OFFSETTERS

Offsetters Climate Solutions Inc.

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

For the three months and six ended June 30, 2015

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	June 30, 2015	December 31, 2014
ASSETS			
Current Assets			
Cash		$ 428,089	$ 834,972
Accounts and other receivables	3	290,814	258,937
Inventory	4	352,968	218,616
Prepaid expenses		128,177	93,075
Consideration receivable	5	524,580	545,247
Total Current Assets		1,724,628	1,950,847
Deposits		233,952	233,952
Property and equipment		42,472	41,388
Intangible assets		74,800	87,400
Total Assets		$ 2,075,852	$ 2,313,587
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	$ 512,195	$ 358,097
Provisions	7	1,521,519	1,504,545
Deferred revenue		476,099	7,143
Total Current Liabilities		2,509,813	1,869,785
Provisions	7	530,165	509,674
Long-term Project Advance		106,690	117,858
Total Liabilities		3,146,667	627,532
Shareholders' Equity			
Share capital	8	13,355,595	13,355,595
Share-based payment reserve	9	2,449,502	2,430,875
Deficit		(16,875,913)	(15,970,200)
Total Shareholders' Equity		(1,070,816)	(183,730)
Total Liabilities and Shareholders' Equity		$ 2,075,852	$ 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 six-month periods ended June 30, 2015 and 2014
(Expressed in Canadian dollars)

	Note	June 30, 2015	June 30, 2014
Revenue		$ 1,374,449	$ 2,483,423
Cost of goods sold		382,584	810,460
Gross profit		991,865	1,672,963
EXPENSES			
Amortization		4,816	5,539
Amortization of intangible		37,600	27,600
Consulting fees		78,073	49,702
Foreign exchange		(40,644)	(9,273)
Professional, investor and agent fees		149,380	116,406
Research & development, and project costs		260,514	82,720
Salaries, management fees and benefits		830,109	1,005,129
Selling, general and administrative		426,702	324,444
Share-based compensation	9	18,628	113,494
		1,765,177	1,715,761
Income (loss) before finance and other items		(773,313)	(42,798)
Finance items			
Accretion expense	7	(91,279)	(161,577)
Interest income		53	115
Interest expense		(48,553)	(56,944)
Loss on disposal		-	(16)
Other income		7,379	5,889
		(132,400)	(212,533)
Net and total comprehensive loss for the period		$ (905,713)	$ (255,331)
Income (loss) per share		$ (0.030)	(0.008)
Weighted average number of shares outstanding		30,841,552	30,841,552

OFFSETTERS CLIMATE SOLUTIONS INC.
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
For the three-month periods ended June 30, 2015 and 2014
(Expressed in Canadian dollars)

	Note	June 30, 2015	June 30, 2014
Revenue		$ 822,318	$ 1,315,888
Cost of goods sold		290,194	448,378
Gross profit		532,124	867,510
EXPENSES			
Amortization		2,629	3,148
Amortization of intangible		21,300	13,800
Consulting fees		44,181	18,197
Foreign exchange		7,913	56,560
Professional, investor and agent fees		77,373	60,051
Research & development, and project costs		111,944	58,324
Salaries, management fees and benefits		407,200	491,874
Selling, general and administrative		224,384	166,327
Share-based compensation	9	6,874	97,366
		903,798	966,195
Income (loss) before finance and other items		(371,674)	(98,137)
Finance items			
Accretion expense	7	(45,224)	(78,136)
Interest income		26	75
Interest expense		(23,654)	(25,694)
Loss on disposal of fixed asset			(16)
Other income		5,154	4,044
		(63,699)	(99,727)
Net and total comprehensive loss for the quarter		$ (435,372)	$ (197,864)
Income (loss) per share		$ (0.014)	(0.006)
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 six-month periods ended June 30, 2015 and 2014
(Expressed in Canadian dollars)

	Share Capital				
	Number	**Amount**	**Share-based payment reserve**	**Deficit**	**Total**
Balance at December 31, 2013	30,841,552	$ 13,355,595	$ 2,262,353	$ (14,055,571)	$ 1,562,377
Share-based compensation	-	-	113,494	-	113,494
Loss for the period	-	-	-	(255,879)	(255,879)
Balance at June 30, 2014	30,841,552	13,355,595	2,278,480	(14,311,450)	1,419,992
Share-based compensation	-	-	55,028	-	55,028
Loss for the period	-	-	-	(1,658,750)	(1,658,750)
Balance at December 31, 2014	30,841,552	$ 13,355,595	2,430,875	(15,970,200)	(183,730)
Share-based compensation	-	-	18,628	-	18,628
Loss for the period	-	-	-	(905,713)	(905,713)
Balance at June 30 , 2015	30,841,552	$ 13,355,595	$ 2,449,503	$ (16,875,913)	$ (1,070,815)

OFFSETTERS CLIMATE SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flow
For the six-month periods ended June 30, 2015 and 2014
(Expressed in Canadian dollars)

	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash provided by (used in):		
Operating activities		
Income (loss)	$ (905,713)	$ (255,605)
Items not involving cash:		
Amortization of equipment	4,816	5,539
Amortization of intangibles	37,600	27,600
Interest accretion	91,280	161,577
Loss on disposal of equipment	-	16
Share-based compensation	18,628	113,494
Unrealized foreign exchange	(52,561)	(19,600)
Bad Debt expense	114,705	-
Changes in non-cash operating working capital:		
Accounts receivable and other receivables	(146,584)	258,508
Inventory and reserve inventory	(134,352)	(84,854)
Prepaid Expenses	(34,187)	16,585
Deposits	-	-
Accounts payable and accrued liabilities	165,204	(106,185)
Provisions	-	(1,358)
Deferred Revenue	457,788	(24,547)
Net cash flows used in operating activities	(383,376)	98,243
Investing activities		
Intangible asset expenditure	(25,000)	-
Loan receivable	61,207	676,110
Disposition of property and equipment	(5,900)	900
Payment for business combination	(53,814)	(250,000)
Net cash used in investing activities	(23,507)	412,714
Increase (decrease) in cash	(406,883)	525,253
Cash, beginning of period	834,972	292,480
Cash, end of period	$ 428,089	$ 817,733

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

	June 30, 2015	June 30, 2014
Cash paid for interest	48,553	25,694
Cash paid for income taxes	-	-

OFFSETTERS CLIMATE SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flow
For the three-month periods ended June 30, 2015 and 2014
(Expressed in Canadian dollars)

	Three months ended June 30, 2015	Three months ended June 30, 2014
Cash provided by (used in):		
Operating activities		
Income (loss)	$ (435,372)	$ (198,138)
Items not involving cash:		
Amortization of equipment	2,629	3,148
Amortization of intangibles	21,300	13,800
Interest accretion	45,224	97,366
Loss on disposal of equipment	-	16
Share-based compensation	6,874	78,136
Unrealized foreign exchange	(15,342)	45,766
Bad Debt expense	57,856	-
Changes in non-cash operating working capital:		
Accounts receivable and other receivables	(149,566)	258,508
Inventory and reserve inventory	(80,972)	(84,854)
Prepaid Expenses	(7,217)	16,585
Deposits	383,963	-
Accounts payable and accrued liabilities	132,931	(106,185)
Provisions	-	(1,358)
Deferred Revenue	-	(24,547)
Net cash flows used in operating activities	(37,692)	98,243
Investing activities		
Intangible asset expenditure	-	-
Loan receivable	-	676,110
Disposition of property and equipment	(5,456)	900
Payment for business combination	-	(250,000)
Net cash used in investing activities	(5,456)	412,714
Increase (decrease) in cash	(43,148)	525,253
Cash, beginning of period	471,237	292,480
Cash, end of period	$ 428,089	$ 817,733

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

	June 30, 2015	June 30, 2014
Cash paid for interest	23,655	25,694
Cash paid for income taxes	-	-

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 June 30, 2015 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 August 28, 2015.

(Expressed in Canadian dollars)

3. Accounts and Other Receivables

	June 30, 2015	December 31, 2014
Trades receivables	$ 469,282	$ 196,587
Government sales tax receivable	-	8,255
NRC – IRAP	-	121,364
Other receivables	3,682	175
Allowance for doubtful accounts	(182,150)	(67,444)
	$ 290,814	$ 258,937

4. Inventory

	June 30, 2015	December 31, 2014
Work-in-Process		
Project development costs	$ 208,956	$ 123,566
Finished Goods		
VERs	144,012	95,050
	$ 352,968	$ 218,616

5. Consideration Receivable

Effective January 1, 2012, the Company entered into 50/50 joint venture agreement with Wildlife Works LLC ("WWC"). In October 2013, the Company entered into an agreement to sell its interest in the Mai Ndombe Joint Venture Project to WWC.

Under terms of the agreement, WWC was to pay a total of US$1,800,000 in a series of instalment payments over the period of December 17, 2013 to December 15, 2015.

All instalment payments were received, but the final payment was amended whereby WWC would pay US $50,000 (received in March 2015) and a further US $140,000 on or before each of June 30, 2015, October 31, 2015 and December 15, 2015.

WWC has not paid the US$140,000 due on June 30, 2015 and is in default. The Company has notified WWC of their default and is investigating further action.

Consideration receivable of $524,580 (US $420,000) remains outstanding at June 30, 2015.

6. Accounts payable and accrued liabilities

	June 30, 2015	December 31, 2014
Trade payables	$ 222,807	$ 165,553
GST payable	16,514	
Accrued liabilities	272,874	192,544
Total	$ 512,195	$ 358,097

(Expressed in Canadian dollars)

7. Provisions, Long and Short Term

	June 30, 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	1,471,519	433,714	1,905,233	1,454,545	413,223	1,867,768
Total	$1,521,519	$530,165	$2,051,684	$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	-	91,280	91,280
Balance, June 30, 2015	$ 146,451	$ 1,905,233	$ 2,051,684

8. 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.

9. Share Options

The following table summarizes the continuity of the Company's share options at June 30, 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, June 30, 2015	3,925,000	0.17

During the three and six-months ending June 30, 2015, the Company recognized $6,873 and $18,627 (2014 - $97,366, 113,494) in share-based compensation for share options that vested during the period.

(Expressed in Canadian dollars)

9. Share Options (cont'd)

Options outstanding and exercisable as at June 30, 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:

	June 30, 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	- %	- %

10. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the six months ended June 30, 2015 and 2014 are as follows:

Six Months Ended June 30	2015	2014
Salaries, management fees and benefits	$ 307,775	$ 333,726
Share-based payments (i)	3,518	49,866

Three Months Ended June 30	2015	2014
Salaries, management fees and benefits	$ 148,629	$ 148,629
Share-based payments (i)	1,316	39,893

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

(Expressed in Canadian dollars)

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

Amounts due to/from related parties at June 30, 2015 and December 31, 2014 included in accounts & other receivables, accounts payable and accrued liabilities are as follows:

	June 30, 2015	December 31, 2014
Due from related parties	$ 182,150	$ 67,444
Due to related parties	(45,294)	(35,041)

In During the three and six months ended June 30, 2015, sales revenues of $Nil (2014 - $1,230,000 and $615,000 respectively) were recognized from a customer who has two directors in common and is a significant shareholder of the Company

Included in receivables at June 30, 2015 is $182,150 (June 30, 2014 - $Nil) to a company with an officer in common. The receivable included $179,583 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 June 30, 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.

During the three and six months ended June 30, 2015, Consulting fees of $5,400 and $12,600 (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.

11. Revenues

Six Months Ended June 30	2015	2014
Sale of VERs	$ 416,109	$ 1,811,487
Consulting	845,436	671,936
Management fees	112,904	
Total	$ 1,374,449	$ 2,483,423

Three Months Ended June 30	2015	2014
Sale of VERs	$ 312,734	$ 1,050,626
Consulting	456,930	265,262
Management fees	52,654	
Total	$ 822,318	$ 1,315,888

(Expressed in Canadian dollars)

12. Segmented Information

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

Revenues

Six Months Ended June 30	2015	2014
Germany	$ n/a	$ 1,256,811
Canada	1,249,447	1,114,119
Other	125,002	112,493
Total	$ 1,374,449	$ 2,483,423

Three Months Ended June 30	2015	2014
Germany	$ n/a	$ 623,811
Canada	716,465	619,842
Other	105,853	72,235
Total	$ 822,318	$ 1,315,888

The Company had concentrated revenues as follows:

Six Months Ended June 30	2015	2014
Customer C	37%	n/a
FCG	n/a	50%
Other	63%	50%
	100%	100%

Three Months Ended June 30	2015	2014
FCG	n/a	47%
Customer A	n/a	14%
Customer B	n/a	10%
Customer C	30%	n/a
Customer D	15%	10%
Other	55%	19%
	100%	100%

(Expressed in Canadian dollars)

13. Events After the Reporting Date

Payment to Third Party Seller of OCT and CCC
On July 2, 2015, the Company failed to make a US$140,000 payment to the Third Party Seller of OCT and CCC. The Company is in discussions with the Third Party Seller related to this payment.

Acquisition of ForestFinest Consulting
On July 21, 2015, the Company purchased 100% of the issued and outstanding shares of ForestFinest Consulting GmbH, and 15% of the issued and outstanding securities of Forest Finance France SAS from Forest Finance Service GmbH.

The consideration is being issued in two tranches. The first tranche of 11,633,500 shares was issued by the Company out of treasury in July 2015.

The second tranche to be issued will be a minimum of zero (0) and a maximum of 5,181,500 shares. The Shareholder Exchange Agreement has established a formula, based on the average of free cashflow from 2014 to 2015. Forest Finance can earn up to the maximum additional 5,181,500 common shares provided these assets achieve audited 2015 cashflows of at least 154,173€ (CDN $219,965)

The aggregate amount of the total acquisition consideration is $979,211, comprised as follows:

Consideration:		**Fair Value**	**Note:**
Fair value of shares issued	$	814,345	(i)
Future consideration		164,866	(ii)
Total Consideration	$	979,211	

(i) The fair value of shares issued was determined by multiplying the number shares issued by the share price of the Company on July 20, 2015.

(ii) Future consideration represents the discounted expected second tranche share issue. A discount rate of 10% was used. The Company estimated the fair value of the 2015 cashflow figure from the income statement. The minimum share issue of zero (0) and maximum share issue of 5,181,500 shares formed the basis for the range of estimates.

The purchase price was allocated as follows:

Purchase Price Allocation		**Fair Value**
Cash	$	13,734
Accounts and other receivables		194,717
Prepaid expenses		474
Goodwill		993,253
Accounts payable and accrued liabilities		(58,130)
Deferred revenue		(164,837)
Total Purchase Price	$	979,211

The goodwill represents brand value and reputation, key customer relationships, personnel and existing projects that are not separately identified.

13. Events After the Reporting Date (cont'd)

Convertible Debenture

On July 27, 2015, the Company entered into a convertible debenture agreement (the "Debenture"). The Debenture is between WBZ GmbH ("WBZ"), a German company, and Naturebank Asset Management Inc. ("Naturebank"), a wholly owned subsidiary of the Company. The Debenture calls for WBZ to lend a total of $280,000 to Naturebank (received August 2015). The Debenture bears interest at 5% per annum simple interest and can be converted at any time at the lesser of (i) $3.50 per common share of Naturebank; or (ii) that price which is the last price paid by any arm's length party for common shares of Naturebank subject to the requirement that conversion of the Debenture cannot result in issuance of shares representing more than a 7.5% interest in Naturebank. The Debenture may be converted at any time by WBZ but WBZ cannot demand repayment for a period of two years. The Debenture can be prepaid by Naturebank at any time. WBZ GmbH is an existing shareholder of the Company, and is 50% owend by Alexander Zang, a Director of the Company