

**MAPLE LEAF GREEN WORLD INC.**  
**(formerly Maple Leaf Reforestation Inc.)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2012**

(Expressed in Canadian dollars, unless otherwise stated)

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF MAPLE LEAF GREEN WORLD INC.**

We have audited the accompanying consolidated financial statements of Maple Leaf Green World Inc., which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated 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 audit. We conducted our audit 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 auditors' 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 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 financial position of Maple Leaf Green World Inc. as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

*Other Matter*

The consolidated financial statements of Maple Leaf Green World Inc. as at December 31, 2011 and for the eleven months then ended were audited by another auditor who expressed an unmodified opinion on those financial statements on April 27, 2012.

Chartered Accountants

Vancouver, British Columbia  
May 21, 2013

**MAPLE LEAF GREEN WORLD INC.**  
**Consolidated Statements of Financial Position**  
[Expressed in Canadian dollars]

		As at	
	Note	December 31, 2012	December 31, 2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 12,226	\$ 22,484
Receivables and deposits	5	15,490	62,489
Inventory	7	12,660	146,236
Biological assets	7	360,144	597,142
		<b>400,520</b>	828,351
<b>Non-current assets</b>			
Property, plant and equipment	8	488,297	1,206,191
Prepaid lease payment	6	101,729	80,409
		<b>590,026</b>	1,286,600
<b>Total assets</b>		<b>\$ 990,546</b>	\$ 2,114,951
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 419,982	\$ 479,458
Short-term loans	9, 12	104,339	69,553
Convertible debentures	10	141,366	26,152
Deferred income		-	43,979
Deposits		11,146	9,576
		<b>676,833</b>	628,718
<b>Non-current liabilities</b>			
Convertible debentures	10	-	94,726
<b>Total liabilities</b>		<b>676,833</b>	723,444
<b>Equity</b>			
Issued capital	11	8,515,314	8,344,136
Deficit		(12,773,076)	(11,361,515)
Other reserves		4,571,475	4,408,886
<b>Total equity</b>		<b>313,713</b>	1,391,507
<b>Total liabilities and equity</b>		<b>\$ 990,546</b>	\$ 2,114,951

APPROVED ON BEHALF OF THE BOARD

(signed) Raymond Lai  
Director

(signed) Daniel Chu  
Director

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

		<b>Year ended</b>	Eleven months ended
	Note	<b>December 31, 2012</b>	December 31, 2011
Revenue		\$ 365,643	\$ 297,260
Cost of sales		(323,026)	(298,309)
<b>Gross profit</b>		<b>42,617</b>	<b>(1,049)</b>
<b>Operating Expenses</b>			
Consulting fees		32,524	67,300
Depreciation and amortization		90,661	157,406
Filing and transfer agent		11,510	24,142
Foreign exchange gain		(226)	(164)
Interest and bank charges		37,420	19,268
Interest and other income		(21,144)	-
Loss on disposal of discontinued components	17	-	6,136
Management salaries		90,062	82,500
Meals and entertainment		12,098	9,217
Office		44,076	51,440
Professional fees		96,243	129,512
Rent		71,855	87,368
Salaries and wages		96,590	114,532
Shareholder information and promotion		14,141	11,332
Stock-based compensation		9,854	85,127
Telephone		5,655	6,830
Travel and promotion		14,871	152,322
Change in biological assets	7	285,838	(43,577)
Write-down of assets	7,8	562,150	114,423
		<b>1,454,178</b>	<b>1,075,114</b>
<b>Loss for the period</b>		<b>(1,411,561)</b>	<b>(1,076,163)</b>
Unrealized exchange differences on translation of foreign operations		152,735	100,965
<b>Comprehensive loss for the period</b>		<b>\$ (1,258,826)</b>	<b>\$ (975,198)</b>
<b>Loss per share</b>			
Basic and diluted		\$ (0.02)	\$ (0.01)
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>83,712,652</b>	<b>80,310,415</b>

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

			Other Reserves					
			Number of shares	Issued capital	Share-based payments reserve	Share Subscription Received	Foreign currency translation reserve	
	Note						Deficit	Total equity
At January 1, 2012			80,682,875	\$ 8,344,136	\$ 4,509,888	\$ -	\$ (101,002)	\$ 1,391,507
Loss for the year			-	-	-	-	(1,411,561)	(1,411,561)
Other comprehensive income			-	-	-	-	152,735	152,735
Shares issued for services	11		903,552	45,178	-	-	-	45,178
Share-based payments	11		-	-	9,854	-	-	9,854
Private placement, net of share issuance costs	11		2,600,000	126,000	-	-	-	126,000
<b>At December 31, 2012</b>			<b>84,186,427</b>	<b>\$ 8,515,314</b>	<b>\$ 4,519,742</b>	<b>\$ -</b>	<b>\$ 51,733</b>	<b>\$ 313,713</b>

  

			Other Reserves					
			Number of shares	Issued capital	Share-based payments reserve	Share Subscription Received	Foreign currency translation reserve	
	Note						Deficit	Total equity
At February 1, 2011			72,458,502	\$ 7,700,711	\$ 4,424,761	\$ 10,000	\$ (201,967)	\$ 1,648,153
Loss for the period			-	-	-	-	(1,076,163)	(1,076,163)
Other comprehensive income			-	-	-	-	100,965	100,965
Shares issued for services	11		578,785	57,879	-	-	-	57,879
Share-based payments	11		-	-	85,127	-	-	85,127
Private placement, net of share issuance costs	11		7,645,588	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>\$ 1,391,507</b>

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

		Year ended	Eleven months ended
	Note	December 31, 2012	December 31, 2011
<b>OPERATING ACTIVITIES</b>			
Loss for the period		\$ (1,411,561)	\$ (1,076,163)
Items not affecting cash:			
Depreciation and amortization		177,814	157,406
Accretion on convertible debentures		20,488	26,152
Accrued interest on short-term loans		5,440	-
Change in biological asset	7	285,838	(43,577)
Inventory write-down	7	31,140	114,423
Property, plant and equipment write-down	8	531,008	34,255
Foreign exchange loss (gain)		161,489	(1,008)
Share-based compensation		9,854	85,127
		<b>(188,490)</b>	<b>(703,385)</b>
Non-cash working capital adjustments:			
Decrease in receivables and deposits		46,999	44,846
Decrease (increase) in inventory		102,436	(17,962)
Inventory reclassified to biological assets	7	(48,840)	(113,109)
Amount due to related parties		-	(69,317)
Decrease (increase) in trade and other payables		(14,298)	161,185
Increase (decrease) in deferred income		(43,979)	46,211
Deposits		1,570	9,576
<b>Net cash flows used in operating activities</b>		<b>(144,602)</b>	<b>(641,955)</b>
<b>INVESTING ACTIVITIES</b>			
Increase in land lease		(21,002)	(2,243)
Purchase of property, plant and equipment		-	(12,911)
<b>Net cash flows used in investing activities</b>		<b>(21,002)</b>	<b>(15,154)</b>
<b>FINANCING ACTIVITIES</b>			
Shares issued, net of share issuances costs		126,000	643,425
Share subscriptions		-	(10,000)
Funds from short-term loan		29,346	-
Repayment of short-term loan		-	(2,598)
<b>Net cash flows used in financing activities</b>		<b>155,346</b>	<b>630,827</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(10,258)</b>	<b>(26,282)</b>
Cash and cash equivalents, beginning of period		22,484	48,766
<b>Cash and cash equivalents, end of period</b>		<b>\$ 12,226</b>	<b>\$ 22,484</b>

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 1. NATURE OF OPERATIONS

Maple Leaf Green World 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, T2E 6Y9. 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 Inner Mongolia, the People's Republic of China ("China") (collectively, the "Company") is currently developing its eco-agriculture nursery business (reforestation operation). The Company is exploring opportunities for renewable energy businesses in China. To date, the Company has not generated significant revenue to cover expenditures, and therefore has incurred recurring losses since inception. 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 to produce and sell fertilizer in China. Effective January 31, 2011, through the termination of various management agreements, the Company discontinued its projects in feedstock and fertilizer operations.

In 2011, the Company changed its year-end to December 31 from January 31. As a result, the comparative financial information for the consolidated statements of loss and comprehensive loss, changes in equity and cash flows was reported for February 1, 2011 to December 31, 2011.

These financial statements were approved by the Board of Directors of the Company on May 21, 2013.

## 2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast substantial doubt on the validity of this assumption. The Company has incurred significant operating losses since inception, has a deficit of \$12,773,076 (2011 - \$11,361,515), a working capital deficiency of \$276,313 (2011 - working capital surplus of \$199,633), has limited resources and no significant sources of positive operating cash flow.

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 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 operations may have 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 and is actively trying to raise other sources of financing.

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## **2. GOING CONCERN (Continued)**

As a result, these financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities that may be required should the Company be unable to continue as a going concern. Subsequent to December 31, 2012, the Company completed the first tranche of its non-brokered private placement, raising total gross proceeds of \$57,500.

## **3. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION**

### **a) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

### **b) Statement of measurement**

These consolidated financial statements have been prepared on a historical basis, except for financial instruments classified as available-for-sale (“AFS”) and fair value through profit or loss (“FVTPL”). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these consolidated financial statements is presented in Canadian dollars, except as otherwise stated.

### **c) Basis of consolidation**

These consolidated financial statements include the accounts of Maple Leaf and its wholly-owned subsidiary, Inner Mongolia Maple Leaf Forestry Co. Ltd., incorporated in China. All significant intercompany balances and transactions have been eliminated upon consolidation.

### **d) Functional currency**

The presentation and functional currency of the Company is the Canadian dollar (“CAD”). The functional currency of its Chinese subsidiary is the Chinese renminbi (“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.



# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 4. 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:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### *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.

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### a) Significant Accounting judgments and estimates (Continued)

#### *Income taxes*

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income tax assets or liabilities, 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.

#### *Going concern*

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its product development and working capital requirements.

#### *Biological assets*

The fair value of biological assets 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.

### b) Cash and cash equivalents

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

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c) Financial instruments

#### (i) Financial assets

The Company classifies its financial assets in the following categories: FVTPL, held-to-maturity investments, loans and receivables, and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument.

#### *Financial assets at fair value through profit or loss*

Financial assets are classified as FVTPL when the financial asset is held-for-trading or is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future, it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

#### *Held-to maturity investments*

Held-to-maturity financial assets are non-derivative financial assets measured at amortized cost that management has the intention and ability to hold to maturity.

#### *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

#### *Available-for-sale financial assets*

AFS financial assets are non-derivative financial assets that are either designated as AFS or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income (loss) and classified as a component of equity.

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c) Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### *Effective interest method*

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period-end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c) Financial instruments (Continued)

#### (ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: as FVTPL or other financial liabilities.

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes in financial liabilities classified as FVTPL are recognized in profit or loss.

#### *Other financial liabilities*

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable, other payables, deferred credits and loans.

#### *Derivative financial liabilities*

Derivatives, including separated embedded derivatives, are classified as held-for-trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments.

#### (iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### d) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date.

As at the reporting date, the assets and liabilities of foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the reporting date and its revenues and expenses are translated at the exchange rate at the date of the transactions. The exchange difference that arises on the translation are taken to other comprehensive income and foreign currency translation reserve. On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries are taken to the other comprehensive income and foreign currency translation reserve. If any foreign subsidiaries were sold, the amount reflected in foreign currency translation reserve would be realized and reflected in the consolidated statement of loss and comprehensive loss as part of the gain or loss on disposal.

### e) Inventories and biological assets

Inventory consists of raw materials and supplies and is recorded at the lower of cost and net realizable value with costs being determined on a weighted average basis. Costs include the charge for materials and shipping costs and do not include storage and handling. Obsolete inventory is written off to the statement of loss and comprehensive loss.

Seedlings grown for resale are considered a biological asset and are valued under IAS 41 *Agriculture* at fair value less costs to sell for finished seedlings where the fair value can be determined. Seedlings in process are measured at cost, which approximates fair value, as little biological transformation has taken place since initial incurrence. Costs to sell include all costs that would be necessary to sell the assets, including finishing and transportation costs.

### f) Revenue recognition

Revenue is recognized when i) the Company has transferred the significant risks and rewards of ownership to its customers which usually occurs on delivery, 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 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.

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) 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 rates as follows:

Furniture and equipment	5 years
Motor vehicles	5 years
Computer equipment	3 years
Leasehold improvements	5 years
Greenhouse	5 to 20 years

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.

### h) 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 are recorded as prepaid lease payments.

### i) 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 the 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 the 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.



# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012 and

Eleven month period ended December 31, 2011

*(Expressed in Canadian dollars, unless otherwise stated)*

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) 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 a 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.

### k) Borrowings

Interest-bearing borrowings 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 consolidated statement of loss in the period of the borrowings using the effective interest method. Borrowing costs directly 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. Other borrowing costs are expensed in the period they are incurred.

### l) 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.

### m) 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 property, plant and equipment.



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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### m) Decommissioning liabilities (Continued)

Decommissioning liabilities are carried on the consolidated statements of financial position 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 loss. 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.

### n) Share-based payment

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in share-based payments reserve is transferred to capital stock.

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **o) Loss per share**

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

### **p) Income taxes**

Income tax expense, consisting of current and deferred tax expense, is recognized in the consolidated statements of loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

# MAPLE LEAF GREEN WORLD INC.

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### q) 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 consolidated financial statements or whether to early-adopt any of the new requirements.

#### **IFRS 9 *Financial Instruments***

This standard is 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***

This standard replaces Standing Interpretations Committee ("SIC") 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 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***

The new standard replaces IAS 31 *Interests in Joint Ventures* and 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***

This standard provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates and special purpose vehicles. The new disclosures requires 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.

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### q) Accounting standards issued but not yet implemented (Continued)

#### IFRS 13 *Fair Value Measurement*

This standard 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.

#### Amendments to other standards

In addition to the above, there have been amendments to existing standards, including IAS 27 *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 to 13 (see above).

## 5. RECEIVABLES AND DEPOSITS

Receivables and deposits consist of the following:

	December 31, 2012	December 31, 2011
Trade receivables	\$ -	\$ 49,247
GST recoverable	8,616	6,368
Deposits	6,874	6,874
	<b>\$ 15,490</b>	<b>\$ 62,489</b>

## 6. PREPAID LEASE PAYMENT

The Company entered into a 50-year lease for the land where the greenhouse operation is located in Inner Mongolia, effective January 1, 2006. The lease payments are to be paid over a 10-year period commencing from the date of the lease. As of December 31, 2012, total prepayments are \$101,729 (2011 - \$80,409) (Note 18).

## 7. INVENTORY AND BIOLOGICAL ASSETS

Inventory consists of the following:

	December 31, 2012	December 31, 2011
Raw material and supplies	<b>\$ 12,660</b>	\$ 146,236

## MAPLE LEAF GREEN WORLD INC.

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### 7. INVENTORY AND BIOLOGICAL ASSETS (Continued)

During the year ended December 31, 2012, some items of inventory were written down to their fair value, and, accordingly, an impairment of \$31,140 (eleven months ended December 31, 2011 - \$114,423) was recorded.

Information about the biological assets presented on the consolidated statements of financial position and in the consolidated statements of loss is as follows:

	December 31, 2012	December 31, 2011
Opening balance at January 1	\$ 597,142	\$ 440,456
Increases due to capitalized costs	371,866	411,418
Gain (loss) arising from changes in fair value		
less costs to sell	(285,838)	43,577
Decrease due to sales	(323,026)	(298,309)
Balance at December 31	\$ 360,144	\$ 597,142

For the year ended December 31, 2012 and eleven months ended December 31, 2011, there were no material selling costs.

During the year ended December 31, 2012, biological assets were written down to their fair value, based on management's assessment of recoverable value and accordingly, a loss arising from changes in fair value of \$285,838 (eleven months ended December 31, 2011 - gain of \$43,577) was recorded.

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### 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Furniture and equipment	Motor vehicles	Computer equipment	Leasehold improvements	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 currency 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 currency translation impact	(416)	(219)	-	-	(22,641)	(23,276)
<b>As at December 31, 2012</b>	<b>\$ 40,260</b>	<b>\$ 18,383</b>	<b>\$ 12,638</b>	<b>\$ 4,185</b>	<b>\$ 1,903,027</b>	<b>\$ 1,978,493</b>

Accumulated depreciation, depletion and amortization	Furniture and equipment	Motor vehicles	Computer equipment	Leasehold improvements	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 currency 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	2,757	3,282	275	906	170,594	177,814
Impairment	12,269	2,965	-	-	515,774	531,008
Foreign currency translation impact	(831)	(364)	-	-	(13,009)	(14,204)
<b>As at December 31, 2012</b>	<b>\$ 27,623</b>	<b>\$ 15,649</b>	<b>\$ 11,776</b>	<b>\$ 1,743</b>	<b>\$ 1,433,405</b>	<b>\$ 1,490,196</b>

Net book value	Furniture and equipment	Motor vehicles	Computer equipment	Leasehold improvements	Greenhouse	Total
As at December 31, 2011	\$ 27,248	\$ 8,836	\$ 1,137	\$ 3,348	\$ 1,165,622	\$ 1,206,191
<b>As at December 31, 2012</b>	<b>\$ 12,637</b>	<b>\$ 2,734</b>	<b>\$ 862</b>	<b>\$ 2,442</b>	<b>\$ 469,622</b>	<b>\$ 488,297</b>

Included in cost of sales is \$87,153 (2011 - \$nil) of amortization related to property, plant and equipment.

### 9. SHORT-TERM LOANS

During the year ended December 31, 2012, the Company was advanced additional loans amounting to a total of \$186,862 from officers and directors of the Company or individuals related to officers and directors of the Company for working capital expenditures and made repayments of \$157,516 to such loans. These loans bear an average interest rate of 10.75% per annum and payable upon demand. As at December 31, 2012, the fair value of these loans is \$104,339 (2011 - \$69,553). During the year ended December 31, 2012, a total of \$5,440 interest expense arising from such advances was recorded (eleven months ended December 31, 2011 - \$3,440).

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## 10. CONVERTIBLE DEBENTURES

In July 2010, the Company raised \$102,500 by issuing \$102,500 of convertible debentures bearing interest of 15% per annum and maturing July 30, 2012. The debentures are convertible into common shares of the Company using a conversion price of \$0.175 until maturity. In July 2012, the Company reached agreements with the debenture holders to extend the maturity date of the convertible debentures to July 30, 2013 and amended the conversion price to \$0.10 until maturity. The Company continues to accrue interest expense with respect to this extension at 15%.

During the year ended December 31, 2012, the Company recorded interest expense of \$22,941 (eleven months ended December 31, 2011 - \$18,781).

As at December 31, 2012, the carrying value and fair value of the convertible debenture was \$141,366 (2011 - \$120,878).

## 11. SHARE CAPITAL

### a) Authorized

Unlimited number of common shares without par value.

### b) Private placements

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. 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 unrelated parties.

On February 6, 2012, the Company issued an aggregate of 903,552 common shares at a fair value of \$0.05 per share for legal services to a private company wholly-owned by a former director of the Company. The shares were issued to settle outstanding amounts payable from prior years.

On February 23, 2011, the Company issued 578,785 common shares at a fair value of \$0.10 per share as compensation to two officers for their past management and legal services.

On February 11, 2011, the Company completed a private placement to raise gross proceeds of \$649,875 (\$10,000 was received at January 31, 2011) by issuing 7,645,588 units at a subscription price of \$0.085 per unit. 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 options at a fair value of \$10,150 (the "agent options") to arm's length parties. The agent options will be exercisable into common shares of the Company for two years from the date of closing at a price of \$0.085 per share.

# MAPLE LEAF GREEN WORLD INC.

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## 11. SHARE CAPITAL (Continued)

### c) Stock options

The following is a summary of option transactions:

	Number of options	Weighted average exercise price per share
Balance, February 1, 2011	6,285,000	\$ 0.14
Options granted	2,000,000	\$ 0.13
Options expired/cancelled	(1,500,000)	\$ 0.15
Balance, December 31, 2011	6,785,000	\$ 0.14
Options expired/cancelled	(3,450,000)	\$ 0.15
<b>Balance, December 31, 2012</b>	<b>3,335,000</b>	<b>\$ 0.13</b>

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

In June 2011, a total of 500,000 options exercisable at \$0.125 per share were granted to an officer of the Company with the following vesting conditions: 200,000 on grant date, 200,000 vesting over a period of three months and 100,000 vesting over a period of six months.

In July 2011, a total of 100,000 options exercisable at \$0.125 per share were granted to a director of the Company with the following vesting conditions: 50,000 on grant date and 50,000 over a period of three months.

In December 2011, a total of 400,000 options exercisable at \$0.125 per share were granted to an officer of the Company with the following vesting conditions: 200,000 on grant date, 100,000 over a period of three months and 100,000 over a period of six months.



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## 11. SHARE CAPITAL (Continued)

### c) Stock options (Continued)

No options were granted during the year ended December 31, 2012. The Company recorded share-based payments of \$nil (eleven months ended December 31, 2011 - \$85,127) in relation to new option grants. The Company recorded share-based payments of \$9,854 (eleven months ended December 31, 2011 - \$Nil) relating to prior period option grants. The weighted average grant date fair value of options granted during the 11-months ended December 31, 2011 was \$0.06 estimated using the following assumptions as per the Black-Scholes option pricing model:

	December 31, 2012	December 31, 2011
Weighted average risk-free interest rate	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 December 31, 2012:

Exercisable prices	Number of options outstanding	Expiry date	Remaining contractual life (years)	Number of options exercisable
\$ 0.125	1,000,000	February 4, 2013*	0.10	1,000,000
\$ 0.135	785,000	March 12, 2013*	0.19	785,000
\$ 0.140	600,000	August 31, 2013	0.67	600,000
\$ 0.125	450,000	January 18, 2014	1.05	450,000
\$ 0.125	100,000	July 29, 2014	1.58	100,000
\$ 0.125	400,000	December 22, 2014	1.98	400,000
	<b>3,335,000</b>			<b>3,335,000</b>

\*Subsequent to December 31, 2012, a total of 1,785,000 stock options expired unexercised.

# MAPLE LEAF GREEN WORLD INC.

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## 11. SHARE CAPITAL (Continued)

### c) Stock options (Continued)

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

Exercisable prices	Number of options outstanding	Expiry date	Remaining contractual life (years)	Numbers of options exercisable
\$ 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>6,785,000</b>			<b>6,235,000</b>

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## 11. SHARE CAPITAL (Continued)

### d) Warrants

Number of warrants outstanding as at January 1, 2012	Issued during the period	Expired during the period	Number of warrants outstanding as at December 31, 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		

Number of warrants outstanding as at January 31, 2011	Issued during the period	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		

\*Subsequent to December 31, 2012, a total of 8,330,046 warrants expired unexercised.

## 12. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed by the related parties. Related party transactions included short term loans from directors and officers, which are disclosed in Note 9, and the compensation to key management disclosed below.

# MAPLE LEAF GREEN WORLD INC.

Notes to the Consolidated Financial Statements

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## 12. RELATED PARTY TRANSACTIONS (Continued)

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:

	<b>Year ended</b>	Eleven months
	<b>December 31, 2012</b>	<b>ended</b>
		<b>December 31, 2011</b>
Short-term compensation	\$ 163,312	\$ 176,150
Share-based payments	5,091	85,127
Total	\$ 168,403	\$ 261,277

As of December 31, 2012, a total of \$63,000 (2011 - \$nil) payable to key management remained outstanding and is included in trade and other payables on the consolidated statements of financial position. The Company did not pay any long-term or termination benefits to its key management personnel during the year ended December 31, 2012 and eleven months ended December 31, 2011. The Company's employment agreement with an officer would entitle that officer to \$90,000 upon termination.

## 13. CAPITAL DISCLOSURES

The Company's objectives of capital management are to provide returns for shareholders, and to comply with any externally imposed capital requirements, if any, to safeguard the entity's ability to support the Company's normal operating requirements 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 short term loans, convertible debentures 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.

## 14. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as a financial asset at FVTPL, and trade payables are classified as other financial liabilities, which are measured at amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

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## 14. FINANCIAL INSTRUMENTS (Continued)

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

### a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with major financial institutions. The Company's concentration of credit risk for cash and maximum exposure thereto is \$12,226 (2011 - \$22,484).

### b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At December 31, 2012, the Company has \$12,226 (2011 - \$22,484) of cash to settle current liabilities with the following due dates: trade and other payables of \$419,982 (2011 - \$479,458) are due within three months; convertible debentures of \$141,366 (2011 - \$26,152) are due within six months; short-term loans of \$104,339 (2011 - \$69,553) and deposits of \$11,146 (2011 - \$9,576) are due on demand.

### c) Market risk

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts that earn interest at variable rates. Due to the short-term nature of this financial instrument, fluctuations in market rates of interest do not have a significant impact on the estimated fair value or future cash flows.

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## 14. FINANCIAL INSTRUMENTS (Continued)

### c) Market risk (Continued)

#### (ii) Currency risk

The Company is exposed to currency risk to the extent that expenditures incurred or funds received and balances maintained by the Company are denominated in CAD. The Company does not manage currency risk through hedging or other currency management tools. The Company's exposure to currency risk is limited to the net investment in the subsidiary.

As at December 31, 2012, with other variables unchanged, a 1% fluctuation of the RMB against the CAD would affect comprehensive income by approximately \$850 (2011 - \$1,946).

#### (iii) Other price risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to other price risk.

## 15. SIGNIFICANT CUSTOMERS

In 2012, the Company had two customers that each accounted for over 10% of revenues, for a combined 54% of total revenues. In 2011, the Company had three customers that each accounted for over 10% of revenues, for a combined 54% of total revenues.

# MAPLE LEAF GREEN WORLD INC.

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## 16. DEFERRED INCOME TAX

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	<b>Year ended</b>	Eleven months
	<b>December 31, 2012</b>	<b>ended</b>
		<b>December 31, 2011</b>
Loss for the period	\$ (1,411,561)	\$ (1,076,163)
Canadian statutory tax rates	25.0%	26.5%
Income tax benefit computed at statutory rates	(352,890)	(285,183)
Foreign tax rates different from statutory rates	-	5,450
Items non-deductible for income tax purposes	3,976	29,889
Change in timing differences	146,377	-
Unused tax losses and tax offsets not recognized in tax asset	205,572	249,844
Impact of foreign exchange on tax assets and liabilities	(3,035)	-
	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2012</b>	<b>2011</b>
Non-capital losses	\$ 9,127,107	\$ 9,243,593
Share issue cost	906	59,918
Resource properties	567,811	567,811
Tax value over book value of biological assets and inventory	307,800	-
Tax value over book value of property, plant and equipment	1,469,812	779,825
Unrecognized deferred tax assets	\$ 11,473,436	\$ 10,651,147

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## 16. DEFERRED INCOME TAX (Continued)

The Company's unrecognized unused non-capital losses have the following expiry dates:

	Canada
2025	\$ 450,293
2026	364,009
2027	899,021
2028	1,177,218
2029	1,123,212
2030	1,027,270
2031	670,222
2032	495,319
	<hr/>
	\$ 6,206,564

In addition, the total unrecognized unused non-capital losses in China are \$2,920,543.

## 17. SEGMENT INFORMATION

### a) Segments

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

Upon the discontinuance of its feedstock and fertilizer operations, the Company only has one reportable segment, being the greenhouse eco-agriculture industry in China. Geographic segment information is summarized as follows:



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## 17. SEGMENT INFORMATION (Continued)

### b) Segment operation information

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

		Canada	China	Reforestation	Fertilizer and feedstock	Total
<b>As at December 31, 2012</b>						
Property, plant and equipment	\$	4,630	\$	483,667	\$ -	\$ 488,297
Prepaid lease payments	\$	-	\$	101,729	\$ -	\$ 101,729
<b>Total Assets</b>	<b>\$</b>	<b>32,346</b>	<b>\$</b>	<b>958,200</b>	<b>\$ -</b>	<b>\$ 990,546</b>
<b>As at December 31, 2011</b>						
Property, plant and equipment	\$	6,183	\$	1,200,008	\$ -	\$ 1,206,191
Prepaid lease payments	\$	-	\$	80,409	\$ -	\$ 80,409
<b>Total Assets</b>	<b>\$</b>	<b>38,780</b>	<b>\$</b>	<b>2,075,911</b>	<b>\$ 260</b>	<b>\$ 2,114,951</b>

The following is a summary of operations for each segment:

		<b>Year ended December 31, 2012</b>				
		Canada	China	Reforestation	Fertilizer and feedstock	Total
Sales	\$	-	\$	365,643	\$ -	\$ 365,643
Cost of sales		-		(323,026)	-	(323,026)
<b>Gross profit</b>		-		42,617	-	42,617
Operating expenses		(1,265,027)		(160,832)	-	(1,425,859)
Interest and other income		5,655		-	-	5,655
<b>Net loss</b>	<b>\$</b>	<b>(1,259,372)</b>	<b>\$</b>	<b>(118,215)</b>	<b>\$ -</b>	<b>\$ (1,377,587)</b>

		<b>Year ended December 31, 2011</b>				
		Canada	China	Reforestation	Fertilizer and feedstock	Total
Sales	\$	9,027	\$	288,233	\$ -	\$ 297,260
Cost of sales		-		(298,309)	-	(298,309)
<b>Gross profit</b>		9,027		(10,076)	-	(1,049)
Expenses		(767,306)		(230,826)	-	(998,132)
Write-down of property, plant and equipment		-		-	(34,255)	(34,255)
Write-off accounts payable		-		-	28,119	28,119
Write-down of assets		-		(114,423)	-	(114,423)
<b>Net loss</b>	<b>\$</b>	<b>(758,279)</b>	<b>\$</b>	<b>(355,325)</b>	<b>\$ (6,136)</b>	<b>\$ (1,119,740)</b>

# MAPLE LEAF GREEN WORLD INC.

## Notes to the Consolidated Financial Statements

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### 18. COMMITMENTS

- a) On January 1, 2006, the Company entered into a land lease agreement in Inner Mongolia in China 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 payments are to be made over the first 10 years and a summary of remaining payments are due as follows:

<i>Year</i>	<i>Annual Payments</i>
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.

- b) The Company has a lease with respect to its Calgary head office. The lease is for a term of three years, from November 1, 2011 to October 31, 2014, and the remaining lease payment of \$80,300 over the next two years is as follows:

<i>Year</i>	<i>Annual Payments</i>
2013	\$43,800
2014	36,500
Total	\$80,300

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 an officer in the amount of \$90,000 annually.
- d) The Company has a lease with respect to its head office location. The lease is for a term of five years, from October 2, 2008 to September 30, 2013, with the remaining lease payment of \$21,519 to be in 2013.

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

# **MAPLE LEAF GREEN WORLD INC.**

Notes to the Consolidated Financial Statements

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## **19. 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 previous 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 approximately \$75,000. Management of the Company is of the opinion that the former joint venture partner's claim has no merit and has not recorded any provision.

## **20. EVENTS AFTER THE REPORTING PERIOD**

The following events occurred subsequent to December 31, 2012:

- a) The Company has obtained TSX Venture Exchange approval for the issuance of a convertible debenture for net proceeds of \$50,000.

The debenture is for a term of six months and is convertible into common shares of the Company at any time during the term at a price of \$0.10 per common share and will pay 10% annual interest upon maturity. No finder's fees will be paid in connection with the issuance of the debenture.

- b) The Company has completed a non-brokered private placement of 2,300,000 units for total gross proceeds of \$57,500. Each unit will consist of one common share and one common share purchase warrant, exercisable into one common share of \$0.05 for the first year and \$0.10 for the next four years. The Company will pay finder's fees in the amount of \$1,925.

## **21. COMPARATIVE AMOUNTS**

Certain prior period figures in the consolidated statement of loss and comprehensive loss have been reclassified to conform to the current year's presentation.