VIRIDIS ENERGY INC.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2015 and 2014

(Unaudited)

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 financial statements have not been reviewed by an auditor.

The Company’s external auditors, MNP LLP, have not performed a review of these financial statements.

Viridis Energy Inc.
Condensed interim consolidated statements of financial position
(Expressed in Canadian dollars)
As at June 30, 2015 and December 31, 2014
(Unaudited)

		June 30, 2015		December 31, 2014
ASSETS				
Current				
Cash and cash equivalents	**$**	**467,367**	$	1,868,014
Restricted cash (note 5)		**191,043**		190,320
Accounts receivable		**1,024,406**		1,400,077
Inventory (note 6)		**4,659,990**		1,910,772
Prepaid expenses		**398,569**		379,263
		6,741,375		5,748,446
Property, plant and equipment (note 7)		**8,966,044**		9,334,553
	$	**15,707,419**	$	15,082,999
LIABILITIES and SHAREHOLDERS' EQUITY				
Bank overdraft	**$**	**155,383**	$	-
Bank line of credit (note 8)		**200,000**		-
Accounts payable and accrued liabilities		**4,674,747**		3,830,403
Deferred income		**325,212**		123,422
Current portion of loans payable (note 9)		**996,400**		942,293
		6,351,742		4,896,118
Loans payable (note 9)		**9,418,487**		7,038,017
		15,770,229		11,934,135
Shareholders' equity				
Share capital (note 10)	**$**	**31,550,008**	$	31,550,008
Contributed surplus		**4,141,665**		4,141,665
Accumulated deficit		**(34,661,101)**		(31,962,485)
Accumulated other comprehensive loss		**(32,994)**		(7,664)
Equity attributable to shareholders of the company		**997,578**		3,721,524
Non-controlling interest (note 11)		**(1,060,388)**		(572,660)
		(62,810)		3,148,864
	$	**15,707,419**	$	15,082,999

Going concern (note 2b)
Commitments (note 16)
Subsequent events (note 18)

Approved and authorized for issue by the Board of Directors.

"Noah Schankler" — Director

"Christopher Robertson" — Director

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

Viridis Energy Inc.

Condensed interim consolidated statements of loss

(Expressed in Canadian dollars, except number of shares and per share amounts)

For the three and six months ended June 30, 2015 and 2014

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Sales	**$ 5,743,644**	$ 6,649,275	**$ 14,508,778**	$ 12,291,002
Cost of sales (note 12)	**(6,063,208)**	(6,406,158)	**(14,822,065)**	(12,284,765)
Gross profit	**(319,564)**	243,117	**(313,287)**	6,237
Operating expenses				
Selling and marketing (note 12)	**(137,213)**	(110,403)	**(347,275)**	(234,913)
General and administrative (note 12)	**(1,103,992)**	(879,635)	**(2,024,574)**	(1,871,394)
	(1,241,205)	(990,038)	**(2,371,849)**	(2,106,307)
Loss before other items	**(1,560,769)**	(746,921)	**(2,685,136)**	(2,100,070)
Other items				
Foreign exchange gain (loss)	**(32,997)**	(13,636)	**27,221**	(18,503)
Loss on disposal of property plant and equipment	**-**	-	**(5,994)**	-
Finance expense	**(276,618)**	(184,100)	**(506,456)**	(361,395)
Accretion expense	**-**	(20,880)	**(15,979)**	(62,563)
	(309,615)	(218,616)	**(501,208)**	(442,461)
Loss before income tax	**(1,870,384)**	(965,537)	**(3,186,344)**	(2,542,531)
Income tax	**-**	-	**-**	-
Net loss	**$ (1,870,384)**	$ (965,537)	**$ (3,186,344)**	$ (2,542,531)
Net loss attributable to:				
Shareholders of the company	**$ (1,685,303)**	$ (965,537)	**$ (2,698,616)**	$ (2,542,531)
Non-controlling interest	**(185,081)**	-	**(487,728)**	
Net loss	**$ (1,870,384)**	$ (965,537)	**$ (3,186,344)**	$ (2,542,531)
Net loss per share				
Basic and diluted	**$ (0.12)**	$ (0.07)	**$ (0.19)**	$ (0.20)
Weighted average number of common shares outstanding				
Basic and diluted	**13,845,190**	13,847,052	**13,845,190**	12,658,960

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

Viridis Energy Inc.
Condensed interim consolidated statements of comprehensive loss
(Expressed in Canadian dollars)
For the three months ended June 30, 2015 and 2014
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Loss for the period	**$ (1,870,384)**	$ (965,537)	**$ (3,186,344)**	$ (2,542,531)
Other comprehensive income (loss):				
Items that may be reclassified to profit and loss				
Foreign currency translation adjustment	**7,369**	-	**(25,330)**	-
Comprehensive loss for the period	**$ (1,863,015)**	$ (965,537)	**$ (3,211,674)**	$ (2,542,531)
Comprehensive loss attributable to:				
Shareholders of the company	**$ (1,677,934)**	$ (965,537)	**$ (2,723,946)**	$ (2,542,531)
Non-controlling interest	**(185,081)**	-	**(487,728)**	-
Comprehensive loss for the period	**$ (1,863,015)**	$ (965,537)	**$ (3,211,674)**	$ (2,542,531)

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

Viridis Energy Inc.
Condensed interim consolidated statements of changes in equity
(Expressed in Canadian dollars, except number of shares)
As at June 30, 2015 and 2014
(Unaudited)

	Attributable to shareholders of the company						
	Common shares		Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Non-controlling interest	Total shareholders' equity
	Shares	Amount					
Balance, January 1, 2014	**11,429,890**	**27,322,578**	**3,446,376**	**-**	**$ (27,262,809)**	**$ -**	**3,506,145**
Net loss and total comprehensive loss	-	-	-	-	(2,542,531)		(2,542,531)
Contributions by and distributions to shareholders							
Warrants exercised	2,500,000	3,750,000	-	-	-	-	3,750,000
Transfer of contributed surplus on exercise of warrants	-	575,000	(575,000)	-	-	-	-
Bonus shares returned to treasury	(84,700)	(67,760)	-	-	-	-	(67,760)
Balance, June 30, 2014	**13,845,190**	**31,579,818**	**2,871,376**	**-**	**(29,805,340)**	**-**	**4,645,854**
Net loss	-	-	-	-	(2,157,145)	(475,329)	(2,632,474)
Foreign currency translation adjustment	-	-	-	(7,664)	-	-	(7,664)
Stock options granted	-	-	172,958	-	-	-	172,958
Contributions by and distributions to shareholders							
Bonus shares returned to treasury	-	(29,810)	-	-	-	-	(29,810)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Proceeds received following the issuance of shares by subsidiary (note 11)	-	-	-	-	-	1,000,000	1,000,000
Reallocation of non-controlling interest (note 11)	-	-	1,097,331	-	-	(1,097,331)	-
Balance, December 31, 2014	**13,845,190**	**31,550,008**	**4,141,665**	**(7,664)**	**(31,962,485)**	**(572,660)**	**3,148,864**
Net loss	-	-	-	-	(2,698,616)	(487,728)	(3,186,344)
Foreign currency translation adjustment	-	-	-	(25,330)	-	-	(25,330)
Balance, June 30, 2015	**13,845,190**	**31,550,008**	**4,141,665**	**(32,994)**	**(34,661,101)**	**(1,060,388)**	**(62,810)**

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

Viridis Energy Inc.
Condensed interim consolidated statements of cash flows
(Expressed in Canadian dollars)
For the six months ended June 30, 2015 and 2014
(Unaudited)

	Six months ended June 30	
	2015	2014
Operating activities		
Net loss	**$ (3,186,344)**	$ (2,542,531)
Items not affecting cash:		
Depreciation of equipment and leased assets	**680,147**	616,454
Deferred income	**201,790**	(182,871)
Accretion expense	**15,979**	41,683
Interest accrual	**305,924**	112,447
Other	**(25,330)**	-
Bad debt expense	**-**	36,861
Loss on disposal of property, plant & equipment	**5,995**	-
	(2,001,839)	(1,917,957)
Changes in non-cash working capital items (note 17)	**(1,548,509)**	(1,702,205)
Net cash used in operating activities	**(3,550,348)**	(3,620,162)
Investing activities		
Acquisition of property plant and equipment	**$ (301,244)**	$ (954,214)
Proceeds on disposal of property, plant and equipment	**7,000**	-
Cash used in investing activities	**(294,244)**	(954,214)
Financing activities		
Proceeds from bank line of credit	**$ 200,000**	$ -
Proceeds from long-term loans	**2,570,000**	3,486,353
Repayment of loans	**(480,715)**	(3,249,760)
Proceeds from exercise of warrants	**-**	3,682,240
Cash generated by financing activities	**2,289,285**	3,918,833
Net increase (decrease) in cash	**(1,555,307)**	(655,543)
Cash and cash equivalents, beginning of period	**2,058,334**	1,594,246
Cash and cash equivalents, including bank overdraft, end of period	**$ 503,027**	$ 938,703

SUPPLEMENTAL CASH DISCLOSURES

Cash paid for:		
Taxes	**$ -**	$ -
Interest	**$ 194,742**	$ 248,948
Non-cash transactions:		
Finance lease obligations	**$ 23,389**	$ -

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

1. Reporting entity

Viridis Energy Inc. (the "Company") manufactures, markets and distributes softwood pellets and shavings for consumer and industrial customers and arranges transactions between buyers and sellers of alternative energy products. The Company was incorporated under the laws of the Province of British Columbia on June 18, 1998 and the address of its registered office is 1000 - 595 Burrard Street, Vancouver, BC Canada. The Company's common shares are listed on the TSX Venture Exchange under the symbol VRD.

On March 8, 2010, the Company completed the acquisition of Cypress Pacific Marketing Inc. ("Cypress") pursuant to a share purchase agreement dated August 24, 2009. The Company acquired all of the issued and outstanding shares in the capital of Cypress, in consideration of 5.6 million common shares of the Company, issued at $0.50 per share for $2.8 million. The transaction resulted from an arm's length negotiation between the board of directors of the two companies. Cypress specializes in the marketing and distribution of premium softwood pellets. During December 2013, there was a name change from Cypress Pacific Marketing Inc. to Viridis Merchants (Canada) Ltd.

On April 30, 2010, the Company completed the acquisition of Okanagan Pellet Company Inc. (formerly Westwood Fibre Products Inc.) ("Okanagan Pellet") pursuant to a share purchase agreement. The Company acquired all of the issued and outstanding shares in the capital of Okanagan Pellet in consideration of a cash payment of $2,650,000. Okanagan Pellet is a manufacturer of wood pellets and bagged animal bedding shavings.

On February 6, 2012, the Company acquired the assets of a former wood pellet manufacturer, called Enligna Canada Inc., based in Nova Scotia and formed a subsidiary, Scotia Atlantic Biomass Company Limited ("Scotia"), incorporated in Nova Scotia. The assets acquired of $2,500,000 are now owned by Scotia Atlantic Biomass Company Limited. This facility is capable of producing up to 110,000 tons per year of wood pellets and these pellets will primarily be exported to Europe.

On February 28, 2012, the Company incorporated a new subsidiary, 0933841 B.C. Ltd. of which Abellon Clean Energy Inc. owns 51% and 49% by Viridis Energy Inc. 0933841 B.C. Ltd. was formed for the purpose of potential joint ventures between the two companies. On November 21, 2013, this subsidiary was dissolved.

On November 4, 2013, the Company incorporated a new wholly-owned subsidiary, Viridis Merchants Inc. for the purpose of aggregation and trading services between buyers and sellers of alternative energy, including wood pellets.

During the year ended December 31, 2014, the Company disposed 20% of the shares of Scotia for consideration of $1,000,000 (note 11).

The Directors of the Company authorised and approved for release these condensed interim consolidated financial statements on August 18, 2015.

2. Basis of preparation

a. Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the IASB. The policies set out were consistently applied to all of the periods presented unless otherwise noted below. The interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended December 31, 2014. The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS").

b. Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption is not appropriate for these condensed interim consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statements of financial position classifications used.

The Company has incurred operating losses, negative operating cash flows and an accumulated deficit as outlined in the table below. These factors indicate the presence of uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern which is dependent on management's ability to continue to raise adequate financing, generate profitable operations or a combination thereof.

During the six months ended June 30, 2015, the Company received a total working capital loan of $2.57 million primarily for its Scotia operation from Cornwall Investments LLC. Although, the Company's operations continue to be funded by raising funds through the issuance of share capital and loans from related parties; there is no assurance that such financing will be sufficient to sustain operations in the foreseeable future.

These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material.

As of June 30, 2015 and June 30, 2014, the Company reported the following:

	June 30, 2015	June 30, 2014
Net loss for the period	$ (3,186,344)	$ (2,542,531)
Working capital surplus	$ 389,633	$ 1,018,274
Accumulated deficit	$ (34,661,101)	$ (29,805,340)

c. Comparative information

Certain comparative information has been reclassified to conform to the current year's presentation. It was determined that the revised presentation provides more relevant information to users of the Company's financial statements (refer to Note 12).

d. Functional and reporting currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company and the Company's reporting currency. The functional currency of the Company's subsidiaries is Canadian dollars with the exception of Viridis Merchants Inc., which has a functional currency of US dollars. For presentation purposes, the assets and liabilities of Viridis Merchants Inc. are translated into Canadian dollars at the exchange rate in effect at the consolidated statements of financial position. The revenues and expenses of Viridis Merchants Inc. are translated into Canadian dollars at rates in effect at the time of the underlying transactions. Gains and losses arising from the translation of the financial statements into Canadian dollars are recognized in other comprehensive income (loss).

3. Significant accounting policies

The accounting policies and basis of measurement (including the use of estimates and judgements) applied in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2014.

(Expressed in Canadian dollars, except number of shares and per share amounts)

4. Future accounting pronouncements

As at June 30, 2015, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these condensed interim consolidated financial statements. Those which may be relevant to the Company's consolidated financial statements are set out below:

IFRS 9: Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact of these amendments.

IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB released IFRS 15, *Revenue from Contracts with Customers* which will replace IAS 18, *Revenue*, among other standards. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 will also provide guidance for transactions that were not previously addressed, improve guidance for multiple-element arrangements and will result in enhanced disclosures of revenue. IFRS 15 is effective from January 1, 2017, with earlier application permitted. The Company is currently evaluating the impact of these amendments.

5. Restricted cash

As at June 30, 2015, the Company had $191,043 in restricted cash (December 31, 2014 - $190,320). This balance relates to cash instruments that are held for the purposes of engaging in supplier transactions.

6. Inventory

	June 30, 2015	December 31, 2014
Raw materials	$ 1,121,530	$ 508,593
Finished goods	3,170,279	1,153,205
Spare parts	368,181	248,974
	$ 4,659,990	$ 1,910,772

During the six months ended June 30, 2015, the Company recognized $14,822,065 of inventory as an expense (2014 - $12,284,765). During the six months ended June 30, 2015 and 2014, the Company did not write down any inventories.

(Expressed in Canadian dollars, except number of shares and per share amounts)

7. Property, plant and equipment

	Land	Building	Computer equipment and software	Furniture and fixtures	Leasehold improvements	Mobile equipment	Production Equipment	Vehicles	Total
Asset Cost									
Balance - January 1, 2014	$ 29,476	$ 76,945	$ 174,261	$ 131,739	$ 811,337	$ 896,022	$ 11,096,567	$ 349,365	$ 13,565,712
Additions	-	500	4,874	10,550	116,334	636,228	763,069	-	1,531,555
Disposals	-	-	-	-	-	-	(5,278)	-	(5,278)
Balance - December 31, 2014	$ 29,476	$ 77,445	$ 179,135	$ 142,289	$ 927,671	$1,532,250	$ 11,854,358	$ 349,365	$ 15,091,989
Additions	-	-	10,130	-	-	14,413	275,649	24,441	324,633
Disposals	-	-	-	-	-	-	-	(17,800)	(17,800)
Balance - June 30, 2015	$ 29,476	$ 77,445	$ 189,265	$ 142,289	$ 927,671	$1,546,663	$ 12,130,007	$ 356,006	$ 15,398,822
Accumulated Depreciation									
Balance - January 1, 2014	$ -	$ 1,419	$ 89,964	$ 52,155	$ 734,573	$ 257,951	$ 3,145,508	$ 238,766	$ 4,520,336
Depreciation for the year	-	7,127	35,175	11,977	6,954	146,340	1,018,127	11,637	1,237,337
Disposals	-	-	-	-	-	-	(237)	-	(237)
Balance - December 31, 2014	$ -	$ 8,546	$ 125,139	$ 64,132	$ 741,527	$ 404,291	$ 4,163,398	$ 250,403	$ 5,757,436
Depreciation for the year	-	3,421	14,850	7,473	9,592	74,571	564,035	6,205	680,147
Disposals	-	-	-	-	-	-	-	(4,805)	(4,805)
Balance - June 30, 2015	$ -	$ 11,967	$ 139,989	$ 71,605	$ 751,119	$ 478,862	$ 4,727,433	$ 251,803	$ 6,432,778
Carrying amounts									
At December 31, 2014	$ 29,476	$ 68,899	$ 53,996	$ 78,157	$ 186,144	$1,127,959	$ 7,690,960	$ 98,962	$ 9,334,553
At June 30, 2015	$ 29,476	$ 65,478	$ 49,276	$ 70,684	$ 176,552	$ 1,067,801	$ 7,402,574	$ 104,203	$ 8,966,044

The cost amount of capital in process assets for the six months ended June 30, 2015 is $274,422 (December 31, 2014 – $217,690). Included in mobile equipment for the six months ended June 30, 2015 is $797,106 (December 31, 2014 - $839,707) which is accounted for through a finance lease. This amount represents the carrying amount of the assets.

8. Bank line of credit

During the three months ended June 30, 2015, Okanagan Pellet Company increased its line of credit with the Royal Bank of Canada to $1,000,000, which was previously $250,000. The line of credit will be used for general working capital purposes, as well as capital improvement projects. The line of credit bears interest at Royal Bank's prime rate plus 3% per annum, which currently equates to approximately 6%. Borrowings outstanding under this line of credit must not exceed at any time the aggregate of 75% of accounts receivable and 50% of unencumbered inventory (to a maximum of $400,000), less potential prior ranking claims.

As at June 30, 2015, the gross amount of the bank line of credit was $200,000 (December 31, 2014 - $nil).

9. Loans payable

	June 30, 2015	December 31, 2014
Credit facilities	$ 9,790,852	$ 7,283,715
Finance lease liabilities	473,183	529,919
Equipment and property improvement loans	150,852	166,676
	$ 10,414,887	$ 7,980,310

(Expressed in Canadian dollars, except number of shares and per share amounts)

The continuity of the credit facilities are as follows:

	Okanagan Facility	Scotia Facility	Scotia Fibre Loan	RBC Facility	Viridis Facility	Total
January 1, 2014	$ 3,190,176	$ 2,718,634	$ -	$ -	$ -	$ 5,908,810
Gross proceeds	-	-	-	3,250,000	1,535,000	4,785,000
Interest accrued	48,322	246,525	-	-	25,761	320,608
Accretion expense	21,820	85,704	-	-	-	107,524
Repayment	(3,260,318)	-	-	(577,909)	-	(3,838,227)
December 31, 2014	$ -	$ 3,050,863	$ -	$ 2,672,091	$ 1,560,761	$ 7,283,715
Gross proceeds	-	-	1,570,000	-	1,000,000	2,570,000
Interest accrued	-	123,695	38,414	-	143,815	305,924
Accretion expense	-	15,979	-	-	-	15,979
Repayment	-	-	-	(384,766)	-	(384,766)
June 30, 2015	$ -	$ 3,190,537	$ 1,608,414	$ 2,287,325	$ 2,704,576	$ 9,790,852

The future minimum loan payments as at June 30, 2015 are as follows:

Credit facilities, and equipment property improvement loans	
2015	$ 481,155
2016	1,015,260
2017	8,518,291
2018	350,231
2019	13,059
2020	9,263
2021	8,823
2022	9,274
2023	9,531
	10,414,887
Less: current portion	(996,400)
Long-term portion	$ 9,418,487

Payments under finance lease liabilities are as follows:

	June 30, 2015
2015	$ 111,413
2016	174,316
2017	113,361
2018 - 2023	119,486
Total minimum payments	518,576
Future financing charges on finance leases	(45,393)
Present value of finance lease liabilities	$ 473,183

The present value of finance lease liabilities are as follows:

	June 30, 2015
2015	$ 97,545
2016	157,096
2017	103,113
2018 - 2023	115,428
Total minimum payments	$ 473,183

(Expressed in Canadian dollars, except number of shares and per share amounts)

During the three months ended March 31, 2015, the Company entered into leases for capital property with a cost of $24,144 (December 31, 2014 - $594,960). These leases represent non-cash transactions and are accounted for as finance leases. The remaining total minimum payments on the leases are $518,576 (December 31, 2014 - $584,854) and the present value of the finance lease liabilities are $473,183 (December 31, 2014 - $529,919).

During the three months ended March 31, 2015, the Company received additional proceeds relating to the Viridis working capital loan ("Viridis Facility") of $1,000,000 from Cornwall Investments, LLC. The majority of these funds were used for the purposes of procuring a fibre supply for Scotia, as well as working capital requirements. Interest on the loan is compounded monthly at a 12% interest rate per annum with no repayment terms or maturity date.

During the six months ended June 30, 2015, the Company received a working capital loan of $1,570,000 ("Scotia Fiber Loan") from Cornwall Investments, LLC for the purposes of procuring a fibre supply for Scotia. Interest on the loan is compounded monthly at a 10% interest rate per annum with no repayment terms or maturity date. All present and future raw materials purchased, which is held in inventory, is pledged as security to this loan.

10. Share capital

The Company's share capital consists of unlimited authorised common shares, without par value. At June 30, 2015, there were 13,845,190 (December 31, 2014 – 13,845,190) common shares issued and outstanding.

	Common Shares	Amount
Balance, January 1, 2014	11,429,890	$ 27,322,578
Shares issued in 2014	2,500,000	3,750,000
Transfer of contributed surplus on exercise of warrants	-	575,000
Bonus shares returned to treasury	(84,700)	(97,570)
Balance, December 31, 2014	13,845,190	31,550,008
Shares issued in 2015	-	-
Balance, June 30, 2015	13,845,190	$ 31,550,008

a. Options

On March 6, 2015, the Company granted 266,000 stock options to employees exercisable at $1.00 per option. The stock options granted are exercisable for a period of up to five years beginning on March 6, 2016. Included in this option grant is the replacement of 42,500 options that have expired unexercised. The Plan, approved on April 9, 2014 by the Board of Directors, limits the allowable options the Company can allocate to 597,988 shares (5,979,888 shared pre-reverse split).

The following table summarizes the activity under the Company's stock option plan.

	Number of stock options outstanding and exercisable	Weighted average exercise price
Outstanding, January 1, 2014	81,500	$ 2.70
Stock options forfeited	(8,500)	3.50
Stock options granted	194,500	1.80
Outstanding, December 31, 2014	267,500	$ 2.03
Stock options forfeited	(42,500)	3.50
Stock options granted	266,000	1.00
Outstanding, June 30, 2015	491,000	$ 1.34
Options exercisable, June 30, 2015	95,333	$ 1.69

(Expressed in Canadian dollars, except number of shares and per share amounts)

Stock options outstanding are summarized as follows:

Options outstanding				Options exercisable	
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$ 3.50	5,500	0.31	$ 3.50	5,500	$ 3.50
1.00	25,000	2.52	1.00	25,000	1.00
1.80	179,500	4.04	1.80	59,833	1.80
1.80	15,000	4.33	1.80	5,000	1.80
1.00	266,000	4.68	1.00	-	1.00
	491,000	4.28	$ 1.34	95,333	$ 1.69

b. Warrants

A summary of the Company's warrants as at June 30, 2015 is as follows:

	Number of stock warrants	Weighted average exercise price
Balance, January 1, 2014	3,526,049	$ 2.20
Warrants exercised	(2,500,000)	1.50
Warrants expired, July 13, 2014	(826,049)	4.00
Balance, December 31, 2014	200,000	$ 2.20
Warrants exercised	-	-
Balance, June 30, 2015	200,000	$ 3.50

As at June 30, 2015, the Company has 200,000 outstanding warrants enabling holders to acquire common shares as follows:

	Number of stock warrants	Exercise price	Weighted average number of years to expiry
Expiring June 27, 2017	200,000	$ 3.50	1.99

c. Loss per share

The calculation of basic loss per share for the six months ended June 30, 2015 was based on the net loss attributable to the shareholders of the Company of $2,698,616 (June 30, 2014 - $2,542,531) and the weighted average number of common shares outstanding of 13,845,190 (June 30, 2014 – 12,658,960) respectively. The Company does not have any instruments that would give rise to a dilution effect as of June 30, 2015. The Company has 491,000 options and 200,000 warrants that are anti-dilutive and thus, not included in diluted loss per share as of June 30, 2015.

11. Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the proportional net-interest of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

(Expressed in Canadian dollars, except number of shares and per share amounts)

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. As a result, the carrying amount of non-controlling interest was adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary. The difference between this adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received is recognized directly in equity and attributed to shareholders of the Company.

12. Operating costs

Included in the condensed interim consolidated statements of loss are the following amounts noted below. Freight-out has been reclassified and is now being presented within cost of sales. Freight-out was previously reported as an operating expense.

Cost of sales

	Six months ended June 30	
	2015	2014
Material costs	$ 7,931,628	$ 6,535,072
Freight-in	1,981,539	757,134
Freight-out	1,108,750	1,193,786
Employee benefits	989,338	962,495
Overhead	2,153,293	2,245,532
Depreciation	657,517	590,746
	$ 14,822,065	$ 12,284,765

Selling and marketing

	Six months ended June 30	
	2015	2014
Employee benefits and commission	$ 327,143	$ 202,028
Other costs	20,132	32,885
	$ 347,275	$ 234,913

General and administrative

	Six months ended June 30	
	2015	2014
Employee benefits	$ 878,465	$ 677,069
Rent	86,100	82,793
Professional fees	86,292	235,434
Corporate costs	152,045	149,442
Insurance	177,891	194,634
Operating expenses	621,151	506,312
Depreciation	22,630	25,710
	$ 2,024,574	$ 1,871,394

13. Due to related parties and related party transactions

As at June 30, 2015, included in accounts receivable is a total of $20,996 due from Abellon Energy, a former related company of a common director for sales in the normal course of business (December 31, 2014 – $20,996).

During the six months ended June 30, 2015, the Company recognized $2,526 (December 31, 2014 - $16,554) of costs incurred from Gilwern Associates, LLC, a company with a common director for consulting services provided for the period. The costs are included within corporate costs in note 12.

(Expressed in Canadian dollars, except number of shares and per share amounts)

During the six months ended June 30, 2015, the Company recognized $nil (December 31, 2014 - $133,226) of costs incurred from Grannus Financial Advisors, a company with a common director for consulting services provided for the period. The costs are included within corporate costs in note 12.

During the six months ended June 30, 2015, the Company accrued interest on long-term loans of $305,924 (December 31, 2014 – $320,608) to Cornwall Investments LLC, a control person who owns over 75% of the Company's common shares.

All amounts have been recorded at the exchange amount. There are no specific terms and conditions or any security on the above balances, with the exception of the Scotia Fiber Loan in which the Company pledged Scotia's inventory as security.

Compensation of key management personnel

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's Executive Leadership Team. The Executive Leadership Team consists of the CEO and CFO.

Total compensation expense for the six months ended June 30, 2015 for key management personnel, and the composition thereof, is as follows:

	June 30	Salary ($)	Car Allowance ($)	Total ($)
Executive Management	2015	225,000	10,500	235,500
	2014	225,000	10,500	235,500

The Company's key management personnel have not received any other compensation other than the short-term benefits describe above.

14. Segmented information

The Company has one reportable segment, being the manufacturing, distribution and sale of softwood pellets and shavings for consumer and industrial customers. The Company's operations are located in the geographical regions of Canada and the United States.

For the six months ended June 30, 2015, the Company had one customer with sales greater than 10%, specifically 39%. For the six months ended June 30, 2014, the Company had one customer with sales greater than 10%, specifically 56%.

Revenues are generated from the following regions:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Canada	$ 381,328	$ 916,628	$ 1,546,155	$ 1,840,129
USA	2,615,765	1,458,062	6,835,536	2,865,137
Europe	2,513,616	4,087,358	5,763,314	7,398,509
Asia	232,934	187,227	363,772	187,227
	$ 5,743,644	$ 6,649,275	$ 14,508,778	$ 12,291,002

As at June 30, 2015 and 2014, all of the Company's long-lived assets were located in Canada.

15. Financial instruments and financial risk management

(Expressed in Canadian dollars, except number of shares and per share amounts)

Management of capital

The Company classifies its bank line of credit, loans payable and equity, comprising common shares, reserves, contributed surplus and deficit as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash held by the Company.

In order to facilitate the management of its capital requirements, the Company prepares expenditure and cash flow budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions and ongoing operations.

Management of Capital

	June 30, 2015	December 31, 2014
Bank line of credit (note 8)	$ 200,000	$ -
Loans payable (note 9)	$ 10,414,887	$ 7,980,310
Share capital (note 10)	31,550,008	31,550,008
Contributed surplus	4,141,665	4,141,665
Accumulated deficit	(34,661,101)	(31,962,485)
	$ 11,645,459	$ 11,709,498

Categories of financial instruments

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in an active market for an identical item.
Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Valuation techniques using significant unobservable inputs. This category includes those items where the valuation technique includes inputs not based on observable data and the unobservable data have a significant effect on the valuation.

As at June 30, 2015 and December 31, 2014, cash and cash equivalents were assessed to be a level 1 instrument.

The fair value of the Company's cash and cash equivalents, restricted cash, accounts receivable, bank overdraft, bank line of credit, accounts payable and accrued liabilities, and loans to related parties approximate their respective carrying amounts due to their short maturities.

The fair value of the Company's loan payable balance approximates the carrying value as the effective interest rates approximates current market rates.

(Expressed in Canadian dollars, except number of shares and per share amounts)

	Measurement basis	June 30, 2015	December 31, 2014
Financial assets:			
Loans and receivables			
Cash and cash equivalents	Amortized cost	$ 467,367	$ 1,868,014
Restricted cash	Amortized cost	$ 191,043	$ 190,320
Accounts receivable	Amortized cost	$ 1,024,406	$ 1,400,077
Financial Liabilities:			
Other financial liabilities			
Bank overdraft	Amortized cost	$ 155,383	$ -
Bank line of credit	Amortized cost	$ 200,000	$ -
Accounts payable and accrued liabilities	Amortized cost	$ 4,674,747	$ 3,830,403
Loans payable	Amortized cost	$ 10,414,887	$ 7,980,310

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from both customers and on amounts held on deposit in financial institutions. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The aging of trade accounts receivable was as follows:

	June 30, 2015	December 31, 2014
Current	$ 988,016	$ 1,377,237
31 to 60 days	16,917	10,357
61 to 90 days	2,162	7,286
over 90 days	17,312	5,197
	$ 1,024,406	$ 1,400,077

The continuity of the allowance for doubtful accounts was as follows:

Balance - January 1, 2014	$ 68,050
Additions	-
Recoveries	(14,522)
Balance - December 31, 2014	$ 53,528
Additions	8,802
Recoveries	-
Balance - June 30, 2015	$ 62,330

Liquidity risk

The Company manages its liquidity risk by preparing and reviewing actual and forecasted cash flows. There are no assurances that sources of funds will be available to satisfy the ongoing obligations as noted in note 2(b), Going concern.

The following table lists the Company's financial obligations as at June 30, 2015:

	2015	2016	2017	2018	2019-2024	Total
Accounts payable and accrued liabilities	$ 4,674,747	$ -	$ -	$ -	$ -	$ 4,674,747
Loans payable	481,155	1,015,260	8,518,291	350,231	49,950	10,414,887
Commitments	4,396,966	4,531,442	1,561,984	1,618,966	6,545,885	18,655,242
	$ 9,552,868	$ 5,546,702	$10,080,275	$1,969,197	$ 6,595,835	$33,744,877

Cash resources, repayment obligations and spending plans are monitored and actions are taken with the objective of ensuring that there is sufficient capital in order to meet short-term business requirements. To facilitate its expenditure program, funds are raised primarily through investment equity financing. Adequate liquidity is anticipated to fund its financial liabilities through future equity contributions.

Market risk

i. *Interest rate risk*
The Company is exposed to interest rate risk primarily for loans payable which is based on the bank's prime rate plus 3% to 6%. Interest income on deposits is not considered significant.

ii. *Price risk*
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action and generally enters into committed contracts for the supply of commodities used in the manufacturing of pellets.

iii. *Currency risk*
Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rate. At June 30, 2015, the following amounts were denominated in U.S. dollars (amounts below are reported in CAD):

Market Risk

	June 30, 2015	December 31, 2014
Cash and cash equivalents	$ 376,045	$ 1,460,827
Accounts receivable	450,746	657,160
Accounts payable	(3,073,114)	(1,688,776)
	$ (2,246,323)	$ 429,211

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over a one year period.

i. Interest rate risk
Fluctuations in interest rates can impact the interest expense where the interest rate is variable. The loans payable are linked to prime rate and a 3% increase in interest rates would result in an additional interest expense of approximately $312,000 for the year.

ii. Foreign exchange
Fluctuations in foreign currency exchange rates can impact marginally on the value of cash, accounts receivable and accounts payable. A 10% variation in the U.S. Dollar would result in a fluctuation of approximately $(225,000) on net income.

(Expressed in Canadian dollars, except number of shares and per share amounts)

16. Commitments

Lease commitments

The Company leases certain manufacturing and storage facilities under long-term operating leases which expire in 2023.

Leases	As at June 30, 2015
2015	$ 314,916
2016	601,618
2017	511,078
2018	515,514
2019-2023	2,678,721
	$ 4,621,847

Purchase and sales commitments

The Company has entered into various purchase agreements for raw materials:

Purchases	As at June 30, 2015
2015	$ 4,082,050
2016	3,929,823
2017	1,050,906
2018	1,103,452
2019-2024	3,867,164
	$ 14,033,395

The Company is contracted with Ekman & Co. AB a European sales agent to pay commissions of 2.5% on all sales from the Nova Scotia operations through to August 31, 2015.

17. Change in non-cash working capital

	Six months ended June 30	
	2015	2014
Accounts receivable	$ 375,671	$ (463,229)
Inventory	(2,749,218)	(2,429,838)
Prepaid expenses	(19,306)	110,325
Due to related parties	-	(44,373)
Account payable and accrued liabilities	844,344	1,124,910
	$ (1,548,509)	$ (1,702,205)

18. Subsequent events

During August 2015, the Company's wholly owned subsidiary, Viridis Merchants Inc., entered into an agreement to establish a $3,000,000 line of credit with a strategic supplier ("Supplier"). Supplier currently provides Viridis Merchants with freight and packaging services. This line of credit bears interest at 6% per annum and Viridis Merchants has pledged its inventory as security to the line of credit. Commencing in 2017, the line of credit requires Viridis Merchants to maintain a balance of $100 or less for period of 30 consecutive days, annually. Further, commencing in 2017, the line of credit balance available will be the lesser of $3,000,000 or 100% of the value of the collateral (i.e., inventory). The line of credit required no guarantees by Viridis Merchants Inc.'s parent company, Viridis Energy Inc.