# NatureBank Asset Management Inc.

(formerly Offsetters Climate Solutions Inc.)

Management's Discussion & Analysis
for years ended December 31, 2015 and 2014

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## Preface

Prepared in accordance with National Instrument 51-102 *Continuous Disclosure Obligations*, the following Management's Discussion and Analysis (“MD&A”) of NatureBank Asset Management Inc. (formerly Offsetters Climate Solutions, Inc) (the “Company” or "NatureBank") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015 and 2014 and the notes thereto.. This MD&A is prepared as of April 29, 2016.

The consolidated financial statements of the Company are prepared in accordance with IAS 34 unless otherwise stated. The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, ERA Ecosystem Restoration Associates Inc., Era Ecosystem Services U.S., Offsetters Clean Technology Inc., Forest Finest Consulting GmbH, Carbon Credit Corp and Naturebank Technology Inc. The financial statements are reported in Canadian dollars (unless otherwise stated), which is the functional currency of the Company.

The consolidated financial statements and the MD&A have been reviewed and approved by the board of directors of the Company.

## Forward looking statements

This MD&A includes forward-looking statements including in particular forward-looking statements regarding working capital, access to financing, the ability of the Company’s projects with recurring verifications to retain their validation status within the scope of changes in voluntary or regulated standards or guidance, the ability of counterparties to sale or purchase contracts to remain going concerns, and possible changes in greenhouse gas emissions regulation in the United States, Canada, Europe or other jurisdictions. Where forward-looking statements are included, the material assumptions underlying them and the risk factors affecting them are referenced. Except for historical information contained in this MD&A, the following disclosures are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of applicable Canadian provincial securities laws or are future oriented financial information and, as such, are based on an assumed set of economic conditions and courses of action. Please refer to the cautionary note regarding the risks associated with forward-looking statements at the back of this MD&A and the “Business Risks and Uncertainties” section of this MD&A.

The Company does not intend, and does not intend to assume any obligation, to update these forward-looking statements or information to reflect changes in assumptions or circumstances or any other events affecting such statements or information other than as required by applicable law. Where a material change to forward-looking statements occurs and its disclosure is required by applicable law, that material change is disclosed as soon as practicable in a news release and material change report and, when applicable, is included with future MD&A and other continuous disclosure documents. All material changes to forward-looking statements are made available on SEDAR at www.sedar.com

# What happened to ERA and Offsetters?

ERA Carbon Offsets Ltd. established operations in 2004 and was listed on the TSX Venture Exchange (“TSX-V”) through the reverse takeover of Interim Capital Corp. in 2008.

In December, 2012, ERA acquired Offsetters Clean Technology Inc. and Carbon Credit Corp.

ERA Carbon Offsets Ltd. changed its name to Offsetters Climate Solutions Inc. in March 2013 to capitalise on the strong customer-facing branding of Offsetters.

The Company incorporated a wholly owned subsidiary in Nevada, Era Ecosystem Services U.S. Inc., in November 2013.

In August, 2014, the Company incorporated a wholly owned subsidiary, Naturebank Asset Management, Inc. in British Columbia. On October 6, 2015, the subsidiary Naturebank Asset Management was renamed Naturebank Technology, Inc., in British Columbia.

In July, 2015 the Company acquired Forest Finest Consulting GmbH, a German company.

On October 20, 2015, Offsetters Climate Solutions Inc. was formally rebranded as NatureBank Asset Management Inc. and continues to trade under the ticker symbol “COO” on the TSX-V. The Offsetters retail brand, which focuses on the voluntary carbon offset market, continues to operate under Offsetters.

In this MD&A, we refer to Offsetters Clean Technology Inc. as “OCT”, Carbon Credit Corp. as “CCC”, ERA Ecosystem Restoration Associates Inc. as “ERA”, Era Ecosystem Services US Inc. as “ESU”, Naturebank Technology Inc. (formerly Naturebank Asset Management Inc.) as “NBT” and Forest Finest Consulting GmbH as “Forest Finest” or “FFC”.

# Overview of our business

NatureBank focuses on the sourcing, financing, development, and commercialization of sustainable commodity projects across the agro-forestry and carbon sectors, in addition to offering advisory, technology and impact investment services to leading public and private organizations worldwide.

The Company's core expertise lies in the development of commodities such as UTZ certified sustainable cocoa and FSC certified timber. NatureBank projects are located across multiple jurisdictions including Peru, Panama, Vietnam and Africa, and deliver high quality commodities while improving the ecological, environmental and social circumstances of the project areas.

In addition to agro-forestry, NatureBank has world leading expertise in the development of carbon offset projects, particularly those involving forestry and agriculture land-use. The Company has developed some of the largest and most sophisticated carbon offset projects in the world, including those completed in Canada, the United States, South America, and in the Democratic Republic of the Congo.

The Company is growing its portfolio of projects across the agro-forestry and carbon space by exploring opportunities for strategic joint ventures with sustainable and impact investment funds and through the deployment of equity capital. Future investments will focus on sustainable development of natural assets where long-term investment returns are maximized and climate change risk is mitigated.

In July 2015, the Company completed its acquisition of certain assets of Forest Finance Service GmbH ("Forest Finance"), significantly expanding the technical expertise and scope of offerings of NatureBank. Forest Finance is a German based company that has focused on "investing" in forests for more than 20 years, establishing and sustainably managing diverse mixed forests and cacao plantations for 15,000 client investors. Having managed the deployment of more than $100 million USD in Panama, Colombia, Peru and Vietnam, Forest Finance has become the leading direct forest investment provider in Europe, managing more than 16,000 hectares of forest and agro-forest areas, with a strong emphasis on blending economy with social impact and ecology. The acquisition merged Forest Finance's consulting and natural asset management capacity, a company operating as Forest Finest with NatureBank's ecosystem management business, expanding the Company's platform of ecosystem expertise. In addition, the acquisition included Forest Finest's European retail voluntary carbon offset brand, $CO_2$OL Natural Carbon Collection, which complements NatureBank's carbon retail presence in North America.

This acquisition created an international company focused on sustainable commodities spanning from agro-forestry to carbon, with firm ties to both European and North American markets, and project experience that spans North and South America, Central America, Southeast Asia and Africa.

NatureBank currently generates a significant portion of its revenue through the development and sale of emissions reductions (carbon offsets) that are marketed to both voluntary (non-compliance) and regulated (compliance) buyers. Compliance buyers are regulated by provincial, state level or federal policy, and required to reduce emissions, which in many cases allows for the use of compliant grade carbon offsets. Voluntary buyers often choose to reduce their emissions impact by buying offsets to compensate for their emissions as part of a corporate social sustainability agenda. Additionally, the company generates meaningful revenue from a corresponding suite of advisory services delivered to companies along the offset supply chain which includes large private landowners, First Nations, international governments, non-governmental organisations (NGOs) and a variety of small, medium and large corporations. The Company intends to grow its existing revenue streams in the carbon sector as compliant markets continue to mature, and expects to grow its advisory services revenue in tandem. Following the acquisition of Forest Finest, the Company is increasingly focused on establishing and growing revenue generation from the implementation, development and commercialization of a variety of agro-forestry projects, specifically within the sustainable cocoa and timber sectors.

## Markets

The Company has established a leadership position in two core sectors - the sustainable agro-forestry sector, with specific expertise in cocoa and timber, and the international carbon market (for both voluntary and compliant carbon offsets).

Agriculture and Farmland funds have raised more than USD $3.9 billion in private equity in 2015 thus far, matching the $3.9 billion raised in 2014. Timberland has brought in $1.1 billion. Both sectors continue to see robust investment. Data indicates that agriculture and farmland have attracted increasing funding since 2009, growing from $0.5 billion to more than $3.9 billion this year. While the main focus of investment has been North America (37%), roughly 27% was allocated to funds focused on several regions, while Asia attracted 11%, Australasia 7% and Latin America 6%. Since 2010, approximately 59% of capital invested has been directed to North America, with Latin America attracting 19%, Australasia 11%, and Africa, Asia and Europe each pulling in about 2%.

NatureBank has focused its agroforestry expertise in Latin America and Asia, on the sustainable development of cocoa projects and renewable timber. The key driver for NatureBank's growing focus on cocoa is the increasing international demand for cocoa, especially sustainably produced cocoa. The International Cocoa Organization ("ICCO") suggests that the supply and demand for cocoa between 2013 and 2023 will grow from just over 4 million tonnes to over 4.7 million tonnes. The expected growth in annual demand necessitates increasing output by the equivalent of the present production of Cote d'Ivoire, the world's current leading cocoa producer. Sustainability of production and supply chain has become very important – twelve of the world's largest chocolate and cocoa companies have signed agreements to make cocoa farming more sustainable in Africa, while companies such as Mars, Hershey and Ferrero aim to source 100% certified cocoa by 2020. If you look at macro trends, organic products presently account for just 5% of US food sales in 2015, but that 5% is growing annually, and is already worth over $39 billion.

The voluntary carbon market continues to show resilience and has demonstrated its maturity by serving as a valued early supplier of offsets to multiple jurisdictions that have gradually adopted compliance based emissions reduction policies over time. According the 2015 report, "Ahead of the Curve: State of the Voluntary Carbon Markets 2015", companies, governments and individuals have spent just under USD $4.5 billion over the last 10 years on conservation and clean energy by purchasing more than 1 billion carbon offsets. In 2014, there were approximately 87 million tonnes of voluntary carbon offsets transacted, with a total value of roughly $395 million. While the market for voluntary offsets has grown and contracted over the last decade, it has average roughly 85 million tonnes a year in transactions with an average value of approximately $414 million, a trend that is expected to be consistent over the coming years.

The voluntary market is largely driven by corporations who engage in a process of reducing their environmental footprints through a process of measuring, reducing and offsetting their greenhouse gas emissions. These buyers use the offsetting process as a way to demonstrate a social or environmental commitment, and to engage employees, customers and stakeholders in a discussion of the impacts of climate change on our environment. The voluntary social responsibility market has traditionally been a source of innovation in carbon projects and standards development, as well as a path to supporting environmentally and socially beneficial projects that are excluded from regulated/compliant schemes, such as REDD+ projects (Reduced Emissions from Deforestation and forest Degradation projects, which actively protect large areas of tropical rainforest while delivering tangible economic and social benefits to vulnerable communities). Increasingly, as numerous jurisdictions around the world adopt emissions reduction policies, soon-to-be regulated buyers often find themselves supporting specific voluntary carbon standards that are made fungible as early action options for their respective compliance schemes. California is a great example, where certain voluntary Climate Action Reserve projects where adopted by the Air Resource Board for use under their now operating compliance cap and trade system.

To date, NatureBank has commercialized in excess of 2.5 million tonnes of carbon dioxide equivalent (CO2e) into the voluntary markets since inception in 2005. The Company has developed a wide selection of projects across a variety of jurisdictions, using a number of internationally recognized protocols including those from the Verified Carbon Standard, the Gold Standard, the Climate, Community and Biodiversity Alliance Standard, the California Air Resource Board (now compliant), the Alberta Specified Gas Emitters Regulation (compliant), and the British Columbia Emissions Offset Regulation (pre-complaint). Collectively, these projects will deliver in excess of 200 million tonnes of carbon offsets over their projected lives.

Compliance carbon markets are established by legislation at either a provincial or state level, and from time to time, at a federal level. Policy that puts a cap on overall greenhouse gas emission (GHG) levels generally take the form of a cap and trade system, where emissions are capped, and certain market based systems are employed to allow those regulated companies some flexibility in dealing with their obligations over time. Such policy compels companies (often referred to as “large final emitters” or “LFE’s”) to reduce their greenhouse gas emissions through a system that employs “emissions permits” (often called “allowances”), which gives the LFE a permit to emit a certain volume of GHG’s. Those LFE’s that find ways to reduce their emissions more quickly than others have the ability to sell excess emission reductions to other emitters that need them (this is the “trade” part of “cap and trade”). The compliance market also provides additional opportunities for companies like NatureBank to create emissions reductions in unregulated sectors (sectors that are not covered by the cap and trade policy). These carbon offsets represent real emissions reductions that can be used by LFE’s who cannot economically reduce their emissions to permitted levels (and don’t have enough permits/allowances to satisfy their needs). Although the LFE may not have reduced its emissions at the source of those emissions, it paid to reduce emissions elsewhere to achieve the necessary emission reduction.

The largest of the North American compliance carbon markets exists in California (under the Air Resource Board – “ARB”), the Regional Greenhouse Gas Initiative in the northeast United States (“RGGI”), and the province of Alberta (the Specified Gas Emitters Regulation – “SGER”) in Canada. NatureBank is active in both California and Alberta, where it has continued to invest and develop a pipeline of carbon offset projects.

The California market has existed since January 2013, and is worth in excess of $1 billion annually. The offset market has been growing, despite early challenges and constraints within this new system. Offsets are currently trading for roughly USD $11 per tonne, a price that is expected to increase consistently out to 2020 and beyond. To service this market, the Company has been developing a portfolio of carbon project opportunities by identifying project owners across the United States to partner with, while developing a comprehensive technical service offering to assist with the commercialisation of offset projects, particularly land based projects involving avoided deforestation and improved forest management.

In Alberta, SGER has existed since 2007 and more than 190 offset projects have been developed and registered, creating more than 12 million tonnes of offsets selling for prices averaging roughly $10 and up per tonne. With recent updates to carbon pricing in Alberta, carbon offsets now trade from $20 per tonne and above. NatureBank helped aggregate a portfolio of more than 3 million tonnes from agriculture related projects, and continues to explore opportunities in Alberta as markets evolve there under the new provincial government.

Additionally, NatureBank has established a leadership position in British Columbia, a province that currently has a modest “pre-compliance” market driven by a government directed climate neutrality strategy. As a leading developer and seller into this system, the Company is well positioned as the province further regulates the market, in response to forthcoming liquefied natural gas LNG development.

## Future markets

The last decade has seen rapid growth of agroforestry projects, specifically those that are developed and managed in a sustainable fashion, where environmental, social and economic development of the project area is managed as well as the agronomy of the commodity. Particular interest has been paid to commodities such as cocoa, coffee, and sustainably harvested timber, where growing demand and unsustainable histories have produced negative impacts for the people, ecology and economy of affected areas.  NatureBank has a history of success in developing very sustainable, productive, profitable cocoa and timber developments, where environmental stability and social progress is on par with investment returns.

Demand for sustainably certified cocoa has grown by over 700% in the last three years. Demand for cocoa in general is expected to grow by at least 2% per year moving forward, meaning at least one million metric tons of additional supply will be needed by 2020. The acquisition of Forest Finest ensures the Company will be able to leverage its agro-forestry expertise to exploit the present and future opportunities in carbon, cocoa and timber markets to the benefit of the Company and its shareholders.

While still not as robust a market (or as understood) as cocoa perhaps, the carbon market is also growing at an enviable pace. California’s three year old cap and trade market has become the largest regulated market for emissions reductions in the Western hemisphere. And in the last two years, we have also witnessed the province of Quebec pass legislation and align itself with California, gradually integrating its cap and trade operations with California as it matures. Very recently, in mid-2015, the province of Ontario has made clear their intention to join both Quebec and California to create potentially the largest carbon market in the world. Ontario expects to launch in 2017. As aligned markets, carbon offsets will play an important role and NatureBank will be well positioned to participate across each jurisdiction, given our existing experience and track record. These markets will include forestry based carbon offset projects, which is a core area of expertise of NatureBank.

Alberta has indicated its intention to continue to operate the SGER system for the near future, while planning to do more to address the GHG emissions profile of the province over time. How SGER operates in the future and what exactly the system will look like is a topic for debate presently, as Alberta’s legislators are currently in the process of full review of current policy, while exploring input across sectors for future improvements. What we do know is that the offset component of their system is fairly secure, given the magnitude of the emissions profile in the province. Offsets are supported by both industry and policy makers, so it is expected that this will not change.

In British Columbia, legislators are presently drafting regulations which aim to better define how carbon policy will intersect with the expected future LNG development (and its corresponding emissions impact) in the province. As a leading offset developer in BC, NatureBank is very well positioned to play an active role in a future system which utilizes made-in-BC offsets, having developed some of the largest projects in BC to date.

# Corporate developments

### SALES AGREEMENT WITH FOREST CARBON GROUP

On November 18, 2010 (amended December 31, 2011), the Company signed an agreement to supply Forest Carbon Group ("FCG") with 600,000 tonnes of VERs (amended to 400,000 tonnes of VERs) per year, through 2014. The sales agreement with FCG, which accounted for 47% of the Company's revenue in 2014, expired in December 2014 and was not renewed. The loss of this revenue stream has created significant working capital challenges for the company in meeting its day to day obligations and may create working capital shortfalls in 2016 depending on the Company's ability to procure additional new business to replace this revenue stream.

### ACQUISITION OF OCT AND CCC

On December 14, 2012, the Company purchased all of the issued and outstanding shares of OCT and CCC (the "Acquisition") from the three holders of those shares: Dr James Tansey ("Tansey"), Donovan Woollard ("Woollard") and a third party seller (the "3rd Party Seller"). The Company believed the Acquisition would provide more consistent cash flows to the organization in the future, increase its customer base and expand its current product offering allowing it to grow the revenues of the Company.

In consideration of the purchase of the 3rd Party Seller's OCT and CCC shares, the Company issued to the 3rd Party Seller share purchase warrants to purchase 2,000,000 common shares of the Company, exercisable at a price of $0.40 per common share until March 31, 2017 and paid $500,000 to the 3rd Party Seller. As further consideration, the Company shall also make cash payments to the 3rd Party Seller, as follows:

1. on or before December 30, 2013, the Company will pay the 3rd Party Seller the greater of (A) $1,500,000 or (B) the sum of 15% of the net cash it receives from projects unrelated to its current operations (the "Net Cash Received" and the "15% Payment") in 2013 and 35% of commission revenues received from the Great Bear Project (a "GBI Payment") in 2013;

2. on or before December 30, 2014, the Company will pay the 3rd Party Seller the greater of either (A) $500,000 or (B) the sum of the 15% Payment for the Net Cash Received in 2014 and the GBI Payment for 2014;

3. on or before December 30, 2015, the Company will pay the 3rd Party Seller the greater of (A) $500,000 or (B) the sum of the 15% Payment for the Net Cash Received in 2015 and the GBI Payment for 2015;

4. on or before December 30, 2016, the Company will pay the 3rd Party Seller the greater of (A) $500,000 (the "Fifth Cash Payment") or (B) the sum of the 15% Payment for the Net Cash Received in 2016 and the GBI Payment for 2016;

5. 15% of Net Cash Received and GBI Payments during the period of December 31, 2016 and March 31, 2017 attributable to revenues accrued in 2016 to the extent that the sum of (A) such amount and (B) 15% of the Net Cash Received in 2016 and the GBI Payment for 2016, exceeds the Fifth Cash Payment, and

6. 20% of any equity financings unrelated to the Company's current operations. The total of all cash payments above, including the $500,000 paid on closing, will not be less than $3,500,000 and not more than $6,000,000.

The Company was unable to make all its required payments. The terms of these payments have been amended: See *"Restructuring of OCT and CCC Purchase Agreement with the Third Party Seller"*.

As consideration for the purchase of Woollard's shares of OCT, the Company issued to Woollard a total of 200,000 of its common shares.

The Company purchased Tansey's shares in OCT in exchange for the assignment to the Company of Tansey's management agreement with an affiliate of the 3rd Party Seller and OCT and the issuance of 2,000,000 Common shares of the Company to Tansey.

## INTEREST IN MAI NDOMBE REDD+ JOINT VENTURE

On March 12, 2012, effective January 1, 2012, the Company entered into a 50/50 Joint Venture agreement with Wildlife Works Carbon LLC (WWC) of San Francisco, California, in order to bring the 299,645 hectare Mai Ndombe REDD+ project in the Democratic Republic of the Congo to verification.

On October 22, 2013, the Company entered into an agreement to sell to WWC its interest in the JV Project in the Democratic Republic of the Congo.

The assets sold to WWC include all of NatureBank's shares in its Congolese subsidiary, ERA Congo SPRL, and the Company's shares of its Hawaiian subsidiary together with all rights, title and interest in forest concession rights, community agreements and other contracts relating to the JV Project. WWC will pay NatureBank a total of USD $1,800,000 for the JV Project on payment terms as described below:

1. US $250,000 within ten days of closing (received)
2. US $310,000 on or before April 1, 2014 (received)
3. US $310,000 on or before July 1, 2014 (received)
4. US $310,000 on or before October 1, 2014 (received)
5. US $620,000 on or January 1, 2015 (amended – see below)

The final US $620,000 payment was amended whereby WWC would make payments directly to the third 3$^{rd}$ party seller of OCT and CCC according to the following schedule:

1. US $50,000 concurrently with the execution of the amendment agreement outlining the restructured payment terms (received March 24, 2015)
2. US $140,000 on or before June 30, 2015
3. US $140,000 on or before October 31, 2015
4. US $140,000 on or before December 15, 2015

US $50,000 of the remaining US $150,000 was applied by the Company against an accounts payable to WWC.

US $100,000 of the remaining US $150,000 was applied by the Company against certain DRC government fines levied against the joint venture. NatureBank had indemnified WWC against the potential assessment in the Asset Purchase Agreement. The payment was made without admitting liability for the penalty imposed by the DRC Government since the Company does not accept the approach that was taken to the treatment of expenses.

As of the amended agreement signed March 16, 2015, remaining future payments shall accrue interest at a simple annual interest rate of 10% and this interest payment will be remitted along with the payments on or before the specified dates.

WWC did not pay the US $140,000 due on June 30, 2015, October 31, 2015, or December 15, 2015 and has defaulted on the agreement. As of April 29, 2016, the Company had not received payment from WWC on the amounts outstanding. The outstanding amount remains due to the Company, and WWC has been working with the Company to fulfil its obligation.

## RESTRUCTURING OF OCT AND CCC PURCHASE AGREEMENT WITH THIRD PARTY SELLER

The Company was unable to make the minimum required payment of $1.5 million to the seller of OCT and CCC during 2013. Effective December 15, 2013, the Company restructured certain payment terms related to the acquisition.

Under the terms of the Share Purchase Agreement, NatureBank was scheduled to remit a $1.5 million cash payment to the Seller by December 30, 2013. The Company and the Seller agreed to amend this payment schedule effective December 16, 2013. The amended payment schedule, totalling CDN $1.5 million, was scheduled to occur as follows:

1. $250,000 on or before December 31, 2013 (paid)
2. $250,000 on or before April 30, 2014 (paid)
3. $250,000 on or before July 31, 2014 (paid)
4. $250,000 on or before October 31, 2014 (paid)
5. $500,000 on or before January 31, 2015 (amended – see below)

The first payment due by December 31, 2013 was completed in 2013. Beginning January 1, 2014, outstanding payment amounts under this amended schedule carry a 10% annual interest rate, payable monthly on the last day of the month.

The second payment, third payments and fourth payments of $250,000 each, due April 30 July 31 and October 31, 2014 respectively, have also been completed.

The fifth instalment payment of $500,000 due on or before January 31, 2015 was amended as follows:

1. On or before July 2, 2015 the equivalent of USD $140,000 in Canadian dollars
2. On or before November 2, 2015 the equivalent of USD $140,000 in Canadian dollars,
3. On or before December 17, 2015 the equivalent of USD $140,000 in Canadian dollars, and
4. The remainder of any amount owing on or before December 31, 2015

Due to default by WWC on June 30, 2015, the Company was unable to make the payment due on July 2 and Nov 2, 2015. The Company has informed the Third Party Seller of the expectation to receive payment from WWC in December 2015. The Company has been in regular contact with WWC, negotiating a payment schedule that would satisfy the default. As of April 30, 2016, a confirmed payment schedule has not been agreed to by the parties, though discussions continue in that regard.

On May 18, 2015, the Company signed an extension agreement with the Third party Seller of OCT and CCC to extend the deadline for the $500,000 cash payment due December 31, 2014, or portion thereof, to September 30, 2015. Any unpaid portion shall bear interest at the rate of ten percent (10%) per annum.

On March 17, 2016, effective as of the September 30, 2015, the Company signed an extension agreement with the Third party Seller to extend the deadline for the $500,000 cash payment due September 30, 2015, to December 30, 2016, where any unpaid portion shall bear interest at the rate of ten percent (10%) per annum. Additionally, the scheduled Fourth Cash Payment originally due December 30, 2015 was also extended to December 30, 2016, and the Fifth Cash Payment originally due December 30, 2016 was extended to December 30, 2017. Any unpaid portions of these payments will bear interest at a rate of ten percent (10%) per annum.

On April 19, 2016, the Company signed an amending agreement to the March 17, 2016 Amending Agreement that proposed the cancellation of the existing 2,000,000 share purchase warrants owned by the Seller, and the issuance of 3,000,000 share purchase warrants to the Seller exercisable at $0.10 until March 31, 2018, pending Exchange approval.

## ACQUISITION OF FOREST FINEST

Under the terms of an LOI announced on February 5, 2015, NatureBank has completed the acquisition of 100% of Forest Finest (including CO2OL Natural Carbon Collection) and 15% of Forest Finance France SAS from Forest Finance Service GmbH ("Forest Finance") of Bonn, Germany.

11,633,500 shares were issued by NatureBank out of treasury to Forest Finance on the Closing Date. Up to 5,181,500 additional shares of the Company will be paid to Forest Finance based on the 2015 cash flow performance of the acquired businesses.

### OTHER CORPORATE DEVELOPMENTS

In August, 2014, the Company incorporated a wholly owned subsidiary, NBT, in British Columbia for the purposes of developing the Naturebank social media platform.

In October 2014, the Company was granted by the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) a non-repayable contribution of up to $150,000. IRAP requires that the proceeds from the grant be applied towards research and development costs associated with the Naturebank Project. Under the terms of the agreement, NRC-IRAP has agreed to reimburse the Company for 80% of salaries paid to Company employees and 50% of contractor fees involved in this project. A total of $22,526 was claimed by the company during the year ended December 31, 2015, ($127,474 year-ended 2014), which was recorded as a reduction of related research and development costs.

### CONVERTIBLE DEBENTURES

On July 27, 2015, the Company entered into a convertible debenture agreement ("Debenture A"). Debenture A is between WBZ GmbH ("WBZ"), a German company, and Naturebank Technology, Inc. ("NBT"). The Debenture calls for WBZ to lend a total of $280,000 to NBT.The Debenture bears interest of 5% per annum, simple interest payable annually and can be converted at any time at the lesser of: (i) $3.50 of Principal Amount and applicable interest per common share of NBT; or (ii) the last price paid by any arm's length party for common shares of NBT, subject to the requirement that conversion of the Debenture cannot result in issuance of shares representing more than a 7.5% interest in NBT. 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 re-paid by NBT at any time. WBZ is an existing shareholder of the Company, and is controlled by two directors of the Company.

On November 6, 2015 the Company announced its intention to raise up to $750,000 of convertible debentures. The first tranche of $361,575 closed in December 2015. The first tranche is made up of two debentures ("Debenture B" and "Debenture C"). Debenture B is for $111,575 and is held by WBZ, and Debenture C is for $250,000 and held by Gravitas Ventures Inc., ("Gravitas") both have a term of two years. Debenture C is secured by a carbon project within the Company's portfolio of carbon assets being developed for the Californian carbon market.

The first tranche debentures bear interest of 6% per annum, simple interest payable semi-annually, and can be converted at any time at a conversion price of $0.10.  There is a four month hold on any conversions into listed shares from the date of issuance of each Debenture.

In the first quarter of 2016, the Company entered into three additional convertible debentures for a total of $350,000.00. These three debentures are three years in term bearing 6% simple interest, payable semi-annually in arrears, and convertible at any time into shares of the Company at a conversion price of $0.10 per share.

# Management

The Company's senior management team consists of:

| | |
|---|---|
| Dr James Tansey* | President and Chief Executive Officer |
| Phil Cull* | Chief Financial Officer |
| Dirk Walterspacher | CEO, Forest Finest Consulting GmbH |
| Oliver Hanke | Chief Investment Officer |
| Rosita Morandin | Director of Finance, Corporate Secretary |
| Steve Baczko | Managing Director, North America |
| David Rokoss | Director, Investor and Government Relations |

* Officers of the company

The Company announced the resignation of Joerg Germann as CTO on August 22, 2015. Mr. Germann will continue to serve the Company as a Director of the Company's subsidiary, NBT.

The Company accepted the resignation of Jeff Calvert as CFO and Corporate Secretary on December 1, 2015. He continued to be employed by the Company until December 31, 2015. On December 1, 2015 Phil Cull was appointed CFO and Rosita Morandin was appointed Corporate Secretary.

## DIRECTORS

The Board of Directors consists of:

| Director | Independent | Audit Committee | Compensation Committee |
|---|---|---|---|
| 1. James Tansey | No | Yes | No |
| 2. Graham Harris | Yes | Yes | Yes |
| 3. John Poulter | Yes | No | No |
| 4. Alexander Zang | No | No | Yes |
| 5. Eduard Weber-Bemnet | No | No | No |
| 6. Jim Logan | Yes | Yes | No |
| 7. Dirk Walterspacher | No | No | No |
| 8. Harry Assenmacher | No | No | No |

Alexander Zang became Interim Chairman of the Board on November 30, 2014. On July 7, 2015, Mr. Zang tendered his resignation as Chairman of the Board (but not as a director), and was replaced by Harry Assenmacher.

At the Company's Annual General Meeting on March 25, 2015, Dirk Walterspacher and Harry Assenmacher, officers and directors of ForestFinance GmbH, were added to the Company's Board of Directors and the total number of Directors permitted was increased to nine. At the Company's AGM on October 6, 2015, the Board was re-elected.

On October 7, 2015 Georg Schattney resigned as Director and was replaced by Eduard Weber-Bemnet.

One board seat remains vacant at the date of this MD&A.

# Results of operations

## SUMMARY OF SELECTED ANNUAL RESULTS

| | 2015<br>$ | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| Revenue | 3,666,381 | 5,266,597 | 7,095,306 |
| Gross profit | 2,517,072 | 3,359,689 | 4,521,503 |
| Operating expenses | (1,029,535) | (95,482) | 177,982 |
| Comprehensive income (loss) | (2,250,384) | (1,914,629) | (3,296,606) |
| Total assets | 2,386,778 | 2,313,587 | 5,883,053 |
| Working capital | (533,948) | 88,206 | (23,582) |
| Shareholders' equity (deficiency) | (1,540,974) | (183,730) | 1,562,377 |
| Long-term liabilities | 1,109,883 | 627,532 | 1,986,739 |
| Cash dividend | - | - | - |
| Basic/diluted Income/(loss) per share | (0.06) | (0.06) | (0.11) |

### OVERVIEW OF FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015

During the year ended December 31, 2015, the Company generated $3,666,381 in sales revenue as compared to sales of $5,266,597 the same period in 2014. The decrease is due to expiration of the FCG contract.

Gross profit was $2,517,072 for the year 2015 compared to $3,359,689 for the year ended 2014. The source of sales revenues has changed from 2014 to 2015. For the year ended December 31, 2014, 48% of the sale of VERs was from the Mai Ndombe project, 32% was retail VER sales to corporate CSR customers and 20% was advisory & management services. In 2015, the ratios have changed to 0% Mai Ndombe, 33% retail VER sales, and 67% advisory & management consulting services.

While absolute gross profit has decreased, gross margin as a percentage of revenue has increased compared to the same period last year. The Company's consulting & management services have a higher gross margin percentage than our VER sales, and our consulting revenue was a larger percentage of total revenue this year.

Operating expenses for the year ended December 31, 2015 were $3,315,387 compared to $3,455,171 for 2014. There was an increase in R&D costs related to the Naturebank project. Research & Development costs increased from $269,923 in 2014 to $333,457 in 2015. Professional fees also increased in 2015. This is due to legal fees which arose from the acquisition of FFC. For the year ended December 31, 2015, professional fees were $300,822 compared to $164,979 in 2014.

The Company delivered an operating loss before finance and other items of $798,315 during the year ended December 31, 2015 (2014: operating loss before other items of $95,482).

For the year ended December 31, 2015, interest accretion was $86,777 (compared to $299,082 in the same period of 2014. Interest accretion relates to the 10% discount rate applied to the Provision, and the 15% discount rate applied to the Convertible Debenture.

Interest expense for the year ended December 31, 2015 was $95,863 compared to $90,833 for the same period in 2014. Beginning January 1, 2014, outstanding payment amounts due to the 3rd Party Seller of OCT and CCC carries a 10% annual interest rate, payable monthly on the last day of the month.

Interest income for the year ended December 31, 2015 was $42,970 compared to $179 for the same period in 2014. In March 2015, Consideration Receivable due to the Company started earning 10% annual interest due at the time the instalment payments are made.

Net comprehensive loss of $2,250,384 for the year ended December 31, 2015, compared to net comprehensive loss of $1,914,629 for the same period in 2014Significant changes in operating expenditures are categorized in the table below.

| Item | Year ended December 31, 2015 Increase/(decrease) in expense ($) | Comment |
|---|---|---|
| Consulting fees | 100,316 | Increase reflects the addition of some key consultants and the addition of FFC's results of operations which included consulting. |
| Foreign exchange | (53,029) | Foreign exchange gain arises primarily from the Consideration Receivable which is denominated in US Dollars. The US dollar has strengthened, thus increasing the value of the Consideration Receivable. |
| Professional, investor and agent fees | 135,843 | In 2015 legal fees were higher due to the legal work related to the acquisition of FFC and the Debentures issues. |
| R&D and project costs | 63,534 | Increase reflects increase in research and development efforts of our social medial platform. Also, in 2014, the net R&D costs were reduced because much of the R&D costs were reimbursed through the governments IRAP program. |
| Salaries, benefits & management fees | (170,102) | Decrease reflects fewer staff in 2015, and because a larger percentage of hours were allocated to inventoriable project costs or R&D |
| Selling, general and administrative | (32,770) | Decrease reflects reduction in spending on non-essential administrative expenses, a reduction in travel, and a reduction in spending on marketing |
| Share based compensation | (131,189) | Decrease reflects fewer stock options vesting to date in 2015. All stock options became fully vested in October 2015. Options were repriced to $0.10, which resulted in additional SBC recognized. |

## SUMMARY OF QUARTERLY RESULTS

| | 2015 | | | |
|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 |
| Three months ending: | Dec.31 | Sep.30 | Jun.30 | Mar.31 |
| Revenue | 1,593,184 | 698,748 | 822,318 | 552,131 |
| Comprehensive income (loss) | (970,308) | (374,362) | (435,372) | (470,342) |
| Total assets | 2,386,778 | 3,066,295 | 2,075,852 | 1,958,715 |
| Working capital | (533,948) | (917,454) | (785,185) | (385,461) |
| Shareholders' equity (deficiency) | (1,540,947) | (621,126) | (1,070,815) | (642,317) |
| Long-term liabilities | 1,109,883 | 784,641 | 636,856 | 626,553 |
| Cash dividend | - | - | - | - |
| Basic/diluted Income/(loss) per share | (0.027) | (0.009) | (0.014) | (0.015) |

| | 2014 | | | |
|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 |
| Three months ending: | Dec.31 | Sep.30 | Jun.30 | Mar.31 |
| Revenue | 1,391,453 | 1,391,722 | 1,315,888 | 1,167,534 |
| Comprehensive income (loss) | (1,680,094) | 20,796 | (197,864) | (57,467) |
| Total assets | 2,313,587 | 5,681,465 | 5,863,462 | 6,267,913 |
| Working capital | 88,206 | 139,840 | (26,048) | (14,243) |
| Shareholders' equity | (183,730) | 1,480,466 | 1,420,540 | 1,521,038 |
| Long-term liabilities | 627,532 | 2,126,603 | 2,080,005 | 2,033,045 |
| Cash dividend | - | - | - | - |
| Basic/diluted Income/(loss) per share | (0.05) | (0.00) | (0.01) | (0.00) |

The Company’s quarterly revenue was $1,593,184 in the fourth quarter of 2015, compared to $1,391,453 in the same quarter of 2014. The Company’s quarterly revenue continues to be variable and is dependent on the scheduling of transactions within sales contracts and the delivery and billing of advisory services.

Revenues from sales of VERs and consulting services can be variably dependent on seasonal demand from customers as well as dependent on when deferred revenues are recognized. The Company expects sales revenue to remain inconsistent on a quarterly basis.

### LIQUIDITY AND CAPITAL RESOURCES

The Company’s operating, investing and financing activities for the year ended December 31, 2015 resulted in a decrease in cash of $646,856 (2014: an increase of $102,782).

As at December 31, 2015, the Company had an available cash balance of $188,116 (2014: $834,972) to settle current liabilities of $2,817,842 (2014: $1,862,642). The Company’s current monetary liabilities of $2,446,585 exceed its current monetary assets, consisting of cash, receivables and consideration receivable, of $1,561,634 by $884,951.

The Company’s operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining debt financing.

The Company's current liabilities mature as follows:

1. Accounts payable and accrued liabilities of $819,074 (2014: $358,097) are primarily due within three months with some accruals within the next twelve months.

2. Expected project maintenance, monitoring and reporting of $69,000 (2014: $50,000) is to be primarily undertaken throughout the 1st and 2nd quarter of 2016.

Current provision of $1,446,185 is made up of the present value of 3 payments. The "Third Cash Payment" of $500,000 to the 3rd party seller for the acquisition of OCT and CCC was due on or before December 31, 2014. On May 28, 2015 the due date was extended to September 30, 2015, then to December 31, 2016 by latest amended agreement signed on March 17, 2016.

$500,000 of the restructured "Second Cash Payment" due to the 3rd party seller for the acquisition of OCT and CCC is due on or before December 31, 2015 in accordance with the following instalments: (a) on or before July 2, 2015 the equivalent of USD $140,000 in Canadian dollars, (b) on or before November 2, 2015 the equivalent of USD $140,000 in Canadian dollars, (c) on or before December 17, 2015 the equivalent of USD $140,000 in Canadian dollars and (d) the remainder of any amount owing of the $500,000 on or before December 31, 2015. The July and November 2nd payments have not been made as they were to be paid directly from WWC to the 3rd party seller, and WWC has defaulted on their payments. We are currently in discussions with both WWC and the 3rd party seller and there is no final agreement reached by the time of this report.

The "Fourth Cash Payment" of $500,000 due to the 3rd party seller for the acquisition of OCT and CCC was due on December 31, 2015. The due date was extended to December 31, 2017 by latest amended agreement signed on March 17, 2016.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. In 2015, the Company has borrowed cash, in the form of convertible debentures, from WBZ and Gravitas in order to manage its working capital deficiency. These debentures have increased the Company's long term liabilities by $641,575 as at December 31, 2015 and $991,575 as at the date of this MD&A, not including accrued interest. Aside from these debenture amounts and amended cash payment to the 3rd party seller, the Company's long-term contractual and constructive obligations have not changed materially from December 31, 2015.

The Company anticipates that it may experience cash flow and working capital difficulties into early 2016. The Company is working to address this potential for cash flow or working capital difficulties. The Company has (i) diversified its revenue streams through the purchase of Forest Finest and (ii) entered into borrowing arrangements. The Company will continue to (i) secure business or equity financing transactions which would improve its immediate financial and working capital position and (ii) negotiate restructuring payment terms with the third party seller of OCT and CCC.

## RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015 and 2014, the Company was involved in the following related party transactions which are recorded at fair value:

(a) Management fees of $240,000 (2014: $240,000) were incurred to James Tansey, the Company's CEO. Due to Dr Tansey and included in accounts payable and accrued liabilities at December 31, 2015 is $132,421 (2014: $17,465)

(b) During the year ended December 31, 2015, the Company charged management fees of $192,322 (2014 - $58,127) to Prairie Paper, Inc. with an officer and a director in common. The related receivable has been written-down at year-end.

(c) During the year ended December 31, 2015, salary compensation of $169,269 (2014: $164,000), and $7,617 (2014: $7,335) in RRSP contributions was paid to Jeff Calvert, the Company's former Chief Financial Officer.

Mr. Calvert resigned from his position as CFO on December 1, 2015.

(d) In August 2014, Joerg Germann, the Company's Chief Technology Officer, was appointed Director of the newly incorporated subsidiary NBT. Salary compensation of $143,589 (2014: $176,000) and $6,058 (2014: 8,750) in RRSP contributions was paid during the year ended December 31, 2015.

Mr. Germann resigned from his position as CTO on August 22, 2015. The Company paid two months' wages as severance totalling $29,166. Mr. Germann will continue as Director of NBT.

(e) Sales revenues of $Nil were recognized from FCG who has two directors in common and is a significant shareholder of the Company in 2015 (2014: $2,478,000).

(f) Sales revenues of $697,738 (2014: $nil) were recognized from Forest Finance Service GmbH who has one director in common and is a significant shareholder of the Company. At December 31, 2015, $362,420 (2014: $nil) was due from Forest Finance and is recorded in receivables; $14,667 (2014: $nil) was due to Forest Finance and is recorded in payables.

(g) Consulting fees of $12,600 (2014: $12,600) 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.

(h) During the year ended December 31, 2015, consulting fees totalling $148,750 were incurred from Forest Finance Switzerland AG, whose significant shareholder is a director of the Company. At December 31, 2015, $77,930 (2014: - $nil) was recorded in accounts payable and accrued liabilities.

(i) On the 27th of July, 2015, the subsidiary NBT borrowed $280,000 from WBZ with terms described on page 13 of this MD&A.

WBZ is a significant shareholder of the Company and is owned by two directors of the Company, Alexander Zang and Eduard Weber-Bemnet.

(j) On November 6, 2015, the Company borrowed a further $111,575 from WBZ on terms described on page 13 of this MD&A.

(k) On December 9, 2015, the Company entered into a convertible debenture agreement with Gravitas on terms described on page 13 of this MD&A.

## OFF BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the period.

## OUTSTANDING SHARES

The following table summarizes the outstanding share capital as of the date of the MD&A.

| | |
|---|---|
| Common Shares | 42,475,052 |
| Options outstanding | 3,475,000 |
| Warrants outstanding | 3,488,000 |

### *Common Shares*

Authorized Share Capital consists of an unlimited number of common shares without par value.

### *Options*

In March 2015, the shareholders approved a new stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares. In addition the term was reduced to five years.

The stock option plan will be used to provide an incentive to the directors, officers, employees, and consultants as additional compensation and as an opportunity to participate in the growth of the Company. Options may be granted with such vesting provisions as 25% on date of grant and 25% every six months thereafter such that Options shall be fully vested ad exercisable over a period of 18 months.

During the year ended December 31, 2015, the Company recognized $37,333 (2014 - $168,522) in share-based compensation for share options that vested and were repriced during the year.

On December 8, 2015 the Company re-priced all outstanding stock options to $0.10, this resulted in additional share-based compensation expense of $8,999.

Balances are as at December 31, 2015 and April 29, 2016.

## Financial instruments and risk management

(a) Fair Values

The Company's financial instruments are classified as follows. Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

| December 31, 2015 | | *Loans and receivables* | | *Fair Value through Profit or Loss* | | *Other financial liabilities* |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash | $ | - | $ | 188,166 | $ | - |
| Accounts and other receivables | | 745,902 | | - | | - |
| Consideration receivable | | 627,616 | | - | | - |
| **Financial liabilities** | | | | | | |
| Accounts payable and accrued liabilities | | - | | - | | 819,074 |
| Provisions | | - | | - | | 2,047,181 |
| Convertible debentures | | - | | - | | 551,697 |
| | $ | 1,373,518 | $ | 188,166 | $ | 3,417,952 |

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

At December 31, 2015, the Company has only cash measured at fair value on a recurring basis using level 1.

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk to its financial assets is summarized below:

| | | 2015 |
|---|---|---|
| Cash | $ | 188,116 |
| Accounts and other receivables | | 745,902 |
| Consideration receivable | | 627,616 |
| | $ | 1,561,634 |

### *Cash*

The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Management assesses credit risk of cash as very low.

### *Consideration receivable*

Consideration receivable is due from WWC on the sale of the Company's interest in the joint venture. Staggered payments were due through December 2015. Even though the Company received only the first of the payments, the Company believes the credit risk related to the consideration receivable is low.

### *Liquidity*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As of December 31, 2015, the Company had a cash balance of $188,116 (2014 - $834,972) to settle current monetary liabilities of $2,446,585 (2014 - $1,862,642).

Management is currently restructuring contracts in order to ensure sufficient liquidity throughout 2016 and onward.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing.

### *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency rate risk, interest rate risk and other price risk.

### *Foreign Exchange Rate Risk*

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign currency risk on the cash, accounts receivable, accounts payable and accrued liabilities balances denominated in US dollars and Euro's. As at December 31, 2015, the Company had net monetary assets of $570,440 held in US dollars and €303,360 held in Euro's. A fluctuation in the exchange rates between the Canadian and US dollar of 10% would result in $78,949 change in the profit and loss of the Company. A fluctuation in the exchange rates between the Canadian dollar and Euro of 10% would result in $45,592 change in the profit and loss of the Company.

Management maintains cash accounts denominated in US dollars to complete foreign currency purchases and considers this practice adequate to mitigate significant foreign currency fluctuations for transaction of this nature.

In 2015, an insignificant proportion of the Company's sales commitments were in US dollars. The Company did not engage in hedging contracts to manage exposure to foreign exchange risk in 2015, but may in the future if sales commitments in US dollars increase.

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has cash balances, accounts receivable, other receivables and payables that are not subject to interest rate risk due to their short-term to maturity. The Company does not rely on interest income from cash accounts or short term loans to maintain operations.

### *Price risk*

The Company's finished goods inventory may be exposed to price risk with respect to voluntary carbon credit prices. Carbon credit price risk is defined as the potential adverse impact on the Company's earnings due to movements in price for carbon offsets in the voluntary market. Most of the Company's inventory and VER production for 2015 is committed to customers under contract. Price risk at the present time is not material to the Company. If the Company were to carry inventory in the future beyond its sales requirements, the price risk to the Company relating to fluctuations in the price of carbon credits could be material.

# Business Risks and Uncertainties

The Company is in the business of supplying carbon offsets and technical advisory services to the carbon markets. Due to the nature of the business, the legal and economic climate in which the Company operates and the present state of development of its business, the Company may be subject to significant risks that could have a material adverse effect on the Company's business, operating results or financial condition. The Company's actual operating results in the future may be different from those expected as at the date of this MD&A.

The Company's future revenues are dependent on the demand for carbon offsets (VERs), the market price for these offsets and the Company's ability to supply offsets to the market.

The voluntary carbon market consists of two segments: the corporate (or individual) social responsibility segment and the pre-compliance segment. The demand for offsets in the social responsibility segment is driven by stakeholder or organisational concern about climate change and its impact on the natural environment. Variation and change in the levels of awareness of the climate change problem and acceptance of scientific evidence among corporate stakeholders and customers is a significant driver of carbon offset demand and cannot be significantly influenced by the Company.

Carbon offset demand in the compliance market segment is driven by regulatory action by governments that requires emitters of greenhouse gasses to purchase allowances or carbon credits to meet imposed caps or limits on emissions. This demand is largely influenced by regulatory measures introduced by governments including adoption and observance of the Kyoto Protocol and post-Kyoto mechanisms, AB32 legislation in California related to the California Air Resources Board, the introduction of new jurisdictional legislation (or the lack or delay thereof) and possible legal or challenges to regulatory intention or legislation and is subject to sudden change. The Company takes steps to positively influence policy making and awareness of the importance of offsetting as an essential mitigation measure within climate change regulation and policy in its operating jurisdictions. The Company's influence is limited in scale and scope within the large number of interests seeking to influence policy and regulation.

Carbon offset pricing is largely dependent on supply and demand in the market. Current and future projects undertaken by the Company which produce VERs which are and will be tradable in the wider markets for pre-compliance VERs will be more susceptible to market pricing impacts driven by supply and demand. Supply, demand and pricing cannot be significantly influenced by the Company.

The demand for, and the market price of, carbon offsets may also be adversely affected by invention of new technology that assists in the reduction of emissions, increased use of alternative fuels, a decrease in the price of conventional fossil fuels, increased use of renewable energy, and the introduction of a carbon tax systems.

The carbon offset industry is competitive. The Company will compete with numerous other participants in the search for, and the acquisition of, carbon offset projects and in the marketing of the sale of VERs and related services. The Company's competitors will include companies that may have substantially greater financial resources, staff and facilities than those of the Company.

In 2013, 35% of sales revenue was from contracts and commitments in place with Forest Carbon Group AG. In 2014, 46% of sales revenue was from contracts and commitments in place with Forest Carbon Group AG. The contract with FCG terminated on December 31, 2014 and was not renewed.

The majority of contracted sales to our customers including Forest Carbon Group AG are made in Canadian dollars. Trade in the wider markets for carbon offsets takes place in US dollars and Euros. The profitability of the Company may be adversely affected by fluctuations in the rate of exchange of the Canadian dollar and other currencies the Company may do business in. The Company does not currently take any steps to hedge against currency fluctuations.

The Company's operations in Canada or internationally may be subject to controls and regulations imposed by various levels of government that may be amended from time to time.

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its projects or regular operations.

Conflicts of interest may arise as a result of the directors, officers and promoters of the Company also holding positions as directors or officers of other companies. Some of those individuals have held and will continue to hold positions as directors or officers of other companies operating in the same industry of which the Company operates in, and situations may arise where the directors and officers of the Company will be in direct competition with other companies in which these individuals are also involved.

# Critical Accounting policies and Estimates

## CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are presented in Note 3 of our audited annual consolidated financial statements. As described in Note 3, we are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Our estimates are based on our experience and our interpretation of economic, political, regulatory and other factors that influence our business. These estimates, including the most material ones as listed below, have a significant effect on the financial statements and actual results may differ from our estimates.

- impairment of goodwill and intangibles;
- valuation of inventory;
- estimation of maintenance, and
- estimation of future payments to the third party seller of OCT and CCC.

## FUTURE CHANGES IN ACCOUNTING POLICIES NOT YET ADOPTED

*IFRS 9 – Financial Instruments (“IFRS 9”)*
In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.
IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

*IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)*
In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

*IAS 16 – Property, Plant and Equipment (“IAS 16”) and IAS 38 – Intangibles (“IAS 38”)*
IAS 16 and IAS 38 were issued in May 2014 and prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively.

The Company has not yet completed the process of assessing the impact that IFRS 9, IFRS 15, IAS 16 and IAS 38 will have on its consolidated

# History of the Company

The Company was incorporated under the provisions of *British Columbia Business Corporation Act* (the "BCBCA") on July 6, 2005 under the name "Interim Capital Corp." and commenced trading on April 24, 2006 under the trading symbol "INA.P" on the TSX-V. Until July 24, 2008, it had been classified as a Capital Pool Company ("CPC") as defined in the TSX-V Policy 2.4. As a CPC, the principal business of the Company was to identify and evaluate businesses and assets with a view to completing a qualifying transaction and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if necessary, and acceptance by regulatory authorities to represent its qualifying transaction.

On February 14, 2008, the Company announced that it had entered into a definitive arrangement agreement (the "Agreement") with ERA to acquire all of ERA's issued and outstanding shares (the "Qualifying Transaction"). The transaction constitutes the Company's qualifying transaction pursuant to TSX-V Policy 2.4.

Subject to a court-ordered plan of arrangement, effective July 24, 2008, the Company completed its Qualifying Transaction through the acquisition of ERA. Pursuant to the plan of arrangement, the Company effected a 2.5 (old) for 1.0 (new) share consolidation before issuing a total of 15,705,233 shares to the ERA shareholders to acquire all of the issued and outstanding shares of ERA. As a result of the Qualifying Transaction, ERA is now a wholly owned subsidiary of the Company.

Based in Vancouver, ERA was incorporated on June 4, 2004 under the BCBCA. The principal business of ERA was to produce carbon offsets through community ecosystem restoration projects. The offsets are validated and verified to ISO 14064-2 standard for sale to companies, foundations, and other entities that, for branding, policy and corporate social responsibility reasons, wish to offset their carbon footprints to support climate change mitigation efforts. ERA has the capacity to assess carbon resource potentials, prescribe and implement ecosystem restorations to develop those resources, and thereby generate carbon offset products for sales directly with customers, or through brokers and re-sellers with whom ERA has established agreements.

In order to support potential business activity in the U.S., on June 20, 2008, ERA created a wholly owned subsidiary in the State of Hawaii, USA, under the name of ERA Ecosystem Restoration Associates Hawaii Inc. ("ERA Hawaii"). On August 6, 2009, the Company incorporated a wholly owned subsidiary in British Columbia under the name of Ecobalance Offsets Ltd. ("Ecobalance"). Both ERA Hawaii and Ecobalance were inactive operations. ERA Hawaii was sold as part of the disposal of the Company's Joint Venture interest in 2013. Ecobalance Offsets was dissolved in January 2013.

On March 12, 2012, the Company entered into a 50/50 Joint Venture agreement with WWC of Mill Valley, California, in order to bring the 299,645 hectare Mai Ndombe REDD+ project in the Democratic Republic of the Congo to verification. On October 22, 2013, the Company entered into an agreement to sell its interest in the JV Project to WWC for total cash payments of $1.8 million and other consideration.

On December 14, 2012, the Company acquired OCT and CCC. Established in 2006, CCC is a leader in agricultural and forest carbon, as well as climate software and technology solutions. Established in 2007, OCT is a leader in technology offset development and commercialization, and sustainability consulting.

In November 2013, the Company incorporated a subsidiary in Nevada, US, ESU. It began operations in May 2014.

In August 2014, the Company incorporated a subsidiary in BC, NBT.

In July, 2015, the Company acquired Forest Finest from Forest Finance Service GmbH.

The Company is now trading on the TSX-V as a Tier 2 issuer under the trading symbol “COO” and changed its name to NatureBank Asset Management Inc. on October 20, 2015.

More information about the Company may be found online at www.NatureBank.com or at www.sedar.com.

## Cautionary note regarding forward looking statements

CERTAIN OF THE STATEMENTS AND INFORMATION IN THIS MD&A CONSTITUTE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND “FORWARD-LOOKING INFORMATION” WITHIN THE MEANING OF APPLICABLE CANADIAN PROVINCIAL SECURITIES LAWS RELATING TO THE COMPANY AND ITS OPERATIONS. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACT MAY BE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS MD&A THE WORDS “BELIEVES”, “EXPECTS”, “INTENDS”, “PLANS”, “FORECAST”, “OBJECTIVE”, “OUTLOOK”, “PROJECTED” “ANTICIPATED”, “BUDGET”, “LIKELY” AND SIMILAR WORDS OR EXPRESSIONS IDENTIFY FORWARD-LOOKING INFORMATION OR STATEMENTS. THESE FORWARD-LOOKING STATEMENTS OR INFORMATION RELATE TO, AMONG OTHER THINGS: WORKING CAPITAL, ACCESS TO FINANCING, THE ABILITY OF COUNTERPARTIES TO SALE OR PURCHASE CONTRACTS TO REMAIN GOING CONCERNS AND GREENHOUSE GAS EMISSIONS REGULATION IN THE UNITED STATES, CANADA, EUROPE OR OTHER JURISDICTIONS.

THESE STATEMENTS REFLECT THE COMPANY’S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE NECESSARILY BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT ARE DISCLOSED IN THOSE PORTIONS OF THE MD&A DEALING WITH THEM AND, WHILE CONSIDERED REASONABLE BY THE COMPANY, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, POLITICAL AND SOCIAL UNCERTAINTIES AND CONTINGENCIES. MANY FACTORS, KNOWN AND UNKNOWN, COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT ARE OR MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A AND THE COMPANY HAS MADE ASSUMPTIONS AND ESTIMATES BASED ON OR RELATED TO MANY OF THESE FACTORS. SUCH FACTORS MAY INCLUDE: THE ENVIRONMENT FOR BORROWING AND LENDING, POSSIBLE DOWNTURN IN BRITISH COLUMBIA’S RESOURCE ECONOMY, THE POSSIBLE RECESSION OF THE NORTH AMERICAN ECONOMY AND REDUCTION IN DEMAND FOR PRODUCTS AND SERVICES RELATED TO SUSTAINABILITY AND ENVIRONMENTAL PERFORMANCE, THE PERFORMANCE OF THE VENTURE MARKET FOR SECURITIES, WHETHER THE INTERNATIONAL COMMUNITY WILL RALLY AROUND REDD PROJECTS AS A WAY TO PROTECT ENDANGERED RAINFORESTS WITHIN THE MANAGEMENT OF CLIMATE CHANGE, THE STABILITY OF GOVERNMENT AND THE RULE OF LAW IN LESS DEVELOPED COUNTRIES, SPECIFICALLY THE DEMOCRATIC REPUBLIC OF THE CONGO, THE ABILITY OF THE COMPANY’S PROJECTS WITH RECURRING VERIFICATIONS TO RETAIN THEIR VALIDATION STATUS WITHIN THE SCOPE OF POTENTIAL CHANGES IN VOLUNTARY OR REGULATED STANDARDS OR GUIDANCE, AND POSSIBLE CHANGES IN GREENHOUSE GAS EMISSIONS REGULATION IN THE UNITED STATES, CANADA, EUROPE OR OTHER JURISDICTIONS.