MAPLE LEAF GREEN WORLD INC.

(formerly Maple Leaf Reforestation Inc.)

CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2012

Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise stated)

Notice to Reader of the Unaudited Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2012

The unaudited interim consolidated financial statements of Maple Leaf Green World Inc. (the "Company") for the three months and nine months ended September 30, 2012 ("Financial Statements") have been prepared by management and have not been reviewed by the Company's independent auditor. The Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2011 which are available on the SEDAR website at www.sedar.com. The Financial Statements are stated in Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Financial Reporting Standards.

MAPLE LEAF REFORESTATION INC.

Consolidated Statements of Loss and Comprehensive Loss

[Expressed in Canadian dollars]

	Notes	Three months ended September 30, 2012	Three months ended October 31, 2011	Nine months ended September 30, 2012	Nine months ended October 31, 2011
Continuing Operations					
Revenue		**$ 50,504**	$ 91,416	**$ 354,236**	$ 231,091
Cost of sales		**(45,006)**	(75,901)	**(270,881)**	(250,638)
Change in biological assets	6	**(9,040)**	-	**(27,240)**	-
		(3,542)	15,515	**56,115**	(19,547)
Writedown of accounts payable		-	-	-	
Selling and administrative expenses	15	**(145,473)**	(217,804)	**(442,147)**	(786,761)
Interest and other income		**3,619**	43	**15,000**	1,931
Write down of biological assets	6	-	(538)	-	(246,295)
Operating loss		**(145,396)**	(202,784)	**(371,032)**	(1,050,672)
Unrealized exchange differences on translation of foreign operations		**97,320**	82,309	**109,540**	45,635
Other comprehensive income (loss) for the period, net of tax		**97,320**	82,309	**109,540**	45,635
Total comprehensive income (loss) for the period, net of tax		**$ (48,076)**	$ (120,475)	**$ (261,492)**	$ (1,005,037)
Attributable to:					
Equity holders of the parent		**$ (48,076)**	$ (120,475)	**$ (261,492)**	$ (1,005,037)
Profit (loss) per share, attributable to equity holders of the parent					
- Basic and diluted, for (loss) profit from continuing operations		**(0.00)**	(0.00)	**(0.00)**	(0.01)
Loss per share for continuing operations, attributable to equity holders of the parent					
- Basic and diluted, for (loss) profit from continuing operations		**(0.00)**	(0.00)	**(0.00)**	(0.01)
Profit (loss) per share for discontinued operations, attributable to equity holders of the parent					
- Basic and diluted, for (loss) profit from discontinued operatio		**0.00**	0.00	**0.00**	0.00
Weighted average number of shares outstanding - basic and diluted		**84,186,427**	**80,682,875**	**83,563,543**	**80,354,974**

MAPLE LEAF GREEN WORLD INC.

Consolidated Statement of Financial Position

[Expressed in Canadian dollars]

	Note	**September 30, 2012**	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	13	**$ 11,123**	$ 22,484
Receivable and prepaids	4	**10,271**	62,489
Prepaid lease payment, current portion	5	**2,762**	2,816
Inventories	6	**42,922**	146,236
Biological assets	6	**665,900**	597,142
		732,978	831,167
Non-current assets			
Property, plant and equipment	7	**1,036,638**	1,206,191
Prepaid lease payment, non-current portion	5	**96,929**	77,593
Deferred charges		**-**	-
		1,133,567	1,283,784
Total assets		**$ 1,866,545**	$ 2,114,951
LIABILITIES AND EQUITY			
Current liabilities			
Accoutns payable and accrued liabilities		**$ 323,460**	$ 479,458
Short term loans	8	**85,361**	69,553
Convertible debentures	9	**136,244**	26,152
Deferred income		**-**	43,979
Deposits		**10,433**	9,576
		555,498	628,718
Non-current liabilities			
Convertible debentures	9	**-**	94,726
Total liabilities		**555,498**	723,444
Equity			
Issued capital	10	**8,515,314**	8,344,136
Deficit		**(11,732,547)**	(11,361,515)
Other reserves		**4,528,280**	4,408,886
Total equity		**1,311,047**	1,391,507
Total liabilities and equity		**$ 1,866,545**	$ 2,114,951

Commitments (Note 16)

Contingency (Note 17)

APPROVED BY BOARD

(signed) Raymond Lai
Director

(signed) Daniel Chu
Director

MAPLE LEAF REFORESTATION INC.

Consolidated Statements of Cash Flows

[Expressed in Canadian dollars]

	Notes	Three months ended **September 30, 2012**	Three months ended October 31, 2011	Nine months ended **September 30, 2012**	Nine months ended October 31, 2011
OPERATING ACTIVITIES					
Loss before tax from continuing operations		**$ (145,396)**	$ (202,784)	**$ (371,032)**	$ (1,050,672)
Loss before tax		**(145,396)**	(202,784)	**(371,032)**	(1,050,672)
Items not affecting cash:					
Depreciation and amortization	15	**43,235**	20,421	**132,600**	63,364
Accretion on convertible debentures		**3,852**	5,122	**15,366**	15,366
Biological asset write-down	6	**-**	538	**-**	246,295
Change in biological asset	6	**(86,958)**	-	**(68,758)**	-
Unrealized foreign exchange loss		**134,503**	39,980	**146,723**	(146,535)
Share-based compensation	15	**-**	32,598	**9,854**	101,371
		(50,764)	(104,125)	**(135,247)**	(770,811)
Non-cash working capital adjustments:					
Decrease (increase) in receivables and prepayments		**53,849**	(29,827)	**52,272**	32,412
Decrease (increase) in inventories		**(3,522)**	22,846	**103,314**	193,665
Amount due from (to) related parties		**-**	(21,000)	**-**	(69,317)
Increase (decrease) in deferred income		**1,434**	-	**(42,545)**	-
Deposits		**-**	-	**859**	-
Increase in accounts payable and accrued liabilities		**(55,079)**	38,813	**(116,186)**	19,532
Cash flow used in operating activities		**(54,082)**	(93,293)	**(137,533)**	(594,519)
INVESTING ACTIVITIES					
Increase in land lease		**-**	-	**(21,002)**	-
Purchase of property, plant and equipment		**-**	(4,185)	**-**	(6,347)
Net cash flows used in investing activities		**-**	(4,185)	**(21,002)**	(6,347)
FINANCING ACTIVITIES					
Shares issued, net of share issuances costs		**-**	-	**126,000**	575,546
Funds from short term loan		**55,200**	55,000	**55,200**	55,000
Payment (repayment) of short term loan		**(34,026)**	-	**(34,026)**	(72,151)
Net cash flows used in financing activities		**21,174**	55,000	**147,174**	558,395
Net increase in cash and cash equivalents		**(32,908)**	(42,478)	**(11,361)**	(42,471)
Cash and cash equivalents, beginning of period		**44,031**	48,773	**22,484**	48,766
Cash and cash equivalents, end of period		**$ 11,123**	$ 6,295	**$ 11,123**	$ 6,295

MAPLE LEAF REFORESTATION INC.

Consolidated Statements of Changes in Equity

[Expressed in Canadian dollars]

	Note	Number of shares	Issued capital	Other Reserves: Contributed surplus	Other Reserves: Share Subscription Received	Other Reserves: Foreign currency translation reserve	Deficit	Total equity
At January 1, 2012		80,682,875	$ 8,344,136	$ 4,509,888	$ -	$ (101,002)	$ (11,361,515)	$ 1,391,507
Loss for the period		-	-	-	-	-	(371,032)	(371,032)
Other comprehensive income		-	-	-	-	109,540	-	109,540
Total comprehensive income		80,682,875	8,344,136	4,509,888	-	8,538	(11,732,547)	1,130,015
Share-based compensation				9,854	-	-	-	9,854
Share issuance for debt	10	903,552	45,178					45,178
Private placement, net of share issuance costs	10	2,600,000	126,000	-		-	-	126,000
As at September 30, 2012		**84,186,427**	**$ 8,515,314**	**$ 4,519,742**	**$ -**	**$ 8,538**	**$ (11,732,547)**	**$ 1,311,047**

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

(Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

Maple Leaf Green World Inc. (formally "Maple Leaf Reforestation Inc.") ("Maple Leaf"), is incorporated in Alberta Canada with common shares listed on the TSX Venture Exchange under the ticker symbol "MPE.V". The corporate office is located at 2916B – 19 Street N.E., Calgary, Alberta. In October 2012, Maple Leaf changed its name to Maple Leaf Green World Inc. from Maple Leaf Reforestation Inc.

Maple Leaf, along with its subsidiary in the People's Republic of China ("China") (collectively the "Company") is currently in the process to develop its the eco-agriculture nursery business (greenhouse seedling operation) in the environmental industry while continuously looking for opportunities for renewable energy business in China and has not yet generated significant revenue to cover all expenditures and therefore 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

These financial statements were approved by the Board of Directors of the Company on November 28, 2012.

2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

Basis of preparation and measurement

These condensed interim consolidated financial statements ("financial statements") are unaudited and have been prepared on the historical cost basis, except for certain financial instruments, classified as fair value through profit or loss, which have been measured at fair value. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable for the reporting period.

The policies set out in the ensuing paragraphs have been consistently applied to all periods presented unless otherwise noted.

In 2011, the Company changed its year end to December 31 from January 31. As a result, the financial statements are presented for a three and nine months ended September 30, 2012. Comparative financial information for the consolidated statements of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows was reported for February 1, 2011 to October 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.

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 financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Functional currency

The presentation and functional currency of the Company is the Canadian dollar as this basis of presentation is more useful to users of the financial statements. However, the functional currency of its Chinese subsidiary is the Chinese RMB, as it is 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 in China.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Significant Accounting judgments and estimates

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 judgments 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 judgment 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

Decommissioning liabilities are carried on the Consolidated Balance Sheet at their discounted present value, which is re-measured 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.

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.

(q) 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.

(r) 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.

(s) 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.

(t) Income taxes

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

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

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realized or liability is settled, based on tax rates and laws that 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.

(u) Comparative figures

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

(v) Accounting standards issued but not yet implemented

As of January 1, 2013, the Company will be required to adopt amendments to IAS 1 “Presentation of Financial Statements” which will require companies to group together items within Other

Comprehensive Income that may be reclassified to the net earnings section of the statement of loss and comprehensive loss. The Company does not expect a material impact as a result of the amendment.

Each of the additional new standards outlined below is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for IFRS 9 "Financial Instruments" which is effective for annual periods beginning on or after January 1, 2015. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9 "Financial Instruments"

The result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10 "Consolidated Financial Statements"

Replaces Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements". The new standard replaces the existing risk and a reward based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 "Joint Arrangements"

Replaces IAS 31 "Interests in Joint Ventures". The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 12 "Disclosure of Interests in Other Entities"

Provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosures require information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

IFRS 13 "Fair value measurement"

Clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among specific standards requiring fair value measurements and in many cases does not reflect measurement basis or consistent disclosures.

(Expressed in Canadian dollars, unless otherwise stated)

Amendments to other standards

In addition to the above, there have been amendments to existing standards, including IAS27 "Separate Financial statements" and IAS 28 "Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, associates and joint controlled entities in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 -13 (see above).

4. RECEIVABLES AND PREPAIDS

Receivables and pre-paids consist of the following:

	September 30, 2012	December 31, 2011
Trade receivables	**$ -**	$ 49,247
GST recoverable	**3,397**	6,368
Prepaid expenses	**6,874**	6,874
	$ 10,271	$ 62,489

5. PREPAID LEASE PAYMENT

	September 30, 2012	December 31, 2011
Land lease - current	**$ 2,762**	$ 2,816
Land lease - non current	**96,929**	77,593
	$ 99,691	$ 80,409

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 September 30, 2012, total prepayments are $99,691. 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.

6. INVENTORY AND BIOLOGICAL ASSETS

Inventory consists of the following:

	September 30, 2012	December 31, 2011
Raw material and supplies	**$ 42,922**	$ 146,236
	$ 42,922	$ 146,236

(Expressed in Canadian dollars, unless otherwise stated)

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

	September 30, 2012	December 31, 2011
Estimated sales value of biological asset	**$ 665,900**	$ 597,142
Fair value of biological asset less costs to sale	**665,900**	597,142
Less: Actual costs	**527,065**	431,067
Increase to fair value of biological asset over cost	**138,835**	166,075
Change in biological asset	**$ (27,240)**	$ 43,577

For the three and nine months ended September 30, 2012, there were no material selling costs (three and nine months ended October 31, 2011 - $nil).

During the three and nine months ended September 30, 2012, the Company did not write off inventory related to tree seedling operations (three and nine months ended October 31, 2011 - $538 and $246,295, respectively.)

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Funiture and equipment	Motor vehicles	Computer equipment	Leasehold improvement	Greenhouse	Total
As at February 1, 2011	$ 68,736	$ 23,055	$ 12,593	$ -	$ 1,799,505	$ 1,903,889
Additions	-	-	534	4,185	8,192	12,911
Disposal	(29,572)	(5,247)	(489)	-	-	(35,308)
Foreign translation impact	1,512	794	-	-	117,971	120,277
As at January 1, 2012	$ 40,676	$ 18,602	$ 12,638	$ 4,185	$ 1,925,668	$ 2,001,769
Foreign translation impact	(1,117)	(587)	-	-	(61,422)	(63,126)
As at September 30, 2012	**$ 39,559**	**$ 18,015**	**$ 12,638**	**$ 4,185**	**$ 1,864,246**	**$ 1,938,643**

Accumulated depreciation, depletion and amortization	Funiture and equipment	Motor vehicles	Computer equipment	Leasehold improvement	Greenhouse	Total
As at February 1, 2011	$ 9,622	$ 7,172	$ 11,962	$ -	$ 564,807	$ 593,563
Depreciation, depletion and amortization	4,270	2,619	114	837	149,566	157,406
Disposal	(956)	(536)	(575)	-	-	(2,067)
Foreign translation impact	492	511	-	-	45,673	46,676
As at January 1, 2012	$ 13,428	$ 9,766	$ 11,501	$ 837	$ 760,046	$ 795,578
Depreciation, depletion and amortization	2,678	1,640	195	680	127,407	132,600
Foreign translation impact	(1,058)	(597)	-	-	(24,518)	(1,655)
As at September 30, 2012	**$ 15,048**	**$ 10,809**	**$ 11,696**	**$ 1,517**	**$ 862,935**	**$ 926,523**

Net book value	Funiture and equipment	Motor vehicles	Computer equipment	Leasehold improvement	Greenhouse	Total
As at February 1, 2011	$ 59,114	$ 15,883	$ 631	$ -	$ 1,234,698	$ 1,310,326
As at January 1, 2012	$ 27,248	$ 8,836	$ 1,137	$ 3,348	$ 1,165,622	$ 1,206,191
As at September 30, 2012	**$ 24,511**	**$ 7,206**	**$ 942**	**$ 2,668**	**$ 1,001,311**	**$ 1,036,638**

8. SHORT TERM LOANS

The outstanding principle of short terms loans and accrued interest as at September 30, 2012 was $85,361 (December 31, 2011 - $69,553) due to an individual, whose spousal is an officer and director of the Company. The short term loan bears a coupon rate of 10.75% per annum and payable upon demand.

9. CONVERTIBLE DEBENTURES

In July 2010, the Company raised $102,500 by issuing $102,500 of convertible debentures bearing a coupon 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. In July 2012, the Company reached agreements with lenders to extend the maturity date of the convertible debenture to July 30, 2013.

During the three and nine months ended September 30, 2012, the Company recorded interest expenses of $3,852 and $15,366, respectively (three and nine months ended October 31, 2011 - $5,122 and $16,015, respectively).

As at September 30, 2012, the carrying value of the convertible debenture was $136,244 (December 31, 2011 - $120,878).

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Private Placements

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.

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

(Expressed in Canadian dollars, unless otherwise stated)

On February 24, 2012, the Company completed a private placement to raise gross proceeds of $130,000 by issuing 2,600,000 units at a subscription price of $0.05 per unit, and each unit consists of one common share and one common share purchase warrant exercisable for five years from the date of closing at a price of $0.10. In connection with this private placement, the Company paid finder's fee in the amount of $4,000 to arm's length parties.

(c) Stock Options

The following is a summary of option transactions:

	Number of options		Weighted average exercise price prer share
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
Balance, December 31, 2011	6,785,000	$	0.14
Options expired or cancelled	(3,450,000)	$	0.14
Balance, September 30, 2012	**3,335,000**	**$**	**0.13**

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 400,000 options exercisable at $0.125 and 150,000 vesting over a period of 3 months were granted to an employee and a director of the Company.

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.

During the nine month period ended September 30, 2012, a total of 3,450,000 options were cancelled or expired while a total of 1,500,000 options were cancelled during the year ended December 31, 2011.

(Expressed in Canadian dollars, unless otherwise stated)

No option was granted during the nine months ended September 30, 2012, and the weighted average grant date fair value of options granted during the nine months ended October 31, 2011 was $0.06 using the following assumptions as per Black-scholes option pricing model.

	September 30, 2012	October 31, 2011
Weighted average risk free interest rates	**N/A**	1.64%
Weighted average expected life	**N/A**	3 years
Weighted average expected volatility	**N/A**	177%
Weighted average expected dividend yield	**N/A**	nil

The following table summarizes information about stock options outstanding at September 30, 2012:

Exercisable prices	Number of options outstanding	Expiry dates	Remaining constractual life	Number of exercisable at reporting date
$ 0.125	1,000,000	February 4, 2013	0.35	1,000,000
$ 0.135	785,000	March 12, 2013	0.45	785,000
$ 0.140	600,000	August 31, 2013	0.92	600,000
$ 0.125	450,000	January 18, 2014	1.30	450,000
$ 0.125	100,000	July 29, 2014	1.83	100,000
$ 0.125	400,000	December 22, 2014	2.23	400,000
$0.125 - 0.14	**3,335,000**			**3,335,000**

(Expressed in Canadian dollars, unless otherwise stated)

(d) Warrants

Number of warrants outstanding as at January 31, 2011	Issuded during the period	exercised/expired during the period	Number of warrants outstanding as at December 31, 2011	Exercise price per warrant	Expiry date
5,075,500	-	(5,075,500)	-	$ 0.200	May 22, 2011
1,000,000	-		1,000,000	$ 0.250	March 24, 2012
2,187,500	-	-	2,187,500	$ 0.200	August 9, 2012
2,350,000	-	-	2,350,000	$ 0.125	September 7, 2012
-	7,645,588	-	7,645,588	$ 0.125	February 14, 2013
-	684,458	-	684,458	$ 0.085	February 14, 2013
10,613,000	8,330,046	(5,075,500)	13,867,546		

Number of warrants outstanding as at January 1, 2012	Issuded during the period	exercised/expired during the period	Number of warrants outstanding as at September 30, 2012	Exercise price per warrant	Expiry date
1,000,000	-	(1,000,000)	-	$ 0.250	March 24, 2012
2,187,500	-	(2,187,500)	-	$ 0.200	August 9, 2012
2,350,000	-	(2,350,000)	-	$ 0.125	September 7, 2012
7,645,588	-	-	7,645,588	$ 0.125	February 14, 2013
684,458	-	-	684,458	$ 0.085	February 14, 2013
	2,600,000	-	2,600,000	$ 0.100	February 24, 2017
13,867,546	2,600,000	(5,537,500)	10,930,046		

11. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed by the related parties. Related party transactions included advances from directors and officers, which disclosed in note 8, and the compensation to key managements disclosed below.

The Company has identified its directors and executive staff as key management personnel. Compensation to key management, including fees paid to companies controlled by directors and officers for their services provided, is follows:

	Three months ended		Nine months ended	
	September 30, 2012	October 31, 2011	**September 30, 2012**	October 31, 2011
Management fee, consulting fee, and	**$ 31,500**	$ 30,902	**$ 93,928**	$ 157,500
Stock base compensations	**-**	32,598	**5,091**	68,296
Total	**$ 32,597**	$ 78,075	**$ 99,019**	$ 225,796

As of September 30, 2012, a total of $31,500 (December 31, 2011 - $nil) payable to key management remained outstanding and included in accounts payable and accrued liabilities on the consolidated statement of financial position.

(Expressed in Canadian dollars, unless otherwise stated)

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 requirement 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 September 30, 2012, the Company has a total of $136,244 (December 31, 2011 - $120,878) of convertible debentures outstanding and a total of $85,361 (December 31, 2011 - $69,553) short term loans outstanding.

13. FINANCIAL INSTRUMENTS

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

(a) *Fair value*

The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties to settle these instruments. The carrying amount of all financial instruments (except convertible debentures) as at September 30, 2012 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 September 30, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	$ 11,123	$ -	$ -	$ 11,123

	Fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	$ 22,484	$ -	$ -	$ 22,484

(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 September 30, 2012, 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:

The amounts are expressed in Canadian dollars equivalents

The amounts are expressed in Canadian		**September 30, 2012**		December 31, 2011
Canadian dollars	**$**	**6,709**	$	19,355
Chinese yuan		**4,414**		58,744
Total financial assets	**$**	**11,123**	$	78,099
Canadian dollars	**$**	**471,792**	$	295,621
Chinese yuan		**83,706**		253,388
Total financial liabilities	**$**	**555,498**	$	549,009

As at September 30, 2012, with other variables unchanged, a 1% fluctuation of the Chinese currency against the Canadian dollar would affect comprehensive income by approximately $793 (December 31, 2011 - $1,946).

(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 deposits in bank accounts that earn variable interest rates while the short term loans and convertible debenture bear interest rates from 10% to 15% per annum. 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 September 30, 2012.

(Expressed in Canadian dollars, unless otherwise stated)

(e) Credit risk

The Company is expected 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 September 30, 2012 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.

Upon the discontinued operation of its feedstock and fertilizer projects, the Company only has one reportable segment, being the greenhouse eco-agriculture in the environmental industry in China. Although the Company continues to pursue opportunities to develop renewable energy business, renewable energy business has not yet established and become a reportable segment. Geographic segment information is summarized as follows:

(b) Segment operation information

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

	Canada	China	Total
As at March 31, 2012			
Property, plant and equipment	**$ 5,038**	**$ 1,031,600**	**$ 1,036,638**
Prepaid lease payments, non-current portion	**-**	**96,929**	**96,929**
Total Assets	**22,018**	**1,844,527**	**1,866,545**
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	2,076,171	2,114,951

(Expressed in Canadian dollars, unless otherwise stated)

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

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
	Canada	**China**	**Total**	**Canada**	**China**	**Total**
Sales	**$ -**	**$ 50,504**	**$ 50,504**	**$ -**	**$ 354,236**	**$ 354,236**
Cost of sales	**-**	**(45,006)**	**(45,006)**	**-**	**(270,881)**	**(270,881)**
Change in biological assets	**-**	**(9,040)**	**(9,040)**	**-**	**(27,240)**	**(27,240)**
Gross profit	**-**	**(3,542)**	**(3,542)**	**-**	**56,115**	**56,115**
Expenses	**(100,247)**	**(45,226)**	**(145,473)**	**(318,981)**	**(123,166)**	**(442,147)**
Interest and other income	**3,619**	**-**	**3,619**	**15,000**	**-**	**15,000**
Write down of Property, Plant & Equipment	**-**	**-**	**-**	**-**	**-**	**-**
Write off of accounts payable	**-**	**-**	**-**	**-**	**-**	**-**
Net loss	**$ (96,628)**	**$ (48,768)**	**$ (145,396)**	**$ (303,981)**	**$ (67,051)**	**$ (371,032)**

	Three months ended October 31, 2011			Nine months ended October 31, 2011		
	Canada	China	Total	Canada	China	Total
Sales	$ -	$ 91,416	$ 91,416	$ -	$ 231,091	$ 231,091
Cost of sales	-	(75,901)	(75,901)	-	(250,638)	(250,638)
Change in biological assets	-	-	-	-	-	-
Gross profit	-	15,515	15,515	-	(19,547)	(19,547)
Expenses	(176,805)	(40,999)	(217,804)	(667,372)	(119,389)	(786,761)
Interest and other income	-	43	43	1,769	162	1,931
Write down of biological assets	-	(538)	(538)		(246,295)	(246,295)
Net loss	$ (176,805)	$ (25,979)	$ (202,784)	$ (665,603)	$ (385,069)	$ (1,050,672)

15. EXPENSES

The consolidated expenses for the periods covered are as follows:

	Three months ended		Nine months ended	
	September 30, 2012	October 31, 2011	**September 30, 2012**	October 31, 2011
Travel and promotion	**$ -**	$ 19,427	**$ 13,672**	$ 90,082
Salaries and wages	**4,763**	29,754	**73,583**	83,692
Stock based compensation	**-**	32,598	**9,854**	101,371
Rental	**21,513**	16,941	**49,435**	77,465
Consulting fees	**4,000**	4,500	**23,524**	64,300
Filing and transfer agent	**1,563**	2,000	**9,074**	23,942
Shareholder information and promotion	**3,389**	8,706	**10,523**	66,769
Professional fees	**15,393**	43,175	**39,537**	97,626
Amortization	**22,024**	20,421	**66,653**	63,364
Management salaries	**41,312**	22,500	**67,562**	67,500
Office	**16,765**	9,788	**38,143**	24,793
Interest and bank charges	**11,047**	5,231	**28,832**	16,378
Meals and entertainment	**2,767**	802	**8,293**	2,745
Telephone	**937**	1,961	**3,462**	5,835
Penalties	**-**	-	**-**	899
Total	**$ 145,473**	$ 217,804	**$ 442,147**	$ 786,761

(Expressed in Canadian dollars, unless otherwise stated)

16. 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*
2013	$12,928
2014	12,928
2015	3,232
Total	$29,088

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 $29,088.

(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 $91,250 over the next three years are as follows:

Year	*Annual Payments*
2012	$10,950
2013	43,800
2014	36,500
Total	$91,250

The Company has currently sub-leased some office space to offset the costs of the lease. Annual revenue from the sub-lease is estimated to be $10,410.

(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) 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 $26,692 over the remaining years of the lease is as follows:

Year	*Annual Payments*
2012	$ 5,173
2013	21,519
Total	$ 26,692

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

17. 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.