



LETTER OF INTENT

STRICTLY PRIVATE AND CONFIDENTIAL

May 22, 2011

To: KS Ecology (Canada) Inc.

Attn: Board of Directors

Dear Sirs:

Re: Proposed Purchase of the Certain Assets or Shares of KS Ecology (Canada) Inc.

This letter of intent (the “**Letter of Intent**”) is further to the expression of interest made verbally by Maple Leaf Reforestation Inc. (“**Maple Leaf**”) to KS Ecology (Canada) Inc. (“**KS**”). The provisions of this Letter of Intent will confirm the present interest of Maple Leaf with respect to the proposed merger of all the issued and outstanding shares in the capital of Maple Leaf and KS (a “**Merger**”) or the purchase of certain assets of KS by Maple Leaf (an “**Asset Sale**”) as set out below (collectively, the “**Proposed Transaction**”).

The purpose of this Letter of Intent is to describe in broad terms the basis upon which Maple Leaf and KS are prepared to complete the Proposed Transaction by setting out certain non-binding understandings (the “**Non-Binding Provisions**”) and certain binding agreements (the “**Binding Provisions**”) between Maple Leaf and KS.

NON-BINDING PROVISIONS

The Non-Binding Provisions of this Letter of Intent are intended only to outline the principal terms and conditions upon which the parties will attempt to negotiate the Proposed Transaction and do not create or constitute any legally binding obligations between the parties, nor impose any liability on any party to another.

1. Definitive Agreement

The precise terms of the agreements between the parties relating to the Proposed Transaction will be contained in a definitive agreement to be prepared by the parties’ respective counsel (the “**Definitive Agreement**”). Maple Leaf and its counsel will be responsible for preparing the initial draft of the Definitive Agreement. The Definitive Agreement shall stipulate a due diligence period during which Maple Leaf will be able to review the assets and business of KS, and if desired, seek and obtain all regulatory approval to complete the Proposed Transaction. Except with respect to the Surviving Binding Provisions, no party will have any liability to any other party if the Definitive Agreement is not prepared, authorized, executed or delivered for any reason.

2. Proposed Transaction as a Merger

If the Proposed Transaction occurs as a Merger, on the date that it closes (the “**Closing Date**”), the necessary corporate and regulatory steps will be undertaken to have the shares of KS exchanged for shares of Maple Leaf.

3. Share Merger Ratio

If the Proposed Transaction occurs as a Merger, the ratio upon which KS shares are exchanged for Maple Leaf shares will be agreed upon by the parties and stipulated in the Definitive Agreement. This ratio will be based upon the fair market value of each party's cash and assets on the Closing Date.

4. Proposed Transaction as an Asset Sale

If the Proposed Transaction occurs as an Asset Sale, on the Closing Date KS shall have free and clear title to all of its assets included in such an Asset Sale, meaning that they are owed 100% by KS without restriction, and title to all such assets shall transfer to Maple Leaf free of any encumbrances and future liabilities to make payments towards ownership of such assets.

5. Closing and Conditions of Closing

The parties intend that the Definitive Agreement will be completed by June 30, 2011, unless otherwise agreed in writing by the parties, with the Closing Date to be stipulated in the Definitive Agreement. The closing of the Proposed Transaction will be subject to the usual conditions of closing for such a transaction, all of which will be included in the Definitive Agreement, including, without limitation, the following:

- (a) all requisite governmental and regulatory approvals of, exemptions from, and consents to the Proposed Transaction will have been obtained by the parties, and all waiting periods prescribed by law will have expired;
- (b) all requisite board and shareholder approvals will have been obtained by the parties;
- (c) KS will have obtained all consents and approvals to its change of control under any contracts, licenses and other instruments which are considered material to their businesses;
- (d) all shares or assets, as applicable, of KS will be free and clear of all encumbrances;
- (e) there will have been no material adverse change to the businesses of the parties since the date of the last audited financial statements, and the businesses of the parties will have been carried on in the ordinary course since that date;
- (f) the parties will be satisfied with their due diligence investigations; and
- (g) customary legal opinions, closing certificates and other usual closing documentation will have been delivered by both parties.

6. Representations and Warranties

The Definitive Agreement will include representations and warranties of the parties of a nature and type appropriate for transactions similar to the Proposed Transaction.

7. Indemnities

The Definitive Agreement will include standard indemnities by each of the parties in favour of the other party.

BINDING PROVISIONS

In recognition of the significant costs to be borne by each of the parties in pursuing the Proposed Transaction, and in consideration of their respective undertakings as to the matters described in this Letter of Intent, the Binding Provisions will be legally binding upon execution of this Letter of Intent. Sections 7 through 11 of the Binding Provisions (the “**Surviving Binding Provisions**”) survive in the event that this Letter of Intent is terminated. Sections 12 through 16 of the Binding Provisions (the “**Non-Surviving Binding Provisions**”) terminate upon the termination or expiry of this Letter of Intent.

SURVIVING BINDING PROVISIONS

8. Confidentiality

Except as and to the extent required by law, the parties will not collect, disclose or use, and they will cause their officers, directors, employees, agents and other representatives not to collect, disclose or use, any Confidential Information (as defined below) with respect to the other party, at any time or in any manner, except for their use in connection with their evaluation of the Proposed Transaction. For purposes of this Letter of Intent, “**Confidential Information**” means any information about the parties, as well as any information in the parties’ possession relating to identifiable individuals, whether communicated in written form, verbally, visually, technically or pursuant to any other media. Confidential Information, if communicated in writing, will be marked “**confidential**” or a similar designation, or if communicated orally or visually will be identified as confidential information at the time of disclosure. The term “**Confidential Information**” excludes information, other than information about identifiable individuals, which the parties can demonstrate:

- (a) is generally available to or known by the public other than as a result of improper disclosure by a party or any of their representatives, that is relating to the other party; or
- (b) is or was obtained by a party from a source other than the other party or anyone bound by a duty of confidentiality to the other party. If this Letter of Intent is terminated pursuant to Section 177 below, the parties will promptly return to each other, as applicable, any Confidential Information in their possession.

9. Disclosure/Public Announcements

Neither Maple Leaf nor KS will make any public announcement concerning the Proposed Transaction or related negotiations without the other parties’ prior written approval, except as may be required by law. Where such an announcement is required by law, the party required to make the announcement will inform the other party of the contents of the proposed announcement and will make reasonable efforts to obtain the other parties’ approval for the announcement, which approval may not be unreasonably withheld.

10. Non-Solicitation of Employees and Customers

If a Definitive Agreement is not entered into for any reason, Maple Leaf and KS each agree that for 12 months after the date of this Letter of Intent, they will not:

- (a) solicit, directly or indirectly, any of the other’s employees for employment in or services to any undertaking with which it is associated; or
- (b) solicit, directly or indirectly, any customers or clients of the other’s business.

11. Responsibility for Fees and Costs

Each party will be responsible for their own internal costs and for their legal, accounting and other professional fees incurred in connection with the negotiation, preparation and execution of the Definitive Agreement.

NON-SURVIVING BINDING PROVISIONS

12. Good Faith Obligation

Subject to the right of the each party to decide that it is not in their best interests to proceed with the Proposed Transaction for any reason, the parties will negotiate in good faith to arrive at a mutually acceptable Definitive Agreement for authorization, execution and delivery on the earliest reasonably practicable date.

13. Due Diligence

Maple Leaf and KS, and their duly authorized representatives, will be entitled to make any investigations of the financial position of the other party and of its business, properties and assets, the share capital, and any other matters relating to the Proposed Transaction that Maple Leaf or KS deems advisable so as to satisfy itself that the Proposed Transaction is in its best interests.

14. Access

Upon acceptance of this Letter of Intent and up until the Closing Date, the parties will provide, and will cause its management to provide, to the party and its agents, employees, representatives, consultants and advisors with access to, and will make available to them for inspection and review, all books of account, audit work papers, business and financial records, leases, agreements and other documents of or relating to its business. The parties will make their officers, auditors, counsel and other representatives available for consultation and verification of any information so obtained. This information will be treated as Confidential Information.

15. No Negotiations with Other Parties

The parties acknowledge that they will both be incurring substantial costs, directly and indirectly, in evaluating and investigating the Proposed Transaction. In consideration of this, and in consideration of execution of this Letter of Intent, the parties agree that from the date of this Letter of Intent until June 30, 2011, they will not enter into or continue negotiations or discussions with any third party, in respect of a transaction similar in nature to the Proposed Transaction, in any manner whatsoever, or any other transaction which would be inconsistent with the matters contemplated by this Letter of Intent. In addition, the parties agree that not until June 30, 2011, will access be given to any third party to any Confidential Information or to any other information relating to their businesses for the purpose of enabling that third party to make a determination as to whether to enter into a transaction with it which would be inconsistent with this Letter of Intent. The parties will observe their obligations in this Section 15.

16. Conduct of Business

Until the Definitive Agreement has been duly executed and delivered by all of the parties or the Letter of Intent has been terminated pursuant to Section 17, the parties will cause their management to conduct their business only in the ordinary course, and not to engage in any extraordinary transactions without the other party's prior written consent.

17. Termination

This Letter of Intent may be terminated:

- (a) by mutual written consent of the parties; or
- (b) by written notice from either party if the parties have not entered into a Definitive Agreement on or before June 30, 2011,

but the termination of this Letter of Intent will not affect the liability of a party for breach of any of the Binding Provisions prior to the termination, or the survival of the Surviving Binding Provisions. Upon termination of this Letter of Intent, the parties will have no further obligations under this Letter of Intent, except with respect to the Surviving Binding Provisions which will survive in full force and effect, unamended.

INTERPRETATION

18. Waiver

No party will be deemed to have waived the exercise of any right that it holds under this Letter of Intent unless that waiver is made in writing. No waiver made with respect to any instance involving the exercise of any right will be deemed to be a waiver with respect to any other instance involving the exercise of that right or with respect to any other right.

19. Counterparts

This Letter of Intent may be executed in any number of counterparts, all of which taken together will be deemed to constitute one and the same instrument. Any party delivering an executed counterpart by facsimile will also deliver a manually executed counterpart of this Letter of Intent.

20. Time

Time is of the essence of this Letter of Intent.

21. Severability

Each provision of this Letter of Intent is distinct and severable. If any provision of this Letter of Intent, in whole or in part, is or becomes illegal, invalid or unenforceable in any jurisdiction by a court of competent jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect:

- (a) the legality, validity or enforceability of the remaining provisions of this Letter of Intent; or
- (b) the legality, validity or enforceability of that provision in any other jurisdiction.

22. Governing Law

This Letter of Intent will be interpreted and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable in that Province.

To confirm this Letter of Intent, please sign the enclosed duplicate copy where indicated below and return it to Maple Leaf prior to 4:00 p.m. (Mountain Standard Time) on May 27, 2011, or at that time the proposal set out above will expire automatically.

Yours very truly,


Maple Leaf Reforestation Inc.

This Letter of Intent reflects accurately the parties' understanding and agreement with respect to the matters set out above.

Confirmed this 22nd day of May, 2011.

Maple Leaf Reforestation Inc.

Per:



Raymond Lai
President & CEO

Accepted this 24 day of May, 2011.

KS Ecology (Canada) Inc.

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Name: 

Title: President