

**MAPLE LEAF REFORESTATION INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Eleven Month Period Ended December 31, 2011  
and Year Ended January 31, 2011**

(Expressed in Canadian dollars)

**MAPLE LEAF REFORESTATION INC.**

**Index to Consolidated Financial Statements**

**For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011**

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## INDEPENDENT AUDITORS' REPORT

To The Shareholders of Maple Leaf Reforestation Inc.

We have audited the accompanying consolidated financial statements of Maple Leaf Reforestation Inc., which comprise the consolidated statements of financial position as at December 31, 2011, January 31, 2011 and February 1, 2010, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the eleven months ended December 31, 2011 and year ended January 31, 2011, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Maple Leaf Reforestation Inc. as at December 31, 2011, January 31, 2011 and February 1, 2010, and its financial performance and its cash flows for the eleven months ended December 31, 2011 and the year ended January 31, 2011 in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Maple Leaf Reforestation Inc. will require additional financing in order to fund its planned activities. These conditions, along with other matters as set forth in Note 1 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Maple Leaf Reforestation Inc.'s ability to continue as a going concern.

### *Other matters*

The consolidated financial statements of Maple Leaf Reforestation Inc. for the year ended January 31, 2011, were audited by another auditor who expressed an unmodified opinion on those statements on May 27, 2011.



**Kanester Johal**  
Chartered Accountants

Burnaby, BC  
April 27, 2012

**MAPLE LEAF REFORESTATION INC.**  
**Consolidated Statement of Financial Position**  
[Expressed in Canadian dollars]

		As at December 31, 2011 \$	As at January 31, 2011 \$	As at February 1, 2010 \$
	Note			
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	13	22,484	48,766	79,666
Receivable and prepaids	4	62,489	106,063	199,000
Inventories	6	146,236	206,116	161,171
Prepaid lease payment, current portion	5	2,816	2,776	2,964
Due from a related party		-	-	109,205
Biological assets	6	597,142	440,456	823,341
		<b>831,167</b>	<b>804,177</b>	<b>1,375,347</b>
<b>Non-current assets</b>				
Property, plant and equipment	7	1,206,191	1,310,326	1,746,625
Prepaid lease payment, non-current portion	5	77,593	75,350	63,180
Deferred charges		-	-	224,648
		<b>1,283,784</b>	<b>1,385,676</b>	<b>2,034,453</b>
<b>Total assets</b>		<b>2,114,951</b>	<b>2,189,853</b>	<b>3,409,800</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables		479,458	298,135	539,637
Interest payable		-	7,371	29,359
Short term loans	8	69,553	72,151	-
Convertible debentures	9	26,152	-	438,353
Deferred income		43,979	-	-
Deposits		9,576	-	-
Due to a related party	11	-	69,317	1,000
		<b>628,718</b>	<b>446,974</b>	<b>1,008,349</b>
<b>Non-current liabilities</b>				
Convertible debentures	9	94,726	94,726	-
<b>Total liabilities</b>		<b>723,444</b>	<b>541,700</b>	<b>1,008,349</b>
<b>Equity</b>				
Issued capital	10	8,344,136	7,700,711	6,860,562
Share subscription received		-	10,000	-
Deficit		(11,361,515)	(10,285,352)	(8,071,756)
Other reserves		4,408,886	4,222,794	3,612,645
<b>Total equity</b>		<b>1,391,507</b>	<b>1,648,153</b>	<b>2,401,451</b>
<b>Total liabilities and equity</b>		<b>2,114,951</b>	<b>2,189,853</b>	<b>3,409,800</b>

Commitments (Note 17)  
Contingency (Note 18)  
Subsequent events (Note 20)

APPROVED BY BOARD

(signed) Raymond Lai  
Director

(signed) Jeff Kong  
Director

**MAPLE LEAF REFORESTATION INC.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
[Expressed in Canadian dollars]

		For the 11 months ended December 31, 2011	For the year ended Jan 31, 2011
	Notes	\$	\$
<b>Continuing Operations</b>			
Revenue		297,260	652,995
Cost of sales		(298,309)	(599,123)
Change in biological assets	6	43,577	(106,487)
		42,528	(52,615)
Selling and administrative expenses	15	(998,132)	(1,731,918)
Write down of biological assets	6	(114,423)	(175,403)
<b>Operating loss</b>		<b>(1,070,027)</b>	<b>(1,959,936)</b>
<b>Discontinued operations</b>			
Loss after tax for the period from discontinued operations		-	(468,883)
Gain (loss) on disposal of discontinued components	14	(6,136)	215,223
Loss on discontinued operations		(6,136)	(253,660)
<b>Loss for the period</b>		<b>(1,076,163)</b>	<b>(2,213,596)</b>
Unrealized exchange differences on translation of foreign operations		100,965	(201,967)
<b>Other comprehensive income (loss) for the period, net of tax</b>		<b>100,965</b>	<b>(201,967)</b>
<b>Total comprehensive loss for the period, net of tax</b>		<b>(975,198)</b>	<b>(2,415,563)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(975,198)	(2,415,563)
<b>Loss per share, attributable to equity holders of the parent</b>			
- Basic and diluted, for (loss) profit from continuing operations		(0.01)	(0.04)
<b>Loss per share for continuing operations, attributable to equity holders of the parent</b>			
- Basic and diluted, for (loss) profit from continuing operations		(0.01)	(0.03)
<b>Loss per share for discontinued operations, attributable to equity holders of the parent</b>			
- Basic and diluted, for (loss) profit from discontinued operations		0.00	0.00
<b>Weighted average number of shares outstanding - basic and diluted</b>		<b>80,310,415</b>	<b>66,766,137</b>

First-time adoption of IFRS (Note 19)

**MAPLE LEAF REFORESTATION INC.**  
**Consolidated Statements of Changes in Equity**  
[Expressed in Canadian dollars]

	Note	Number of shares	Issued capital \$	Contributed surplus \$	Share Subscription Received \$	Foreign currency translation reserve \$	Deficit \$	Total equity \$
At February 1, 2011		72,458,502	7,700,711	4,424,761	10,000	(201,967)	(10,285,352)	1,648,153
Loss for the period		-	-	-	-	-	(1,076,163)	(1,076,163)
Other comprehensive income		-	-	-	-	100,965	-	100,965
<b>Total comprehensive income</b>		72,458,502	7,700,711	4,424,761	10,000	(101,002)	(11,361,515)	672,955
Share-based payment transactions	10	-	57,879	85,127	-	-	-	143,006
Private placement, net of share issuance costs	10	8,224,373	585,546	-	(10,000)	-	-	575,546
<b>At December 31, 2011</b>		<b>80,682,875</b>	<b>8,344,136</b>	<b>4,509,888</b>	<b>-</b>	<b>(101,002)</b>	<b>(11,361,515)</b>	<b>1,391,507</b>

  

	Note	Number of shares	Issued capital \$	Contributed surplus \$	Share Subscription Received \$	Foreign currency translation reserve \$	Deficit \$	Total equity \$
At February 1, 2010		62,286,627	6,860,562	3,612,645	-	-	(8,071,756)	2,401,451
Loss for the period		-	-	-	-	-	(2,213,596)	(2,213,596)
Other comprehensive income		-	-	-	-	(201,967)	-	(201,967)
<b>Total comprehensive income</b>		62,286,627	6,860,562	3,612,645	-	(201,967)	(10,285,352)	(14,112)
Conversion from debentures		4,700,000	514,768	(44,788)	-	-	-	469,980
Equity element of convertible debenture				2,027				2,027
Share-based payment transactions	10			598,758				598,758
Shares issued upon private placement	10	5,537,500	325,381	256,119				581,500
Cancellation of escrow shares		(65,625)						-
Share subscription received		-	-		10,000	-	-	10,000
<b>At January 31, 2011</b>		<b>72,458,502</b>	<b>7,700,711</b>	<b>4,424,761</b>	<b>10,000</b>	<b>(201,967)</b>	<b>(10,285,352)</b>	<b>1,648,153</b>

The accompanying notes are an integral part of these financial statements

**MAPLE LEAF REFORESTATION INC.**  
**Consolidated Statements of Cash Flows**  
[Expressed in Canadian dollars]

		For the 11 months ended December 31, 2011	For the year ended Jan 31, 2011
	Notes	\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss before tax from continuing operations		\$ (1,070,027)	\$ (1,959,936)
Loss before tax		(1,070,027)	(1,959,936)
Items not affecting cash:			
Depreciation and amortization	15	157,406	170,638
Accretion on convertible debentures		26,152	12,091
Biological asset write-down	6	114,423	175,403
Change in biological asset	6	(43,577)	106,487
Property, plant and equipment write-down		34,255	-
Gain on disposal of discontinued components		(6,136)	-
Unrealized foreign exchange loss		(1,008)	6,931
Share-based compensation	15	85,127	598,758
		(703,385)	(889,628)
Non-cash working capital adjustments:			
Decrease (increase) in trade receivables and prepayments		44,846	(1,553)
Decrease (increase) in inventories		(17,962)	130,458
Inventories reclassified to biological assets		(113,109)	(129,150)
Amount due from (to) related parties		(69,317)	183,210
Increase (decrease) in deferred income		46,211	(34,082)
Deposits		9,576	-
Increase in trade and other payables		161,185	7,851
Cash used in continuing operations		(641,955)	(732,894)
Cash provided (used) in discontinued operations		-	(12,257)
<b>Cash flow used in operating activities</b>		<b>(641,955)</b>	<b>(745,151)</b>
<b>INVESTING ACTIVITIES</b>			
Increase in land lease		(2,243)	(16,720)
Purchase of property, plant and equipment		(12,911)	(27,035)
Cash used in continuing operations		(15,154)	(43,755)
Cash provided (used) in discontinued operations		-	1,706
<b>Net cash flows used in investing activities</b>		<b>(15,154)</b>	<b>(42,049)</b>
<b>FINANCING ACTIVITIES</b>			
Shares issued, net of share issuances costs		643,425	581,500
Share subscriptions		(10,000)	10,000
Repayment of short term loan		(2,598)	70,500
Funds from convertible debentures, net of commissions		-	94,300
<b>Net cash flows used in financing activities</b>		<b>630,827</b>	<b>756,300</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(26,282)</b>	<b>(30,900)</b>
Cash and cash equivalents, beginning of period		48,766	79,666
<b>Cash and cash equivalents, end of period</b>		<b>\$ 22,484</b>	<b>\$ 48,766</b>

The accompanying notes are an integral part of these financial statements



## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 1. Nature of Operations, Seasonality of Operations, Going Concern and Discontinued Operations

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 Company is incorporated in Canada

The Company is a publicly traded company listed on the TSX Venture Exchange under the ticker symbol "MPE.V". The primary office is located at 2916B - 19 Street N.E., Calgary, Alberta,

The consolidated financial statements were approved by the Board of Directors of the Company for issue on April 27, 2012.

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

##### (i) 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:

	11 month ended December 31, 2011	Year ended January 31, 2011
	\$	\$
Revenues	-	(468,883)
Loss from discontinued components		(253,660)
<b>Net assets of discontinued operations are detailed as follows:</b>		
	December 31, 2011	January 31, 2011
	\$	\$
Current assets	270	270
Long term assets		35,568
	270	35,838
Current liabilities		29,197
Net assets of discontinued operations	270	6,641

#### 2. Basis of Presentation and Principles of Consolidation

##### (a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB") and related Interpretations issued by the International Financial Reporting Interpretations Committee. These are the Company's first financial statements prepared in accordance with IFRS. Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). See Note 19 for an explanation of the transition to IFRS.

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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

##### *(a) Statement of compliance*

Subject to certain transition elections disclosed in note 19, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at February 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 19 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated annual financial statements for the year ended January 31, 2011.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2011. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value and biological assets that have been measured at fair value less costs to sale. The consolidated financial statements are presented in Canadian dollars. The comparative figures presented in these consolidated financial statements are in accordance with IFRS and any changes from figures or presentation previously reported under Canadian GAAP are discussed in Note 19.

The Company recently changed its year end to December 31, 2011. As a result, the financial statements are presented for an eleven month period from February 1, 2011 to December 31, 2011. The year end change was completed to increase the efficiency of reporting that is a result of having the same year end between the subsidiaries and the parent. As a result of the eleven month period, amounts on the financial statements are not entirely comparable.

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. These financial statements are prepared under IFRS and are in compliant with IFRS

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

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 currency that is presented is in Canadian dollar, which differs from the Inner Mongolia operation's functional currency, the Chinese RMB. The Chinese RMB is determined to be the functional currency for the Inner Mongolia operation as it the currency that mainly influences sales prices for goods and services and is the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The presentation currency is the Canadian dollar, as this is the functional currency of the Canadian operations and this basis of presentation is more useful to the users of the financial statements.

The 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. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. 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.

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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### 3. Summary of Significant Accounting Policies

#### (a) *Significant Accounting Policies*

##### 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. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. 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. Critical accounting estimates and judgements include:

##### Estimated useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

##### Income taxes

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred taxes, giving consideration to timing and probability. Actual taxes could vary significantly from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities. The recognition of deferred income tax assets is subject to judgement and estimation over whether these amounts can be realized.

##### Biological asset

The fair value of the biological asset, is derived using the future estimated selling prices. Management uses estimates for the expected sales price of seedlings and costs to sell and complete; which are determined by considering historical actual costs incurred on a per seedling basis. The estimated selling price and costs are subject to fluctuations based on the timing of prevailing growing conditions and market conditions.

##### Stock options, warrants and convertible debentures

The Company's stock options, warrants and convertible debentures are derived from estimates based on available market data at that time which include volatility, interest free rates and share prices.

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.

##### Cash and cash equivalents

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

##### 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 Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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#### 3. Summary of Significant Accounting Policies (continued)

##### Financial instruments

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.

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 and cash equivalents 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.

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## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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#### 3. Summary of Significant Accounting Policies (continued)

##### 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 denominated in foreign currencies are also translated at the functional currency spot rate of exchange at the reporting date. Amounts included in equity 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.

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.

##### Inventories

Inventory refers to raw materials and labour which are incurred to date on current production and are not defined as a biological asset. Raw material is stated at replacement cost while work-in-progress and finished goods are classified as biological assets and are valued at net 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. Obsolescent inventory and unsellable seedling are written down entirely and the write down is presented as a separate line item on the income statement. Inventory refers to deferred crop costs which are incurred to date on current production and are not defined as a biological asset.

##### Biological asset

Biological assets consist of the Company's seedlings at the year end. Measurement of the biological asset begins at the start of the winter season as management at this point will count the seedlings ready for shipment and begin preparing them for the winter dormancy stage. Costs related to the seedlings prior to this point are presented in inventory. The seedlings are measured at fair value less costs to sell and costs to complete, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including finishing and transportation costs.

##### 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. Amounts received or billed in advance of recognition are shown as deferred revenue.

##### 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 amortization 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.

(Continues)

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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#### 3. Summary of Significant Accounting Policies (continued)

##### 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 China are recorded as prepaid lease rentals.

##### Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The asset's recoverable amount is higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model will be used.

##### Assets of discontinued operations

The Company assesses at the end of each reporting period in accordance with IFRS 5. Where the carrying amount of any asset from the discontinued operations exceeds its fair value less costs to sell, the asset is written down to its fair value less costs to sell.

##### 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.

##### Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the year of the borrowings using the effective interest method.

##### Provisions

Provisions for legal claims, where applicable, are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

##### Decommissioning liabilities

Decommissioning liabilities are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the liability is recognized as part of the cost of the related PP&E or E&E asset.

Decommissioning liabilities are carried on the Consolidated Balance Sheet at their discounted present value, which is remeasured each reporting period in order to reflect the period end discount rate. The liabilities are calculated using a weighted average credit adjusted risk free rate, and are accreted over time for the change in their present value, with this accretion expense included in finance costs on the Consolidated Statement of Income. Actual expenditures incurred are charged against the accumulated obligation. Any difference between the recorded decommissioning liability and the actual retirement costs incurred is recorded as a gain or loss.

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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#### 3. Summary of Significant Accounting Policies (continued)

The increase in capitalized costs is amortized to income on a basis consistent with depreciation of the underlying assets. Subsequent changes in the estimated decommissioning liabilities are capitalized and amortized over the remaining useful life of the underlying asset.

Initially, the Company recognizes neither the deferred tax asset relating to the temporary difference on the decommissioning liability nor the corresponding deferred tax liability relating to the temporary difference on the decommissioning asset.

##### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

##### Share-based payment

Certain employees, officers, directors, 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.

##### 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.

##### 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.

(Continues)

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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### 3. Summary of Significant Accounting Policies (continued)

#### Income taxes (continued)

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.

#### Comparative figures

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

#### *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:

IFRS 7, Financial Instruments: Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted. Changes to IAS 7 is not expected to have an impact on amounts recorded in the company's financial statements and related disclosures.

IFRS 9, Financial Instruments, addresses classification and measurement of financial assets and financial liabilities, and is effective January 1, 2015, with earlier adoption permitted. The Standard replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement. The new Standard limits the number of categories for classification of financial assets to two: amortized cost and fair value through profit or loss. The requirements for financial liabilities are largely in line with IAS 39. IFRS 9 also replaces the models for measuring equity instruments. Equity instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The ability to recognize unquoted equity instruments at cost under IAS 39 is eliminated. IFRS 9 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

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.



## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 3. Summary of Significant Accounting Policies (continued)

IAS 19, Employee Benefits, has been amended to make changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service costs (including plan amendments, settlements and curtailments)); and (ii) finance expense or income. Interest cost and expected return on plan assets, which currently reflect different rates, will be replaced with a net interest amount that is calculated by applying one discount rate to the net defined benefit liability (asset).

In addition, under the amended standard, the impact of plan amendments related to past service will no longer be recognized over a vesting period but instead will be recognized immediately in the period of a plan amendment. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment of taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures. Changes to IAS 19 is not expected to have an impact on amounts recorded in the Company's financial statements and related disclosures.

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled to net income in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. IAS 1 is not expected to have a material impact on amounts recorded in the financial statements of the Company.

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

#### 4. Receivables and prepaids

	December 31, 2011 \$	January 31, 2011 \$	February 1, 2010 \$
Trade receivables	49,247	20,137	98,323
GST recoverable	6,368	22,646	3,012
Prepaid expenses	6,874	63,280	97,665
	<b>62,489</b>	<b>106,063</b>	<b>199,000</b>

#### 5. Prepaid lease payment

	December 31, 2011 \$	January 31, 2011 \$	February 1, 2010 \$
Land lease - current	2,816	2,776	2,964
	<b>2,816</b>	<b>2,776</b>	<b>2,964</b>
Land lease - non-current	77,593	75,350	63,180
	<b>77,593</b>	<b>75,350</b>	<b>63,180</b>

The Company entered into a 50-year lease 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 December 31, 2011, total prepayments are \$80,411. Under 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 Consolidated Financial Statements

### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 6. Inventories and biological assets

	December 31, 2011 \$	January 31, 2011 \$	February 1, 2010 \$
Raw material and supplies	146,236	206,116	161,171
	146,236	206,116	161,171

Information about the biological asset presented on the statement of financial position and in the statement of income is as follows:

Biological Asset	December 31, 2011 \$	January 31, 2011 \$	February 1, 2010 \$
Estimated sales value of biological asset	597,142	440,456	823,341
Fair value of biological asset less costs to sale	597,142	440,456	823,341
Less: Actual costs	431,067	317,958	
Increase to fair value of biological asset over cost	166,075	122,498	
Change in biological asset	43,577	(106,487)	

For the eleven months ended December 31, 2011, there were no material selling costs (January 31, 2011 - nil).

During the 11-month period ended December 31, 2011, the Company wrote off \$114,423 biological assets (January 31, 2011 - \$175,403) related to the tree seedling operations.

#### 7. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31, 2011			January 31, 2011		
	Costs	Amortization	Net book value	Costs	Amortization	Net book value
Furniture and equipment	\$ 40,676	\$ (13,428)	\$ 27,248	\$ 68,736	\$ (9,622)	\$ 59,114
Motor vehicles	18,602	(9,766)	8,836	23,055	(7,172)	15,883
Computer equipment	12,638	(11,501)	1,137	12,593	(11,962)	631
Leasehold improvement	4,185	(837)	3,348	-	-	-
Greenhouse	1,925,668	(760,046)	1,165,622	1,799,505	(564,807)	1,234,698
	\$ 2,001,769	\$ (795,578)	\$ 1,206,191	\$ 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. For the 11-month period ended December 31, 2011, an additional \$34,255 was written off as an impairment.

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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##### 8. Short Term Loans

During 2011, the Company obtained short term loans from parties related to the Company. \$10,000 was borrowed from an employee of the company, at a 10% interest rate, with no set terms of repayment. Another \$10,000 was borrowed from a contractor for the company, at an interest rate of prime plus 2%, with no set terms of repayment.

\$13,000 was borrowed from a related party of an employee of the Company. The loan pays 13% interest and has no set terms of repayment. An additional \$35,000 was received from this individual at an interest rate of 10% with no set terms of repayment.

##### 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 period ended December 31, 2011, the Company recorded interest expenses of \$18,781 (January 31, 2011 - \$32,232).

As at December 31, 2011, the carrying value of the convertible debenture was \$120,878 (January 31, 2011 - \$94,726).

##### 10. Issued capital

###### (a) Authorized

Unlimited number of common shares without par value.

###### (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 management and legal services. The value of these services were determined to be the fair amount based on the work completed.

(Continues)

# Maple Leaf Reforestation Inc.

## Notes to Consolidated Financial Statements

### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 10. Issued capital (continued)

##### (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	4,600,000	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	6,285,000	\$ 0.14
Options granted	2,000,000	0.13
Options expired or cancelled	(1,500,000)	0.15
<b>Balance, December 31, 2011</b>	<b>6,785,000</b>	<b>\$ 0.14</b>

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.

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 were granted to a consultant.

In June 2011, a total of 500,000 options exercisable at \$0.125 and 200,000 vesting over a period of 3 months and 100,000 vesting over a period of 6 months were granted to an officer.

In July 2011, a total of 100,000 options exercisable at \$0.125 and 50,000 vesting over a period of 3 months were granted to an employee of the Company.

During the 11-month period ended December 31, 2011, a total of 1,500,000 options (January 31, 2011 - 4,331,000) were cancelled or expired.

In December 2011, a total of 400,000 options exercisable at \$0.125 and 100,000 vesting over a period of 3 months and 100,000 vesting over a period of 6 months were granted to an officer.

The following is the summary of assumptions used to estimate the fair value of each option granted using the Black-Scholes option pricing model. Volatility was based on volatility used in previous years. Management felt that this was an accurate representation of volatility for the current year.

	December 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

(Continues)

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 10. Issued capital (continued)

The weighted average grant date fair value of options granted during the 11-month period ended December 31, 2011 was \$0.13 (fiscal 2011- \$0.12) and a total of \$85,127 (January 31, 2011 - \$598,758) share-based compensation expenses was recorded on the consolidated income statements.

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

Exercisable prices	Number of options outstanding	Expiry dates	Remaining contractual life (years)	Numbers of Exercisable at December 31, 2011
\$ 0.200	500,000	April 27, 2012	0.32	500,000
\$ 0.125	1,850,000	February 4, 2013	1.10	1,850,000
\$ 0.135	935,000	March 12, 2013	1.20	935,000
\$ 0.200	100,000	June 30, 2013	1.67	100,000
\$ 0.350	100,000	June 30, 2013	1.67	100,000
\$ 0.140	600,000	August 31, 2013	1.67	600,000
\$ 0.130	450,000	October 1, 2013	1.75	450,000
\$ 0.125	450,000	January 18, 2014	2.05	450,000
\$ 0.125	350,000	February 2, 2014	2.09	350,000
\$ 0.175	350,000	February 2, 2014	2.09	0
\$ 0.125	300,000	June 1, 2014	2.42	300,000
\$ 0.125	200,000	June 13, 2014	2.45	200,000
\$ 0.125	100,000	January 26, 2012	0.07	100,000
\$ 0.125	100,000	July 29, 2014	2.58	100,000
\$ 0.125	400,000	December 22, 2014	2.98	200,000
<b>\$0.125 - 0.35</b>	<b>6,785,000</b>			<b>6,235,000</b>

As at December 31, 2011, options to purchase 1,283,287 common shares remain available to be granted.

#### (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
<b>5,075,500</b>	<b>5,537,500</b>	<b>-</b>	<b>10,613,000</b>		
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 December 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
<b>10,613,000</b>	<b>8,330,046</b>	<b>(5,075,500)</b>	<b>13,867,546</b>		

During the eleven months ended December 31, 2011, 5,075,500 warrants expired. 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.

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 11. Related Party Transactions

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

	11 months ended December 31, 2011	Year ended January 31, 2011
Transactions with related parties		
Management fee to a director and officer (a)	\$ 82,500	\$ 90,000
Legal fee to a director and officer (b)	\$ 55,250	\$ 60,000
Consulting fee to a director and officer (c)	\$ 27,500	\$ 12,500

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

	December 31, 2011	January 31, 2011
Amount due to a related party		
A director and officer (b)	\$ -	\$ 69,317

- (a) During the eleven months ended December 31, 2011, the Company paid \$82,500 (year ended January 31, 2011 - \$90,000) to a director and officer of the Company for his management services. This officer has 1,800,000 options at a weighted averaged exercise price of \$0.15.
- (b) During the eleven months ended December 31, 2011, the Company incurred legal fees of \$55,250 (year ended January 31, 2011 - \$60,000) 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 December 31, 2011, a total of \$42,000 remained outstanding with no set terms of repayment nor guarantees. This director has 700,000 options at a weighted averaged exercise price of \$0.13.
- (c) During the 11-month periods ended December 31, 2011, the Company incurred consulting fee of \$27,500 (year ended January 31, 2011 - nil) payable to CLW Partners, a private company controlled by a director and officer of the Company for consulting services provided. During the year, this director was issued 500,000 options at a weighted average exercise price of \$0.13.
- (c) During the 11-month periods ended December 31, 2011, the Company incurred consulting fee of \$10,900 (year ended January 31, 2011 - \$2,800) payable to Decapital Inc., a private company controlled by a director and officer of the Company for consulting services provided.

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.

#### Key management compensation

For compensation purposes, the Company considers its Board of Directors and executive staff as key management personnel; compensation costs for these personnel are included in selling, general and administrative expenses. The Corporation paid salaries and benefits to key management personnel of \$176,150 in the period ended December 31, 2011 (January 31, 2011 - \$176,271). These personnel are also eligible for stock options which are granted by the Company's Compensation Committee. Expenses related to the options granted to this group were \$85,127 for the year ended December 31, 2011 (January 31, 2011 - \$230,039).

#### 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 December 31, 2011, the Company has a total of \$120,878 (Jan 31, 2011 - \$102,097) of convertible debentures outstanding.

# Maple Leaf Reforestation Inc.

## Notes to Consolidated Financial Statements

### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 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 December 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 December 31, 2011			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ 22,484	\$ -	\$ -	\$ 22,484
	Fair value as at January 31, 2011			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ 48,766	\$ -	\$ -	\$ 48,766

##### (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 December 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.

##### (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:

	December 31, 2011	January 31, 2011
The amounts are expressed in Canadian dollars equivalents		
Canadian dollars	\$ 19,355	\$ 4,437
Chinese yuan	58,744	86,876
<b>Total financial assets</b>	<b>\$ 78,099</b>	<b>\$ 91,313</b>
Canadian dollars	\$ 295,621	\$ 295,164
Chinese yuan	253,388	35,943
<b>Total financial liabilities</b>	<b>\$ 549,009</b>	<b>\$ 331,107</b>

As at December 31, 2011, with other variables unchanged, a 1% fluctuation of the Chinese Renminbi against the Canadian dollar would affect comprehensive income by approximately \$1,813 (January 31, 2011 - \$2,105).

(Continues)

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 13. Financial Instruments (continued)

##### (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 usually less than 90 days. Overdue amounts are followed up by management. Management has determined that the credit risk associated with accounts receivable at December 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

(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 December 31, 2011						
Property, plant and equipment	\$	6,183	\$ 1,200,008	\$ -	\$ 1,206,191	
Prepaid lease payments, non-current portion		-	77,593	-	77,593	
Total Assets		38,780	2,075,911	260	2,114,951	
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	
(Continues)						

(Continues)



# Maple Leaf Reforestation Inc.

## Notes to Consolidated Financial Statements

For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

### 14. Segment information (continued)

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

Eleven months ended December 31, 2011					
China					
	Canada	Reforestation	Discontinued Operations	Total	
Sales	\$ 9,027	\$ 288,233	\$ -	\$ 297,260	
Cost of sales	-	(298,309)	-	(298,309)	
Change in biological assets	-	43,577	-	43,577	
<b>Gross profit</b>	<b>9,027</b>	<b>33,501</b>	<b>-</b>	<b>42,528</b>	
Expenses	(767,306)	(230,826)	-	(998,132)	
Write down of Property, Plant & Equipment	-	-	(34,255)	(34,255)	
Write off of accounts payable	-	-	28,119	28,119	
Write down of biological assets	-	(114,423)	-	(114,423)	
<b>Net loss</b>	<b>\$ (758,279)</b>	<b>\$ (311,748)</b>	<b>\$ (6,136)</b>	<b>\$ (1,076,163)</b>	

During the year, the remaining assets and liabilities relating to a discontinued operation were written off. Most assets of the discontinued operation was written off in the prior year. The management felt that the remaining assets were no longer useful and the remaining liabilities would not be paid.

Year ended January 31, 2011					
China					
	Canada	Reforestation	Discontinued Operations	Total	
Sales	\$ -	\$ 652,995	\$ 86,944	\$ 739,939	
Cost of sales	-	(599,123)	(30,363)	(629,486)	
Change in biological assets	-	(106,487)	-	(106,487)	
Gross profit	-	(52,615)	56,581	3,966	
Expenses	(1,642,516)	(89,402)	(333,678)	(2,065,596)	
Write down of biological assets	-	(175,403)	(191,786)	(367,189)	
Gain on disposal of discontinued components	-	-	215,223	215,223	
<b>Net loss</b>	<b>\$ (1,642,516)</b>	<b>\$ (317,420)</b>	<b>\$ (253,660)</b>	<b>\$ (2,213,596)</b>	

**Maple Leaf Reforestation Inc.****Notes to Consolidated Financial Statements****For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011****(Expressed in Canadian dollars, unless otherwise stated)****15. Expenses**

The consolidated expenses are as follows:

	<b>11 months ended</b>	<b>Year ended</b>
	<b>December 31,</b>	<b>January 31,</b>
	<b>2011</b>	<b>2011</b>
Travel and promotion	\$ 152,322	\$ 164,025
Salaries and wages	114,532	173,803
Stock based compensation	85,127	598,758
Rental	87,368	38,002
Consulting fees	67,300	60,500
Filing and transfer agent	24,142	38,305
Shareholder information and promotion	11,332	51,528
Professional fees	129,512	203,741
Amortization	157,406	4,151
Management salaries	82,500	90,000
Office	51,441	36,947
Interest and bank charges	19,268	77,684
Meals and entertainment	9,217	9,775
Telephone	6,830	6,085
Bad debt	-	173,194
Foreign exchange loss	(164)	5,420
Total	\$ 998,132	\$ 1,731,918

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 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 eleven months ended December 31, 2011	For the year ended January 31, 2011
Loss from continuing operations	\$ (1,070,027)	\$ (1,959,936)
Canadian basis statutory rate	26.50%	28.50%
Expected income tax recovery	(283,557)	(558,582)
Difference in foreign tax rates	5,450	9,511
Non deductible and taxable items	29,889	200,274
Valuation allowances	248,218	348,797
	\$ -	\$ -

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.

	December 31, 2011	January 31, 2011
Non capital loss carry forward	\$ 1,593,652	\$ 1,519,107
Net capital loss carry forward	197,329	163,074
Share issuance costs	-	59,918
Book value of property, plant and equipment and other assets in excess of tax amount	170,276	128,563
Canadian development, exploration and oil and gas expenditures	152,344	163,246
Valuation allowance	(2,113,601)	(2,033,908)
Future income tax asset	\$ -	\$ -

As at December 31, 2011, the Company has accumulated non-capital losses of \$6,013,870 and \$3,195,275 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	-	207,301
2026	450,293	-
2027	364,099	-
2028	899,021	-
2029	1,177,218	-
2030	1,123,212	-
2031	1,027,270	-
2032	635,684	-
	\$ 6,013,870	\$ 3,195,275

As at December 31, 2011, the Company has capital losses 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.

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### 17. Commitments

- (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 \$153,520 (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	\$ 12,928
2013	12,928
2014	12,928
2015	3,232
Total	\$ 42,016

The annual lease expense is \$3,070, which is based on the aggregate value amortized over the 50 year period. The remaining lease obligation over the remaining lease life is \$77,595. The current 11 month expense is \$2,815.

- (b) The Company has a lease with Giamel Inc. with respect to its Calgary head office location. The lease is for a term of three years, from November 1, 2011 to October 31, 2014, and the remaining lease payment of \$93,168 over the next three years are as follows:

Year	Annual Payments
2012	\$ 31,056
2013	31,056
2014	31,056
Total	\$ 93,168

The Company has currently sub-leased some office space to offset the costs of the lease. Revenue from the sub-lease are estimated to be \$20,571.

- (c) The Company is committed to pay a management fee to its current President and 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.
- (d) c) 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 \$237,996 over the next three years is as follows:

Year	Annual Payments
2012	\$ 22,688
2013	92,554
2014	54,961
Total	\$ 170,203

- (e) The Company engages the services of various consultants on an 'as needed' basis. Such consultants provide services to the Company including, but not limited to, accounting, marketing, administrative, translation and general advising regarding operational matters of the Company. It is management's belief that the services of such consultants are required to achieve timely and efficient operational execution. Also, the breadth of skills provided by such consultants is needed in light of management's experience and expertise, and to pursue certain operational opportunities.
- (f) In November 2011, the Company announced that Inner Mongolia Ordos City Zhungeer Chak Island Co., Ltd. ("Zhungeer") agreed to purchase 3 million Scots Pine seedlings at 1 Rmb (approximately \$0.16 Cdn) per seedling. Zhungeer paid a non-refundable deposit of 100,000 Rmb (approximately \$16,500 Cdn) on December 1st, 2011. The first tranche of seedlings was delivered in April, 2012.

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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##### 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 roughly \$75,000. Management of the Company had determined that the former joint venture partner's claim have no merit.

##### 19. First-time adoption of IFRS

The 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 eleven months ended December 31, 2011, the comparative information and the statement of financial position at the Transition Date.

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

###### (i) 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 at the date of transition.
- (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 elected not 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 Consolidated Financial Statements**

**For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011**

(Expressed in Canadian dollars, unless otherwise stated)

**19. First-time adoption of IFRS (continued)**

**(ii) Reconciliation of equity**

	Note	February 1, 2010					January 31, 2011		
		Canadian		IFRS		IFRS	Canadian	IFRS	IFRS
		GAAP		reclassifications			GAAP	reclassifications	
		Previously	Restatement	Restated Balance					
		Filed Balance							
		\$			\$	\$	\$	\$	\$
<b>Current assets</b>									
Cash and cash equivalent		79,666	-	79,666	-	79,666	48,766	-	48,766
Receivable and prepaids		199,000	-	199,000	-	199,000	106,063	-	106,063
Inventories		755,527	-	755,527	(594,356)	161,171	524,075	(317,959)	206,116
Prepaid landlease, current portion	(iv) (a)	-	-	-	2,964	2,964	-	2,776	2,776
Due from a related party		109,205	-	109,205	-	109,205	-	-	-
Biological assets		-	-	-	823,341	823,341	-	440,456	440,456
		1,143,398	-	1,143,398	231,949	1,375,347	678,904	125,273	804,177
<b>Non-current assets</b>									
Property, plant and equipment		1,746,625	-	1,746,625	-	1,746,625	1,310,326	-	1,310,326
Non-current prepaids	(iv) (a)	-	-	-	63,180	63,180	-	75,350	75,350
Deferred charges and other assets	(iv) (a)	247,230	43,562	290,792	(66,144)	224,648	78,126	(78,126)	-
		1,993,855	43,562	2,037,417	(2,964)	2,034,453	1,388,452	(2,776)	1,385,676
<b>Total assets</b>									
		3,137,253	43,562	3,180,815	228,985	3,409,800	2,067,356	122,497	2,189,853
(Continues)									

(Continues)

**Maple Leaf Reforestation Inc.**

**Notes to Consolidated Financial Statements**

**For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011**

(Expressed in Canadian dollars, unless otherwise stated)

**(ii) Reconciliation of equity (continued)**

	February 1, 2010					January 31, 2011		
	Canadian GAAP		IFRS reclassifications		IFRS	Canadian GAAP	IFRS reclassifications	IFRS
	Previously Filed Balance	Restatement	Restated Balance					
	\$			\$	\$	\$	\$	\$
<b>Current liabilities</b>								
Accounts payable and accrued liabilities	535,787	3,850	539,637	-	539,637	298,135	-	298,135
Interest payable	-	29,359	29,359	-	29,359	7,371	-	7,371
Short term loan	-	-	-	-	-	72,151	-	72,151
Convertible debentures	448,331	(9,978)	438,353	-	438,353	-	-	-
Due to a related party	1,000	-	1,000	-	1,000	69,317	-	69,317
	985,118	23,231	1,008,349	-	1,008,349	446,974	-	446,974
<b>Non-current liabilities</b>								
Convertible debentures	-	-	-	-	-	94,726	-	94,726
	-	-	-	-	-	94,726	-	94,726
<b>Total liabilities</b>	985,118	23,231	1,008,349	-	1,008,349	541,700	-	541,700
<b>Shareholders' equity</b>								
Share capital	6,845,867	14,695	6,860,562	-	6,860,562	7,700,711	-	7,700,711
Contributed surplus	3,639,278	(26,633)	3,612,645	-	3,612,645	4,424,761	-	4,424,761
Share subscription received	-	-	-	-	-	10,000	-	10,000
Accumulated other comprehensive income	662,072	(6,439)	655,633	(655,633)	-	453,666	(655,633)	(201,967)
Deficit	(8,995,082)	38,708	(8,956,374)	884,618	(8,071,756)	(11,063,482)	778,130	(10,285,352)
Equity attributable to equity holders of parent	2,152,135	20,331	2,172,466	228,985	2,401,451	1,525,656	122,497	1,648,153
<b>Total shareholders' equity</b>	2,152,135	20,331	2,172,466	228,985	2,401,451	1,525,656	122,497	1,648,153
<b>Total liabilities and equity</b>	3,137,253	43,562	3,180,815	228,985	3,409,800	2,067,356	122,497	2,189,853

(Continues)

# Maple Leaf Reforestation Inc.

## Notes to Consolidated Financial Statements

### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

#### (iii) Reconciliation of Comprehensive Income

Reconciliation from Canadian GAAP to IFRS

	January 31, 2011		
	Canadian GAAP	IFRS reclassifications	IFRS
	\$	\$	\$
Revenue	652,995		652,995
Cost of sales	(599,123)	-	(599,123)
Change in biological assets	-	(106,487)	(106,487)
	53,872	(106,487)	(52,615)
Selling and administrative expenses	(1,731,917)		(1,731,917)
Write down of biological assets	(175,403)		(175,403)
<b>Operating loss</b>	<b>(1,853,448)</b>	<b>(106,487)</b>	<b>(1,959,935)</b>
Loss on discontinued operations	(253,660)		(253,660)
<b>Loss for the period</b>	<b>(2,107,108)</b>	<b>(106,487)</b>	<b>(2,213,595)</b>
Unrealized exchange differences on translation of foreign operations	(201,967)	-	(201,967)
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>(201,967)</b>	<b>-</b>	<b>(201,967)</b>
<b>Total comprehensive loss for the period, net of tax</b>	<b>(2,309,075)</b>	<b>(106,487)</b>	<b>(2,415,562)</b>



## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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#### 19. First-time adoption of IFRS (continued)

##### (iv) 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 \$77,595 [January 31, 2011 – \$75,350, February 1, 2010 - 63,180], an increase in prepayment of \$2,816 [January 31, 2011 – \$2,776, February 1, 2010 - \$2,964] included in current assets, and a decrease of \$80,411 [January 31, 2011 – \$78,126, February 1, 2010 - \$66,144].

###### (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 a decrease in deficit 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.

##### (v) 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.

##### (vi) Inventory and biological asset

In applying IAS 41, Agriculture, the Company recognizes a biological asset arising from the seedlings as of the reporting date. The seedling is measured as the fair value of the expected sales price less costs to sell and complete. Actual cost incurred related to the biological asset is reclassified from inventory to biological asset and any incremental increase to fair value is recorded in change to biological asset in the statement of income and comprehensive income.

##### (vii) Share-based payment

IFRS:

Each tranche of an award with different vesting dates is considered as a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

Canadian GAAP:

The fair value of stock option awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

#### 20. Subsequent events

In January, 2012, Maple Leaf announced that it entered a Yellowhorn Project Collaboration Agreement for the exclusive distribution of Yellowhorn products in Europe and for the joint development of Yellowhorn planting projects in Europe (the "Agreement") with Vinomatos Espana, S.L. ("Vinomatos"), a Spain-based company that specializes in planting fruit trees, vineyards, olive trees and agro-energetic planting projects. The Agreement will be effective for 3 years and will be renewable by the agreement of both parties.

Maple Leaf and Vinomatos' parent-company, Gaia Group ("Gaia"), have also entered a Letter of Intent with Horqin Youyi Qianqi County, Inner Mongolia (the "County"), for the planting of Yellowhorn seedlings on approximately 82,000 acres of land in Inner Mongolia (the "LOI") over the next 2 years. The LOI allows for MPE and Gaia to sell up to 57 million Yellowhorn seedlings to the County over the next 2 years at a price of 1 RMB (\$0.16 CDN) per seedling for planting, with the right to buy back certain amounts of the Yellowhorn seeds once mature for 10 RMB (\$1.60 CDN) per kilogram, instead of the current market price in China of approximately 58 RMB (\$9.28 CDN) per kg.

## Maple Leaf Reforestation Inc.

### Notes to Consolidated Financial Statements

#### For the Eleven Month Period Ended December 31, 2011 and the Year Ended January 31, 2011

(Expressed in Canadian dollars, unless otherwise stated)

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#### 20. Subsequent events (continued)

On February 6, 2012, the Company entered a joint-venture with a Hong Kong based private company for the set up of a germinating pot production facility at the Company's Greenhouse location in Inner Mongolia (the "JV").

The Company's Hong Kong JV partner will be funding all of the costs associated with setting up the production facility with machinery and for securing all required raw materials. The Company will have first access to all pots produced by the JV and will pay its JV partner 0.05 Rmb (approximately \$0.01 Cdn) royalty per pot purchased and used by the Company during the first three years of production. After the three year period, the Company will have an option to purchase the manufacturing facility back from the JV at market price and thus cancel the royalty payment arrangement.

On February 6, 2012, the Company will issue an aggregate of 903,552 common shares having a deemed issuance price of \$0.05 per common share for legal services provided by a wholly owned company of a director.

On February 24, 2012, the Company announced it will now issue up to 6,000,000 units at a price of \$0.05 per unit ("Unit"), for potential gross proceeds of \$300,000. Each Unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase an additional common share at an exercise price of \$0.10 for a period of 5 years from the date of closing of the private placement.

On February 24, 2012, the Company also announced that, subject to final approval by the TSXV, it has completed the first of a series of closings for the private placement. The first closing consists of 2,600,000 Units for total gross proceeds of \$130,000. In connection with the first closing, Maple Leaf will pay finder's fees in the amount of \$4,000 to arm's length parties.

On March 13, 2012, the Company announced it will issue an aggregate of 225,000 common shares in the capital of the Company having a deemed issuance price of \$0.05 per common share for fees owed to a former CFO for past services provided to the Company.

The Company terminated a Letter of Intent that it entered with KS Ecology (Canada) Inc., a Vancouver, B.C. based Yellowhorn plantation company with operations in China. The Company conducted significant due diligence on KS Ecology and its assets, and it was determined that proceeding with the transaction was not in the best interests of the Company.