



# NatureBank Asset Management Inc.

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

For the nine and three months ended September, 2021

<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 Loss	3-4
Condensed Consolidated Interim Statement of Changes in Equity	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to Condensed Consolidated Interim Financial Statements	7-12

## **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, 2021 and December 31, 2020

(Expressed in Canadian dollars)

	Notes	September 30, 2021	December 31, 2020
<b>ASSETS</b>			
Current Assets			
Cash		\$ 758,291	\$ 816,832
Accounts and other receivables	3	90,363	228,360
Inventory	4	486,402	677,484
Contract development costs	5	284,309	48,778
Prepaid expenses	6	208,927	193,191
Deposit	7	39,750	17,250
<b>Total Current Assets</b>		<b>1,868,042</b>	<b>1,981,895</b>
Property and equipment		25,964	19,774
Right-of-use asset		-	19,307
<b>Total Long-term Assets</b>		<b>25,964</b>	<b>39,081</b>
<b>Total Assets</b>		<b>\$ 1,894,006</b>	<b>\$ 2,020,976</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
Current Liabilities			
Accounts payable and accrued liabilities	8	\$ 618,126	\$ 664,150
Provisions		148,156	148,156
Deferred revenue		1,228,795	607,769
Convertible debentures	9	666,575	866,575
<b>Total Current Liabilities</b>		<b>2,661,652</b>	<b>2,286,650</b>
Provisions		197,410	197,410
Convertible Debentures	9	181,100	-
Loan payable	10	106,356	66,149
<b>Long-term Liabilities</b>		<b>484,866</b>	<b>263,559</b>
<b>Total Liabilities</b>		<b>\$ 3,146,518</b>	<b>\$ 2,550,209</b>
Shareholders' Deficiency			
Share capital		14,836,687	14,836,687
Reserves		2,699,081	2,699,081
Equity component of convertible debenture		98,751	74,048
Deficit		(18,887,031)	(18,139,049)
<b>Total Shareholders' Deficiency</b>		<b>(1,252,512)</b>	<b>(529,233)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>\$ 1,894,006</b>	<b>\$ 2,020,976</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

*"Harry Assenmacher"*

Harry Assenmacher, Director

**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

	Note	September 30, 2021	September 30, 2020
Revenue	12	\$ 1,744,863	\$ 786,469
Cost of goods sold		1,060,313	233,589
Gross profit		684,550	552,880
<b>Operating Expenses</b>			
Amortization		7,338	7,228
Amortization of right-of-use asset		19,307	57,921
Consulting fees		129,261	92,740
Foreign exchange		(1,110)	(5,649)
Professional, investor and agent fees		98,785	102,515
Salaries, management fees and benefits		922,989	698,851
Selling, general and administrative		200,160	123,919
Total operating expenses		1,376,730	1,077,525
		(692,180)	(524,645)
Finance costs	9, 11	(46,785)	(37,801)
Gain on disposal of property and equipment		36	-
Interest expense		(38,467)	(32,533)
Interest income		32	63
Interest on lease liability		-	(6,318)
Other income		29,382	22,545
		(55,802)	(54,044)
Net loss for the period		\$ (747,982)	\$ (578,689)
Loss per share, basic and diluted		\$ (0.012)	\$ (0.009)
Weighted average number of shares outstanding		61,752,679	61,752,679

**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

	Note	September 30, 2021	September 30, 2020
Revenue	12	\$ 425,378	\$ 241,640
Cost of goods sold		187,260	86,170
Gross profit		238,118	155,470
<b>Operating Expenses</b>			
Amortization		3,019	2,698
Amortization of right-of-use asset		-	19,307
Consulting fees		54,073	29,044
Foreign exchange		(2,391)	4,411
Professional, investor and agent fees		41,480	60,924
Salaries, management fees and benefits		275,977	262,738
Selling, general and administrative		86,759	32,645
Total operating expenses		458,917	411,767
		(220,799)	(256,297)
Finance costs	9, 11	(17,836)	(12,366)
Interest expense		(13,035)	(10,782)
Interest income		11	11
Interest on lease liability		-	(1,354)
Other income		7,500	7,500
		(23,360)	(17,081)
Loss for the period		\$ (244,159)	\$ (273,378)
Loss per share, basic and diluted		\$ (0.004)	\$ (0.004)
Weighted average number of shares outstanding		61,752,679	61,752,679

**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

	Share Capital		Share-based payment reserve	Equity component of debentures	Deficit	Total
	Number	Amount				
<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)
Income for the period	-	-	-	-	887,790	887,790
<b>Balance at December 31, 2020</b>	61,752,679	\$ 14,836,687	\$ 2,699,081	\$ 74,048	\$ (18,139,049)	\$ (529,233)
Equity component of debentures				24,703		24,703
Loss for the period	-	-	-	-	(747,982)	(747,982)
<b>Balance at September 30, 2021</b>	61,752,679	\$ 14,836,687	\$ 2,699,081	\$ 98,751	\$ (18,887,031)	\$ (1,252,512)

**NatureBank Asset Management Inc.**

Condensed Consolidated Interim Statements of Cash Flow

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by (used in) continuing operating activities:		
Income (loss) for the period	\$ (747,982)	\$ (578,689)
Items not involving cash:		
Amortization	7,338	7,228
Amortization of right-of-use asset	19,307	57,921
Finance costs on convertible debentures	46,785	37,801
Gain on disposal of equipment	(36)	-
Interest expense	38,467	32,533
Interest expense on lease	-	6,318
Interest free benefit on government loan	(6,882)	-
Changes in non-cash operating working capital:		
Accounts and other receivables	137,997	(22,811)
Inventory	191,082	(128,910)
Contract development costs	(235,531)	(93,574)
Prepaid expenses and deposits	(15,736)	(19,527)
Deposit	(22,500)	-
Accounts payable and accrued liabilities	(80,200)	(69,477)
Deferred Revenue	621,026	1,021,805
Loan payable	7,088	-
Net cash flows provided by (used in) operating activities	(39,777)	250,618
Investing activities		
Acquisition of property and equipment	(13,717)	(6,740)
Proceeds from sale of property and equipment	225	-
Net cash provided by (used in) investing activities	(13,492)	(6,740)
Financing activities		
Interest paid on convertible debentures	(33,150)	(20,595)
Interest paid on provisions	(12,122)	(18,317)
Lease payments made	-	(66,000)
Proceeds from Government loan (CEBA)	40,000	80,000
Proceeds from convertible debenture	250,000	-
Repayment of convertible debt	(250,000)	-
Net cash provided by financing activities	(5,272)	24,912
Net increase (decrease) in cash	(58,541)	218,966
Cash, beginning of period	816,832	565,925
Cash, end of period	\$ 758,291	\$ 784,891

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

	September 30, 2021	September 30, 2020
Accrued interest on convertible debt	\$ 84,158	\$ 74,769

## **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 June 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, 2020 and follow the same accounting policies and methods of application as the 2020 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, 2020. These condensed consolidated interim financial statements were approved by the Board of Directors on November 29, 2021.

At September 30, 2021, the Company had a working capital deficiency (current assets less current liabilities) of \$793,610 (December 31, 2020 - \$304,755). For the period ended September 30, 2021 the Company incurred a loss of \$747,982 (September 30, 2020 - \$578,689) and the cash used by operating activities was \$39,777 (December 31, 2020 – cash provided by was \$119,768). Significant transactions in the nine months include the principal and interest payment of \$253,822 to the holder of “Debenture C”, and the issuance of Debenture G for \$250,000.

**3. Accounts and Other Receivables**

	September 30, 2021	December 31, 2020
Trades receivables	\$ 68,881	\$ 95,396
Sales tax receivable	-	3,878
Other receivables	21,482	129,086
<b>Total</b>	<b>\$ 90,363</b>	<b>\$ 228,360</b>

**4. Inventory**

	September 30, 2021	December 31, 2020
<b>Work-in-Process</b>		
Project development costs	\$ 432,715	\$ 432,246
<b>Finished Goods</b>		
VERs	53,687	245,238
<b>Total</b>	<b>\$ 486,402</b>	<b>\$ 677,484</b>

**5. Contract Development Costs**

During the nine months ended September 30, 2021, the Company entered into new consulting services contracts and continued working on project deliverables from prior year contracts. As at September 30, 2021, the Company capitalized \$284,309 (2020 - \$100,641) in costs related to these contracts.

**6. Prepaid Expenses**

	September 30, 2021	December 31, 2020
Prepaid operating expenses	\$ 29,279	\$ 17,939
Prepaid VER purchases	168,935	168,886
Advances	10,713	6,366
	<b>\$ 208,927</b>	<b>\$ 193,191</b>

**7. Deposits**

	September 30, 2021	December 31, 2020
Credit card collateral	\$ 17,250	\$ 17,250
Lease	22,500	-
	<b>\$ 39,750</b>	<b>\$ 17,250</b>

**8. Accounts payable and accrued liabilities**

	September 30, 2021	December 31, 2020
Trade payables	\$ 218,094	\$ 184,730
Accrued liabilities	372,319	479,420
Sales tax payable	27,713	-
<b>Total</b>	<b>\$ 618,126</b>	<b>\$ 664,150</b>

**9. Debentures**

	Debenture A	Debenture B	Debenture C	Debenture D	Debenture E	Debenture F	Debenture G	TOTAL
Balance, December 31, 2020	\$ 280,000	\$ 111,575	\$ 250,000	\$ 50,000	\$ 125,000	\$ 50,000	\$ -	\$ 866,575
Principal repayment	-	-	(250,000)	-	-	-	-	(250,000)
Debenture issuance	-	-	-	-	-	-	225,297	225,297
Accretion	-	-	-	-	-	-	5,803	5,803
<b>Balance, September 30, 2021</b>	<b>\$ 280,000</b>	<b>\$ 111,575</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ 125,000</b>	<b>\$ 50,000</b>	<b>\$ 231,100</b>	<b>\$ 847,675</b>

During the nine months and three months ended September 30, 2021, the Company recorded finance costs of \$46,785 and \$17,836 respectively (Sept 2020: \$37,801 and \$12,366), which includes accretion of \$5,803 and accrued interest of \$40,982.

On March 12, 2021, a payment of \$253,822 was made to the Debenture C holder, of which \$250,000 was for principal and \$3,822 for accrued interest.

On April 1, 2021 the Company entered into a convertible debenture agreement (“Debenture G”) for \$250,000 with Guy o’Loughnane, a director of the Company. Repayment of the debenture is scheduled in five equal tranches. The first tranche is payable twelve months from the issuance date, second tranche eighteen months, third tranche twenty-four months, fourth & fifth tranches thirty months from the date hereof. Debenture G bears interest of 10% per annum, simple interest payable monthly, and can be converted at any time within five years from the issuance date at a conversion price of Cad\$ 0.125. There is a four month hold on any conversions into listed shares from the date of the issuance of the Debenture.

Debenture G is a compound financial instrument. At the date of issuance \$24,703 was attributed to the equity component and \$225,297 to the liability component. This was calculated using an effective interest rate of 15%. The present value of Debenture G at September 30, 2021 is \$231,100.

## 10. Loan Payable

### Canadian Emergency Business Account (“CEBA”)

On February 9, 2021, the Company received additional \$40,000 of CEBA loans which are interest-free loans to cover operating costs, which was offered in the context of the Covid-19 pandemic outbreak. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$20,000. On December 31, 2022, the Corporation has the option to extend the loan for another 3 years with 5% interest rate. Pursuant to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 Financial Instruments: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA loans at \$33,118, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The Company calculated the fair value of the loan benefit to be \$6,882 and recognized this amount as other income on the statement of income.

## 11. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the nine and three months ended September 30, 2021 and 2020 are as follows:

Nine months Ended September 30	2021	2020
Salaries and benefits	\$ 198,629	\$ 215,702

Three months Ended September 30	2021	2020
Salaries and benefits	\$ 66,597	\$ 77,419

Amounts due to/from related parties at September 30, 2021 and December 31, 2020 included in accounts & other receivables, accounts payable and accrued liabilities are as follows:

	September 30, 2021	December 31, 2020
Due from related parties	\$ 1,399	3,163
Due to related parties	97,896	103,430
Accrued debenture interest due to related party	72,531	75,832

Included in payables and accrued liabilities at September 30, 2021 is \$17,329 (Dec 2020: \$16,959) 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, 2021 is \$43,750 (Dec 2020: \$43,750) due to a company whose significant shareholder is a director of the Company.

Included in accrued liabilities at September 30, 2021 is debenture interest is \$79,968 (Dec 2020: \$73,229) due to a company who has two directors in common and is a significant shareholder of the Company.

Included in accounts payables and accrued liabilities at September 30, 2021 is loan interest of \$1,998 (Dec 2020: \$2,065) due to a director of the company. Also included in accounts payable and accrued liabilities is accrued debenture interest of \$4,191 (Dec 2020: \$2,153).

**12. Revenues**

Nine Months Ended September 30	2021		2020	
Sale of VERs	\$	1,177,987	\$	194,940
Consulting		566,876		591,529
Total	\$	1,744,863	\$	786,469

Three months Ended September 30	2021		2020	
Sale of VERs	\$	277,027	\$	45,889
Consulting		148,351		195,751
Total	\$	425,378	\$	241,641

**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	2021		2020	
Canada	\$	824,187	\$	414,890
USA		571,060		321,751
Europe		349,616		-
Other		-		49,828
Total	\$	1,744,863	\$	786,469

**NatureBank Asset Management Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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

Three months Ended September 30	2021		2020	
Canada	\$	190,885	\$	103,664
USA		38,749		88,148
Europe		195,744		-
Other		-		49,828
Total	\$	425,378	\$	241,640

The Company had concentrated revenues as follows:

Nine months Ended September 30	2021	2020
Customer A	33%	32%
Customer B	20%	-
Customer C	-	-
Other	47%	68%
	100%	100%

Three months Ended September 30	2021	2020
Customer A	46%	37%
Customer B	12%	21%
Customer C	-	12%
Customer D	-	11%
Other	42%	19%
	100%	100%

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