



## NatureBank Asset Management Inc.

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

For the nine and three months ended September 30, 2020

<b>Index</b>	<b>Page</b>
Notice of no Auditor Review	1
<b>Condensed Consolidated Interim Financial Statements</b>	
Condensed Consolidated Interim Statement of Financial Position	2
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)	3-4
Condensed Consolidated Interim Statement of Changes in Equity	5
Condensed Consolidated Interim Statements of Cash Flows	6-7
Notes to Condensed Consolidated Interim Financial Statements	8-13

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

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

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

**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Financial Position

At September 30, 2020 and December 31, 2019

(Expressed in Canadian dollars)

	Notes	September 30, 2020	December 31, 2019
<b>ASSETS</b>			
Current Assets			
Cash		\$ 784,891	\$ 565,925
Accounts and other receivables	3, 11	152,168	129,357
Inventory	4	589,490	460,580
Contract development costs	5	163,927	70,353
Prepaid expenses		206,286	192,509
Deposit	6	17,250	11,500
<b>Total Current Assets</b>		<b>1,914,012</b>	<b>1,430,224</b>
Property and equipment			
Right-of-use asset	7	16,816	17,304
Investment		38,614	96,535
<b>Total Long-term Assets</b>		<b>87,480</b>	<b>87,480</b>
<b>Total Assets</b>		<b>\$ 2,056,922</b>	<b>\$ 1,631,543</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
Current Liabilities			
Accounts payable and accrued liabilities	8, 11	\$ 523,069	\$ 561,124
Provisions		141,026	141,026
Deferred revenue		1,629,767	607,962
Convertible debentures	9	866,575	866,575
Lease liability	7	21,949	81,631
<b>Total Current Liabilities</b>		<b>3,182,386</b>	<b>2,258,318</b>
Loans			
Provisions	10	80,000	-
<b>Long-term Liabilities</b>		<b>211,559</b>	<b>211,559</b>
<b>Total Liabilities</b>		<b>\$ 3,473,945</b>	<b>\$ 2,469,877</b>
Shareholders' Deficiency			
Share capital		14,836,687	14,836,687
Reserves		2,699,081	2,699,081
Equity component of convertible debenture		74,048	74,048
Deficit		(19,026,839)	(18,448,150)
<b>Total Shareholders' Deficiency</b>		<b>(1,417,023)</b>	<b>(838,334)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>\$ 2,056,922</b>	<b>\$ 1,631,543</b>

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

Approved on behalf of the Board:

*"Phil Cull"*

Phil Cull, Director

*"James Tansey"*

James Tansey, Director

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

	Note	September 30, 2020	September 30, 2019
Revenue	11,12	\$ 786,469	\$ 1,424,692
Cost of goods sold		233,589	448,611
Gross profit		552,880	976,081
<b>Operating Expenses</b>			
Amortization		7,228	2,930
Amortization of intangible assets		-	18,750
Amortization of right-of-use asset		57,921	37,286
Consulting fees		92,740	113,122
Foreign exchange		(5,649)	29,168
Professional, investor and agent fees		102,515	108,340
Salaries, management fees and benefits	10	698,851	665,647
Selling, general and administrative		123,919	168,988
Total Operating Expenses		1,077,525	1,144,231
		(524,645)	(168,150)
Finance costs	9, 11	(37,801)	(38,932)
Gain on debt settlement		-	729,728
Interest expense		(32,533)	(106,259)
Interest income		63	122
Interest on lease liabilities	7	(6,318)	(10,207)
Loss on sale of subsidiaries		-	(71,012)
Other income		22,545	
		(54,044)	503,440
Net income (loss) from continuing operations		(578,689)	335,290
<b>Discontinued Operations</b>			
Income from discontinued operations		-	47,341
Net income (loss) for the period		(578,689)	382,631
<b>Other Comprehensive Loss</b>			
Exchange loss on translation of discontinued foreign operations		-	(28,936)
Income (loss) and comprehensive income (loss) for the period		\$ (578,689)	\$ 353,695
Gain (Loss) per share from continuing operations, basic and diluted		\$ (0.009)	\$ 0.006
Income per share from discontinued operations, basic and diluted		\$ -	\$ 0.0009
Weighted average number of shares outstanding		61,752,679	54,969,949

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

	Note	September 30, 2020	September 30, 2019
Revenue	11,12	\$ 241,640	\$ 362,912
Cost of goods sold		86,170	187,268
Gross profit		155,470	175,644
<b>Operating Expenses</b>			
Amortization		2,698	976
Amortization of intangible assets		-	6,250
Amortization of right-of-use asset	7	19,307	18,643
Consulting fees		29,044	61,105
Foreign exchange		4,411	2,594
Professional, investor and agent fees		60,924	31,090
Salaries, management fees and benefits	10	262,738	201,571
Selling, general and administrative		32,645	56,958
Total Operating Expenses		411,767	379,187
		(256,297)	(203,543)
Finance costs	9	(12,366)	(12,073)
Gain on debt settlement		-	729,728
Interest expense		(10,782)	(19,299)
Interest income		11	36
Interest on lease liabilities	7	(1,354)	(4,808)
Other income		7,500	-
		(17,081)	693,584
Net income (loss) for the period		(273,378)	490,041
Income (loss) per share from continuing operations, basic and diluted		\$ (0.004)	\$ 0.009
Weighted average number of shares outstanding		61,752,679	59,571,426

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

	Share Capital		Share-based payment reserve	Equity component of debentures	Accumulated other comprehensive income	Deficit	Total
	Number	Amount					
<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)
Issuance of shares	9,121,603	182,432	-	-	-	-	182,432
Exchange gain on translation of discontinued operations	-	-	-	-	(28,936)	-	(28,936)
Income for the period	-	-	-	-	-	382,631	382,631
<b>Balance at September 30, 2019</b>	61,752,679	\$ 14,836,687	\$ 2,699,081	\$ 74,048	\$ (1,067)	\$ (18,655,278)	\$ (1,046,529)
Exchange gain on translation of foreign Operations	-	-	-	-	7,014	-	7,014
Re-class of accumulated other comprehensive income (loss) on sale of subsidiaries	-	-	-	-	(5,947)	5,947	-
Income for the period	-	-	-	-	-	201,181	691,222
<b>Balance at December 31, 2019</b>	61,752,679	\$ 14,836,687	\$ 2,699,081	\$ 74,048	\$ -	\$ (18,448,150)	\$ (838,334)
Loss for the period	-	-	-	-	-	(578,689)	(578,689)
<b>Balance at September 30, 2020</b>	61,752,679	\$ 14,836,687	\$ 2,699,081	\$ 74,048	\$ -	\$ (19,026,839)	\$ (1,417,023)

**NatureBank Asset Management Inc.**

**Condensed Consolidated Interim Statements of Cash Flow**

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash provided by (used in) continuing operating activities:		
Income (loss) for the period	\$ (578,689)	\$ 382,631
Items not involving cash:		
Accrued interest expense	32,533	106,259
Amortization	7,228	2,930
Amortization of intangible assets	-	18,750
Amortization of right-of-use asset	57,921	37,286
Finance costs on convertible debentures	37,801	38,932
Gain on debt settlement	-	(729,728)
Interest expense on lease	6,318	10,207
Loss on sale of subsidiaries	-	71,012
Unrealized foreign exchange	-	13,499
Changes in non-cash operating working capital:		
Accounts and other receivables	(22,811)	(57,470)
Inventory	(128,910)	(105,719)
Contract development costs	(93,574)	-
Prepaid expenses and deposits	(19,527)	(32,814)
Investments	-	(82,620)
Accounts payable and accrued liabilities	(69,477)	6,272
Deferred Revenue	1,021,805	519,889
Working capital from discontinued operations	-	347,198
Net cash flows provided by (used in) operating activities	250,618	546,514
Investing activities		
Acquisition of property and equipment	(6,740)	(3,399)
Cash paid for distribution rights	-	(25,000)
Proceeds received on sale of subsidiaries	-	429,301
Net cash provided by (used in) investing activities	(6,740)	400,902
Financing activities		
Interest paid on convertible debentures	(20,595)	(27,694)
Interest paid on provisions	(18,317)	(269,816)
Lease payments made	(66,000)	(42,000)
Principal paid on provisions	-	(409,657)
Proceeds from Government loan (CEBA)	80,000	-
Net cash provided by (used in) financing activities	(24,912)	(749,167)
Impact of exchange rate changes on cash	-	
Net increase (decrease) in cash	218,966	169,313
Cash, beginning of period	565,925	509,725
Cash, end of period	\$ 784,891	\$ 679,038

**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Cash Flow

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

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

	September 30, 2020	September 30, 2019
Accrued interest on convertible debt	\$ 74,769	\$ 56,338

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

The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company has negative working capital at September 30, 2020 and may require additional funding and/or profitable operations for the upcoming year. Material uncertainties related to the Company’s ability to secure additional funding or deliver profitable operations may cast significant doubt on the entity’s ability to continue as a going concern. Realizable values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## 2. General Information and Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared on a basis consistent with the accounting policies applied for the year ending December 31, 2019 and follow the same accounting policies and methods of application as the 2019 annual consolidated financial statements. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected notes are included that are significant to understanding the Company’s financial position and performance since the last annual consolidated financial statements for the year ended December 31, 2019.

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

These condensed consolidated interim financial statements were approved by the Board of Directors on November 30, 2020.

**3. Accounts and Other Receivables**

	September 30, 2020	December 31, 2019
Trades receivables	\$ 151,668	\$ 121,045
Sales tax receivable	187	371
Other receivables	313	7,941
<b>Total</b>	<b>\$ 152,168</b>	<b>\$ 129,357</b>

**4. Inventory**

	September 30, 2020	December 31, 2019
<b>Work-in-Process</b>		
Project development costs	\$ 432,246	\$ 431,979
<b>Finished Goods</b>		
VERs	157,244	28,601
<b>Total</b>	<b>\$ 589,490</b>	<b>\$ 460,580</b>

**5. Contract Development Costs**

	September 30, 2020	December 31, 2019
Consulting Contracts	\$ 163,927	\$ 70,353
<b>Total</b>	<b>\$ 163,927</b>	<b>\$ 70,353</b>

During the nine months ended September 30, 2020, the Company entered into new consulting services contracts and continued working on project deliverables from prior year contracts. During this period, the Company capitalized an additional \$100,641 (2019 - \$70,353) and expensed \$7,067 (2019 - \$nil) in costs related to these contracts.

**6. Deposits**

	September 30, 2020	December 31, 2019
Credit card collateral	17,250	11,500
	<b>\$ 17,250</b>	<b>\$ 11,500</b>

## 7. Right of Use Assets and Lease Liabilities

The tables below show the right-of-use (“ROU”) asset and lease liability balance as of September 30, 2020, including the impact of the discounted interest and amortization. Amortization of the ROU asset is calculated using the straight line method over the remaining lease term. The lease liability was measured at the present value of the lease payments, discounted using an incremental borrowing rate of 15%.

ROU asset April 1, 2019	\$	154,455
Amortization		(57,920)
<b>ROU asset December 31, 2019</b>		<b>96,535</b>
Amortization		(57,921)
<b>ROU asset September 30, 2020</b>	<b>\$</b>	<b>\$38,614</b>

Lease liability April 1, 2019	\$	154,455
Interest on lease liability		12,676
Lease payments made		(85,500)
<b>Lease Liability December 31, 2019</b>		<b>81,631</b>
Interest on lease liability		6,318
Lease payments made		(66,000)
<b>Lease Liability September 30, 2020</b>	<b>\$</b>	<b>21,949</b>

## 8. Accounts payable and accrued liabilities

	September 30, 2020	December 31, 2019
Trade payables	\$ 195,730	\$ 232,872
Accrued liabilities	327,339	328,252
<b>Total</b>	<b>\$ 523,069</b>	<b>\$ 561,124</b>

## 9. Debentures

During the nine months and three months ended September 30, 2020, the Company recorded finance costs of \$37,801 and \$12,366 respectively (September 2019: \$38,932 and \$12,073), which represents accrued interest on the debentures.

## 10. Government Assistance

### Canada Emergency Business Account (CEBA)

On May 12, 2020, the Company received a total of \$80,000 from the Government of Canada's CEBA program. The CEBA provides an interest free loan of up to \$40,000 per qualifying small business to help cover the operating costs during the economic slowdown caused by the COVID-19 pandemic. The interest free loan is due on December 31, 2022. If 75% of the maximum loan balance (\$60,000) is repaid by the due date, the remaining 25% (\$20,000) will be forgiven. If the loan is not repaid by the due date, the remaining balance will be converted to a three-year term loan with an annual interest rate of 5% per annum, effective January 1, 2023, and due no later than December 31, 2025.

### Canada Emergency Wage Subsidy (CEWS)

During the period ending September 30, 2020, the Company received a total of \$123,110 from the Government of Canada's CEWS program. For each eligible employee, the program provides a 75% wage subsidy up to a maximum of \$847 per week. The wage subsidy has been accounted for as a government grant and netted against salary expense.

## 11. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the nine and three months ended September 30, 2020 and 2019 are as follows:

Nine months Ended September 30	2020	2019
Salaries and benefits	\$ 215,702	\$ 258,349

Three months Ended September 30	2020	2019
Salaries and benefits	\$ 77,419	\$ 53,314

Amounts due to/from related parties at September 30, 2020 and December 31, 2019 included in accounts & other receivables, accounts payable and accrued liabilities are as follows:

	September 30, 2020	December 31, 2019
Due from related parties	\$ 606	567
Due to related parties	107,417	90,160
Accrued debenture interest due to related party	70,096	54,467

Included in payables and accrued liabilities at September 30, 2020 is \$18,301 (Dec 2019: \$17,078) due to a company who has two directors in common.

**11. Related Party Transactions and Balances (cont'd)**

Included in accounts payable and accrued liabilities at September 30, 2020 is \$43,750 (Dec 2019: \$43,750) due to a company whose significant shareholder is a director of the Company.

Included in accounts payable and accrued liabilities at September 30, 2020 is \$15,696 (Dec 2019: \$5,129) due to a company who has a director in common and is the former CIO of the Company.

Included in accounts payables and accrued liabilities at September 30, 2020 is \$nil (Dec 2019: \$892) due to a company who has two directors in common and is a significant shareholder of the Company. Additionally, included in accrued debenture interest is \$69,450 (Dec 2019: \$54,467).

Included in accounts payables and accrued liabilities at September 30, 2019 is \$1,998 (Dec 2019: \$nil) due to a director of the company. Additionally, included in accrued debenture interest is \$645 (Dec 2019: \$nil).

**12. Revenues**

Nine Months Ended September 30	2020		2019	
Sale of VERs	\$	194,940	\$	565,167
Consulting		591,529		859,525
Total	\$	786,469	\$	1,424,692

Three months Ended September 30	2020		2019	
Sale of VERs	\$	45,889	\$	66,108
Consulting		195,751		296,804
Total	\$	241,641	\$	362,912

**13. Segmented Information**

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

**Revenues**

Nine months Ended September 30	2020		2019	
Canada	\$	414,890	\$	1,053,055
USA		321,751		357,015
Other		49,828		14,622
Total	\$	786,469	\$	1,424,692

**13. Segmented Information** (cont'd)

Three months Ended September 30	2020		2019	
Canada	\$	103,664	\$	165,897
USA		88,148		197,015
Other		49,828		-
Total	\$	241,640	\$	362,912

The Company had concentrated revenues as follows:

Nine months Ended September 30	2020	2019
Customer A	32%	17%
Customer B	-	16%
Other	68%	67%
	100%	100%

Three months Ended September 30	2020	2019
Customer A	37%	35%
Customer B	21%	24%
Customer C	12%	12%
Customer D	11%	-
Other	19%	39%
	100%	100%

The Company's customers contributing to the concentrated revenues are not comparative balances from year to year.

**14. Events After Reporting Date**

On November 2, 2020, the Company entered into a Share Purchase and Sale Agreement (the "Agreement") between itself as seller and Forest Finest Consulting GmbH ("FFC") as buyer. FFC agreed to purchase the Company's remaining 18% interest in FFC's outstanding shares for EURO 197,010. Consideration would be payable upon closing. On November 30, 2020, all the closing conditions were met including notarized execution of the Agreement, approval by the board of directors, and regulatory approval by the TSX-V.