

MAPLE LEAF REFORESTATION INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

MAPLE LEAF REFORESTATION INC.

Index to Consolidated Interim Financial Statements

For the nine months ended October 31, 2011

	Page
FINANCIAL STATEMENTS	
Notice of No Auditor Review of the Condensed Interim Consolidated Financial Statements	1
Condensed Interim Consolidated Statements of Financial Position	2 - 3
Condensed Interim Consolidated Comprehensive Income Statements	4
Condensed Interim Consolidated Statements of Changes in Equity	5
Condensed Interim Consolidated Statements of Cash Flows	6
Notes to Condensed Interim Consolidated Financial Statements	7 - 26

Maple Leaf Reforestation Inc.
Condensed Interim Consolidated Financial Statements
For the nine months ended October 31, 2011

Notice of no auditor review of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Company, comprising the accompanying interim unaudited consolidated statements of financial position as of October 31, 2011 and the interim unaudited interim consolidated comprehensive income statement and change in equity and cash flows for the nine-month and three-month periods then ended are the responsibility of the Company's management.

These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company. The interim unaudited consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these consolidated financial statements in accordance with International Financial Reporting Standards.

MAPLE LEAF REFORESTATION INC.
Condensed Interim Consolidated Statements of Financial Position
[Expressed in Canadian dollars, unaudited]

	Note	As at October 31, 2011 \$	As at January 31, 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	6,295	48,766
Receivable and prepaids	4	73,510	106,063
Inventories	6	330,410	524,075
Prepaid lease payment, current portion	5	2,969	2,776
		413,184	681,680
Non-current assets			
Property, plant and equipment	7	1,230,930	1,310,326
Prepaid lease payment, non-current portion	5	75,298	75,350
		1,306,228	1,385,676
Total assets		1,719,412	2,067,356

MAPLE LEAF REFORESTATION INC.
Condensed Interim Consolidated Statements of Financial Position (cont'd)
[Expressed in Canadian dollars, unaudited]

	Note	As at October 31, 2011 \$	As at January 31, 2011 \$
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		225,062	298,135
Advance deposit from customers		48,105	
Short term loan	8	55,000	72,151
Due to related parties	11	44,500	69,317
		372,667	439,603
Non-current liabilities			
Convertible debenture	9	117,463	102,097
		117,463	102,097
Total liabilities		490,130	541,700
Equity			
Issued capital	10	8,344,136	7,700,711
Share subscription received		-	10,000
Retained earnings		(11,458,521)	(10,407,849)
Other reserves		4,343,667	4,222,794
Equity attributable to equity holders of the parent		1,229,282	1,525,656
Total equity		1,229,282	1,525,656
Total liabilities and equity		1,719,412	2,067,356

MAPLE LEAF REFORESTATION INC.
Condensed Interim Consolidated Comprehensive Income Statements
[Expressed in Canadian dollars, unaudited]

		For the three months ended October 31, 2011	2010	For the nine months ended October 31, 2011	2010
	Notes	\$	\$	\$	\$
Continuing Operations					
Revenue		91,416	262,406	231,091	522,206
Cost of sales		(75,901)	(256,764)	(250,638)	(503,656)
Gross profit		15,515	5,642	(19,547)	18,550
Selling and administrative expenses	15	(217,804)	(461,903)	(786,761)	(1,218,751)
Write down of inventory	6	(538)	-	(246,295)	-
Operating profit		(202,827)	(456,261)	(1,052,603)	(1,200,201)
Other income and expenses					
Interest income		43	4	809	34
Other income		-	-	1,122	1,000
Gain on convertible debts extinguished		-	20,093	-	20,093
Loss on disposal of property, plant, and equipment		-	-	-	-
Development stage cost written off		-	-	-	-
Write down of inventory		-	-	-	-
		43	20,097	1,931	21,127
Discontinued operations					
Profit (loss) after tax for the period from discontinued operations		-	(300,818)	-	(445,296)
Net (loss) profit for the period		(202,784)	(736,982)	(1,050,672)	(1,624,370)
Unrealized exchange differences on translation of foreign operations					
		82,309	19,016	45,635	(30,757)
Other comprehensive income for the period, net of tax		82,309	19,016	45,635	(30,757)
Total comprehensive income for the period, net of tax		(120,475)	(717,966)	(1,005,037)	(1,655,127)
Attributable to:					
Equity holders of the parent		(120,475)	(717,966)	(1,005,037)	(1,655,127)
(Loss) earnings per share, attributable to equity holders of the parent					
- Basic and diluted, for (loss) profit from continuing operations		(0.00)	(0.01)	(0.01)	(0.02)
(Loss) earnings per share for continuing operations, attributable to equity holders of the parent					
- Basic and diluted, for (loss) profit from continuing operations		(0.00)	(0.01)	(0.01)	(0.02)
Earnings (loss) per share for discontinued operations, attributable to equity holders of the parent					
- Basic and diluted, for (loss) profit from discontinued operations		(0.00)	(0.00)	(0.00)	(0.01)

MAPLE LEAF REFORESTATION INC.
Condensed Interim Consolidated Statements of Changes in Equity
[Expressed in Canadian dollars, unaudited]

Attributable to equity holders of the parent							
Note	Number of shares	Issued capital \$	Contributed surplus \$	Share Subscription Received \$	Foreign currency translation reserve \$	Retained earnings \$	Total equity \$
At February 1, 2011	72,458,502	7,700,711	4,424,761	10,000	(201,967)	(10,407,849)	1,525,656
Loss for the period	-	-	-	-	-	(1,050,672)	(1,050,672)
Other comprehensive income	-	-	-	-	45,635	-	45,635
Total comprehensive income	72,458,502	7,700,711	4,424,761	10,000	(156,332)	(11,458,521)	520,619
Share-based payment transactions	10	578,785	57,879	75,238	-	-	133,117
Private placement, net of share issuance costs	10	7,645,588	585,546	-	(10,000)	-	575,546
At October 31, 2011	80,682,875	8,344,136	4,499,999	-	(156,332)	(11,458,521)	1,229,282

Attributable to equity holders of the parent							
Note	Number of shares	Issued capital \$	Contributed surplus \$	Share Subscription Received \$	Foreign currency translation reserve \$	Retained earnings \$	Total equity \$
At February 1, 2010 (restated)	62,286,627	6,860,562	3,612,645	-	-	(8,300,741)	2,172,466
Loss for the period	-	-	-	-	-	(1,624,370)	(1,624,370)
Other comprehensive income	-	-	-	-	(30,757)	-	(30,757)
Total comprehensive income	62,286,627	6,860,562	3,612,645	-	(30,757)	(9,925,111)	517,339
Conversion from debentures	4,700,000	541,421	(71,421)	-	-	-	470,000
Fair value of convertible debenture upon issuance	-	-	28,829	-	-	-	28,829
Share-based payment transactions	10	-	-	469,621	-	-	469,621
Private placement, net of share issuance costs	10	5,537,500	228,765	339,285	-	-	568,050
At October 31, 2010	72,524,127	7,630,748	4,378,959	-	(30,757)	(9,925,111)	2,053,839

MAPLE LEAF REFORESTATION INC.
Condensed Interim Consolidated Statements of Cash Flows
[Expressed in Canadian dollars, unaudited]

	For the three months ended October 31,		For the nine months ended October 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
OPERATING ACTIVITIES				
(Loss) profit before tax from continuing operations	\$ (202,784)	\$ (736,982)	\$ (1,050,672)	\$ (1,624,370)
(Loss) before tax from discontinued operations	-	-	-	-
(Loss) profit before tax	(202,784)	(736,982)	(1,050,672)	(1,624,370)
Non-cash adjustment to reconcile (loss) profit before tax to net cash flows:				
Depreciation and amortization	20,421	42,038	63,364	136,634
Accretion on convertible debentures	5,122	(18,637)	15,366	44,559
Loss on disposal of property, plant and equipment	-	57,640	-	57,640
Gain on convertible debentures extinguished	-	(20,093)	-	(20,093)
Write down of other assets	-	218,723	-	218,723
Inventory write-down	538	-	246,295	-
Share-based compensation	32,598	162,756	101,371	469,621
	(144,105)	(294,555)	(624,276)	(717,286)
Working capital adjustments:				
Decrease (increase) in trade and other receivables	(26,475)	(61,069)	32,553	(11,427)
Decrease (increase) in prepayments	(3,352)	-	(141)	-
Decrease (increase) in inventories	22,846	216,597	193,665	322,042
Amount due from (to) related parties	(21,000)	18,453	(69,317)	26,964
Increase (decrease) in trade and other payables, and advance deposit	38,813	(334,086)	19,532	(246,748)
	(133,273)	(454,660)	(447,984)	(626,455)
Cash flow from (used in) operating activities	(133,273)	(454,660)	(447,984)	(626,455)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,185)	-	(6,347)	-
Disposal of property, plant and equipment	-	49,159	-	49,159
Net cash flows used in investing activities	(4,185)	49,159	(6,347)	49,159
FINANCING ACTIVITIES				
Shares issued, net of share issuance costs	-	418,050	575,546	568,050
Funds from convertible debentures	-	102,500	-	102,500
Funds from short term loan	55,000	-	55,000	-
Repayment of short term loan	-	-	(72,151)	-
Net cash flows used in financing activities	55,000	520,550	558,395	670,550
Net decrease in cash and cash equivalents	(82,458)	115,049	104,064	93,254
Net foreign exchange difference	39,980	(19,814)	(146,535)	(6,420)
Cash and cash equivalents, beginning of period	48,773	71,265	48,766	79,666
Cash and Cash equivalents, end of period	\$ 6,295	\$ 166,500	\$ 6,295	\$ 166,500
Supplementary information:				
Interest paid	\$ -	\$ 59,250	\$ 649	\$ 59,250
Income tax paid	\$ -	\$ -	\$ -	\$ -

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

1. Nature of Operations, Seasonality of Operations, Going Concern, Discontinued Operations and Change of Year-end

Maple Leaf Reforestation Inc. (formerly called "Maple Leaf Nursery Inc."), a development stage company, along with its subsidiary companies and special purpose entities (collectively the "Company"), is engaged in the acquisition, development, and operation of reforestation projects in the People's Republic of China ("China"). The Company currently operates a greenhouse operation to grow tree seedlings in Inner Mongolia in China.

The quarterly results are not necessarily indicative of results to be expected for the entire year. Revenue is typically generated in the second and third quarters. This reflects the Company to take advantage of the two growing cycles from the spring to the autumn, and the difficulty in growing tree seedlings in the winter.

The Company has not yet generated significant revenue from its operations and has incurred recurring losses since inception. Management recognizes that the ability of the Company to carry out its planned business obligations depends on its ability to raise adequate financing from shareholders and other investors, and achieving its profitable operations in the future. If the Company is not able to raise additional funds, there would be significant doubt that the Company is able to continue as a going concern and the operation would be required to be curtailed. There is no assurance that the Company will be able to obtain adequate financing. The Company is in the process of obtaining various source of financing. Therefore, the management concludes that the Company has the ability to raise additional funds to meet its financial needs for the next twelve months. As a result, these interim financial reports do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

Prior to January 31, 2011, the Company was devoting substantially all of its efforts to establishing businesses to grow and sell young tree seedlings, yellowhorn trees, and alfalfa; and produce and sell fertilizer in China. Its planned principal operations have not reached its designed capacity and as a result, significant revenue has not been generated. Effective January 31, 2011, through the termination of various management agreements with the Company's special purpose entities, the Company discontinued its projects in feedstock and fertilizer operations. Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the condensed interim consolidated financial statements of the Company have been reclassified to reflect the discontinued operations of projects in feedstock and fertilizer operations. A summary of financial information for the Company discontinued operations is in Note 1.1 below.

On October 24, 2011, the Company decided to change its year-end to December 31 in order to coincide with the taxation and financial year-end of its operating subsidiary in China.

1.1 A Summary of Financial Information on the Company's Discontinued Operations

A summary of financial information for the Company's discontinued operations is as follows:

	Three months ended October 31, 2011	Three months ended October 31, 2010	Nine months ended October 31, 2011	Nine months ended October 31, 2010
	\$	\$	\$	\$
Revenues	-	-	-	9,462
Loss from discontinued components	-	300,818	-	444,320

Net assets of discontinued operations are detailed as follows:

	October 31, 2011	January 31, 2011
	\$	\$
Current assets	270	270
Long term assets	35,568	35,568
	35,838	35,838
Current liabilities	29,197	29,197
Net assets of discontinued operations	6,641	6,641

2. Basis of Presentation and Principles of Consolidation

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") - Interim Financial Reporting, and International Financial Reporting Standard 1 ("IFRS 1") - First-time adoption of IFRS, as issued by the International Accounting Standards Board ("IASB"), using the accounting policies that the Company expects to adopt in its consolidated financial statements for the financial year ending December 31, 2011.

(Continues)

Maple Leaf Reforestation Inc.
Notes to Condensed Interim Consolidated Financial Statements
For the three months and nine months ended October 31, 2011
(Expressed in Canadian dollars, unless otherwise stated)

2. Basis of Presentation and Principles of Consolidation (continued)

The Interim Financial Statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at January 31, 2011. However, as the Interim Financial Statements are the Company's first financial statements prepared using IFRS, they include certain disclosures required to be included in annual financial statements prepared in accordance with IFRS, but that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS to make an explicit and unreserved statement of compliance with IFRS. The Company will make this statement when it issues the annual financial statements for the year ending January 31, 2012.

Note 19 sets out information on the impact of the transition from Canadian GAAP to IFRS.

The Interim Financial Statements comprise the financial statements of Maple Leaf Reforestation Inc., its subsidiaries and special purpose entities as at October 31, 2011.

Subsidiaries and special purpose entities are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries and special purpose entities are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions are eliminated in full.

The Interim Financial Statements include the accounts and operations of Maple Leaf Reforestation Inc. and its wholly owned subsidiaries, Inner Mongolia Maple Leaf Reforestation Ltd. and Xinjiang Maple Leaf Forestry Sci-tech Ltd., and its special purpose entities. Effective January 31, 2011, upon the termination of the various management agreements with its special purpose entities, the Company had divested its investments and deconsolidated all its special purpose entities.

3. Summary of Significant Accounting Policies

(a) Significant Accounting Policies

(i) Use of estimates and measurement uncertainty

Preparing the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Significant area requiring the use of management estimates relate to the determination of potential impairments of property, plant and equipment, determination of fair values of stock options, warrants, and financial instruments, determination of net realizable value of inventory as well as valuation of future income taxes. Actual results could differ from those estimates.

(ii) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

(ii) Special purpose entities ("SPE")

A SPE is defined as an entity which was created to accomplish a well-defined objective with legal arrangements that impose limits on the decision-making powers of the SPE management over the operations of the SPE. The Company created several SPEs for the projects of feedstock and fertilizer operations and controlled these SPEs. In accordance with the IFRS - SIC Interpretation 12, the Company consolidates a SPE as the Company controls the SPEs.

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Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies (continued)

(iii) Financial instruments

Financial Assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the income statement.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial assets constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement.

Other financial liabilities - This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash as fair value through profit and loss, receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - quoted prices (unadjusted) to active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments are exposed to credit, liquidity and market risks. 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 on obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk composes three types of risk: currency risk, interest rate and price risk.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies (continued)

(iv) Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each subsidiary of the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company and its subsidiaries at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income or loss. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

(v) Inventories

Inventories consist of work-in-progress, finished goods, and raw materials and are using weighted average method of determining the costs applicable to items in its inventories.

Raw material is stated at replacement cost while work-in-progress and finished goods are valued at the lower of cost and realizable value, which is the estimated selling price in the ordinary course of business in the prevailing local market less the estimated costs of completion, if any, and the estimated costs necessary to make the sale. Costs of seedlings include direct material, labor, and manufacturing overhead costs. When the cost of inventory is over its realizable value, the excess cost will be written down and expensed directly. Obsolete inventory and un-survival seedling are written down entirely and the write down is presented as a separate line item on the income statement.

(vi) Revenue recognition

Revenue is recognized when i) the Company has transferred the significant risks and rewards of ownership to its customers, ii) all significant acts have been completed, iii) the Company retains no continuing managerial involvement in, or control of, the goods transferred, and iv) reasonable assurance exists regarding the measurement of consideration that will be derived from sale of goods by the Company and the extent to which goods may be returned. When there is uncertainty as to ultimate collection, revenue is recognized only when cash is received.

(vii) Property, plant and equipment

Property, plant and equipment are stated at cost and amortized over their estimated useful lives on a straight line basis using the annual amortization rates as follows:

Furniture and Equipment	20%
Motor vehicles	20%
Computer equipment	30%
Leasehold improvement	20%
Greenhouse	5% to 20%

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. The Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired.

(viii) Leases

The Company classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. It classifies all other leases as operating leases.

The Company recognizes operating lease payments as an operating expense on a straight-line basis over the lease term. Amounts paid in advance for land leases in the PRC are recorded as prepaid lease rentals.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies (continued)

(ix) Convertible debentures

Convertible debentures are segregated into debt and equity components at the date of issue. The debt component of the debentures is classified as liability and recorded as the present value of the Company's obligation to make future interest payments and settle the redemption value of the instrument. The carrying value of the debt component is accreted to the original face value of the instrument over the term of the convertible debenture using the effective interest method. The value of the conversion option makes up the equity component of the instrument. The conversion option is recorded using the residual value approach.

(x) Share-based payment

Certain employees and consultants of the Company receive remuneration in the form of share-based payments, whereby employees and consultants render services as consideration for equity instruments (equity-settled transactions).

The Company accounts for share-based payment using the fair value method. Under this method, compensation expense for stock options granted to employees, officers, directors, and consultants is measured at fair value at the date of the grant using the Black-Scholes pricing model and is expensed in the consolidated statements of operations over the vesting period of the options granted. The fair value of stock options granted to consultants is measured at the performance commitment date or the date that the service is delivered using the Black-Scholes pricing method.

Upon the exercise of the stock option, consideration received and the related amount transferred from contributed surplus are recorded as issued capital.

(xi) Loss per share

Basic loss per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potential dilutive instruments were converted. All outstanding options and warrants are anti-dilutive and therefore have no effect on the determination of loss per share.

(xii) Income taxes

The Company applies IAS 12, *Income Taxes*. Income tax consists of current and deferred income tax. Income tax is recognized in the income statement except to the extent that it relates to a business combination, or items recognized directly within equity or in other comprehensive income. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the reporting date.

The Company recognizes provisions in respect of uncertain tax positions whereby additional current tax may become payable in future periods following the audit by the tax authorities of prior taxation years. Provisions for uncertain tax positions are based upon management's assessment of the likely outcome of issues associated with assumed permanent differences, interest that may be applied to temporary differences, and the possible disallowance of tax credits and penalties. Provisions for uncertain tax positions are reviewed regularly and are adjusted to reflect events such as the expiry of limitation periods for assessing tax, administrative guidance given by the tax authorities and court decisions.

Deferred tax assets and liabilities are recognized, using the liability method of IAS 12, for the expected tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized before applicable expiry dates. Deferred tax liabilities for withholding taxes are recognized for subsidiaries in situations where the income is to be paid out as dividend in the foreseeable future. Change in tax rates are reflected in the period when the change has been enacted or substantively enacted by the reporting date.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realized or liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

3. Summary of Significant Accounting Policies (continued)

(xiii) Comparative figures

Certain prior period's figures have been reclassified to conform to the current financial statements presentation.

(b) Future Accounting Standards

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued certain new standards, interpretations, amendments and improvements to existing standards, mandatory for future accounting periods. The most significant of these are as follows, and are all effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted:

The IASB issued IFRS 9, Financial Instruments in November 2009 as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement; in particular, it introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 before its effective date to add new requirements for classifying and measuring financial liabilities, derecognizing financial instruments, impairment and hedge accounting.

IFRS 10, 11, 12 and 13 were all issued in May 2010. IFRS 10 Consolidated Financial Statements replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation — Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. IFRS 11 Joint Arrangements introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. It eliminates the option of accounting for jointly controlled entities by using proportionate consolidation. IFRS 12 Disclosure of Interests in Other Entities requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13 Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

The Company has not yet determined the impact of these standards on its financial statements.

4. Trade Receivable and GST recoverable

	October 31, 2011 \$	January 31, 2011 \$
Trade receivables	58,414	20,137
GST recoverable	8,092	22,646
Prepaid expenses	7,004	63,280
	73,510	106,063

5. Prepaid land lease

	October 31, 2011 \$	January 31, 2011 \$
Land lease - current	2,969	2,776
	2,969	2,776
Land lease - non-current	75,298	75,350
	75,298	75,350

The Company entered into a 50-year for the land where the greenhouse operation is located in Inner Mongolia. The lease payments are to be paid over a 10-year period commencing from the date of the lease. As of October 31, 2011, total prepayments is \$78,267. Under the IFRS, the prepaid land lease is classified as prepaid lease payments, broken into a current portion in the prepayment and a non-current portion in the non-current assets.

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

6. Inventories

	October 31, 2011 \$	January 31, 2011 \$
Raw material and supplies	84,667	206,117
Seedlings	245,743	317,958
	330,410	524,075

During the nine months ended October 31, 2011, the Company wrote off \$246,295 inventory (2010 - \$0) related to the tree seedling operations.

7. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	October 31, 2011			31-Jan-11		
	Costs	Amortization	Net book value	Costs	Amortization	Net book value
Furniture and equipment	\$ 69,047	\$ (11,998)	\$ 57,049	\$ 68,736	\$ (9,622)	\$ 59,114
Leasehold improvement	4,185	(78)	4,107	-	-	-
Motor vehicles	23,456	(9,771)	13,685	23,055	(7,172)	15,883
Computer equipment	13,882	(12,145)	1,737	12,593	(11,962)	631
Greenhouse	1,862,512	(708,159)	1,154,353	1,799,505	(564,807)	1,234,698
	\$ 1,973,081	\$ (742,151)	\$ 1,230,930	\$ 1,903,889	\$ (593,563)	\$ 1,310,326

During the year ended January 31, 2011, as a result of the discontinued operations of fertilizer alfalfa and feedstock projects, the Company wrote off and recorded a total of \$236,725 impairment on property, plant and equipment associated with the fertilizer, alfalfa and feedstock projects. This amount has been included in loss from operations of discontinued components.

8. Short Term Loan

During the fiscal year 2011, the Company obtained a short term loan of \$70,500 from an employee of the Company. The loan is unsecured, bearing interest at 15% per annum and due on February 28, 2011. As at January 31, 2011, the Company accrued interest of \$1,651 and recorded a total short term loan of \$72,151.

Subsequent to the year end, the Company obtained additional short term loan of \$7,100 from the same employee with the same term of the above noted short term loan. On February 22, 2011, the Company repaid the above short term loans of \$77,600 with interest of \$2,301 in full.

During the quarter ended October 31, 2011, the Company obtained short term loan of \$10,000 from a director of the Company. The loan is unsecured, bearing no interest and due on December 31, 2011.

During the quarter ended October 31, 2011, the Company obtained short term loan of \$10,000 from a director of the Company. The loan is unsecured, bearing interest at prime plus two per annum and due on December 31, 2012.

During the quarter ended October 31, 2011, the Company obtained short term loan of \$35,000 from an employee. The loan is unsecured, bearing interest of 10% and due on December 31, 2012.

9. Convertible Debentures

In September 2010, the Company raised \$102,500 by issuing \$102,500 of convertible debentures bearing an interest rate of 15% per annum with a conversion price of \$0.125 during the first twelve months and \$0.175 during the second twelve months. The Company paid finder's fee in the amount of \$8,200 to various arm's length parties. The Company allocated the net proceeds (\$94,300) to debt component of \$92,273 which was calculated by effective interest rate of 20.7% per annum and equity component of \$2,027.

During the three-month period ended October 31, 2011, the Company recorded interest expenses of \$5,122 (2010 - \$2,979).

As at October 31, 2011, the carrying value of the convertible debenture was \$117,463 (January 31, 2011 - \$102,097).

10. Issued capital

(a) Authorized

Unlimited number of common shares without par value.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

10. Issued capital (continued)

(b) Private Placements

In March 2010, the Company closed a private placement with the family of the CEO of the Company which raised gross proceeds of \$150,000. The private placement comprised of 1,000,000 units and each unit consisted of one common share purchase warrant, which enables the holder to exercise the warrants at \$0.25 per share before March 25, 2012. The Company allocated the proceeds to common shares and warrants at their relative fair value which the fair value of warrants was estimated by using Black-Scholes model with assumptions of 191% volatility, 1.54% risk free rate, and no dividend yield. The Company allocated \$83,045 and \$66,955 to common shares and warrants, respectively.

During the year ended January 31, 2011, the Company completed a series of private placements to raise gross proceeds of \$435,750. The private placements comprised of 4,537,500 units and each unit consisted of one common share and one common share purchase warrant, which enable the holder to exercise the warrant at \$0.20 per share over a two-year period. The Company paid finder's fees in the amount of \$27,500 in connection with the issuance. The Company allocated the proceeds to common shares and warrants at their relative fair value which the fair value of warrants was estimated by using Black-Scholes model with weighted average assumptions of 187% volatility, 1.44% risk free rate, and no dividend yield. The Company allocated \$237,086 and \$189,164 to common shares and warrants, respectively.

On February 11, 2011, the Company completed a private placement to raise gross proceeds of \$649,875 (\$10,000 was received as January 31, 2011) by issuing 7,645,588 units at a subscription price of \$0.085 per unit, and each unit consists of one common share and one common share purchase warrant exercisable for two years from the date of closing at a price of \$0.125. In connection with this private placement, the Company paid finder's fee in the amount of \$54,179 and issued 684,458 option (the "agent's option") to arm's length parties. The agent's options will be exercisable into common shares of the Corporation for two years from the date of closing at a strike price of \$0.085 per share.

On February 23, 2011, the Company issued 578,785 common shares to pay two officers for their past services and vacation pay.

(c) Stock Options

The following is a summary of option transactions:

	Number of options	Weighted average exercise price per share
Balance, January 31, 2010	6,016,000	\$ 0.26
Options granted	4,400,000	0.14
Options repriced - new	1,505,000	0.14
Options repriced - old	(1,505,000)	0.32
Options expired or cancelled	(4,331,000)	0.24
Balance, January 31, 2011	6,085,000	\$ 0.14
Options granted	1,800,000	0.15
Options expired or cancelled	(1,600,000)	0.15
Balance, October 31, 2011	6,285,000	\$ 0.14

In February 2010, a total of 2,400,000 options vesting immediately at an exercise price of \$0.125 and with a life of three years were granted to directors, officers, employees, and consultants. In June 2010, a total of 200,000 options with various vesting schedules and a life of three years were granted a consultant. Of the 200,000 options, 100,000 options are exercisable at \$0.20 and the remaining 100,000 options are exercisable at \$0.35.

In March 2010, a total of 1,505,000 options previously granted to directors, officers, and employees, of which 50,000 options with an exercise price of \$0.39 maturing at March 25, 2011 and 1,455,000 options with an exercise price of \$0.32 maturing at June 23, 2011, were modified to be exercisable at \$0.135 maturing on March 12, 2012.

In August 2010, a total of 200,000 options exercisable 100,000 at \$0.20 and 100,000 at \$0.35 vesting over a period of four months were granted to a consultant.

In August 2010, a total of 900,000 options exercisable at \$0.14 and vesting immediately with a life of three years were granted to directors and officers. In October 2010, a total of 450,000 options exercisable at \$0.13 and vesting immediately with a life of three years were granted to a consultant.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

10. Issued capital (continued)

In January 2011, a total of 450,000 options exercisable at \$0.13 vesting over six-month period with a life of three years were granted to an employee and a consultant.

In February 2011, a total of 700,000 options exercisable 350,000 at \$0.125 and 350,000 at \$0.175 vesting over a period over one year with a life of three years were granted to a consultant.

In June 2011, a total of 300,000 options exercisable at \$0.125 vesting over a six-month period with a life of three years were granted to a director.

In June 2011, a total of 200,000 options exercisable at \$0.125 vesting over a three-month period with a life of three years were granted to a director.

In July 2011, a total of 300,000 options exercisable at \$0.125 vesting over a six-month period with a life of three years were granted to a director. Following his resignation in October 2011, the expiry date for his 100,000 vested options is modified to January 2012, and the remaining options are cancelled.

In July 2011, a total of 100,000 options exercisable at \$0.125 vesting over a three-month period with a life of three years were granted to an employee.

During the period ended October 31, 2011, a total of 1,300,000 options (2010 - 4,331,000) were cancelled or expired.

The following is the summary of assumptions used to estimate the fair value of each option granted using the Black-Scholes option pricing model.

	October 31, 2011	Fiscal 2011
Weighted average risk free interest rates	1.64%	1.64%
Weighted average expected life	3 years	3 years
Weighted average expected volatility	177%	177%
Weighted average expected dividend yield	nil	nil

The weighted average grant date fair value of options granted during the nine months ended October 31, 2011 was \$0.07 (fiscal 2011- \$0.08) and a total of \$101,371 (fiscal 2011 - \$469,621) share-based compensation expenses was recorded on the consolidated income statements.

The following table summarizes information about stock options outstanding at October 31, 2011:

Exercisable prices	Number of options outstanding	Expiry dates	Remaining contractual life (years)	Numbers of Exercisable at October 31, 2011
\$ 0.125	100,000	January 26, 2012	0.24	100,000
\$ 0.200	500,000	April 27, 2012	0.49	500,000
\$ 0.125	1,850,000	February 4, 2013	1.27	1,850,000
\$ 0.135	1,135,000	March 12, 2013	1.36	1,135,000
\$ 0.200	100,000	June 30, 2013	1.84	100,000
\$ 0.350	100,000	June 30, 2013	1.84	100,000
\$ 0.140	300,000	August 31, 2013	1.84	300,000
\$ 0.130	450,000	October 1, 2013	1.92	450,000
\$ 0.125	450,000	January 18, 2014	2.22	450,000
\$ 0.125	350,000	February 2, 2014	2.26	350,000
\$ 0.175	350,000	February 2, 2014	2.26	-
\$ 0.125	300,000	June 1, 2014	2.59	200,000
\$ 0.125	200,000	June 13, 2014	2.62	200,000
\$ 0.125	100,000	July 29, 2014	2.75	100,000
\$0.125 - 0.35	6,285,000			5,835,000

As at October 31, 2011, options to purchase 1,583,287 common shares remain available to be granted.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

10. Issued capital (continued)

(d) Warrants

The following table summarizes information about warrant transactions:

Number of warrants outstanding as at January 31, 2010	Issued during the period	Number of warrants exercised during the period	Number of warrants outstanding as at January 31, 2011	Exercise price per warrant	Expiry date
5,075,500	-	-	5,075,500	\$ 0.20	May 22, 2011
-	1,000,000	-	1,000,000	\$ 0.25	March 24, 2012
-	2,187,500	-	2,187,500	\$ 0.20	August 9, 2012
-	2,350,000	-	2,350,000	\$ 0.20	September 7, 2012
5,075,500	5,537,500	-	10,613,000		

Number of warrants outstanding as at January 31, 2011	Issued during the period	Number of warrants unexercised during the period	Number of warrants outstanding as at October 31, 2011	Exercise price per warrant	Expiry date
10,613,000	-	(5,075,500)	5,537,500	(see above)	(see above)
-	7,645,588	-	7,645,588	\$ 0.125	February 14, 2013
-	684,458	-	684,458	\$ 0.085	February 14, 2013
10,613,000	8,330,046	(5,075,500)	13,867,546		

During the period, the 5,075,500 warrants expired and unexercised. A total of 8,330,046 warrants with 7,645,588 at \$0.125 and 684,458 at \$0.085 exercisable over a two year period were issued upon completion of private placements in February 2011.

11. Related Party Transactions

Related party transactions not disclosed elsewhere in the financial statements are as follows:

	Three months ended October 31,		Nine months ended October 31,	
Transactions with related parties	2011	2010	2011	2010
Management fee to a director and officer (a)	\$ 22,500	\$ 22,500	\$ 67,500	\$ 67,500
Salary to a director's spouse (b)	\$ 6,000	\$ -	\$ 15,000	\$ -
Legal fee to a director and officer (c)	\$ 15,000	\$ 15,000	\$ 45,000	\$ 45,000
Consulting fee to a director and officer (d)	\$ -	\$ -	\$ 10,000	\$ -
Consulting fee to a director and officer (e)	\$ 15,000	\$ -	\$ 20,000	\$ -

The transactions with related parties during the year were measured at exchange amount, which is the amount of consideration established and agreed by the parties.

As at October 31, 2011, the balance with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Amount due to a related party	October 31, 2011	January 31, 2011
A director and officer (c)	\$ 31,500	\$ 69,317
A director and officer (e)	\$ 13,000	\$ -

(a) During the three months ended October 31, 2011, the Company paid \$22,500 (three months ended October 31, 2010 - \$22,500) to a director and officer of the Company for his management services.

(b) During the three months ended October 31, 2011, the Company paid \$6,000 (three months ended October 31, 2010 - nil) to the spouse of a director and officer of the Company for her administrative services.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

11. Related Party Transactions (continued)

- (c) During the three months ended October 31, 2011, the Company incurred legal fees of \$15,000 (three months ended October 31, 2010 - \$15,000) payable to Brad R Docherty Professional Corporation, a law firm which a director and officer is a member, and the director and officer for legal services provided. As at October 31, 2011, a total of \$31,500 remained outstanding.
- (d) During the three months ended October 31, 2011, the Company incurred consulting fee of \$nil (three months ended October 31, 2010 - \$nil) payable to Decapital Inc., a private company controlled by a director and officer of the Company for consulting services provided.
- (e) During the three months ended October 31, 2011, the Company incurred consulting fee of \$15,000 (three months ended October 31, 2010 - \$nil) payable to CLW Partners LLP., an accounting firm, of which a director and officer of the Company is a partner. As at October 31, 2011, a total of \$13,000 remained outstanding.

The transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed by the parties. The balances with related parties are unsecured, non-interest bearing, and due on demand.

12. Capital Disclosures

The Company's objectives of capital management are to provide returns for shareholders, and comply with any externally imposed capital requirements, if any, to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis and continue to develop and expand the reforestation projects in China. Currently, there is no externally imposed capital requirements on the Company.

The capital of the Company consists of convertible debenture and the items included in shareholders' equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

As at October 31, 2011, the Company has a total of \$117,463 (Jan 31, 2011 - \$102,097) of convertible debentures outstanding.

13. Financial Instruments

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, and credit risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

(a) Fair value

The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties to settle these instruments. The carrying amount of all financial instruments (except convertible debentures) as at October 31, 2011 approximates their fair value because of the short maturities and normal trade term of these instruments.

The following table sets forth the Company's financial assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy. Those financial assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement.

	Fair value as at October 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 6,295	\$ -	\$ -	\$ 6,295

(b) Liquidity risk

The liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's financial liabilities mainly include accounts payable and accrued liabilities, interest payable, short term loan and due to related parties and are current in nature. The Company has incurred recurring loss since inception and not yet generated significant revenue from its projects. As at October 31, 2011, the Company has limited funds to meet its short term financial liabilities and additional financing is required. The Company handles liquidity risk through the management of its capital structure. Note 1 further describes the going concern issue.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

13. Financial Instruments (continued)

(c) Currency risk

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risks due to fluctuations in foreign exchange rates.

The Company conducts certain of its operations in China and thereby a portion of the Company's assets, liabilities, revenue and expenses are denominated in Chinese Renminbi ("RMB"), which was tied to the U.S. Dollar until July 2005 and is now tied to a basket of currencies of China's largest trading partners. The Chinese Renminbi is not a freely convertible currency.

The Company currently does not hedge its foreign currency risk, and the exposure of the Company's financial assets and financial liabilities to foreign exchange risk is summarized as follows:

The amounts are expressed in Canadian dollars equivalents	October 31, 2011	January 31, 2011
Canadian dollars	\$ (1,023)	\$ 4,437
Chinese yuan	73,824	64,466
Total financial assets	\$ 72,801	\$ 68,903
Canadian dollars	\$ 363,019	\$ 459,207
Chinese yuan	128,111	82,493
Total financial liabilities	\$ 491,130	\$ 541,700

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents primarily include highly liquid investments that earn interests at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair value of the financial instruments as of January 31, 2011. The Company also holds a two-year convertible debenture, which is expiring on September 8, 2012 bearing a fixed interest rate of 15%.

(e) Credit risk

The Company is exposed to credit risk primarily associated to accounts receivable from customers, and cash and cash equivalents. The carrying amount of assets included on the balance sheet represents the maximum credit exposure, and the Company has been undertaking credit evaluations on customers as necessary and has monitoring processes intended to mitigate credit risks.

The aging of accounts receivable are less than 90 days, and, as a result, the credit risk associated with accounts receivable at October 31, 2011 is considered to be immaterial.

14. Segment information

(a) Segments

Prior to January 31, 2011, the Company operates in three reportable segments in China, being in the reforestation, feedstock and fertilizer industry in two geographic segments: Canada and China.

Effective January 31, 2011, the Company discontinued its feedstock and fertilizer projects and their related segment information were reclassified as discontinued operations. The continuing operations were disclosed in the following tables:

(b) Segment operation information

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

14. Segment information (continued)

(i) The following is the summary of certain long-term assets and total assets of each segment:

		China				
		Canada	Reforestation	Discontinued Operations	Total	
As at October 31, 2011						
Property, plant and equipment	\$	6,890	\$ 1,189,292	\$ 34,748	\$ 1,230,930	
Prepaid lease payments, non-current portion		-	75,298	-	75,298	
Total Assets		12,741	1,671,659	35,012	1,719,412	
As at January 31, 2011						
Property, plant and equipment	\$	2,079	\$ 1,272,679	\$ 35,568	\$ 1,310,326	
Prepaid lease payments, non-current portion		-	75,350	-	75,350	
Total Assets		92,443	1,939,075	35,838	2,067,356	

(ii) The following is a summary of operations for each segment:

Three months ended October 31, 2011					
		China			Total
		Canada	Reforestation	Discontinued Operations	
Sales	\$	-	\$ 91,416	\$ -	\$ 91,416
Cost of sales		-	(75,901)	-	(75,901)
Gross profit		-	15,515	-	15,515
Expenses		(176,259)	(41,545)	-	(217,804)
Inventory writedown		-	(538)	-	(538)
Other income/expense		-	43	-	43
Net loss	\$	(176,259)	\$ (25,987)	\$ -	\$ (202,784)

Three months ended October 31, 2010					
		China			Total
		Canada	Reforestation	Discontinued Operations	
Sales	\$	-	\$ 262,406	\$ -	\$ 262,406
Cost of sales		-	(256,764)	-	(256,764)
Gross profit		-	5,642	-	5,642
Expenses		(414,010)	(47,893)	(24,468)	(486,371)
Other income/expense		20,093	4	(276,350)	(256,253)
Net loss	\$	(393,917)	\$ (42,247)	\$ (300,818)	\$ (736,982)

Nine months ended October 31, 2011					
		China			Total
		Canada	Reforestation	Discontinued Operations	
Sales	\$	-	\$ 231,091	\$ -	\$ 231,091
Cost of sales		-	(250,638)	-	(250,638)
Gross profit		-	(19,547)	-	(19,547)
Expenses		(667,372)	(119,389)	-	(786,761)
Inventory writedown		-	(246,295)	-	(246,295)
Other income/expense		1,769	162	-	1,931
Net loss	\$	(665,604)	\$ (385,068)	\$ -	\$ (1,050,672)

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

14. Segment information (continued)

Nine months ended October 31, 2010				
China				
	Canada	Reforestation	Discontinued Operations	Total
Sales	\$ -	\$ 522,206	\$ 9,462	\$ 531,668
Cost of sales	-	(503,656)	(6,024)	(509,680)
Gross profit	-	18,550	3,438	21,988
Expenses	(1,082,335)	(136,416)	(173,157)	(1,391,908)
Other income/expense	21,093	34	(275,577)	(254,450)
Net loss	\$ (1,061,242)	\$ (117,832)	\$ (445,296)	\$ (1,624,370)

15. Expenses

The consolidated expenses are as follows:

Three months ended October 31		Nine months ended October 31	
2011	2010	2011	2010
Professional fees	\$ 43,175	\$ 51,995	\$ 97,626
Stock option and share based compensation	32,598	162,756	101,371
Salaries and wages	29,754	34,749	83,692
Management salaries	22,500	22,500	67,500
Amortization	20,421	23,490	63,364
Travel and promotion	19,427	111,581	90,082
Rental	16,941	8,358	77,465
Office	9,788	8,099	24,793
Shareholder information and promotion	8,706	-	66,769
Interest and bank charges	5,231	22,775	16,378
Consulting fees	4,500	7,608	64,300
Filing and transfer agent	2,000	3,305	23,942
Telephone	1,961	962	5,835
Meals and entertainment	802	3,725	2,745
Penalties	-	-	899
Foreign exchange loss	-	-	-
Repair and maintenance	-	-	-
Total	\$ 217,804	\$ 461,903	\$ 786,761

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

16. Income Taxes

The Company's subsidiaries and special purpose entities are subject to income tax laws in China, which the tax rate is 25%. The provision for income taxes differs from the amount computed by applying statutory Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	For the three months ended October 31,		For the nine months ended October 31,	
	2011	2010	2011	2010
Loss from continuing operations	\$ (202,784)	\$ (736,982)	\$ (1,050,672)	\$ (1,624,370)
Canadian basis statutory rate	26.50%	28.50%	26.50%	28.50%
Expected income tax recovery	(53,738)	(210,040)	(278,428)	(462,945)
Difference in foreign tax rates	390	12,007	5,776	15,996
Non deductible and taxable items	8,745	46,985	27,227	135,336
Valuation allowances	44,603	151,048	245,425	311,613
	\$ -	\$ -	\$ -	\$ -

The tax effect of each type of item that give rise to the Company's future income tax assets and liabilities has been determined and is set out in the table below. The Company has recorded valuation allowances against the value of the potential tax assets as the likelihood of realization is less likely to occur.

	October 31, 2011	January 31, 2011
Non capital loss carry forward	\$ 1,779,310	\$ 1,519,107
Net capital loss carry forward	163,074	163,074
Share issuance costs	-	59,918
Book value of property, plant and equipment and other assets in excess of tax amount	145,354	128,563
Valuation allowance	(2,087,738)	(1,870,662)
Future income tax asset	\$ -	\$ -

As at October 31, 2011, the Company has accumulated non-capital losses of \$4,868,198 and \$3,310,370 available for Canadian and Chinese income tax purposes to reduce taxable income of future years. A summary of expiring date for the non-capital losses is as follows:

Expiring Date	Canada	China
Non-capital losses		
2012	337,073	339,815
2013	-	784,787
2014	-	990,732
2015	-	599,212
2016	-	273,428
2017	-	322,396
2026	450,293	-
2027	364,099	-
2028	507,387	-
2029	785,585	-
2030	731,579	-
2031	1,027,270	-
2032	664,912	-
	\$ 4,868,198	\$ 3,310,370

As at October 31, 2011, the Company has capital loss of \$1,230,750 available for Canadian income tax purpose to reduce taxable capital gain of future year which can be carried over to future indefinitely.

17. Commitments

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

Commitments, not disclosed elsewhere in these financial statements, are as follows:

- (a) The Company has entered into a land lease agreement in Inner Mongolia for a term of 50 years ending December 31, 2056. The Company is required to pay an aggregate of \$148,485 (RMB¥950,000) for the whole lease term. The payment is to be made over the first 10 years and a summary of remaining payments are due as follows:

Year	Annual Payments
2012	\$ 12,504
2013	12,504
2014	12,504
2015	12,504
2016	3,126
Total	\$ 53,142

- (b) The Company has a lease with Dundee Canada (GP) Inc. with respect to its head office location. The lease is for a term of five years, from October 2, 2008 to September 30, 2013, and the remaining lease payment of \$169,933 over the next three years are as follows:

Year	Annual Payments
2012	\$ 22,688
2013	92,554
2014	54,691
Total	\$ 169,933

The Company is subleasing the office space to reduce its monthly operating cost.

- (c) The Company has a lease with Giamel Inc. with respect to its head office location. The lease is for a term of three years, from November 1, 2011 to October 31, 2014, with free rent for the first two months, and the remaining lease payment of \$87,992 over the next three years are as follows:

Year	Annual Payments
2012	\$ 2,588
2013	31,056
2014	31,056
2015	23,292
Total	\$ 87,992

- (d) The Company is committed to pay a management fee to its current President & C.E.O. in the amount of \$90,000 annually. If terminated, the President & C.E.O. would be entitled to a termination fee equivalent to one year's full salary.

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

18. Contingency

The Company was in dispute with a former joint venture partner with respect to a previously planned joint project. The former joint venture partner claimed that the Company had breached its obligations pursuant to their previously entered joint venture agreement, and indicated that it would like to have the matter heard by an arbitrator. The former joint venture partner is seeking compensation of \$50,516. Management of the Company believe the claims have no merit.

19. First-time adoption of IFRS

The condensed interim consolidated financial statements are the Company's first financial statements prepared under IFRS. The date of transition to IFRS is February 1, 2010 (the "Transition Date").

The Company's IFRS accounting policies presented in note 3 have been applied in preparing the financial statements for the nine months ended October 31, 2011, the comparative information and the statement of financial position at the Transition Date.

The Company has applied IFRS 1 in preparing these first condensed interim consolidated financial statements.

19.1 First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The following items are relevant to these financial statements:

- (a) Currency translation differences – Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21"), from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. The Company elected to reset all cumulative translation gains and losses to zero.
- (b) Business combinations – IFRS 1 provides the option to apply IFRS 3, Business Combinations ("IFRS 3"), retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date. As a result of this election, the classification and accounting treatment of business combinations prior to the Transition Date have not been restated.
- (c) Fair value as deemed cost – The Company has not elected to measure any item of property, plant and equipment at its fair value at the Transition Date; property, plant and equipment have been measured at cost in accordance with IFRS which approximates costs in accordance with Canadian GAAP.
- (d) The Company has elected to apply the exemption in IFRS 1 to share-based payments prior to the Transition Date. There is no material effect on the retained earnings at the Transition Date or on the income statement for the year ended January 31, 2011.
- (e) The Company has elected to apply the exemption in IFRS 1 to borrowing costs prior to the Transition Date. There is no material effect on property, plant and equipment or other qualifying assets on the Transition Date.

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

19. First-time adoption of IFRS (continued)

19.2 Reconciliation of equity

The Company's equity as at October 31, 2010 can be reconciled to the amounts reported under Canadian GAAP as follows:

	Notes	October 31, 2010			
		Canadian GAAP	IFRS reclassifications	IFRS	
		Previously Filed October 31, 2010 Interim Financial Statement Balance (filed Dec 29, 2010)	Adjustment to January 31, 2010 Balance Proposed by Auditor	Restated October 31, 2010 Balance	
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents		166,500	-	166,500	166,500
Receivable and prepaids		231,807	-	231,807	231,807
Inventories		388,160	-	388,160	388,160
Prepaid lease payment, current portion	19.4 (a)	-	-	-	2,886
Amount due from a related party		118,238	-	118,238	118,238
		904,705	-	904,705	907,591
Non-current assets					
Property, plant and equipment		1,454,466	-	1,454,466	1,454,466
Prepaid lease payment, non-current portion	19.4 (a)	-	-	-	40,676
Deferred charges and other assets	19.4 (a)	20,834	43,562	64,396	(43,562)
		1,475,300	43,562	1,518,862	(2,886)
Total assets		2,380,005	43,562	2,423,567	-

(Continues)

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

19. First-time adoption of IFRS (continued)

19.2 Reconciliation of equity (continued)

		October 31, 2010			
		Canadian GAAP	Adjustment to January 31, 2010 Balance Proposed by Auditor	IFRS reclassifications	IFRS
		Previously Amended October 31, 2010 Interim Financial Statement Balance (filed Dec 29, 2010)	Restated October 31, 2010 Balance		
		\$	\$	\$	\$
Current liabilities					
Trade and other payables		256,263	-	256,263	-
Convertible debentures		-	-	-	-
Amount due to a related party		36,997	-	36,997	-
		293,260	-	293,260	-
Convertible debentures		76,468	-	76,468	-
Total liabilities		369,728	-	369,728	-
Shareholders' equity					
Share capital		7,616,053	14,695	7,630,748	-
Contributed surplus		4,405,592	(26,633)	4,378,959	-
Accumulated other comprehensive income	19.4 (b)	631,315	(6,439)	624,876	(655,633)
Deficit	19.4 (b)	(10,642,683)	61,939	(10,580,744)	655,633
Equity attributable to equity holders of parent		2,010,277	43,562	2,053,839	-
Total shareholders' equity		2,010,277	43,562	2,053,839	-
Total liabilities and equity		2,380,005	43,562	2,423,567	-

Maple Leaf Reforestation Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three months and nine months ended October 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

19. First-time adoption of IFRS (continued)

19.3 Reconciliation of Comprehensive Income

The combined effect of the conversion from Canadian GAAP to IFRS has no effect on the income statements for the year ended January 31, 2011. There is no material changes to the Company's comprehensive income for the three months ended October 31, 2011 and October 31, 2010 and therefore the reconciliation is not necessary.

19.4 Notes to the reconciliations

(a) Prepaid Lease For Land-use Rights

Under Canadian GAAP, the prepaid land lease was classified other assets. Under IFRS, the prepaid land lease is classified as prepaid lease payment, broken into a current portion in prepayment and a non-current portion in non-current assets. The effect is an increase in the non-current portion of prepaid lease payments of \$75,298 [January 31, 2011 – \$75,350, October 31, 2010 – \$40,676], an increase in prepayment of \$2,969 [January 31, 2011 – \$2,776, October 31, 2010 – \$2,886] included in current assets, and a decrease of \$78,270 [January 31, 2011 – \$78,126, October 31, 2010 – \$43,562] of deferred charges and other assets at the Transition Date.

(b) Foreign currency translation reserve

The Company had applied the exemption in IFRS 1 to reset the foreign currency translation reserve at the Transition Date. The effect is a decrease in foreign currency translation reserve and an increase in retained earnings of \$655,633.

The combined effect of the differences described above has no effect on the income statements for the year ended January 31, 2011.

19.5 Statement of cash flows

Under Canadian GAAP, interest paid and received were classified as operating cash flows. Under IFRS, interest payments and receipts are allocated to investing and financing activities where they can be identified with transactions within those categories. There are no other material adjustments to the cash flow statement except for changes resulting from the items described above. The components of cash and cash equivalents under Canadian GAAP are similar to those presented under IFRS.

20. Subsequent event

On July 27, 2011, the Company signed an agreement to acquire assets from KS Ecology (Canada) Inc. at a deemed value of \$2,019,600 to be paid by the Company's 13,464,000 common shares at a deemed value of \$0.15 per share. The agreement is subject to due diligence and satisfactory performance of the assets. The assets consist mainly of three Yellowhorn plantations and nurseries in China. The Company is currently undergoing the due diligence process. The due date for the due diligence process has been extended to January 27, 2012.