

Consolidated Financial Statements and Report of
Independent Auditor

Totally Green, Inc.

December 31, 2012 and 2011

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Grant Thornton

Report of Independent Auditor

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Board of Directors
Totally Green, Inc.

We have audited the accompanying consolidated financial statements of **Totally Green, Inc.** (a Nevada corporation) and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 referred to above present fairly, in all material respects, the financial position of Totally Green, Inc. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter

The financial statements as at December 31, 2011 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated January 17, 2013.



Toronto, Canada
March 29, 2013

Chartered Accountants
Licensed Public Accountants

Totally Green, Inc.

Consolidated Balance Sheets

(in U.S. Dollars)

December 31

2012

2011

Assets

Current

Cash and cash equivalents	\$ 733,411	\$ 99,816
Temporary investments – restricted (Note 3)	25,000	25,000
Trade accounts receivable, net of allowance for doubtful accounts \$nil (2011 - \$11,558)	60,723	116,157
Receivables - other	4,754	20,000
Prepaid marketing fees – current (Note 7)	-	350,000
Prepaid expenses and other current assets	16,166	-
Inventory (Note 4)	<u>16,894</u>	<u>177,670</u>
	856,948	788,643
Property and equipment (Note 5)	426,204	6,760
Intangible assets (Note 6)	-	659,616
Prepaid marketing fees – non-current (Note 7)	-	1,050,050
Discontinued operations – assets (Note 8)	<u>-</u>	<u>568,447</u>
	1,283,152	3,073,516
Total assets	<u>\$ 1,283,152</u>	<u>\$ 3,073,516</u>

See accompanying notes to the consolidated financial statements.

Totally Green, Inc.

Consolidated Balance Sheets (continued)

(in U.S. Dollars)

December 31

2012

2011

Liabilities

Current

Payables	\$	167,740	\$	157,876
Related party payables (Note 9)		-		61,635
Accrued interest		-		76,928
Dividends payable		-		128,000
Fees payable – current (Note 10)		-		153,780
Other liabilities		<u>40,817</u>		<u>9,299</u>
		208,557		587,518

Fees payable – long term (Note 10)		-		203,494
Related party line of credit (Note 11)		<u>-</u>		<u>1,850,000</u>
		208,557		2,641,012

Stockholders' Equity (Note 12)

Common stock, \$0.001 par value: 750,000,000 shares authorized, 13,825,727 and 6,257,779 shares issued and outstanding at December 31, 2012 and 2011, respectively		13,825		6,258
Preferred stock:				
Series A - \$0.001 par value, 1,900,000 shares authorized, issued and outstanding		-		1,900
Series B - \$0.001 par value, 3,000 shares authorized, issued and outstanding		-		3
Series C - \$0.001 par value, 50,000 shares authorized, issued and outstanding		50		-
Series E - \$0.001 par value, 12,000 shares authorized, issued and outstanding		12		-
Series F - \$0.001 par value, 7,000 shares authorized, issued and outstanding		7		-
Additional paid-in capital:				
Common stock		6,308,633		5,334,893
Preferred stock – Series A		-		55,100
Preferred stock – Series B		-		1,149,997
Preferred stock – Series C		4,499,950		-
Preferred stock – Series E		700,603		-
Preferred stock – Series F		<u>233,535</u>		<u>-</u>
Total additional paid-in capital		11,756,615		6,548,151
Accumulated deficit		<u>(10,682,020)</u>		<u>(6,115,647)</u>
Total stockholders' equity		1,074,595		432,504
Total liabilities and stockholders' equity	\$	<u>1,283,152</u>	\$	<u>3,073,516</u>

Commitments (Note 15)

See accompanying notes to the consolidated financial statements.

Totally Green, Inc.

Consolidated Statements of Operations

(in U.S. Dollars)

Year ended December 31

	2012	2011
Sales	\$ 319,436	\$ 716,193
Cost of goods sold	<u>350,012</u>	<u>414,232</u>
Gross (loss) profit	(30,576)	301,961
Service fees	26,800	-
Other income	<u>115,538</u>	<u>272,359</u>
	<u>111,762</u>	<u>574,320</u>
Operating expenses		
Selling and marketing	303,259	212,309
General and administrative	2,048,911	1,745,612
Amortization and depreciation	406,441	505,635
Prepaid marketing fees written off (Note 7)	1,108,383	-
Impairment of intangibles (Note 6)	563,614	-
Exchange loss	9,655	-
Interest expense	<u>70,268</u>	<u>75,867</u>
	<u>4,510,531</u>	<u>2,536,423</u>
Loss on continuing operations	<u>(4,398,769)</u>	<u>(1,962,103)</u>
Discontinued operations (Note 8)		
Loss from discontinued operations	(167,604)	(62,695)
Impairment of assets held for sale	<u>-</u>	<u>(35,756)</u>
	<u>(167,604)</u>	<u>(98,451)</u>
Net loss	<u>(4,566,373)</u>	<u>(2,060,554)</u>
Earnings per share – basic and diluted		
Loss on continuing operations	\$ (0.32)	\$ (0.32)
Loss from discontinued operations	<u>(0.01)</u>	<u>(0.02)</u>
Net loss	<u>\$ (0.33)</u>	<u>\$ (0.34)</u>
Weighted-average number of common shares –		
Basic and diluted	<u>\$ 13,825,787</u>	<u>\$ 6,257,779</u>

See accompanying notes to the consolidated financial statements.

Totally Green, Inc.

Consolidated Statements of Stockholders' Equity

(in U.S. Dollars)

Years ended December 31, 2012 and 2011

	Common Stock	Preferred Stock					Common Stock	Additional Paid-in Capital					Accumulated Deficit	Total Stockholders' Equity
		Series A	Series B	Series C	Series E	Series F		Preferred Stock Series A	Preferred Stock Series B	Preferred Stock Series C	Preferred Stock Series E	Preferred Stock Series F		
Balance at January 1, 2011	\$ 5,877	\$ 1,900	\$ 3	\$ -	\$ -	\$ -	\$ 3,285,274	\$ 55,100	\$ 1,149,997	\$ -	\$ -	\$ -	\$ (3,975,093)	\$ 523,058
Issuance of common stock	381	-	-	-	-	-	2,049,619	-	-	-	-	-	-	2,050,000
Dividends on preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	(80,000)	(80,000)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	(2,060,554)	(2,060,554)
Balance at December 31, 2011	6,258	1,900	3	-	-	-	5,334,893	55,100	1,149,997	-	-	-	(6,115,647)	432,504
Issuance of common and preferred stock	7,567	-	-	50	12	7	973,740	-	-	4,499,950	700,603	233,535	-	6,415,464
Redemption of preferred stock	-	(1,900)	(3)	-	-	-	-	(55,100)	(1,149,997)	-	-	-	-	(1,207,000)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	(4,566,373)	(4,566,373)
Balance at December 31, 2012	<u>\$ 13,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 12</u>	<u>\$ 7</u>	<u>\$ 6,308,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,499,950</u>	<u>\$ 700,603</u>	<u>\$ 233,535</u>	<u>\$ (10,682,020)</u>	<u>\$ 1,074,595</u>

See accompanying notes to the consolidated financial statements.

Totally Green, Inc.

Consolidated Statements of Cash Flows

(in U.S. Dollars)

Year ended December 31

2012

2011

Increase (decrease) in cash and cash equivalents

Operating

Net loss	\$ (4,566,373)	\$ (2,060,554)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and depreciation	406,441	505,635
Prepaid marketing fees written off	1,108,383	-
Impairment of intangibles	563,614	-
Discontinued operations assets written off	167,604	142,347
Non-cash stock compensation	-	300,000
	<u>(2,320,331)</u>	<u>(1,112,572)</u>
Change in non-cash operating working capital:		
Receivables	70,680	(130,457)
Prepays and deposits	(16,166)	12,641
Inventories	160,776	(46,854)
Payables	9,864	47,497
Fees payables	(42,750)	-
Other assets	-	13,527
Accrued interest, customer deposits and other liabilities	25,455	55,256
	<u>(2,112,472)</u>	<u>(1,160,962)</u>

Financing

Proceeds from (repayment of) related party line of credit	(1,850,000)	1,250,000
Proceeds from issuance of stock	5,034,283	-
	<u>3,184,283</u>	<u>1,250,000</u>

Investing

Payments for the purchase of property and equipment	(438,216)	(6,760)
	<u>(438,216)</u>	<u>(6,760)</u>

Net increase in cash and cash equivalents	633,595	82,278
Cash and cash equivalents, beginning of year	99,816	17,538
Cash and cash equivalents, end of year	<u>\$ 733,411</u>	<u>\$ 99,816</u>

See accompanying notes to the consolidated financial statements.

Totally Green, Inc.
Consolidated Statements of Cash Flows (continued)

(in U.S. Dollars)

Year ended December 31

2012**2011**

Supplemental disclosures

Interest paid	\$ <u>70,411</u>	\$ <u>2,170</u>
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Non-cash investing and financing activities

Issuance of common stock to an employee and consultants as compensation for services rendered	\$ 132,500	\$ -
Issuance of common stock to settle obligation to previous owners of intangible assets	314,524	-
Issuance of preferred stock for dividends not paid	128,000	-
Redemption of Series A and B preferred stock and their replacement by Series E and F preferred stock	934,157	-
Redemption of Series A and B preferred stock in exchange for discontinued dairy assets	400,843	-
Preferred stock dividends declared but not paid	-	80,000
Issuance of preferred stock for prepaid marketing and advertising services	-	1,750,000

See accompanying notes to the consolidated financial statements.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

1. Nature of operations

Description of Business

Naturally Iowa, Inc. ("NI"), a Nevada corporation, was founded in 2007 to develop unique compostable plant-based polyactic acid ("PLA") packaging to be marketed in conjunction with the NI's dairy products. NI sought to develop consumer awareness and loyalty for their health products in combination with the environmentally sensitive packaging. While operating under the dairy product concept, it became clear that it would not be possible to generate the volume of dairy sales required to earn necessary profits. By 2008, the dairy concept had been exchanged for Green Bottle Spring Water ("GBSW").

In 2010, with GBSW as a product line, NI announced the purchase of certain intangible assets of Totally Green, LLC, a company that pioneered the research and development of the ORCA Green™ Machine ("ORCA"). The transaction underscores a new approach to the ever-growing challenge posed by food waste and plastic bottles in landfills. After acquiring the business name "Totally Green" as part of the transaction, NI changed its name to Totally Green, Inc. (the "Company").

On August 13, 2012, York Plains Investment Corp. ("York Plains") agreed to provide \$5 million of equity financing for a 50% interest in the Company. The proceeds were used to pay down the Company's existing line of credit, and fund the general, administrative and working capital expenditures required to support the Company's growth objectives. York Plains also agreed to provide up to \$15 million in equipment financing for the roll out of the Company's new service program which involves placing ORCA machines under service contracts, rather than outright selling the machines. This shift in business model involves the Company installing an ORCA machine at no up-front cost to the client, and providing service throughout the contract term. This new business model is being trialed in Ontario, and as such the Company has incorporated TG Digesters Canada Inc. to be its' wholly owned Canadian subsidiary.

Nature of Activities

The Company seeks to be a catalyst for change in the food and beverage industry by providing organic food processing systems along with green education and advocacy. Through innovative products, including ORCA, the Company makes responsible environmental stewardship easy, accessible, and cost-effective for a variety of businesses, universities and organizations.

Stock Split

In September 2012, the Company implemented a 100-for-1 reverse stock split of its common stock. The effect of this stock split has been reflected throughout the consolidated financial statements and notes to the consolidated financial statements.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

1. Nature of operations (continued)

Discontinued Operations

In 2008, the Company discontinued the formulation and marketing of drinkable yogurt and organic, all-natural ice cream products. In 2010, all remaining dairy inventory was liquidated or disposed. The Company began leasing the dairy facilities to a third party in July 2010. The Company did not treat the dairy facilities as held for sale until December 2010, based on the status of efforts to sell the dairy facilities to the lessee. The Company initially expected to sell the dairy facilities to a third party in 2011, but such attempts were unsuccessful. As described in Note 8, the Company disposed of the dairy facilities and equipment in August 2012.

In the third quarter of 2012, the Company decided to discontinue its GBSW product line to better focus on growing the ORCA business.

Funding

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and contemplate continuation of the Company as a going concern. However, the Company has sustained substantial losses from operations in recent years and the Company has used, rather than provided, cash in its operations.

Over the past year, the Company's growth was funded primarily through cash advances from the Company's stockholders. As discussed above, the Company obtained an additional investment in 2012 of \$5 million which permitted repayment of the existing advances and provided additional funding. A major stockholder has agreed to provide up to \$15 million in equipment financing to sustain operations for the foreseeable future. The Company continues to focus on adding new customers and growing revenues, and believes this strategy will enable the generation of cash flow from operations and long term business success.

2. Summary of significant accounting policies

Basis of Presentation

The Company has prepared the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

2. Summary of significant accounting policies (continued)

Basis of Consolidation

The consolidated financial statements include the accounts of Totally Green Inc. and its wholly-owned subsidiary, TG Digesters Canada Inc. from the date of its incorporation on July 26, 2012. All significant intercompany transactions and balances have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents include interest and non-interest bearing deposits at depository institutions with original maturities of three months or less. The Company held actual cash in foreign bank accounts outside of the United States of America as of December 31, 2012 of approximately \$405,501 (2011:\$Nil).

Accounts receivable and credit policies

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written-off are recorded when received. A trade receivable is considered to be past due if any portion of the receivable balance is outstanding past terms. The Company does not typically charge interest on trade receivables.

Inventories

Inventories are stated at the lower of cost or market. Actual cost is used to value inventories. The cost of inventories is determined by the first-in, first-out method. The amount presented in the accompanying consolidated financial statements is net of an allowance of \$Nil at December 31, 2012 and December 31, 2011. The Company uses a systematic methodology that includes regular evaluation of inventory, identifying slow moving inventory and those items with a relatively high cost.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, as follows:

Computer equipment and software	3 - 5 years
Furniture and fixtures	10 years
Machinery and equipment for rent	5 - 8 years

Upon sale or retirement, the related cost and accumulated depreciation are removed from the accounts and any gain or loss on disposal is reflected in earnings in the year of sale. Repairs and maintenance are expensed as incurred, whereas major improvements are capitalized.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

2. Summary of significant accounting policies (continued)

Long-Lived Assets

The Company values long-lived assets, including the Company's intangible assets, at the lower of cost or, if impaired, fair value of the asset. Management evaluates the recoverability of long-lived assets periodically as events or circumstances indicate a possible inability to recover the carrying amounts. If such events or changes in circumstances occur, the Company will recognize an impairment loss if the undiscounted future cash flows expected to be generated by the assets (or acquired business) are less than the carrying value of the related assets. The impairment loss would adjust the assets to their fair value. Impairment losses of \$1,671,997 and \$35,756 were incurred in the years ended December 31, 2012 and 2011 respectively.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is probable. Generally these criteria are met upon shipment of products and transfer of title to the customer.

For the rented products, the Company grants certain customers a trial period on ORCA products. The rental revenues are recognized after product trial period has ended and customers decide to continue with the rental of the machine. Revenue relating to rental machines is recognized on a straight line basis over the period of the rental contracts and as services are provided.

Product warranties

As of September 2012 the Company has changed its model of operation and is renting the ORCA machines instead of selling them, therefore as of that date there is no additional provision for product warranties. The ORCA machines previously sold had a one-year limited warranty on the entire machine, and a three-year limited warranty on its frame. The Company currently determines its estimated liability for warranty claims based primarily on industry averages, since there is limited warranty experience on these specific machines.

Estimated costs for product warranties are recognized at the time revenue is recognized. The Company has estimated \$19,128 and \$7,548 in accrued product warranty claims as of December 31, 2012 and 2011, respectively, which are included in other liabilities on the accompanying balance sheets.

Advertising costs

Advertising costs include print media advertisements, newsletters, costs of exhibiting at tradeshow and various other advertising and promotional expenditures. Costs of print media advertising are expensed the first time the advertising is displayed. The costs of exhibiting at tradeshow are initially prepaid and capitalized and then expensed in the period of the event. All other advertising and promotional costs are expensed when incurred. Advertising costs were \$104,523 and \$144,290 for the years ended December 31, 2012 and 2011 respectively and are included in selling and marketing expenses in the statement of operations.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

2. Summary of significant accounting policies (continued)

Leases

The Company recognizes rental expense based on a straight-line basis over the minimum contractual lease term. Lease incentives, if any, including free rent are also recognized on a straight line basis.

Foreign Currency

The functional currency of the Company and its subsidiary is the U.S. dollar. Assets and liabilities denominated in foreign currencies have been translated using the exchange rates in effect at the balance sheet date. Revenues, costs and expenses denominated in foreign currencies have been translated using the exchange rate in effect at the date of the transactions. All transaction gains and losses are recorded in the statement of operations.

Stock-Based Compensation

The Company recognizes expense related to the fair value of equity-based compensation awards in the statement of operations.

The Company estimates the fair value of stock option awards on the date of grant using the Black-Scholes option-pricing model. A number of assumptions are used in the Black-Scholes option-pricing model to compute the grant date fair value, including expected price volatility, option term, risk-free interest rate, and dividend yield. These assumptions are established at each grant date based upon current information at that time. Expected volatilities are based on historical volatilities of the Company's stock. The expected option term is derived from historical data on exercise behaviour. The dividend yield is based on historical dividend payments. The risk-free rate for periods within the contractual life of the option is based on the Company's average cost of borrowing at the time of grant. The fair value of awards that are ultimately expected to vest is recognized as expense over the requisite service periods in the statement of operations.

Income taxes

Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. In providing for deferred taxes, the Company considers tax regulations of the jurisdictions in which it operates, estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax planning and strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required. Valuation allowances are recorded related to deferred tax assets based on the "more likely than not" criteria.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

2. Summary of significant accounting policies (continued)

Income taxes (continued)

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. There were no liabilities recorded for uncertain tax positions as of December 31, 2012 and 2011.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the inventory valuation reserve, allowance for doubtful accounts, deferred tax asset valuation allowance, estimated useful life of property and equipment and intangibles. Actual results could differ from those estimates.

Shipping and Handling

The Company includes shipping and handling charges in its gross invoice price to customers and classifies the total amount as revenue.

Costs Associated with Exit or Disposal Activities

The Company recognizes costs associated with exit or disposal activities when liabilities are incurred rather than at the date of a commitment to an exit or disposal plan. The initial measurement of the liability is at fair value and the Company periodically evaluates the fair value of the outstanding obligation and updates the outstanding liability.

Loss per share

Basic net loss per share amounts are computed by dividing the net loss (less preferred stock dividends) by the weighted average number of common shares outstanding each period. The Company did not have any stock options or warrants outstanding at December 31, 2012 or 2011 that would be dilutive. In 2011, the Company issued 300,000 common stock warrants to consultants as described in Note 7. These securities were not included in the computation of diluted earnings per share since to do so would be anti-dilutive.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

2. Summary of significant accounting policies (continued)

Fair Value of Financial Instruments

Accounting standards establish a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1 - Quoted prices in active markets for *identical* assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable and other liabilities approximate fair value because of the short maturity of these financial instruments..

Concentrations of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable.

The Company places its cash and temporary cash investments with financial institutions that management considers to be of high quality. Such deposits may periodically exceed the Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Company's customers are concentrated primarily in the United States of America and Canada. The Company generally extends credit without requiring collateral; however, it closely monitors extensions of credit and maintains allowances for potential credit losses. Credit losses incurred to date have been consistent with the Company's estimates.

Recent Accounting Pronouncements

There have been no recent account pronouncements which will have an impact on the Company's consolidated financial statements.

Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation to present the discontinued operations separately. These reclassifications have no effect on the previously reported net loss.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

3. Temporary investments – restricted

Restricted investments consists of a certificate of deposit with a twelve month maturity required to be set aside and maintained as part of the contract conditions to do business with the General Services Administration of the United States of America. These funds are considered to be restricted. The cost approximates fair value.

4. Inventory

Inventory consists of the following components as at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Finished goods	\$ -	\$ 172,600
Raw materials	<u>16,894</u>	<u>5,070</u>
	<u>\$ 16,894</u>	<u>\$ 177,670</u>

There is no allowance for obsolescence as at December 31, 2012 and 2011.

5. Property and equipment

Property and equipment consists of the following components at December 31:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 24,516	\$ 1,620
Manufacturing equipment for rent	376,413	-
Computer equipment and software	<u>37,287</u>	<u>5,140</u>
	438,216	6,760
Accumulate depreciation	<u>(12,012)</u>	-
	<u>\$ 426,204</u>	<u>\$ 6,760</u>

Depreciation expense was \$12,012 and \$Nil in the years ended December 31, 2012 and 2011 respectively.

6. Intangible assets

In July 2010, the Company purchased certain intangible assets of Totally Green, LLC, a company that pioneered the research and development of the ORCA. The cost was allocated among the types of intangible assets acquired based on their estimated fair values at the purchase date. In the third quarter of 2012, the Company decided to fully write down these intangible assets as a result of the business model change, and its impact on their value.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

6. Intangible assets (continued)

As of December 31, 2012 and 2011, the Company has the following amounts related to intangible assets:

	<u>2012</u>		
	<u>Designs / Know How</u>	<u>Trademark / Trade Name</u>	<u>Total 2012</u>
Intangible asset – original cost	\$ 624,321	\$ 208,107	\$ 832,428
Accumulated amortization	(208,123)	(60,691)	(268,814)
Impairment	<u>(416,198)</u>	<u>(147,416)</u>	<u>(563,614)</u>
Net intangible assets	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

	<u>2011</u>		
	<u>Designs / Know How</u>	<u>Trademark / Trade Name</u>	<u>Total 2011</u>
Intangible asset – original cost	\$ 624,321	\$ 208,107	\$ 832,428
Accumulated amortization	<u>(133,792)</u>	<u>(39,020)</u>	<u>(172,812)</u>
Net intangible assets	\$ <u>490,529</u>	\$ <u>169,087</u>	\$ <u>659,616</u>

Amortization expense was \$96,000 and \$115,202 for the years ended December 31, 2012 and December 31, 2011 respectively. Impairment loss of \$563,614 and \$Nil was expensed in the years ended December 31, 2012 and 2011 respectively.

7. Prepaid marketing fees

On January 12, 2011, the Company entered into agreements with TG Ventures LLC, Pro Silver Star, Ltd. and Shy Anderson (the "Consultants"). Under the agreements, the Company issued 300,000 shares of common stock and common stock warrants entitling the Consultants to purchase 300,000 additional shares of common stock at any time during the five years following the closing of the transaction at the market price on the date of the closing, which was \$11.50 per share. In consideration for the issuance of the shares and warrants, TG Ventures LLC and Shy Anderson entered into five year consulting agreements with the Company to provide marketing, networking, business development and various other marketing related services. The agreement with Pro Silver Star, Ltd. gives the Company the right to use the Dallas Cowboys' name and logos in certain forms of advertising, and provides the Company with advertising on the Dallas Cowboys In-Stadium Network, radio commercials, publications and website.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

7. Prepaid marketing fees (continued)

The Company estimated the total value of the services to be provided by the Consultants over the five year terms of the agreements to be \$1,918,750, based largely on actual service rates provided by the Consultants to outside parties. The Company applied a 5% annual discount rate, resulting in a discounted value of \$1,750,000, which was recorded as prepaid marketing fees and an increase to stockholders' equity.

The change in the Company's business model and the geographic refocusing and relocation of head office to Toronto has diminished the future value of the prepaid marketing fees. It is for this reason that the prepaid marketing fees were written down completely at the end of the third quarter of 2012.

Amortization expense was \$291,667 and \$350,000 for the years ended December 31, 2012 and December 31, 2011 respectively. The balance of prepaid marketing fees totalling \$1,108,383 was expensed in the year ended December 31, 2012.

8. Discontinued operations

As described in Note 1, the Company discontinued its dairy operations in 2008, and in the third quarter of 2012, the Company also decided to discontinue its GBSW product line to better focus on growing the ORCA business. Therefore, the Company has reported the results of these operations as discontinued operations, which consist of the following for the years ended December 31, 2012 and 2011:

	<u>2012</u>		
	<u>Dairy</u>	<u>GBSW</u>	<u>Total</u>
Revenues	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Operating loss from discontinued operations	\$ <u>(79,296)</u>	\$ <u>(88,308)</u>	\$ <u>(167,604)</u>
	<u>2011</u>		
	<u>Dairy</u>	<u>GBSW</u>	<u>Total</u>
Revenues	\$ <u>132,380</u>	\$ <u>99,132</u>	\$ <u>231,512</u>
Operating (loss) (income) from discontinued operations	(83,771)	21,076	(62,695)
Impairment of discontinued operations assets	<u>(35,756)</u>	<u>-</u>	<u>(35,756)</u>
Total (loss) income from discontinued operations	\$ <u>(119,527)</u>	\$ <u>21,076</u>	\$ <u>(98,451)</u>

Totally Green, Inc.

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8. Discontinued operations (continued)

The following assets from discontinued operations were included in the Company's balance sheet as of December 31, 2012 and 2011:

	2012		
	<u>Dairy</u>	<u>GBSW</u>	<u>Total</u>
Total assets of discontinued operations	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

	2011		
	<u>Dairy</u>	<u>GBSW</u>	<u>Total</u>
Assets			
Fixed assets, net	\$ 480,139	\$ -	\$ 480,139
Other	<u>-</u>	<u>88,308</u>	<u>88,308</u>
Total assets of discontinued operations	\$ <u>480,139</u>	\$ <u>88,308</u>	\$ <u>568,447</u>

9. Related parties transactions and balances

The Company received contributed rent of approximately \$77,700 and \$133,000 in the years ended December 31, 2012 and 2011 respectively from a company partially owned by two former directors of the Company. These amounts are included in other income and in general and administrative expenses in the statement of operations.

In connection with the transaction described in Note 7, the Company's former chief executive officer and chairman each received 40,227 shares of common stock as compensation for successful completion of the transaction and for time devoted to assisting with the structure and negotiation of the transaction. The Company estimated the combined fair value of this stock award to be \$300,000, which was recorded as compensation expense and an increase in stockholders' equity in 2011.

10. Fees payable

On April 24, 2012, the Company agreed to settle its obligation to pay the previous owners of the intangible assets described in Note 6 by payment of \$42,750 in cash and issuance of 45,000 shares of the Company's common stock.

11. Related party line of credit

The line of credit had been provided by the Company's former chairman, bearing interest at 5% per year and set to mature on December 31, 2014. The related party line of credit was repaid during the year.

Totally Green, Inc.

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12. Stockholders' equity

Transactions during the year

- On April 23, 2012, the Company issued a total of 360,000 shares of common stock to an employee and consultants of the Company as compensation for services rendered, with an aggregate estimated value of approximately \$132,500.
- On April 24, 2012, the Company agreed to settle its obligation of \$357,274 to pay the previous owners of the intangible assets described in Note 6 by payment of \$42,750 in cash and issuance of 45,000 of the Company's common stock.
- On July 31, 2012, the Board of Directors approved the issuance of 100,000 shares of common stock to employees and consultants of the Company as compensation for services rendered, with an aggregate estimated value of approximately \$34,283. These shares were issued on December 6, 2012.
- On August 8, 2012, the Company's Board of Directors authorized a 100-for-1 reverse stock split of the Company's common stock. The stock split took effect in September 2012. The effect of a 100-for-1 reverse split of common stock has also been reflected in the 2011 financial statements.
- On August 10, 2012, the Company issued to York Plains 50,000 shares of Series C Preferred stock for \$4,500,000 and 5,000 shares of Series D Convertible Preferred stock for \$500,000. The proceeds from the sale of preferred stock were utilized to retire, in full, the Company's existing line of credit with the Company's former chairman, described in Note 11, pay legal fees related to the transaction, with the remainder available to be used for working capital. In connection with this transaction, all of the Company's Series A and Series B preferred stockholders agreed to give back all of their shares of the Company's preferred stock and waive their rights to payment of accumulated unpaid preferred stock dividends amounting to \$128,000 at December 31, 2011. In exchange, the former Series A and Series B preferred stockholders received, in the aggregate, 12,000 shares of Series E Preferred stock, 7,000 shares of Series F Preferred stock, and the discontinued dairy property, described in Note 8, with a net book value of \$400,843 at the date of the transaction.
- On September 18, 2012, the Company's Series D Convertible Preferred stock, which had been issued in August 2012, was converted into 7,062,787 shares of common stock, at the request of the Series D preferred shareholders.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

12. Stockholders' equity (continued)

Series A Preferred stock

On December 4, 2008, the Board of Directors approved the issuance of 1,900,000 shares of Series A Preferred Stock with a par value of \$0.001 per share. The Series A Preferred Stock is entitled to receive cash dividends from funds legally available on a pro rata basis at and with any dividends that may be paid to the holders of the Company's Common Stock. Shares of Series A Preferred Stock may not be converted at any time into Common Stock or any other series of preferred stock. The shares of the Series A Preferred Stock may, upon written approval of any holder of the Series A Preferred Stock, be redeemed at a redemption price of \$0.03 per share.

In the event of any consolidation or merger of the Company which is in the nature of the winding up of the Company's business or sale of substantially all of the Company's assets, each holder of record of shares of Series A Preferred Stock shall be entitled to be paid in cash in respect of each such share an amount equal to and at the same time as any amount that may be paid to the holders of the Company's Common Stock with any such amount equal, on a per share basis, to the amount paid per share to the holders of the Company's Common Stock.

Except as otherwise provided by law, each share of Series A Preferred Stock shall be entitled, on all matters on which any of the stockholders are required or permitted to vote, to 350 votes. Except as provided expressly herein or as required by law, the holders of the Series A Preferred Stock shall vote together with the Common Stock stockholders and not as a separate class.

So long as any shares of the Series A Preferred Stock remain outstanding, the Company shall not, without first obtaining the approval (by vote or written consent) of the holders of at least a majority of the total number of shares of the Series A Preferred Stock then outstanding voting separately as a class, alter or change, in any material respect, the rights, preferences or privileges or the restrictions of the shares of the Series A Preferred Stock whether by amendment of the Company's Certificate of Designation of Preferences or otherwise. At any meeting at which the holders of the Series A Preferred Stock are entitled to vote as a class pursuant to this provision, the holders of a majority of all outstanding shares of Series A Preferred Stock, present in person or represented by proxy, shall be necessary to constitute a quorum.

In connection with the August 2012 York Plains investment, all holders of the Company's Series A and Series B Preferred Stock agreed to give back all of their shares of the Company's preferred stock and waive their rights to payment of accumulated unpaid preferred stock dividends. In exchange, the holders of Series A and Series B Preferred Stock received, in aggregate, 12,000 shares of Series E preferred stock, 7,000 shares of series F preferred stock, and the dairy property described in Note 8.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

12. Stockholders' equity (continued)

Series B Preferred stock

As part of the Company's restructure, the Board of Directors approved the issuance of 3,000 shares of Series B Cumulative Redeemable Preferred Stock with a par value of \$0.001 per share. The Series B Preferred Stock shall rank senior, with respect to dividends and with respect to distributions upon the liquidation, winding up or dissolution of the Company, as to the Common Stock and any other stock of the Company currently outstanding or issued in the future ranking junior to the Series B Preferred Stock (collectively, the "Junior Stock"). All series of stock of the Company with which the Series B Preferred Stock ranks on a parity, if any, with respect to dividends or distributions upon the liquidation, winding up or dissolution of the Company shall constitute "Parity Stock" and the Series B Preferred Stock shall rank, as to dividends and distributions upon the liquidation, winding up or dissolution of the Company, on a parity with such Parity Stock.

The holders of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Company legally available for payment, cumulative cash dividends in an aggregate amount equal to the Dividend Value (as herein defined) of such Series B Preferred Stock. All dividends declared upon the Series B Preferred Stock shall be declared pro rata per share. For purposes hereof, the term "Dividend Value" shall mean an amount equal to any and all lease or similar payments made to the Company with respect to any Non-Core Asset (as herein defined) of the Company prior to the disposition of such Non-Core Asset. For purposes hereof, the term "Non-Core Asset" means any single or related group of assets that the Board of Directors has designated as a non-core asset and which the Company is seeking to divest. For purposes hereof, the Board of Directors has designated the approximately 28,500 square feet dairy plant and related facilities located at 1518 South 16th Street, Clarinda, Iowa currently owned by the Company as a Non-Core Asset.

Upon the disposition of a Non-Core Asset for cash consideration actually received by the Company of at least \$100,000 (a "Redemption Trigger"), the Company shall provide written notice to the holders of Series B Preferred Stock, and shall redeem all or a portion of the then outstanding shares of Series B Preferred Stock (the "Mandatory Redemption") for cash at a redemption price per share equal to Stated Value. If and to the extent the gross cash proceeds received by the Company from the disposition are not sufficient to redeem all of the then outstanding shares of Series B Preferred Stock, then a portion of the outstanding shares will be redeemed equal to the gross cash proceeds received divided by the Stated Value, rounded down to exclude any fractional shares that may result from such calculation. Any such partial redemption shall be made on a pro-rata basis among the holders of Series B Preferred Stock.

The redemption notice shall be given no later than two business days following consummation of the disposition.

Dividends or other distributions for any dividend period may not be paid on any outstanding shares of Junior Stock and may not be paid on any Parity Stock unless any such dividends are declared and paid pro rata so that the amounts of any dividends declared and paid per share on outstanding Series B Preferred Stock and each share of such Parity Stock will in all cases bear to each other the same ratio that accrued and unpaid dividends (including any accumulation with respect to unpaid dividends for prior dividend periods, if such dividends are cumulative) per share of outstanding Series B Preferred Stock and such outstanding shares of Parity Stock bear to each other.

Totally Green, Inc.

Notes to the Consolidated Financial Statements

(in U.S. Dollars)

December 31, 2012 and 2011

12. Stockholders' equity (continued)

Series B Preferred stock (continued)

If dividends on any shares of Series B Preferred Stock are in arrears: (i) no dividends (in cash, stock or other property) may be declared, paid or set aside for payment or any other distribution made on any Parity Stock (except as set forth above) or Junior Stock (other than dividends or distributions in shares of Junior Stock or options, warrants or rights to subscribe for Junior Stock) and (ii) no Parity Stock or Junior Stock may be redeemed, purchased or otherwise acquired by the Company or any subsidiary, except by conversion of such stock into, or exchange of such stock for shares of Junior Stock or options, warrants or rights to subscribe for Junior Stock and cash in lieu of fractional shares of such Junior Stock in connection therewith. Any dividend payment made on the Series B Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to the Series B Preferred Stock.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, whether from capital, surplus or earnings, before any payment shall be made to the holders of Common Stock or any other class or series of Junior Stock, an amount in cash equal to the Stated Value per share plus any dividends (whether or not declared) accrued and unpaid, on the shares of Series B Preferred Stock to the date of final distribution (the "Liquidation Preference"). For purposes hereof, the term "Stated Value" shall mean an amount equal \$383.33 per share of Series B Preferred Stock. After payment of the full amount of the Liquidation Preference, the holders of shares of Series B Preferred Stock will not be entitled to any further participation in any distribution in the assets of the Company. If, upon any such liquidation, dissolution or winding up of the affairs of the Company, the assets of the Company, or proceeds thereof, available for the distribution among the holders of shares of Series B Preferred Stock and Parity Stock shall be insufficient to pay the holders of shares of Series B Preferred Stock and any Parity Stock the full amount to which they shall be entitled, the holders of shares of Series B Preferred Stock and Parity Stock shall share ratably in any distribution of the remaining assets and funds of the Company in proportion to the respective amounts which would otherwise be payable in respect to the shares held by them upon such distribution if all amounts payable on or with respect to said shares were paid in full. For the purposes hereof, neither a consolidation nor merger of the Company with or into any other company, nor a merger of any company with or into the Company, nor a sale or exchange or transfer of all or any part of the Company's assets for cash, shares of stock, securities or other consideration shall be considered a liquidation, dissolution or winding up of the affair of the Company.

After the payment of all preferential amounts required to be paid to the holders of Series B Preferred Stock and any other Parity Stock, the holders of shares of Junior Stock then outstanding shall be entitled to receive the remaining assets and funds of the Company available for distribution to its stockholders.

For the years ended December 31, 2012 and 2011, Series B preferred stock dividends amounted to \$Nil and \$80,000, respectively. As of December 31, 2012, the \$128,000 in cumulative dividends outstanding to shareholders were paid in the form of Series E and Series F Preferred Shares issued to the stockholders.

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Notes to the Consolidated Financial Statements

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12. Stockholders' equity (continued)

Series B Preferred stock (continued)

In connection with the August 2012 York Plains investment, all holders of the Company's Series A and Series B Preferred Stock agreed to give back all of their shares of the Company's preferred stock and waive their rights to payment of accumulated unpaid preferred stock dividends. In exchange, the holders of Series A and Series B Preferred Stock received, in aggregate, 12,000 shares of Series E preferred stock, 7,000 shares of series F preferred stock, and the dairy property described in Note 8.

Series C Preferred stock

In August of 2012, the Board of Directors authorized, issued, and designated 50,000 shares of Preferred Stock designated as Series C Preferred Stock. No dividends shall accrue or be payable in respect of the Series C Preferred Stock. Upon a potential liquidation, after payment or provision for payment of the debts and other liabilities of the Company, the holders of the Series C Preferred Stock and the holders of the Series E Preferred Stock, in proportion to the number of shares held by each of them, before any distribution shall be made to the holders of the Common Stock or any other class or series of Junior Stock of the Company, shall be paid \$5,000,000 in aggregate all for the Series C Preferred Shares, and \$1,200,000 in aggregate for all the Series E Preferred Shares, or \$100 for each share of Series C Preferred Stock and Series E Preferred Stock (as adjusted for any stock dividends, combinations, splits, recapitalizations and related transactions with respect to such shares).

The Series C Preferred Stock is not convertible into Common Stock, and shall be redeemable at the option of the Company, in whole or in part, at any time, at a redemption price of \$100 per share, or \$5,000,000 for all Series C Preferred Stock.

No shares of Preferred Stock acquired by the Company or any of its subsidiaries by reason of redemption, purchase, conversion or otherwise or exchanged for or reclassified into another class of Equity Securities, shall be reissued, and any such shares shall be cancelled, retired, and eliminated from the shares which the Company shall be authorized to issue. No shares of Preferred Stock held at any time by the Company or any of its subsidiaries shall be deemed to be outstanding for any purpose.

Series E Preferred stock

In August of 2012, the Board of Directors authorized, issued and designated 12,000 shares of Preferred Stock designated as the Series E Preferred Stock. No dividends shall accrue or be payable in respect of the Series E Preferred Stock. Upon a potential liquidation, after payment or provision for payment of the debts and other liabilities of the Company, the holders of the Series C Preferred Stock and the holders of the Series E Preferred Stock, in proportion to the number of shares held by each of them, before any distribution shall be made to the holders of the Common Stock or any other class or series of Junior Stock of the Company, shall be paid \$5,000,000 in aggregate all for the Series C Preferred Shares, and \$1,200,000 in aggregate for all the Series E Preferred Shares, or \$100 for each share of Series C Preferred Stock and Series E Preferred Stock (as adjusted for any stock dividends, combinations, splits, recapitalizations and related transactions with respect to such shares).

Totally Green, Inc.

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12. Stockholders' equity (continued)

Series E Preferred stock (continued)

The Series E Preferred Stock is not convertible into Common Stock, and shall be redeemable at the option of the Company, in whole or in part, at any time, at a redemption price of \$100 per share. These shares shall have no voting rights on matters to which holders of Common Stock shall be entitled to vote.

Series F Preferred stock

In August of 2012, the Board of Directors authorized, issued and designated 7,000 shares of Preferred Stock designated as the Series F Preferred Stock. No dividends shall accrue or be payable in respect of the Series F Preferred Stock. Upon a potential liquidation, after payment or provision for payment of the debts and other liabilities of the Company, the holders of the Series F Preferred Stock, in preference to the holders of any other equity Securities existing now or hereafter, except for Series C and E Preferred Stock, shall be entitled to receive the amount \$100 for each share of Series F Preferred Stock (as adjusted for any stock dividends, combinations, splits, recapitalizations and related transactions with respect to such shares) or \$700,000 in the aggregate.

The Series F Preferred Stock is not convertible into Common Stock, and shall be redeemable at the option of the Company, in whole or in part, at any time, at a redemption price of \$100 per share. These shares shall have no voting rights on matters to which holders of Common Stock shall be entitled to vote.

Stock Options

On November 13, 2012, the Board of Directors adopted the Company's 2012 Stock Option Plan (the "Plan") to grant options to employees, directors and consultants to purchase common stock of the Company. Pursuant to the Plan, the Company may issue up to 1,300,000 shares of its common stock at fair market value. The determination of the fair market value, the selection of the eligible persons and the number of options is at the discretion of the Administrator, who will be appointed by the Board of Directors.

No options were granted during 2012.

13. Income taxes

Deferred income tax assets and liabilities result primarily from net operating loss carry forwards and temporary differences related to depreciation of property and equipment. Federal, Iowa state, and Oklahoma state operating loss carry forwards were approximately \$9,478,203, \$2,535,453 and \$6,857,350, and which respectively, expire primarily in 2027 to 2031. The Company has had recurring operating losses and thus cannot demonstrate that the benefit of the loss carry forwards and other deferred tax assets will more likely than not be realized. As a result, a valuation allowance has been provided as of December 31, 2012 and 2011 to reduce the net deferred tax asset to zero.

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13. Income taxes (continued)

The tax loss carry forwards generated in the tax periods prior to the August, 2012 ownership change of the company will be subject to the annual limitation imposed by the US Internal Revenue Code Section 382. As substantially all operating assets of the Company have been transferred to its Canadian subsidiary and the Company is not expected to generate any US taxable income in the foreseeable future, presently no attempt has been made to compute the annual limitation amount.

The net deferred tax asset at December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Deferred tax assets		
Net operating loss carryforwards		
Federal	\$ 3,791,281	\$ 2,494,961
Canadian	419,477	-
Intangible assets	<u>262,646</u>	<u>34,636</u>
Gross deferred tax assets	4,473,404	2,529,597
Valuation allowance	<u>(4,473,404)</u>	<u>(1,987,773)</u>
Net deferred tax assets	-	541,824
Deferred tax liabilities		
Prepaid marketing fees	-	(532,019)
Property and equipment	-	(9,805)
	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of income tax benefit provided at the federal statutory rate of 34% to income tax benefit for the years ended December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Income tax benefit computed at federal statutory rate	\$ 987,327	\$ 690,969
State income taxes	174,234	81,290
Canadian taxes	142,622	-
Other	904,593	349,043
Change in valuation allowance	<u>(2,208,776)</u>	<u>(1,121,302)</u>
	<u>\$ -</u>	<u>\$ -</u>

14. Concentrations

The ORCA machines are currently being manufactured solely by one supplier.

Totally Green, Inc.

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15. Commitments

The Company leases warehouse facilities and a vehicle under non-cancellable operating lease arrangements. Future minimum lease payments under operating leases for each of the next four years are as follows as of December 31, 2012:

2013	\$	23,375
2014		5,775
2015		5,775
2016		<u>5,294</u>
	\$	<u>40,219</u>

16. Subsequent events

Subsequent events have been evaluated through March 29, 2013, which is the date the consolidated financial statements were issued.