NatureBank Asset Management Inc.

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

For the three months ended March 31, 2021 and 2020

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.

(Expressed in Canadian dollars)

	Notes	March 31, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash		$ 426,160	$ 816,832
Accounts and other receivables	3	238,858	228,360
Inventory	4	523,610	677,484
Contract development costs	5	60,274	48,778
Prepaid expenses	6	183,807	193,191
Deposit	7	39,750	17,250
Total Current Assets		1,472,459	1,981,895
Property and equipment		19,854	19,774
Right-of-use asset		-	19,307
Total Long-term Assets		19,854	39,081
Total Assets		$ 1,492,313	$ 2,020,976
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable and accrued liabilities	8	$ 683,610	$ 664,150
Provisions		148,156	148,156
Deferred revenue		603,285	607,769
Convertible debentures		616,575	866,575
Total Current Liabilities		2,051,626	2,286,650
Provisions		197,410	197,410
Loan payable		101,343	66,149
Long-term Liabilities		298,753	263,559
Total Liabilities		$ 2,350,379	$ 2,550,209
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		(18,467,882)	(18,139,049)
Total Shareholders' Deficiency		(858,066)	(529,233)
Total Liabilities and Shareholders' Deficiency		$ 1,492,313	$ 2,020,976

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 Income (Loss)

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

	Note	March 31, 2021	March 31, 2020
Revenue	11,12	$ 470,881	$ 323,504
Cost of goods sold		336,512	122,645
Gross profit		134,369	200,859
Operating Expenses			
Amortization		1,957	2,265
Amortization of right-of-use asset		19,307	19,307
Consulting fees		26,782	38,757
Foreign exchange		344	(15,357)
Professional, investor and agent fees		23,523	24,239
Salaries, management fees and benefits		321,706	258,090
Selling, general and administrative		60,161	57,315
Total operating expenses		453,780	384,616
		(319,411)	(183,757)
Finance costs		(11,308)	(13,204)
Gain on disposal of property and equipment		36	-
Interest expense		(12,543)	(10,688)
Interest income		11	41
Interest on lease liability		-	(2,837)
Other income		14,382	7,545
		(9,422)	(19,143)
Net loss for the period		$ (328,833)	$ (202,900)
Income (loss) per share, basic and diluted		$ (0.005)	$ (0.004)
Weighted average number of shares outstanding		61,752,679	61,752,679

(Expressed in Canadian dollars)

	Share Capital					
	Number	Amount	Share-based payment reserve	Equity component of debentures	Deficit	Total
Balance at December 31, 2019	61,752,679	$ 14,836,687	$ 2,699,081	$ 74,048	$ (18,448,150)	$ (838,334)
Loss for the period					(202,900)	(202,900)
Balance at March 31, 2020	61,752.679	14,836,687	2,699,081	74,048	(18,651,050)	(1,041,234)
Income for the period	-	-	-	-	512,001	512,001
Balance at December 31, 2020	61,752,679	14,836,687	2,699,081	74,048	(18,139,049)	(529,233)
Loss for the period					(328,833)	(328,833)
Balance at March 31, 2021	61,752,679	$ 14,836,687	$ 2,699,081	$ 74,048	$ (18,467,882)	$ (858,066)

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Cash Flow

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars)

		Three months ended March 31, 2021	Three months ended March 31, 2020
Cash provided by (used in) continuing operating activities:			
Loss for the period	$	(328,833)	(202,900)
Items not involving cash:			
Amortization		1,957	2,265
Amortization of right-of-use asset		19,307	19,307
Finance costs on convertible debentures		11,308	13,204
Interest expense		12,543	10,688
Interest expense on lease		-	2,837
Interest free benefit on government loan		(6,882)	-
Gain on disposal of equipment		(36)	-
Changes in non-cash operating working capital:			
Accounts and other receivables		(10,498)	(93,563)
Inventory		153,874	6,291
Contract development costs		(11,496)	(46,136)
Prepaid expenses and deposits		(13,116)	(16,338)
Accounts payable and accrued liabilities		12,177	(12,650)
Deferred Revenue		(4,484)	436,763
Loan payable		2,076	-
Net cash flows provided by (used in) operating activities		(162,103)	119,768
Investing activities			
Acquisition of property and equipment		(2,226)	(4,430)
Proceeds from sale of equipment		225	-
Net cash used in investing activities		(2,001)	(4,430)
Financing activities			
Interest paid on convertible debentures		(10,573)	(3,170) (10,097)
Interest paid on provisions		(5,995)	(6,061)
Lease payments		-	(21,000)
Proceeds from government loan		40,000	-
Repayment of debenture		(250,000)	-
Net cash used in financing activities		(226,568)	(30,231)
Net increase (decrease) in cash		(390,672)	85,107
Cash, beginning of period		816,832	565,925
Cash, end of period	$	426,160	651,032

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

	March 31, 2021	March 31, 2020
Accrued interest on convertible debt	77,061	67,597

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 forestry and carbon sectors.

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

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company has negative working capital at March 31, 2021 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 May 31, 2021.

At March 31, 2021, the Company had a working capital deficiency (current assets less current liabilities) of $579,212 (December 31, 2020 - $304,755). For the period ended March 31, 2021 the Company incurred a loss of $328,833 (2020 - $202,900) and the cash used by operating activities was $162,103 (2020 – cash provided by was $119,768). Significant transactions in the quarter include the principal and interest payment of $253, 822 to the holder of "Debenture C".

(Expressed in Canadian dollars)

3. Accounts and Other Receivables

	March 31, 2021		December 31, 2020	
Trades receivables	$	208,794	$	95,396
Sales tax receivable		-		3,878
Other receivables		30,064		129,086
Total	**$**	**238,858**	**$**	**228,360**

4. Inventory

	March 31, 2021		December 31, 2020	
Work-in-Process				
Project development costs	$	432,246	$	432,246
Finished Goods				
VERs		91,364		245,238
Total	**$**	**523,610**	**$**	**677,484**

5. Contract Development Costs

During the three months ended March 31, 2021, the Company entered into new consulting contracts related to providing advisory and consulting services such as climate risk assessments, feasibility studies, greenhouse gas inventories and methodology development. As at March 31, 2021, the Company capitalized additional $11,496 (2020 - $48,778) in costs related to these contracts.

6. Prepaid Expenses

	March 31, 2021		December 31, 2020	
Prepaid operating expenses	$	9,498	$	17,939
Prepaid VER purchases		168,022		168,886
Advances		6,288		6,366
	$	**183,807**	**$**	**193,191**

(Expressed in Canadian dollars)

7. Deposits

		March 31, 2021		December 31, 2020
Credit card collateral		17,250		17,250
Lease		22,500		-
	$	**39,750**	**$**	**17,250**

8. Accounts payable and accrued liabilities

		March 31, 2021		December 31, 2020
Trade payables	$	255,099	$	184,730
Accrued liabilities		419,980		479,420
Sales tax payable		8,530		-
Total	**$**	**683,610**	**$**	**664,150**

9. 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.

10. Debentures

During the period ended March 31, 2021, the Company recorded finance costs of $11,308 (Mar 2020: $13,204), which represents accrued interest on the debentures. 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.

(Expressed in Canadian dollars)

11. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the period ended March 31, 2021 and 2020 are as follows:

Three months Ended March 31		2021		2020
Salaries and benefits	$	63,538	$	67,443
Consulting fees		7,500		7,500

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

		March 31, 2021		December 31, 2020
Due from related parties	$	500	$	3,163
Due to related parties		99,607		103,430
Accrued debenture interest due to related party		77,062		75,382

Included in payables and accrued liabilities at March 31, 2021 is $17,280 (Dec 31, 2020: $16,959) due to a company who has two directors in common.

During the three months ended March 31 2021, the Company recognized other income of $7,500 (2020 – $7,500) from sub-leasing office space to a company who has one director in common.

Included in convertible debentures is accrued interest of $76,430 (2020 – $73,229) due to a company who has two directors in common and is a significant shareholder of the Company.

Included in accounts payable and accrued liabilities at March 31, 2021 is $10,028 (2020 - $5,129) due to a company who has a director in common.

Included in accounts payables and accrued liabilities at March 31, 2021 is $2,065 (2020 – $nil) due to a director of the Company. Additionally, included in convertible debentures is accrued interest of $633 (2020 - $473).

12. Revenues

Three months Ended March 31		2021		2020
Sale of VERs	$	295,127	$	122,324
Consulting		175,754		201,180
Total	$	470,881	$	323,504

(Expressed in Canadian dollars)

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

Three months Ended March 31		2021		2020
Canada	$	249,970	$	273,284
USA		61,252		50,221
Europe		153,872		-
Other		5,787		-
Total	$	470,881	$	323,504

The Company had concentrated revenues as follows:

Three months Ended March 31	2021	2020
Customer A	33%	18%
Customer B	13%	14%
Customer C	-	10%
Other	54%	58%
	100%	100%

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

14. Events After Reporting Date

Effective April 1, 2021, the Company entered into an agreement with a director for a convertible debenture with a principal sum of $250,000. The debenture accrues 10% simple annual interest and matures in tranches with $50,000 due and payable every six months commencing on the twelve-month anniversary. Principal and interest is convertible to common shares of the Company at $0.125 per common share.

The Company's RSU Plan, adopted on May 4, 2021, provides for the grant of restricted shares to employees, consultants, officers, and directors of the Company. An individual restricted share unit will have the same value as one common share. The number of RSUs awarded, and its associated vesting terms, are determined at the discretion of the Board of Directors. The maximum aggregate number of common shares issuable to participants at any time pursuant to the RSU Plan shall not exceed 10,765,000 Common Shares. Upon each vesting date, participants receive the issuance of common shares from treasury equal to the number of RSUs vesting.

In 2015, the Company adopted a "rolling" stock option plan for its directors, officers, employees and consultants which was approved by its shareholders at the Company's 2015 annual meeting of shareholders (the "2015 Stock Option Plan"). The 2015 Stock Option Plan provided for options to be granted to a maximum, at any one time, of 10% of the issued and outstanding common shares of the Company. In 2020, the Company's Board of Directors adopted an amendment to the 2015 Stock Option Plan such that, on a going forward basis, no more than 1,585,535 incentive stock options, including any currently outstanding, may be issued under the 2015 Stock Option Plan. This amendment (the "Stock Option Plan Amendment") was adopted on **May 4, 2021.** The Stock Option Plan Amendment was required in order for the Company to ensure that the total number of shares subject to its stock incentive plans (the 2015 Stock Option Plan and the RSU Plan) were not in excess of the number permitted under the policies of the Exchange (see "Restricted Share Units" below)."