



NatureBank Asset Management Inc.

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

For the six months ended June 30, 2017

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, “Continuous Disclosure Obligations”, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The Company’s external auditors, Davidson & Company LLP, have not performed a review of these condensed consolidated interim financial statements.

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Financial Position

At June 30, 2017 and December 31, 2016

(Expressed in Canadian dollars)

	Notes	June 30, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash		\$ 509,164	\$ 404,500
Accounts and other receivables	3	408,001	816,853
Inventory	4	552,107	483,715
Prepaid expenses		227,909	279,189
Consideration receivable		1	1
Total Current Assets		1,697,182	1,984,258
Deposits		29,674	29,674
Property and equipment		45,164	43,238
Intangible assets		58,382	83,766
Total Assets		\$ 1,830,402	\$ 2,140,936
Current Liabilities			
Accounts payable and accrued liabilities	5	\$ 1,272,924	\$ 1,571,941
Taxes payable		-	53,021
Provisions	6	1,950,374	1,939,333
Deferred revenue		596,972	499,640
Convertible debentures		622,457	603,784
Total Current Liabilities		4,442,727	4,667,719
Provisions	6	58,188	58,188
Convertible debentures	7	203,855	188,419
Deferred revenue		19,047	19,047
Total Liabilities		4,723,817	4,933,373
Shareholders' Deficiency			
Share capital	8	14,654,255	14,501,255
Subscriptions received		-	290,000
Share-based payment reserve	10	2,675,127	2,490,743
Equity component of convertible debenture		74,048	74,048
Accumulated other comprehensive income		2,932	(8,501)
Deficit		(20,299,777)	(20,139,982)
Total Shareholders' Deficiency		(2,893,415)	(2,792,437)
Total Liabilities and Shareholders' Deficiency		\$ 1,830,402	\$ 2,140,936

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

Approved on behalf of the Board:

"Dirk Walterspacher"

Dirk Walterspacher, Director

"Alexander Zang"

Alexander Zang, Director

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the six-month periods ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

	Note	June 30, 2017	June 30, 2016
Revenue		\$ 1,652,664	\$ 1,656,109
Cost of goods sold		432,962	431,632
Gross profit		1,219,702	1,224,477
EXPENSES			
Amortization		6,125	5,908
Amortization of intangible		28,492	40,100
Consulting fees		46,614	105,020
Foreign exchange		(3,423)	40,348
Professional, investor and agent fees		74,033	115,619
Research & development, and project costs		-	39,745
Salaries, management fees and benefits		780,925	1,104,580
Selling, general and administrative		295,938	395,881
Share-based compensation	9	39,384	-
Total operating expenses		1,268,088	1,847,201
		(48,386)	(622,724)
Accretion expense	7	(11,270)	(11,270)
Finance costs		(58,162)	(58,203)
Gain on settlement of payables		54,699	-
GST recovery		-	42,994
Interest expense		(108,772)	(72,113)
Interest income		-	27,989
Other income		51,189	93,525
		(72,316)	22,922
Loss before income taxes for the period		(120,702)	(599,802)
Current income tax		(39,093)	-
Loss for the period		(159,795)	(599,802)
Other Comprehensive Income			
Exchange loss on translation of foreign operations		11,433	(15,845)
Loss and comprehensive loss for the period		\$ (148,362)	\$ (615,647)
Income (loss) per share		\$ (0.003)	(0.014)
Weighted average number of shares outstanding		52,205,109	42,475,052

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three-month periods ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

	Note	June 30, 2017	June 30, 2016
Revenue		\$ 1,162,106	\$ 1,039,813
Cost of goods sold		301,199	345,567
Gross profit		860,907	694,246
EXPENSES			
Amortization		3,012	3,140
Amortization of intangible		14,390	26,300
Consulting fees		37,014	39,000
Foreign exchange		1,280	13,766
Professional, investor and agent fees		25,828	73,294
Research & development, and project costs		-	17,238
Salaries, management fees and benefits		424,686	576,004
Selling, general and administrative		231,169	208,228
Share-based compensation	9	39,384	-
Total operating expenses		776,763	956,970
		84,144	(262,724)
Accretion expense	7	(5,666)	(5,666)
Finance costs		(29,242)	(33,832)
Gain on settlement of payables		2,000	-
Interest expense		(54,443)	(35,843)
Interest income		-	13,413
Other income		24,429	59,992
		(62,922)	(1,936)
Income (Loss) before income taxes for the year		21,222	(264,660)
Current income tax		(21,770)	-
Loss for the period		(548)	(264,660)
Other Comprehensive Income			
Exchange gain (loss) on translation of foreign operations		12,474	(6,749)
Income (Loss) and comprehensive income (loss) for the period		\$ 11,926	\$ (271,409)
Income(Loss) per share		\$ 0.0002	(0.006)
Weighted average number of shares outstanding		49,687,120	42,475,052

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Changes in Equity

For the six-month periods ended June 30, 2017 and 2016

(Expressed in Canadian dollars)

	Share Capital		Subscriptions received	Share-based payment reserve	Equity component of debentures	Accumulated other comprehensive income	Deficit	Total
	Number	Amount						
Balance at December 31, 2015	42,475,052	\$ 14,169,940	\$ -	\$ 2,468,208	\$ 41,489	\$ 5,291	\$ (18,225,875)	\$ (1,540,947)
Equity component of convertible debenture	-	-	-	-	78,446	-	-	78,446
Exchange gain on translation of foreign operations	-	-	-	-	-	(15,845)	-	(15,845)
Loss for the period	-	-	-	-	-	-	(599,802)	(599,802)
Balance at June 30, 2016	42,475,052	14,169,940	-	2,468,208	119,935	(10,554)	(18,825,677)	(2,078,148)
Issuance of shares for asset acquisition	1,874,524	149,962	-	-	-	-	-	149,962
Issuance of shares for business combination	5,181,500	181,353	-	-	-	-	-	181,353
Subscription received	-	-	290,000	-	-	-	-	290,000
Share-based compensation	-	-	-	22,535	-	-	-	22,535
Equity component of convertible debenture	-	-	-	-	(45,887)	-	-	(45,887)
Exchange gain on translation of foreign operations	-	-	-	-	-	2,053	-	2,053
Loss for the period	-	-	-	-	-	-	(1,314,305)	(1,314,305)
Balance at December 31, 2016	49,531,076	14,501,255	290,000	\$ 2,490,743	\$ 74,048	(8,501)	(20,139,982)	(2,792,437)
Issuance of shares for private placement	2,900,000	145,000	(290,000)	145,000	-	-	-	-
Issuance of shares to settle debt	200,000	8,000	-	-	-	-	-	8,000
Share-based compensation	-	-	-	39,384	-	-	-	39,384
Exchange gain on translation of foreign operations	-	-	-	-	-	11,433	-	11,433
Loss for the period	-	-	-	-	-	-	(159,795)	(159,795)
Balance at June 30, 2017	52,631,076	\$ 14,654,255	\$ -	\$ 2,675,127	\$ 74,048	2,932	\$ (20,299,777)	\$ (2,893,415)

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Cash Flow
for the six-month periods ended June 30, 2017 and 2016
(Expressed in Canadian dollars)

	Six months ended June 30, 2017	Six months ended June 30, 2016
Cash provided by (used in) continuing operating activities:		
Loss for the period	\$ (148,362)	\$ (599,802)
Items not involving cash:		
Accretion expense	11,270	11,270
Accrued interest expense	107,916	71,901
Amortization of equipment	6,126	5,908
Amortization of intangibles	28,491	15,100
Finance costs on convertible debt	58,162	58,203
Gain on settlement of payables	(54,699)	(27,949)
Interest income	-	(27,949)
Share-based compensation	39,384	-
Unrealized foreign exchange	(2,402)	22,850
Changes in non-cash operating working capital:		
Accounts and other receivables	429,294	36,004
Inventory	(66,471)	(176,603)
Prepaid expenses and deposits	51,816	(39,685)
Accounts payable and accrued liabilities	(368,044)	139,323
Taxes payable	(54,242)	-
Provisions	(229)	(8,413)
Deferred Revenue	95,262	526,950
Net cash flows used in operating activities	133,272	35,057
Investing activities provided by (used in):		
Acquisition of equipment	(7,273)	(9,646)
Consideration received from WWC	-	24,510
Payment for business combination	-	(24,510)
Net cash used in investing activities	(7,273)	(23,507)
Financing activities		
Interest paid on provisions	-	(60,054)
Proceeds from convertible debentures, net of issuance costs	-	350,000
Interest paid on convertible debentures	(14,250)	(10,848)
Net cash provided by financing activities	14,250	279,098
Impact of exchange rate changes on cash	(7,085)	(4,086)
Increase (decrease) in cash	104,664	300,423
Cash, beginning of period	404,500	188,116
Cash, end of period	\$ 509,164	\$ 488,539

NatureBank Asset Management Inc.

Condensed Consolidated Interim Statements of Cash Flow
for the six-month periods ended June 30, 2017 and 2016
(Expressed in Canadian dollars)

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

	June 30, 2017	June 30, 2016
Accrued interest on convertible debt	33,286	28,953
Interest on provisions included in accounts payable and accrued liabilities	95,431	-

1. Nature and Continuance of Operations

NatureBank Asset Management Inc. (the “Company”) was 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 sourcing, financing, development and commercialization of sustainable commodities across the agro-forestry and carbon sectors.

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

The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company has negative working capital at March 31, 2017 and may require additional funding and/or profitable operations for the upcoming year. Material uncertainties related to the Company’s ability to secure additional funding or deliver profitable operations may cast significant doubt on the entity’s ability to continue as a going concern. Realizable values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. General Information and Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements have been prepared on a basis consistent with the accounting policies applied for the year ending December 31, 2016 and follow the same accounting policies and methods of application as the 2016 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, 2016.

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 29, 2017.

3. Accounts and Other Receivables

	June 30, 2017	December 31, 2016
Trades receivables	\$ 251,173	\$ 737,557
Government sales tax receivable and value added tax receivable	-	50,122
Income tax receivable	31,705	50,122
Other receivables	125,123	29,174
Total	\$ 408,001	\$ 816,853

4. Inventory

	June 30, 2017	December 31, 2016
Work-in-Process		
Project development costs	\$ 461,802	\$ 411,691
Finished Goods		
VERs	90,305	72,024
Total	\$ 552,107	\$ 483,715

5. Accounts payable and accrued liabilities

	June 30, 2017	December 31, 2016
Trade payables	\$ 605,774	\$ 795,701
Accrued liabilities	561,482	693,678
Government sales tax payable and value added tax	105,668	82,565
Total	\$ 1,272,924	\$ 1,571,941

6. Provisions, Long and Short Term

	June 30, 2017			December 31, 2016		
	Short term	Long term	Total	Short term	Long term	Total
Maintenance & Monitoring	\$ 53,221	\$ 58,188	\$ 111,409	\$ 53,450	\$ 58,188	\$ 111,638
Future purchase consideration	1,897,153	-	1,897,153	1,885,883	-	1,885,883
Total	\$ 1,950,374	\$ 58,188	\$ 2,008,562	\$ 1,939,333	\$ 58,188	\$ 1,997,521

6. Provisions, Long and Short Term (cont'd)

		Maintenance, Monitoring, & Reporting	Future Purchase Consideration	Total
Balance, December 31, 2016	\$	111,638	\$ 1,885,883	\$ 1,997,521
Incurred during the period		(229)	-	(229)
Interest accretion		-	11,270	11,270
Balance, June 30, 2017	\$	111,409	\$ 1,897,153	\$ 2,008,562

7. Debentures

	Debenture A	Debenture B	Debenture C	Debenture D	Debenture E	Debenture F	TOTAL
First Tranche							
Amount at date-of-issue	\$ 232,892	\$ 94,504	\$ 211,751	\$ -	\$ -	\$ -	\$ 539,147
Second Tranche							
Amount at date-of-issue	-	-	-	38,793	193,970	38,793	271,556
Accretion	33,768	9,729	21,141	3,528	12,182	2,896	83,244
Payments	-	-	-	-	(125,000)	-	(125,000)
Equity Component Adjustment	-	-	-	-	25,492	-	25,492
Gain on early Redemption	-	-	-	-	(2,236)	-	(2,236)
Balance, December 31, 2016	266,660	104,233	232,892	42,321	104,408	41,689	792,203
Accretion	11,664	4,233	9,862	1,851	4,646	1,852	34,108
Balance, June 30, 2017	\$ 278,324	\$ 108,466	\$ 242,754	\$ 44,172	\$ 109,054	\$ 43,541	\$ 826,311

During the period ended June 30, 2017, the Company recorded finance costs of \$58,162 which includes accretion of \$34,108 and accrued interest of \$24,054 in relation to the above listed debentures.

8. Share Capital

(a) Authorized:

Unlimited common shares without par value.

(b) Issued

The Company closed a non-brokered private placement for \$290,000 at \$0.10 per unit (the "Offering") on the January 19, 2017. The Offering was composed of 2,900,000 units of the Company, with each unit consisting of one common share and one full share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.15 per share for a period of 12 months following the date of closing of the Offering. Total cash received was \$290,000.

On April 20, 2017, the Company issued 200,000 common shares at a fair market value price of \$0.04 to settle an outstanding trade payable to the value of \$10,000, resulting in a gain on settlement of \$2,000.

9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted average exercise price
Outstanding, December 31, 2015	3,488,000	\$0.30
Expired	(1,488,000)	0.17
Outstanding, December 31, 2016	2,000,000	\$0.40
Issued	5,900,000	0.12
Expired	(2,000,000)	0.40
Outstanding, June 30, 2017	5,900,000	\$0.12

At June 30, 2017, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,900,000	\$0.15	January 20, 2017
3,000,000	\$0.10	March 31, 2018

10. Share Options

The following table summarizes the continuity of the Company's share options at June 30, 2017:

	Number of options	Weighted Average exercise price
Outstanding, December 31, 2015	3,475,000	\$ 0.10
Granted	300,000	0.10
Forfeited or expired	(850,000)	0.10
Outstanding, December 31, 2016	2,925,000,	0.10
Granted	1,075,000	0.10
Forfeited or expired	200,000	0.10
Outstanding, Jun 30, 2017	3,800,000	\$ 0.10

During the six-months ending June 30, 2017, the Company recognized \$39,384 (2016 - \$nil) in share-based compensation for share options that were granted during the period.

Options outstanding and exercisable as at June 30, 2017 were as follows:

Expiry Date	Number of Options Outstanding	Exercise Price	Number of Options Outstanding and Exercisable	Remaining Life (years)
January 10, 2018	700,000	0.10	700,000	0.53
January 25, 2018	275,000	0.10	275,000	0.57
September 30, 2018	150,000	0.10	150,000	1.25
April 8, 2019	1,300,000	0.10	1,300,000	1.77
July 14, 2021	300,000	0.10	300,000	4.04
April 22, 2022	1,075,000	0.10	1,075,000	4.81
Total	3,800,000		3,800,000	
Weighted Average Fair Value of Options Granted				2015 - \$ nil 2016 - \$0.08

11. Related Party Transactions and Balances

The remuneration of directors and key management personnel during the six and three months ended June 30, 2017 and 2016 are as follows:

Six Months Ended June 30	2017		2016	
Salaries, management fees and benefits	\$	370,458	\$	380,279
Share-based payments (i)		23,813		-

Three Months Ended June 30	2017		2015	
Salaries, management fees and benefits	\$	188,304	\$	197,166
Share-based payments (i)		23,813		-

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

Amounts due to/from related parties at June 30, 2017 and December 31, 2016 included in accounts & other receivables, accounts payable and accrued liabilities are as follows:

	June 30, 2017		December 31, 2016	
Due from related parties	\$	371	\$	126,836
Due to related parties		642,465		598,400
Accrued debenture interest due to related party		29,733		20,149

Included in payables and accrued liabilities at June 30, 2017 is \$22,220 (December 31, 2016 - \$74,366) due to a company who has two directors in common and is a significant shareholder of the Company. Additionally, included in Current Debenture Interest is \$29,733 (December 31, 2016 - \$20,149) of which \$14,195 is overdue.

During the six months and three months ended June 30, 2017, sales revenues of \$80,188 and \$47,749 respectively (2016 - \$4,830 and \$3,190) was recognized from a customer who has one director in common and is a significant shareholder of the Company. Included in receivables is \$nil (December 31, 2016 - \$126,639) and included in payables is \$17,877 (December 31, 2016 - \$nil).

During the six months and three months ended June 30, 2017, sales revenue of \$76,875 and \$nil (2016 - \$nil and \$nil) was recognized from a customer with two owners being directors of the Company, one of which is a significant shareholder of the Company.

Included in payables and accrued liabilities at June 30, 2017 is \$95,430 (December 31, 2016 - \$95,430) due to/from a company whose significant shareholder is a director of the company.

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

Included in payables and accrued liabilities at June 30, 2017 is \$190,891 (December 31, 2016 - \$286,465) due to a company who has a director in common and is the former CEO of the Company.

Included in payables and accrued liabilities at March 31, 2017 is \$154,449 (December 31, 2016 - \$59,019) due to a company whose CFO is a director of the Company.

12. Revenues

Six Months Ended June 30	2017	2016
Sale of VERs	\$ 727,437	\$ 282,843
Consulting	925,207	1,368,326
Management fees	20	4,940
Total	\$ 1,652,664	\$ 1,656,109

Three Months Ended June 30	2017	2016
Sale of VERs	\$ 638,114	\$ 272,658
Consulting	523,992	763,855
Management fees	-	3,300
Total	\$ 1,162,106	\$ 1,039,813

13. Segmented Information

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

Revenues

Six Months Ended June 30	2017		2016	
Canada	\$	840,681	\$	725,151
Europe		491,267		304,573
USA		77,980		184,436
South & Central America		222,114		365,277
Other		20,624		76,672
Total	\$	1,652,665	\$	1,656,109

Three Months Ended June 30	2017		2016	
Canada	\$	592,634	\$	598,778
Europe		429,283		207,263
USA		31,019		92,555
South & Central America		107,535		72,200
Other		-		69,016
Total	\$	864,654	\$	1,039,813

The Company had concentrated revenues as follows:

Six Months Ended June 30	2017	2016
Forest Finance Service GmbH and related Co.'s.	5%	29%
Customer A	16%	21%
Other	79%	50%
	100%	100%

Three Months Ended June 30	2017	2016
Forest Finance Service GmbH and related Co.'s.	-	12%
Customer A	18%	32%
Customer B	-	12%
Other	82%	44%
	100%	100%

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

14. Events After the Reporting Date

1) Debenture 'A' - default of payment

Due to liquidity constraints, the Company was unable to pay both the principal (\$280,000) and Interest (\$14,000) which came due on July 27th, 2017. The Company is in negotiations with WBZ (the debenture holder and a significant shareholder of the Company with two directors in common).

2) 3rd Party Seller - default of payment

The Company and the 3rd Party Seller of Offsetters Clean Technology had signed an Amending Agreement extending payment terms of the Final Delayed Payment of the Second Cash Payment in the amount of \$408,610, to July 31, 2017. Due to liquidity constraints, the Company was unable to meet this obligation and is in breach of the contract.