WinningBrands.com

Interim Report for the Fiscal Quarter
Ending September 30, 2011

Item 1 Exact Name of the Issuer and the Address of its Principal Executive Offices

<u>Name</u>
Winning Brands Corporation (from October 4, 2005)

<u>Address of Principal Executive Offices</u>
11 Victoria Street, Suite 220A
Barrie, Ontario, Canada L4N 6T3
(705) 737-4062 Tel
(705) 737-9793 Fax
www.WinningBrands.com
www.WinningColours.com
www.1000Plus.ca

<u>Investor Relations</u>
Corporate Office,
Address Above

Item 2 Shares Outstanding as at September 30, 2011

Common Shares

Period end date: September 30, 2011
Number of shares authorized: 5,000,000,000
Number of shares outstanding: 2,707,503,109
Freely tradable shares (public float): 2,544,781,754
Estimated number of beneficial shareholders: 4,484
Total number of shareholders of record: 320

Preferred Shares

Period end date: September 30, 2011
Number of shares authorized: 10,000,000
Number of shares outstanding: 10,000,000
Freely tradable shares (public float): nil
Beneficial shareholders: 4
Total number of shareholders of record: 2

Item 3 Interim Financial Statements

Attached at the end of this Quarterly Update are financial statements including Balance Sheet, Statement of Income and Expenses, Statement of Cash Flows, Statement of Changes in Stockholders' Equity (Deficiency) and Financial Notes. The notes contained therein form an integral part of the financial statements.

Item 4 Management Discussion and Analysis

i. *Trends, events or uncertainties that have, or are reasonably likely to have, an unforeseen material impact on the Company's short-term or long-term liquidity.*

The Company's financing of operations is affected by a negative trend in the OTC environment. Unwillingness by some clearing firms to provide a full range of services to companies whose shares trade below 10 cents, and/or are unregistered and obtain financing that is exempt from SEC registration, is detrimental to trading volume of the Company's shares, thus affecting share liquidity for existing and new shareholders. This is because, as a secondary effect of clearance ambiguity, some brokers and investment dealers do not permit online purchase and sale of the Company's shares (trading symbol WNBD). This has diminished trading volume, but not eliminated it. Other brokers and investment dealerships perform their own clearing and are unaffected. If the Company attains SEC registration, or finds other accommodation with the clearing firms, then improved clearance activity may resume. The company has contemplated registering with the SEC as a fully reporting entity. Planning for such registration has advanced since Q2. Enhanced shareholder liquidity will improve the Company's ability to conduct financing.

ii. *Internal and external sources of liquidity.*

Internal and external sources of capital during Q3 2011 are the same as described in the financial statements, including the accompanying notes and the other information provided in this Management Discussion and Analysis. They are unchanged in character from both the previous Quarter and Q3 2010. In Q3 2011, planning has begun as to the circumstances under which the Company can accept subscriptions or convertible promissory note investment from existing shareholders as an alternative and/or supplement to financing with non-shareholder accredited investors. No such direct financing was carried out in Q3.

iii. *Any material commitments for capital expenditures and the expected sources of funds for such expenditures.*

No material commitments for capital expenditures have been made that are outside of norms of the Company's routine operations.

iv. ***Any known trends, events or uncertainties that have had, or that are reasonably expected to have, a material impact on the net sales or revenues or income from continuing operations.***

Winning Brands product orders and production for Q3 2011 were approximately $11,000 higher than sales for Q3 2010 of $119,829, however Q3 2011 reported sales revenue (product physically delivered to customers) was $106,093. This is lower than the corresponding figure for Q3 2010 by approximately $14,000. This difference arises from approximately $25,000 of goods ordered, produced and finished in Q3 but received by customers in the opening days of Q4. The splitting of transactions between the Quarter in which goods are ordered and made ready for the customer vs physically received by the customer, may have a material impact on the net sales or revenues from continuing operations between Quarters, and should therefore be seen in context. Such splitting can arise from a difference of a single business day between reporting Quarters.

Total operating expenses in Q3 2011 declined by $133,659 to $303,894 from $437,553 in Q3 2010, thus contributing to a reduction in the comprehensive loss over the two respective Quarters to $271,469 from $431,054. Significantly, the expense reductions were widespread across the Company, including but not limited to, Advertising, Bank Charges, Facility Costs, Freight, Financing Costs, Insurance, Professional Fees, Management and Staff Compensation, Repairs, Long Distance (Telecommunications), Vehicles and Travel. Increases occurred in Bookkeeping, Investor Relations Services and special Disposal & Relocation Costs related to the transition to contract manufacturing.

The general result of operations in Q3 2011 vs Q3 2010 was that a comparable level of customer activity was maintained with significantly reduced expenses. In order to increase customer activity materially, new account openings were targeted. The completion of several material developments originally targeted for Q3 2011, including the activation of the Duane Reade drug store chain in New York City, deployment of Winning Brands' lead product on store shelves at Walmart Canada, commencement of Road Show sales in Sam's Club USA, commencement of regular product deliveries to Do it Best and awarding of a U.S. government schedule contract were delayed until Q4 2011. Therefore, the sales result for Q3 had not yet had the benefit of these developments.

Operational Highlights Q3:

- Consumer acceptance of 1000+ in initial European market, Serbia, prompting replenishment order
- Approval by several participating retailers of transition from Winning Colours to 1000+
- Launch of new format 1000+ Stain Remover brochure and support materials
- Commencement of listing discussions with Builder's Warehouse, South Africa
- First shipment of samples to Nigeria
- Continued perfect supplier score for Lowe's USA test
- Commencement of MET team collaboration at Home Depot Canada
- U.S. General Service Administration negotiations begin
- Additional Australian distribution through Metcash/IGA
- Completion of Winning Brands first co-branded retailer demonstration video (Canadian Tire)
- Listing by 4,000 member U.S. hardware cooperative Do it Best; initial test order. Formal launch: Q4
- 1000+ Stain Remover meets California Air Resources Board VOC standard
- Walmart USA vendor number enables design of first Sam's Club SKU "Value Pack"

- Online listing with Sears.com
- Design and production of new 1000+ promotional line; re-usable "Use Me" shopping bags
- Continued growth in beneficial shareholder count
- DTC confirms "chill" is only partial; most brokers unaffected. TD Ameritrade / Zecco are exceptions.
- Dates established for 5 week Houston test of Value Pack at Sam's Club in Q4
- MERCX registration for Canadian government procurement opportunities
- Palm Springs, California hotel tests commence using Winning Brands products vs national brands
- Distributor, Lancaster, completes restructuring and resumes normal operation; store additions

v. Significant elements of income and loss not arising from the Company's continuing operations

Transition from in-house manufacturing to contract manufacturing has been successful. Manufacturing costs have been converted from a fixed overhead and variable cost basis to a variable cost basis only, (so that production costs better correspond to production volume) and to gain access to labour and higher production capacity without the need to acquire additional production equipment. Transition-related costs have been declining. Non-recurring special outlays decreased from $23,535 in Q2 2011 to $14,480 in Q3 2011. Quality correction, i.e. addressing miscommunication or quality issues that arise between parties to these new arrangements, has not been significant. The largest quality correction activity involves special handling of the bottles and labels to ensure proper fit and finish in order to optimize the promotional value of the new label designs (avoiding deformation, misalignment or poor adhesion).

The Company continues to require working capital from the sale of shares of stock or loans to offset its operating deficit. These losses may continue throughout the remainder of this year, or longer. However, if SEC registration is successful, it will be possible to replace the exempt (unregistered) subscriptions under Regulation D, Rule 504 with conventional funding that is available to registered entities. Such financing may carry a lower (less expensive) risk discount and be suitable for a wider investor audience. Mutually beneficial financing alternatives on a direct basis with existing shareholders are also being evaluated.

vi. Material changes from period to period in line items of the Financial Statements

The Comprehensive Loss in Q3 of $271,469 is not only a reduction vis a vis the comparable period in 2010 of $431,054, but also compared to the loss in Q2 2011 of $338,832. A general trend of reduction of operating expenses is being seen since 2010.

In 2011, the Company's financial statements include a separate line item, "Freight, Courier & Postage", to show these outlays on their own, rather than being included in "Cost of Goods Sold", or rather than "Office Expenses" in the case of courier and postage. This reclassification has been carried through to comparative periods. It improves tracking of payments to 3rd parties for transporting any articles for the Company.

The Q3 Cost of Goods Sold of $64,746 is approximately 61% of the delivered sales figure of $106,093. The Company continues to target a reduction of Cost of Goods Sold to the 50% figure. Management considers attainment of the 50% goal to be dependent upon production volume. All material costs for the Company's current production are at the highest possible price due to relatively low volume. The opposing forces governing the attainment of this extra 11% of margin are the tendency of higher production to be more cost efficient per unit versus the tendency of higher sales volume to require higher discounts to customers. Some markets, such as the export market, have lower margins due to special handling characteristics. On balance, attainment of 50% average remains the goal for the future.

On a year-over-year basis, total liabilities have declined from $3,137,717 at September 30, 2010 to $2,852,104. This trend in debt reduction may be halted in coming Quarters through the reduction or substitution of share subscriptions with new convertible promissory note financing as a means to reduce dilutive financing at current low share prices. If operational progress leads to higher share prices in 2012, the conversion of promissory notes at that time will be less dilutive than currently. Resumption of debt reduction would thus occur under more favourable circumstances.

The continued successful cost reductions reduce the break-even point for the Company. In the opinion of Management, with current infrastructure, if debt were repaid or converted to equity, approximately $2,500,000 in sales revenue would be required for the company to achieve self-sufficiency at a 40% gross profit margin, or $2,170,000 with a 50% gross margin. Gross margin requirement is subject to change based on the cost of raw materials, public reporting compliance costs, freight costs and other key variables. According to the Company's business model, $2.5 Million in revenue would require 5,000 stores to sell 9 bottles per month (2.3 bottles per week) of the Company's lead product, 1000+ Stain Remover (909 mL size). The addition of the 135 fl. oz. Value Pack SKU for Sam's Club provides a further method to achieve this objective. Less than one Value Pack per day over only 600 stores would be required to achieve the same $2,500,000 sales revenue if a listing were obtained.

Whereas in Q2, the single-most significant business development was the listing of the Company's lead product by the 4,000 member hardware buying co-operative, Do it Best, in Q3 the single-most significant development was the commencement of negotiations in earnest with the U.S. GSA, with planned activation of a Schedule Contract in Q4.

vii. ***Seasonal Aspects.***

No seasonal aspects had a material effect on the Company's financial condition or the results of its operation.

Off-Balance Sheet Arrangements

There are no material off-balance sheet arrangements that are not described in the notes to the financial statements.

Item 5 Legal Proceedings

The Company is not involved in any litigation or administrative actions that could have a material effect upon the Company's operations. Forbearance arrangements are in place with any note holders who may feel that they would have been in a position to declare a default during Q3.

Item 6 Defaults upon Senior Securities

The Company is not in default upon any senior securities

Item 7 Other Information

There is no further information of a material nature pertinent to the Interim Report.

Item 8 Exhibits

There are no amendments to previous exhibits.

Item 9 Certifications

Following pages

I, Eric Lehner, CEO, certify that:

1. I have reviewed this Interim Report of Winning Brands Corporation for the Fiscal Quarter ending September 30, 2011;

2. Based on my knowledge, this interim report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statement, and other financial information included or incorporated by reference in this interim report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Eric Lehner
CEO
November 14, 2011

I, Michael Kostrich, CFO, certify that:

1. I have reviewed this Interim Report of Winning Brands Corporation for the Fiscal Quarter ending September 30, 2011;

2. Based on my knowledge, this interim report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statement, and other financial information included or incorporated by reference in this interim report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Michael Kostrich

Michael Kostrich
CFO
November 14, 2011

Winning Brands Corporation

Combined Consolidated Financial Statements
(Unaudited)

for the Three Months and Nine Months Ended

September 30, 2011

Winning Brands Corporation

Combined Consolidated Balance Sheet

(Unaudited)

as at September 30, 2011

(with comparative figures as at September 30, 2010)

	Sept 30, 2011	Sept 30, 2010
Assets		
Current:		
Cash	$ 2,086	$ 11,762
Accounts receivable	162,569	132,749
Inventories	262,012	317,496
Prepaids	66,156	72,641
	492,823	534,648
Subscriptions Receivable - Restricted Shares (Note 2)	247,122	230,995
Advances Receivable (Note 3)	199,886	188,298
Property, Plant & Equipment (Note 4)	42,046	47,316
Trade Secret Formulations & Trademarks (Note 5)	1	1
	$ 981,878	$ 1,001,258
Liabilities		
Current:		
Accounts Payable & Accruals	$ 825,085	$ 582,428
Loans Payable - Inventory & Working Capital - 2008 to present (Note 6)	646,641	951,410
Loans Payable - Working Capital - 2006 & 2007 (Note 7)	130,070	179,654
	1,601,796	1,713,492
Loans Payable - Brand Development (Note 8)	1,250,308	1,424,225
	2,852,104	3,137,717
Stockholders' Deficiency		
Preferred stock	10,000	10,000
Common stock	2,557,503	1,437,493
Additional paid-in capital	4,463,568	4,114,583
Accumulated deficit	(8,405,342)	(7,322,162)
Accumulated foreign currency translation adjustment	(495,956)	(376,373)
	(1,870,227)	(2,136,459)
	$ 981,877	$ 1,001,258

Winning Brands Corporation

Combined Consolidated Statement of Loss

(Unaudited)

Three Months & Nine Months Ended September 30, 2011

(with comparative figures for Three Months & Nine Months Ended September 30, 2010)

	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010
Sales	$ 106,093	$ 119,829	$ 398,297	$ 409,545
Cost of goods sold (Note 9)	64,746	54,227	210,221	189,941
Gross contribution	41,347	65,602	188,076	219,604
Operating expenses:				
Administration & bookkeeping	9,629	7,416	25,215	25,290
Advertising & promotion	35,165	112,803	186,155	482,927
Amortization of capital assets	2,210	3,071	6,859	7,741
Bank, credit card & exchange charges	4,284	4,776	12,109	13,482
Computer & internet	206	212	632	2,334
Disposal & relocation costs (Note 9)	14,480	-	89,728	-
Facility & storage costs	29,216	30,013	85,428	87,214
Freight, courier & postage	23,780	38,084	59,654	75,945
Financing costs, fees & interest (Note 10)	31,381	46,849	124,415	170,845
Insurance	4,334	4,559	13,745	11,125
Investor Relations & Services	9,854	8,845	16,843	45,497
Legal, accounting & professional fees	27,419	36,939	70,423	99,168
Management & staff compensation	101,587	123,721	369,118	402,717
Office expenses	(639)	1,507	6,278	20,739
Repairs & maintenance	255	996	749	19,104
Telecommunications	4,536	8,051	16,853	19,062
Vehicle & travel	6,197	9,711	24,849	39,623
	303,894	437,553	1,109,053	1,522,813
Net loss for the period	(262,547)	(371,951)	(920,977)	(1,303,209)
Foreign currency translation adjustment	(8,922)	(59,103)	(68,581)	(36,087)
Comprehensive loss for the period	$ (271,469)	$ (431,054)	$ (989,558)	$ (1,339,296)

Winning Brands Corporation

Combined Consolidated Statement of Changes in Stockholders' Deficiency

1st, 2nd and 3rd Quarter Results - September 30, 2011

	Preference shares		Common shares					
	Number of shares	Share amount	Number of shares	Share Amount	Additional Paid - Up Capital	Accumulated Deficit	Accumulated Currency Translation	Stockholders' (Deficiency) / Equity
Opening Balance - January 1, 2011	10,000,000	$ 10,000	1,718,732,208	$ 1,565,482	$ 4,246,594	$ (7,347,170)	$ (427,375)	$ (1,952,469)
Reg D 504 funding	-	-	110,000,000	110,000	42,400	-	-	152,400
Debt retirement	-	-	204,758,999	204,760	129,240	-	-	334,000
Net loss - Q1 2011	-	-	-	-	-	(330,802)	-	(330,802)
Foreign currency translation adjustment	-	-	-	-	-	-	(48,455)	(48,455)
Closing Balances - March 31, 2011	10,000,000	$ 10,000	2,033,491,207	$ 1,880,242	$ 4,418,234	$ (7,677,972)	$ (475,830)	$ (1,845,326)
Reg D 504 funding	-	-	289,000,000	289,000	-	(48,600)	-	240,400
Debt retirement	-	-	8,000,000	8,000	12,000	-	-	20,000
Net loss - Q2 2011	-	-	-	-	-	(327,628)	-	(327,628)
Foreign currency translation adjustment	-	-	-	-	-	-	(11,204)	(11,204)
Closing Balances - June 30, 2011	10,000,000	$ 10,000	2,330,491,207	$ 2,177,242	$ 4,430,234	$ (8,054,200)	$ (487,034)	$ (1,923,758)
Reg D 504 funding	-	-	313,595,238	313,595	-	(88,595)	-	225,000
Debt retirement	-	-	66,666,664	66,666	33,334	-	-	100,000
Net loss - Q3 2011	-	-	-	-	-	(262,547)	-	(262,547)
Foreign currency translation adjustment	-	-	-	-	-	-	(8,922)	(8,922)
Cumulative Balances - September 30, 2011	10,000,000	$ 10,000	2,710,753,109	$ 2,557,503	$ 4,463,568	$ (8,405,342)	$ (495,956)	$ (1,870,227)

The number of common shares issued reflects the total of all three companies described in Note 1 b) of these combined consolidated financial statements.

Winning Brands Corporation

Combined Consolidated Statement of Changes in Stockholders' Deficiency

Comparative 1st, 2nd and 3rd Quarter Results - September 30, 2010

	Preference shares		Common shares					
	Number of shares	Share amount	Number of shares	Share Amount	Additional Paid - Up Capital	Accumulated Deficit	Accumulated Currency Translation	Stockholders' (Deficiency) / Equity
Opening Balances - January 1, 2010	10,000,000	$ 10,000	1,359,032,353	$ 1,205,782	$ 3,278,311	$ (6,018,953)	$ (340,286)	$ (1,865,146)
Reg D 504 funding	-	-	86,320,000	86,320	413,680	-	-	500,000
Debt retirement	-	-	30,000,000	30,000	30,000	-	-	60,000
Shares issued for services	-	-	2,846,000	2,846	19,637	-	-	22,483
Net loss - Q1 2010	-	-	-	-	-	(345,452)	-	(345,452)
Foreign currency translation adjustment	-	-	-	-	-	-	(57,759)	(57,759)
Closing Balances - March 31, 2010	10,000,000	$ 10,000	1,478,198,353	$ 1,324,948	$ 3,741,628	$ (6,364,405)	$ (398,045)	$ (1,685,874)
Reg D 504 funding	-	-	34,500,000	34,500	180,500	-	-	215,000
Debt retirement	-	-	30,000,000	30,000	68,000	-	-	98,000
Net loss - Q2 2010	-	-	-	-	-	(585,806)	-	(585,806)
Foreign currency translation adjustment	-	-	-	-	-	-	80,775	80,775
Closing Balances - June 30, 2010	10,000,000	$ 10,000	1,542,698,353	$ 1,389,448	$ 3,990,128	$ (6,950,211)	$ (317,270)	$ (1,877,905)
Reg D 504 funding	-	-	28,000,000	28,000	74,500	-	-	102,500
Debt retirement	-	-	20,045,000	20,045	49,955	-	-	70,000
Net loss - Q3 2010	-	-	-	-	-	(371,951)	-	(371,951)
Foreign currency translation adjustment	-	-	-	-	-	-	(59,103)	(59,103)
Closing Balances - September 30, 2010	10,000,000	$ 10,000	1,590,743,353	$ 1,437,493	$ 4,114,583	$ (7,322,162)	$ (376,373)	$ (2,136,459)

The number of common shares issued reflects the total of all three companies described in Note 1 b) of these combined consolidated financial statements.

Winning Brands Corporation

Combined Consolidated Statement of Cash Flows

for the Nine Months Ended September 30, 2011

(with comparative figures for the Nine Months Ended September 30, 2011)

	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010
Cash generated by (used for):		
Operations:		
Net loss	$ (920,977)	$ (1,303,209)
Add: Items not involving cash		
Amortization of capital assets	6,859	7,741
Changes in non-cash current balances:		
Increase in receivables	(27,449)	(21,792)
Decrease (increase) in inventories	70,790	(93,858)
Decrease (increase) in prepaids	7,123	(42,210)
Increase in accounts payable & accruals	70,282	44,674
	(793,372)	(1,408,654)
Investing:		
Acquisition of capital assets	(3,363)	(22,419)
Financing:		
Loan advances (repayments) - Inventory & Working Capital - 2008 to present	(270,020)	558,718
Loan repayments - Working Capital - 2006 & 2007	(19,795)	(149,585)
Loan advances - Brand Development	102,708	5,186
Proceeds from share issuance - Regulation D 504 funding	617,800	817,500
Proceeds from share issuance - Debt retirement funding	454,000	228,000
Shares issued for services	-	22,483
	884,693	1,482,302
Increase in cash during the period	87,958	51,229
Effect of exchange rate changes on cash	(86,011)	(43,647)
Cash position, beginning of period	139	4,180
Cash position, end of period	$ 2,086	$ 11,762

1. Summary of Significant Accounting Policies

a) Nature of business

Winning Brands Corporation, a Delaware incorporated entity, is a non-reporting issuer quoted under the symbol WNBD in the U.S. and WMU in Frankfurt.

Winning Brands Corporation owns 100% of the capital stock of Niagara Mist Marketing Ltd (NMML) which has been in business since 1977. NMML's primary activities include the creation and manufacturing of household and commercial cleaning products as well as cosmetic and personal care formulations.

b) Basis of presentation

The combined consolidated financial statements include the accounts of the company and its wholly-owned subsidiary and XMG Corporation (a related company). All significant inter-company accounts and transactions have been eliminated in order to reflect the net offset of combined operations accurately.

c) Foreign Currency Translation

The combined consolidated financial statements are presented in United States Dollars as follows:

- Balance sheet items using the Bank of Canada exchange rate as at the various period end dates.
- Income statement items using the Bank of Canada average exchange rate for the various periods described.
- Stockholders' share activity at the historical rate in effect on the transaction date.
- Adjustments resulting from the process of translating the Canadian currency financial statements into U.S. dollars are identified as such in the statements of loss and stockholders' deficiency.

d) Use of Estimates and Assumptions

The preparation of the accompanying combined consolidated financial statements requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

e) Going Concern

These combined consolidated financial statements have been prepared assuming that the company will continue as a going concern which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business. Additional financing is needed for the successful completion of the company's contemplated plan of operations and its transition, ultimately, to the attainment of profitable operations. The company's ability to raise additional equity or debt financing is unknown. An inability to resolve these factors would raise substantial doubts about the company's ability to continue as a going concern. These financial statements do not include any adjustments that may result from the outcome of the aforementioned uncertainties.

f) Inventories

Inventories consist of finished product for resale as well as raw materials and packaging components held at the company's premises' and contract warehousing facilities. Finished product is valued at cost including materials, labour and overhead.

g) Property, Plant & Equipment

Property, plant & equipment assets are stated at cost and are amortized at the annual rates noted below. Additions are amortized at one half the annual rates.

Category	Rate	Method
Factory equipment & dies	4%	Declining balance
Computers	30 to 100%	Declining balance
Vehicles	30%	Declining balance
Leaseholds	5 yr	Straight line
Furniture & fixtures	20%	Declining balance
Signs	20%	Declining balance

h) Revenue Recognition

Revenue is recognized as product is shipped. Goods are not normally shipped on a consignment basis and under no circumstances are treated as sales until they actually occur.

i) Financial Instruments & Risk Management

Foreign currency risk
The company is exposed to currency risk as some of its accounts receivable and accounts payable are denominated in U.S. dollars, Canadian dollars and other foreign currencies. The company also earns revenue & makes expenditures in these currencies. Unfavourable changes in the applicable exchange rate may result in a decrease in any foreign exchange gain or an increase in any foreign exchange loss.

Credit risk
Credit risk arises from the possibility that entities to which the company sells may experience financial difficulty and be unable to fulfil their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtors' payment history.

Fair value
The fair value of the company's financial instruments is estimated based on the amount at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The fair value of accounts receivable, inventory, prepaid expenses, accounts payable and accrued expenses are assumed to approximate their historical cost amount due to their short term nature.

The fair value of the company's long-term financial assets is estimated to approximate the recorded amounts, other than the fair market value of Trade Secret Formulations & Trademarks as referred to in Note 5.

The fair value of the company's long-term financial liabilities is estimated to approximate the recorded amounts.

2. Subscriptions Receivable - Restricted Shares

Subscriptions receivable is an attribution to members of the founding management group of the value of their proportionate interest in Niagara Mist Marketing Limited in 2004 prior to the plan of merger and reorganization with Winning Brands Corporation. These interests were converted from free trading shares of Niagara Mist Marketing Limited to restricted shares of Winning Brands Corporation, and remain restricted as at September 30, 2011. These amounts are non-interest bearing nor payable until the removal of the trading restriction on these shares, at which time the receivable may be retired according to a repayment plan to be determined at that time.

3. Advances receivable

Pending final determination of compensation to be granted for services rendered by the CEO, Eric Lehner, from 2005 to the date of determination, advances have been made on account to him. Preliminary annual compensation to the CEO has been made as follows: 2005 - $10,000; 2006 - $12,000; 2007 - $74,000; 2008 - $74,000; 2009 - $120,000; 2010 - $98,000. Any payments greater than the preliminary compensation amounts have been treated as advances.

It is the intention that the company will in due course provide compensation to the CEO that is more customary of his level of responsibility, as determined by a competent unaffiliated authority. At such time the advances may be converted to earned compensation.

In the interim, and in good faith toward the company and its shareholders, the CEO has provided partial security for the advances in the form of an assignment of a $100,000 interest in real property that is registered on title in the town of Caledon, Ontario. The net effect of this arrangement is to link compensation to performance.

4. Property, Plant & Equipment

Property, plant & equipment represent the acquisition cost of physical assets used for production and operations. Annual amortization has been applied based on the rates as describe in Note 1 g). Other assets utilized are either leased or subcontracted as required. Susbequent to December 31, 2010, the disposition of certain assets occurred. This reflects the shift of manufacturing from owned to contract production.

	September 30, 2011	September 30, 2010
Factory equipment & dies	$ 178,172	$ 162,777
Computers	39,415	39,690
Vehicles	33,978	31,761
Leaseholds	29,186	27,281
Furniture & Fixtures	13,182	12,321
Signs	1,384	1,294
	295,317	275,124
Accumulated amortization	253,271	227,808
	$ 42,046	$ 47,316

5. Trade Secret Formulations & Trademarks

The company's wholly owned subsidiary, Niagara Mist Marketing Limited, has developed a portfolio of intellectual proprieties including proprietary chemical formulations, know-how and trademarks which provide the basis for commercially distinct mass market consumer products with unique selling propositions. These products, principally the lead product, Winning Colours 1000+ Stain Remover, have gained listings by retailers.

No fair market valuation is reflected in these financial statements of these intellectual properties (whose substance is growing through ongoing work and additions) and all investment in their research and development and registration, where applicable, has been expensed rather than capitalized. It is the opinion of management that the fair market valuation of these assets are an integral part of the company's overall value and can be better determined as the implementation of the issuer's business plan yields results. Such valuation would be carried out by competent independent valuation professionals.

6. Loans Payable - Inventory & Working Capital - 2008 to present

These 6%, 8%, and 13% simple interest loans are due in 2010 and 2011. The 6% and 8% notes loans can be extended at 12% interest thereafter or converted to equity at a 25% - 40% discount to market. Some holders of matured loans have chosen to extend their term beyond maturity rather than converting to equity at this time, subject to market conditions.

7. Loans Payable - Working Capital - 2006 & 2007

These loans were made by unaffiliated parties for working capital purposes. One of these amounts, a $360,000 Canadian original obligation was secured by a GSA (General Security Agreement). As of September 30, 2011 there is no remaining amount outstanding on the principal amount of that obligation, although a forbearance fee is being negotiated in consideration for having provided informal extensions during the life of the loan prior to its repayment.

8. Loans Payable - Brand Development

These loans represent funding for the initial period of the company's brand development work, prior to the 2006 access to public equity financing. The loans are repayable by a variety of specific terms of repayment, all of which are long term in nature and open (i.e. can be repaid in full without penalty as resources permit). A portion of the loans payable pertains to contingent subscriptions prior to the merger, which must be returned due to non-completion.

9. Cost of goods sold / Disposal & relocation costs

The cost of goods sold figure reflects the costs of raw materials, packaging components (which include bottles, caps, labels, corrugated cartons, and pallets), and subcontract service fees.

In the first, second, and third quarters of 2011 various disposal and relocation costs were incurred by the company as a result of moving to contract manufacturing on a full time basis. These unique charges have been separated from the cost of goods sold for financial statement purposes.

10. Reduction of accrued interest

Of the "Loans Payable - Brand Development" amount reflected in Note 8, $327,773 of accrued interest has been forgiven by one of the founding lenders This reduction of accrued interest was charged to the combined consolidated statement of loss in the fourth quarter of 2010 as this was the period in which the forgiveness was granted.

This accrual is no longer required as the lender is now satisfied that eligibility for eventual removal of the trading restriction on their original allocation of common shares is sufficient consideration for their loan to date. Participation in future stock options or warrants, at the sole discretion of the company, may be provided as consideration of this forgiveness.

11. Comparative figures

Certain comparative figures have been reclassified to confirm with the financial statement presentation for the current year.