 31, 2018 were as follows:

Expiry Date	Number of Options		Number of Options Outstanding and Exercisable	Remaining Life (years)
	Outstanding	Exercise Price		
April 8, 2019*	1,200,000	0.10	1,200,000	0.27
July 14, 2021	200,000	0.10	200,000	2.54
April 4, 2022	575,000	0.10	575,000	3.26
	1,975,000		1,975,000	

\* Subsequent to year end, these options expired unexercised.

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**19. Related Party Transactions and Balances**

The remuneration of directors and key management personnel during the year ended December 31, 2018 and 2017 are as follows:

	2018		2017	
Salaries, management fees and benefits	\$	509,152	\$	442,154
Share-based payments (i)	\$	-	\$	23,813

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

Amounts due to/from related parties at December 31, 2018 and 2017 included in accounts and other receivables, and accounts payable and accrued liabilities are as follows:

	2018		2017	
Due from related parties	\$	152,313	\$	228,400
Due to related parties		543,974		712,956
Accrued debenture interest due to related party		45,109		42,848

During the year ended December 31 2018, sales revenues of \$162,869 (2017 - \$180,941) was recognized from a customer who has one director in common and is a significant shareholder of the Company.

During the year ended December 31, 2018, sales revenue of \$166,130 (2017 - \$187,100) was recognized from a customer who has two directors as significant shareholders of the Company. Included in receivables at December 31, 2018 is \$nil (2017 - \$23,979).

Included in accounts payable and accrued liabilities at December 31, 2018 is \$95,430 (2017 – \$95,430) due to a company whose significant shareholder is a director of the Company and \$9,912 (2017 – \$137,656) due to a customer who has one director in common and is a significant shareholder of the Company.

Included in accounts payable and accrued liabilities at December 31, 2018 is \$18,590 (2017 - \$141,891) due to a company who has a director in common and is the former CIO of the Company.

**20. Revenues**

Year Ended December 31	2018		2017	
Sale of VERs	\$	1,584,876	\$	950,535
Consulting		1,456,271		1,196,584
Management fees		-		20
Total	\$	3,041,147	\$	2,147,139

## 21. Commitments

- a) In October 2017, the Company entered into a premises lease agreement until March 31, 2019. On March 12, 2019 the Company renewed their lease agreement to March 31, 2021 with an option to renew for an additional 12 months. The minimum annual payments are as follows:

2019	\$ 84,000
2020	\$ 88,500
2021	\$ 22,500

- 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, 2018, interest totaling US\$50,739 (CDN\$69,218) 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, 2018, 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 for the year ended December 31, 2018.

## 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, 2018	Amortized cost (financial assets)	Fair Value through Profit or Loss	Amortized cost (financial liabilities)
<b>Financial assets</b>			
Cash	\$ -	\$ 509,725	\$ -
Accounts and other receivables	105,608	-	-
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	-	-	842,033
Provisions	-	-	1,664,742
Convertible debentures	-	-	863,467
	\$ 105,608	\$ 509,725	\$ 3,370,242

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, 2018, the Company cash is measured at fair value using Level 1 inputs.

### 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:

	2018
Cash	\$ 509,725
Accounts and other receivables	105,608
	\$ 615,333

### 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.

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

#### *Accounts and other receivables*

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

#### (a) 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, 2018, the Company had a cash balance of \$509,725 (2017 - \$529,995) to settle current liabilities of \$4,674,451 (2017 - \$4,404,255).

Management is currently restructuring contracts in order to ensure sufficient liquidity throughout 2018 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.

#### (b) Market Risk

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

##### (i) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign currency risk on the cash, accounts receivable, accounts payable and accrued liabilities balances denominated in US dollars, Euros and Swiss Francs. As at December 31, 2018, the Company had net monetary assets of \$203,350 held in US dollars, €520,815 held in Euros, and had net monetary assets of CHF 56,431 held in Swiss Francs. A fluctuation in the exchange rates between the Canadian and US dollar of 10% would result in \$27,741 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 \$81,315 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 \$7,817 change in the profit and loss of the Company.

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

In 2018, 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 2018, but may in the future.

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

(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 2018 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.

### 24. Income Taxes

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

	2018		2017	
Income (loss) for the year	\$	832,451	\$	409,178
Expected income tax (recovery)		225,000		119,000
Change in statutory, foreign tax, foreign exchange rates and other		(100,000)		(38,000)
Permanent differences		(6,000)		(66,000)
Adjust to prior years provision versus statutory tax returns		(23,000)		152,000
Impact of change of future tax rate		(46,000)		-
Changes in unrecognised deductible temporary differences		33,000		(110,000)
Total income tax expense	\$	83,000	\$	57,000
Current income tax	\$	83,000	\$	57,000
Deferred tax recovery	\$	-	\$	-

Current income tax expense relates to discontinued operations (Note 5).

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

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

In December 2017, the United States Government proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on December 22, 2017. The relevant deferred tax balances have been remeasured to reflect the decrease in the Company's Federal income tax rate from 34% to 21% applicable to the Company's US subsidiary.

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	2018	Expiry date range
Scientific Exploration & Experimental Development expenditures	\$ 117,000	No expiry date
Property and equipment	182,000	No expiry date
Allowable capital losses	12,000	No expiry date
Other	444,000	No expiry date
Non-capital losses available for future periods		
Canada	13,463,000	2027 to 2038
USA	891,000	2034 to 2037
Switzerland	536,000	2023 to 2024

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	2018		2017	
Canada	\$	2,032,409	\$	1,620,976
Europe		27,107		153,113
USA		680,156		338,105
South & Central America		260,226		34,945
Other		41,249		-
<b>Total</b>	<b>\$</b>	<b>3,041,147</b>	<b>\$</b>	<b>2,147,139</b>

## 25. Segmented Information (cont'd)

The Company had concentrated revenues as follows:

Year Ended December 31	2018	2017
Customer A	14%	21%
Customer B	13%	13%
Customer C	13%	10%
Other	60%	56%
Total	100%	100%

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

## 26. Supplemental Disclosures with respect to cash flows

Changes in non-cash operating working capital:

	December 31, 2018	December 31, 2017
Accounts and other receivables	\$ (40,278)	\$ (105,968)
Inventory	(26,671)	(12,404)
Prepaid expenses and deposits	22,901	50,044
Accounts payable and accrued liabilities	(12,680)	(10,273)
Deposits	6,825	(3,351)
Taxes payable	(10,000)	(53,020)
Provisions	-	(229)
Deferred revenue	(116,481)	47,431
Total	\$ (176,384)	\$ (87,770)

## 27. Events After the Reporting Date

On April 22, 2019 the Company held its Annual General Meeting and a Special Meeting of Shareholders where shareholders voted on, amongst other items, whether to approve the 2018 announced sale of an 82% interest in FFC to a buyer group led by a non-arm's length party (Note 5). The shareholders voted in favour of the transaction, which was both recommended by the Board and the Board appointed Special Committee.