



Offsetters Climate Solutions Inc.

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

For the three months ended March 31, 2015

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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.

Offsetters Climate Solutions Inc.

Condensed Consolidated Interim Statements of Financial Position

At March 31, 2015 and December 31, 2014

(Expressed in Canadian dollars)

	Notes	March 31, 2015	December 31, 2014
ASSETS			
Current Assets			
Cash		\$ 471,237	\$ 834,972
Accounts and other receivables	3	199,103	258,937
Inventory	4	271,996	218,616
Prepaid expenses		114,709	93,075
Consideration receivable		531,972	545,247
Total Current Assets		1,589,017	1,950,847
Deposits		233,952	233,952
Property and equipment		39,645	41,388
Intangible assets		96,100	87,400
Total Assets		\$ 1,958,714	\$ 2,313,587
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	5	\$ 395,746	\$ 358,097
Provisions	6	1,486,596	1,504,545
Deferred revenue		92,136	7,143
Total Current Liabilities		1,974,478	1,869,785
Provisions	6	519,863	509,674
Long-term Project Advance		106,690	117,858
Total Liabilities		2,601,031	627,532
Shareholders' Equity			
Share capital	7	13,355,595	13,355,595
Share-based payment reserve	8	2,442,629	2,430,875
Deficit		(16,440,541)	(15,970,200)
Total Shareholders' Equity		(642,317)	(183,730)
Total Liabilities and Shareholders' Equity		\$ 1,958,714	\$ 2,313,587

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

Approved on behalf of the Board:

*"James Tansey"**"Alexander Zang"*

James Tansey, Director

Alexander Zang, Director

OFFSETTERS CLIMATE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three-month periods ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

	Note	March 31, 2015	March 31, 2014
Revenue		\$ 552,131	\$ 1,167,534
Cost of goods sold		92,390	362,082
Gross profit		459,741	805,452
EXPENSES			
Amortization		2,187	2,391
Amortization of intangible		16,300	13,800
Consulting fees		33,892	31,504
Foreign exchange		(48,557)	(65,833)
Professional, investor and agent fees		72,007	56,355
Research & development, and project costs		148,570	24,397
Salaries, management fees and benefits		422,909	513,255
Selling, general and administrative		202,318	158,117
Share-based compensation	8	11,754	16,127
		861,380	750,113
Income (loss) before finance and other items		(401,639)	55,339
Finance items			
Accretion expense	6	(46,055)	(83,441)
Interest income		27	40
Interest expense		(24,899)	(31,250)
Other income		2,225	1,845
		(68,702)	(112,806)
Net and total comprehensive loss for the quarter		\$ (470,341)	\$ (57,467)
Income (loss) per share		\$ (0.015)	(0.0002)
Weighted average number of shares outstanding		30,841,552	30,841,552

OFFSETTERS CLIMATE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Equity
For the three-month periods ended March 31, 2015 and 2014
(Expressed in Canadian dollars)

	Share Capital		Share-based payment reserve	Deficit	Total
	Number	Amount			
Balance at December 31, 2013	30,841,552	\$ 13,355,595	\$ 2,262,353	\$ (14,055,571)	\$ 1,562,377
Share-based compensation	-	-	16,127	-	16,127
Loss for the period	-	-	-	(57,467)	(57,467)
Balance at March 31, 2014	30,841,552	13,355,595	2,278,480	(14,113,038)	1,521,037
Share-based compensation	-	-	152,395	-	152,395
Loss for the period	-	-	-	(1,857,162)	(1,857,162)
Balance at December 31, 2014	30,841,552	\$ 13,355,595	2,430,875	(15,970,200)	(183,730)
Share-based compensation	-	-	11,754	-	11,754
Loss for the period	-	-	-	(470,341)	(470,341)
Balance at March 31, 2015	30,841,552	\$ 13,355,595	\$ 2,442,629	\$ (16,440,541)	\$ (642,317)

OFFSETTERS CLIMATE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Cash Flow
for the three-month periods ended March 31, 2015 and 2014
(Expressed in Canadian dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2014
Cash provided by (used in):		
Operating activities		
Income (loss)	\$ (470,341)	\$ (57,467)
Items not involving cash:		
Amortization of equipment	2,187	2,391
Amortization of intangibles	16,300	13,800
Interest accretion	46,055	83,441
Share-based compensation	11,754	16,127
Unrealized foreign exchange	(43,755)	(66,419)
Bad Debt expense	53,945	-
Changes in non-cash operating working capital:		
Accounts receivable and other receivables	5,889	(783,329)
Inventory and reserve inventory	(53,380)	16,150
Prepaid Expenses	(20,535)	(21,321)
Deposits	-	14,159
Accounts payable and accrued liabilities	32,373	154,150
Provisions	-	3,308
Deferred Revenue	73,825	185,300
Net cash flows used in operating activities	(345,683)	(439,710)
Investing activities		
Intangible asset expenditure	(25,000)	-
Loan receivable	61,207	-
Disposition of property and equipment	(444)	-
Payment for business combination	(53,815)	-
Net cash used in investing activities	(18,052)	-
Increase (decrease) in cash	(363,735)	(439,710)
Cash, beginning of period	834,972	732,190
Cash, end of period	\$ 471,237	\$ 292,480

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

	March 31, 2015	March 31, 2014
Cash paid for interest	24,899	31,250
Cash paid for income taxes	-	-

OFFSETTERS CLIMATE SOLUTIONS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three-month periods ended March 31, 2015 and 2014
(Expressed in Canadian dollars)

1. Nature and Continuance of Operations

Offsetters Climate Solutions Inc. (the "Company") is incorporated under the Business Corporations Act (BC). The Company's head office, principal address, and registered and records office is located at Unit 1000-675 West Hastings Street, Vancouver, British Columbia, V6B 1N2, Canada.

The Company's primary business is the development and sale of carbon offset credits and advisory services in the voluntary and regulated offset markets. In late 2013, the Company entered into an agreement to dispose of its 50% interest in its joint venture with Wildlife Works Carbon and accordingly has classified these as discontinued operations.

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 a working capital deficiency at March 31, 2014 and may require additional funding and/or profitable operations for the upcoming year. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. 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, 2014 and follow the same accounting policies and methods of application as the 2014 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, 2014.

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 May 13, 2015.

OFFSETTERS CLIMATE SOLUTIONS INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three-month periods ended March 31, 2015 and 2014
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3. Accounts and Other Receivables

	March 31, 2015	December 31, 2014
Trades receivables	\$ 271,338	\$ 196,587
Government sales tax receivable	-	8,255
NRC – IRAP	22,526	121,364
Other receivables	26,629	175
Allowance for doubtful accounts	(121,390)	(67,444)
	\$ 199,103	\$ 258,937

4. Inventory

	March 31, 2015	December 31, 2014
Work-in-Process		
Project development costs	\$ 163,741	\$ 123,566
Finished Goods		
VERs	108,255	95,050
	\$ 271,996	\$ 218,616

5. Accounts payable and accrued liabilities

	March 31, 2015	December 31, 2014
Trade payables	\$ 86,728	\$ 165,553
GST payable	34,813	
Accrued liabilities	274,205	192,544
Total	\$ 395,746	\$ 358,097

OFFSETTERS CLIMATE SOLUTIONS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

6. Provisions, Long and Short Term

	March 31, 2015			December 31, 2014		
	Short term	Long term	Total	Short term	Long term	Total
Validation, monitoring & maintenance	\$ 50,000	\$ 96,451	\$ 146,451	\$ 50,000	\$ 96,451	\$ 146,451
Future purchase consideration	1,436,596	423,412	1,860,008	1,454,545	413,223	1,867,768
Total	\$1,486,596	\$519,863	\$2,006,459	\$1,504,545	\$509,674	\$2,014,219

	Validation, Monitoring, & Maintenance	Future Purchase Consideration	Total
Balance, December 31, 2014	\$ 146,451	\$ 1,867,768	\$ 2,014,219
Payments	-	(53,815)	(53,815)
Interest accretion	-	46,055	46,055
Balance, March 31, 2015	\$ 146,451	\$ 1,860,008	\$ 2,006,459

7. Share Capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued

There were no changes to share capital in the first three months of 2015.

8. Share Options

The following table summarizes the continuity of the Company's share options at March 31, 2015:

	Number of options	Weighted Average exercise price
Outstanding, December 31, 2013	2,975,000	0.21
Forfeited or expired	(1,550,000)	0.20
Granted	2,500,000	0.15
Outstanding, December 31, 2014	3,925,000	\$ 0.17
Outstanding, March 31, 2015	3,925,000	0.17

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8. Share Options (cont'd)

During the three-months ending March 31, 2015, the Company recognized \$11,754 (2014 - \$16,127) in share-based compensation for share options that vested during the period.

Options outstanding and exercisable as at March 31, 2015 were as follows:

Expiry Date	Number of Options Outstanding	Exercise Price	Number of Options Exercisable
January 12, 2018	1,250,000	0.21	1,250,000
January 25, 2018	275,000	0.21	275,000
September 30, 2018	150,000	0.15	150,000
April 8, 2019	2,250,000	0.15	1,468,750
	3,925,000		3,293,750

Weighted Average Fair Value of Options Granted
 2013 - \$ 0.21
 2014 - \$ 0.18

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

	March 31, 2015	December 31, 2014
Risk-free interest rate	1.49%	1.49%
Expected life (in years)	4.74	4.74
Expected volatility	100%	100%
Expected dividend rate	- %	- %

9. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the year ended March 31, 2015 and 2014 are as follows:

	March 31, 2015	March 31, 2014
Salaries, management fees and benefits	\$ 147,045	\$ 102,788
Share-based payments (i)	2,202	9,973

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

Amounts due to/from related parties at March 31, 2014 and December 31, 2014 included in accounts & other receivables, accounts payable and accrued liabilities are as follows:

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9. Related Party Transactions and Balances (cont'd)

	March 31, 2015	December 31, 2014
Due from related parties	\$ 139,444	\$ 67,444
Due to related parties	(43,718)	(35,041)

In During the three months ended March 31, 2015, sales revenues of \$Nil (2013 - \$633,000) were recognized from a customer who has two directors in common and is a significant shareholder of the Company

Included in receivables at March 31, 2015 is \$139,444 (March 31, 2014 - \$Nil) to a company with an officer in common. The receivable included \$118,377 in management fees, the balance consisting of GST and reimbursable expenses. The receivable related to management fees has a full provision applied against it.

Included in receivables at March 31, 2015 is \$Nil (2014 - \$35,616) owed from a company controlled by a director. The Company had fully provided for this receivable in the 2014.

Consulting fees of \$5,400 (2014: \$ nil) were paid to the Centre for Social Innovation & Impact Investing at the Sauder School of Business for services related to administrative support for the Company's CEO, who is also the Executive Director of the Centre.

10. Revenues

	March 31, 2015	March 31, 2014
Sale of VERs	\$ 103,375	\$ 760,862
Consulting	388,506	406,672
Management fees	60,250	-
Total	\$ 552,131	\$ 1,167,534

11. Segmented Information

The Company has one reportable segment, being that of the development and sale of VERs.

Revenues

	March 31, 2015	March 31, 2014
Germany	\$ -	\$ 633,000
Canada	532,982	483,656
Other	19,149	50,879
Total	\$ 552,131	\$ 1,167,534

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(Expressed in Canadian dollars)

11. Segmented Information (cont'd)

The Company had concentrated revenues as follows:

	March 31, 2015	March 31, 2014
FCG	-	54%
Customer A	47%	
Customer B	11%	-
Customer C	-	14%
Other	42%	32%
	100%	100%

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

12. Events After the Reporting Date

There are no significant events after the reporting date.