

ECO2 FORESTS, INC.
(Formerly known As Monster Motors, Inc.)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2010

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ECO2, FORESTS, INC.
(Formerly known as Monster Motors, Inc.)
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2010 AND JUNE 30, 2009
(UNAUDITED)

	June 30 2010	June 30 2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,514	\$ 0
Prepaid expenses	141,786	<u>0</u>
Other current assets	<u>97,798</u>	<u>0</u>
Total Current Assets	241,101	0
Land, Property and equipment, net of accumulated depreciation - Note 4	61,059,549	0
Other assets	<u>635,034</u>	<u>0</u>
Total Assets	<u><u>\$61,935,684</u></u>	<u><u>\$ 0</u></u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 510,867	<u>\$ 0</u>
Note payable related party (Note 5)	<u>323,044</u>	<u>0</u>
Total Current Liabilities	<u>833,911</u>	<u>0</u>
 Stockholders' Equity:		
Preferred Stock – No par, non-voting, convertible, authorized: 100,000,000, issued 61,000,000 – Note 6	\$61,000,000	\$ 0
Common stock \$.001 Par Value; shares authorized: 500,000,000; issued & outstanding: 169,994,950 - Note 7	169,995	48,313
Additional paid in capital	2,648,136	82,987
Foreign currency exchange rate adjustment	15,353	
Accumulated deficit	<u>(2,731,711)</u>	<u>(131,300)</u>
Total Stockholders' Equity	<u>61,101,773</u>	<u>0</u>
Total Liabilities Stockholders' Equity	<u><u>\$61,935,684</u></u>	<u><u>\$ 0</u></u>

See accompanying notes to the unaudited condensed consolidated financial statements.

ECO2 FORESTS, INC.
(Formerly known as Monster Motors, Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE TWELVE & THREE MONTHS PERIODS ENDED
JUNE 30, 2010 & JUNE 30, 2009
(UNAUDITED)

	Three Months Ended		Twelve Months Ended	
	Jun. 30,	Jun. 30,	Jun. 30,	Jun. 30,
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues	\$ 0	\$ 16,057	\$ 0	\$ 149,517
Cost of Sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Profit	<u>0</u>	<u>16,057</u>	<u>0</u>	<u>149,517</u>
Operating Expenses:				
Selling, General & Administrative	1,628,297	23,292	2,572,841	157,556
Amortization and Depreciation	<u>20,429</u>	<u>0</u>	<u>27,570</u>	<u>0</u>
Total Operating Expenses	<u>1,648,726</u>	<u>23,292</u>	<u>2,600,411</u>	<u>157,556</u>
Net Loss for the period	<u>\$(1,648,726)</u>	<u>\$ (7,235)</u>	<u>\$(2,600,411)</u>	<u>\$ (8,039)</u>
Net Loss Per Share –Basic & Diluted – (Less than \$.01 = \$.01)	<u>\$ (.01)</u>	<u>\$ (.01)</u>	<u>\$ (.02)</u>	<u>\$ (.01)</u>
Weighted Average Number of Common Shares Used in the Computation of Earnings Per Share	<u>169,994,950</u>	<u>48,313,270</u>	<u>169,994,950</u>	<u>48,313,270</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

ECO2 FORESTS, INC.
(Formerly known as Monster Motors, Inc.)
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2010
(UNAUDITED)

	<u>Common Shares</u>	<u>Stock Amount</u>	<u>Additional paid in Capital</u>	<u>Preferred stock Issued</u>	<u>Accumulated Deficit</u>	<u>Total Shareholder Equity</u>
Balance at date of merger	48,313,270	\$ 48,313	\$ 82,987		\$(131,300)	\$ (0)
Previous Issued Shares delivered to Eco 2 shareholders per acquisition agreement	(21,100,000)	(21,100)	21,100			
Shares issued for acquisition of assets, of ECO 2 Forests, Inc net of costs	50,000,000	50,000			-	50,000
Shares issued for consulting and employment agreements	88,086,730	88,087	(88,087)			
Adjustments for merger			(22,823)			(22,823)
Preferred stock – issued for property acquisition				55,000,000		55,000,000
Preferred stock issued for Smoke Creek Investment				6,000,000		6,000,000
Common shares sold for cash and services	4,694,950	4,695	2,,654,959			2,659,654
Foreign exchange rate adjustment						15,353
Net Loss for the Period ended June 31, 2010	-	-	-	-	(2,600,411))	(2,600,411)
Balance at June 30, 2010	<u>169,994,950</u>	<u>\$ 169,995</u>	<u>\$2,648,136</u>	<u>\$61,000,000</u>	<u>\$(2,731,711)</u>	<u>\$ 61,101,773</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

ECO2 FORESTS, INC.
(Formerly known as Monster Motors, Inc.)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE & TWELVE MONTHS ENDED
JUNE 30, 2010 & JUNE 30, 2009
(UNAUDITED)

	Three months Ended		Twelve Months Ended	
	Jun. 30,	Jun. 30,	Jun. 30,	Jun. 30,
	2010	2009	2010	2009
Cash Provided (Used) by Operating Activities	\$(1,632,429)	\$ 407	\$ (2,301,561)	\$ 407
Cash Provided (Used) by Investing Activities	(785,464)	0	(992,153)	0
Cash Provided (Used) by Financing Activity	<u>2,386,613</u>	<u>0</u>	<u>3,295,228</u>	<u>0</u>
Net Increase (Decrease) in Cash Balances	(31,280)	407	1,514	407
Cash Balances at Beginning of Period	<u>32,794</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance at End of Period	<u><u>\$ 1,514</u></u>	<u><u>\$ 407</u></u>	<u><u>\$ 1,514</u></u>	<u><u>\$ 407</u></u>

NON CASH INVESTING AND FINANCING TRANSACTIONS

	Three Months Ended		Twelve Months Ended	
	Jun. 30,	Jun. 30,	Jun. 30,	Jun. 30,
	2010	2009	2010	2009
Sale of common stock and other stock transactions	\$ 0	\$ 0	\$ 2,878,620	\$ 0
Purchase of land, inventory & equipment for preferred stock	\$ 6,000,000	\$ 0	\$61,000,000	\$ 0

See accompanying notes to the unaudited condensed consolidated financial statements.

ECO2 FORESTS, INC.
(Formerly known as Monster Motors, Inc.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 & JUNE 30, 2009
(UNAUDITED)

Note 1 General background and business environment

The company's core activity is the development of the Global Forestry Plan with associated activities which will enhance the company's financial future. The Global Forestry Plan aims to create renewable resource forests in various locations around the world utilizing the company's proprietary Kiri Tree. Each forest will provide significant green house gas sequestration (CO₂ absorption) and supply renewable, environmentally friendly lumber. The Kiri Tree has been developed and tested over a period of 20 years to provide an alternative to the continual depletion of our natural resources and old growth forests. Our solution creates rapid growth reforestation projects, ready to be harvested in only 7 years with the tree then regenerating from the stump and root structure, creating a truly renewable resource.

Our key targets for forest projects currently include the rehabilitation of coal and other old mining sites in Australia, reforestation of old forests such as the Amazon in Brazil and working with inactive agricultural land and with Indigenous groups in the USA to create new forests, as well as working with land holders in developing nations including the South Pacific. The company's sustainable strategy is to produce and sell carbon credits from the time of planting of renewable, environmentally friendly forests and produce sustainable lumber at interim and full harvests that will generate strong returns on investment for shareholders.

The timing for a carbon credit generating business could not be better given national and international imperatives. Combined with the opportunities for an environmentally sustainable lumber and reforestation solution, along with carbon credit generation, we expect ECO2 Forests to remain an interesting and unique business.

Note 2 Summary of significant accounting policies

Basis for Presentation

In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of (a) the result of operations for the Twelve and three month periods ended June 30, 2010 and June, 2009, (b) the financial position at June 30, 2010 and (c) cash flows for the three and Twelve month periods ended June 30, 2010, have been made.

The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States of America. These principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Management believes that these

estimates are reasonable and have been discussed with the Board of Directors; however, actual results could differ from those estimates.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets.

On an on-going basis, the Company evaluates its estimates and judgments, including those related to revenue recognition, inventories, adequacy of allowances for doubtful accounts, valuation of long-lived assets, income taxes, equity based compensation, litigation and warranties. The Company bases its estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events.

The policies discussed below are considered by management to be critical to an understanding of the Company's financial statements. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent for other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term securities with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets, which range from three to ten years. Significant improvements and betterments are capitalized, while maintenance and repairs are charged to operations as incurred. Asset retirements and dispositions are accounted for in accordance with SFAS No. 144, "Accounting for the Impairment and Disposal of Long Lived Assets," as described below.

Revenue Recognition

The Company recognizes product revenue, net of sales discounts, returns and allowances, in accordance Securities and Exchange Commission Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB No. 104") and Statement of Financial Accounting Standards No. 48, "Revenue Recognition When Right of Return Exists" ("SFAS No. 48"). These statements establish that revenue can be recognized when persuasive evidence of an arrangement exists, delivery has occurred and all significant contractual obligations have been satisfied, the fee is fixed or determinable, and collection is considered probable.

The Company recognizes revenue upon delivery of product to third-party distributors and customers and does not make bill-and-hold sales.

Accounting for Long-Lived Assets

The Company accounts for long-lived assets, other than goodwill, in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment and Disposal of Long Lived Assets," which supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of." This statement creates one accounting model, based on the framework established in SFAS No. 121, to be applied to all long-lived assets including discontinued operations, SFAS No. 144 requires, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicated that the carrying amount of an asset may not be fully recoverable. We believe the estimate of our valuation of Long-Lived Assets is a "critical accounting estimate" because if circumstances arose that led to a decrease in the calculation it could have a material impact on our results of operations.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting. Deferred taxes represent the future tax return consequences of those differences, which will be taxable either when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future federal income taxes. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax asset and liability accounts.

Fair Values of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires the Corporation to disclose estimated fair value for its financial instruments. Fair Value estimates, methods, and assumptions are set forth as follows for the Corporation's financial instruments. The carrying amounts of cash, receivables, other current assets, payables, accrued expenses and notes payable approximate fair value because of the short maturity of those instruments.

Stock-Based Compensation

We account for stock-based compensation in accordance with SFAS No. 123(R), Share-Based Payment. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable vesting period of the stock award (generally three to five years) using the straight-line method.

Intangible Assets

Intangible assets are amortized using the straight-line method over their estimated period of benefit, ranging from one to fifteen years. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. All of our intangible assets are subject to amortization. No material impairments of intangible assets have been identified during any of the periods presented.

Effects of Recent Accounting Pronouncements

There are no recently issued accounting standards that will have an impact on the financial statements that have not been adopted.

Per Share Computations

Basic net earnings per share are computed using the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares and the dilutive potential common shares outstanding during the period.

Note 3 Accrued expenses

Accrued liabilities and expenses at June 30, 2010 and June 30, 2009 were \$510,867 and \$0 respectively is included operating expenses.

Note 4 Property and equipment

ECO 2 Forests, Inc (formerly Monster Motors, Inc.) has disposed of and written off all recorded assets and liabilities of Monster Motors, Inc. (the predecessor company) for the period ended June 30, 2009.

On September 30, 2009 the company entered into an agreement with two companies, South Pacific Biofuels Limited and South Pacific Plantation Management Limited, to acquire their jointly owned acreage on the island country of Vanuatu. The acquisition consisted of approximately 19,608 acres (7,935 hectares) and a group of agricultural equipment, for which the company plans to establish Kiri Plantations.

The purchase price of the land is \$55,000,000 USD that is to be paid in convertible preferred shares of ECO 2 Forests, Inc. In addition, the Company is required to issue to the Seller, 250,000 shares of common stock and \$22,050 USD cash payment. The preferred stock is convertible into common stock over a period of 15 years according to a schedule agreed upon by the parties. The converted shares, totaling 55,000,000, will be free trading upon issue. An additional \$100,000 has been paid to the Vendor in this transaction.

The Preferred shares will be authorized and created solely for the purpose of settlement of the purchase price of the agreement. They will be convertible at an average of \$1.00 USD per share according to a "Share Sale Agreement" clause. The conversion clause allows the holder to convert the preferred shares into free trading common shares over a period of fifteen years. (See Commitments and Obligations in Note 7 below) As of the date of this report, the authorization had been filed with the Nevada Secretary of State, however the preferred stock plan had not been filed. The Board of Directors however, has authorized the issuance of the shares after registration with the Nevada Secretary of State.

The company policy is to record property and equipment at cost. Depreciation will be computed using the straight-line method over the estimated useful lives of the assets. Useful lives for computer equipment and software range from three to five years, and furniture, equipment,

production equipment and prototypes from five to seven years. The purchase price was allocated to the following assets and recorded at cost as follows:

Land	\$54,730,000
Equipment	195,000
Inventory	<u>75,000</u>
Total	<u>\$55,000,000</u>

Other fixed assets include two autos with a total cost of \$67,728. Depreciation on the above depreciable assets and the autos totaled \$27,570 for the period ended June 30, 2010.

Note 5 Note payable related party

During the period ended June 30, 2010 the Company borrowed \$323,044 from a company named ECO2 Ventures that is owned and controlled by the parties that control and own ECO2 Forest, Inc. This note is unsecured and has no written terms or maturity. Management believes this note will be converted to shares in the future.

Note 6 Stock holder's Equity – Preferred shares

On September 30, 2009 the company entered into an agreement with two companies, South Pacific Biofuels Limited and South Pacific Plantation Management Limited, to acquire their jointly owned acreage on the island country of Vanuatu. The acquisition consisted of approximately 19,608 acres (7,935 hectares) and a group of agricultural equipment, for which the company plans to establish Kiri Plantations.

The purchase price of the land is \$55,000,000 USD that is to be paid with the issue of convertible preferred shares of ECO 2, Forests, Inc. In addition, the Company is required to issue to the Seller, 250,000 shares of common stock and \$22,050 USD cash payment.

The Preferred shares are authorized and created solely for the purpose of settlement of the purchase price of the agreement. If the holder of the preferred shares desires to convert the preferred shares to common shares, it may do so with the mutual consent of the issuer. The conversion rate will be one share of common stock for each two shares of preferred stock. There is no required dividend or interest provision for the preferred shares. The preferred shares are non-voting and have no par value.

The preferred shares may be converted by the holder at an average price of \$1.00 USD per share according to a conversion clause over a period of fifteen years. In the event of a default on the part of either party, the holder of the preferred shares shall have an option to convert the preferred shares to common shares at the rate of one common share for two preferred shares.

The following table outlines the conversion dates, shares and amounts:

Year	Shares	Amount	Year	Shares	Amount
2009	275,000	\$ 550,000	2017	750,000	\$1,500,000

2010	600,000	\$600,000	2018	2,000,000	\$2,000,000
2011	2,400,000	\$2,400,000	2019	5,000,000	\$5,000,000
2012	2,000,000	\$2,000,000	2020	5,000,000	\$5,000,000
2013	2,000,000	\$2,000,000	2021	5,000,000	\$5,000,000
2014	2,000,000	\$2,000,000	2022	5,000,000	\$5,000,000
2015	2,000,000	\$2,000,000	2023	10,000,000	\$10,000,000
2016	2,000,000	\$2,000,000	2024	10,000,000	\$10,000,000

The contract permits the holder to convert the preferred shares into 55,000,000 common shares according to the table above.

The company acquired an interest in land for the purpose of establishment of a plantation for the sum of \$6,000,000 paid entirely with preferred shares. This investment was recorded at \$1.00 per share and entered as a fixed assets and preferred stock equity.

Note 7 Stockholders' equity – Common Shares

As of June 30, 2009, there were 169,994,950 shares of common stock issued and outstanding.

On September 25, 2009, the Board of Directors acquired the public company Monster Motors, Inc. a US public company listed on the National Quotation Bureau Pink Sheet and promptly acquired the assets of an internally controlled company named New Carbon Forests, Inc. (NCFI). Monster Motors had 48,313,270 shares outstanding at the date of the acquisition and the transaction required redemption of 21,100,000 shares that were previously outstanding. The result of the September 25, 2009 merger and acquisition is that the company issued 138,086,730 new shares and allowed the previous shareholders to retain 27,213,270 common shares. These transactions resulted in a post transaction total of outstanding common stock of 165,300,000 shares.

On September 1, 2009 the company entered into a consulting agreement with an Escondido California individual for consulting services and for future investment after the sale of previously issued shares from a previous transaction. Under the agreement, the consultant will receive 500,000 shares of restricted common stock. In addition, the individual received certain options to acquire 3,000,000 shares of common stock on or before March 30, 2010 for \$.10 USD, 2,000,000 shares of common stock for \$.25 USD, on or before September 30, 2010 and 2,000,000 shares of common stock for \$1.00 USD on or before September 30, 2011. The agreement requires the individual to reinvest one half on the proceeds from the sale of the common stock for the exercise of the previously described options. In addition, this individual will be issued 350,000 shares of common stock from a previous transaction for funding the operations of the company prior to the acquisition with Monster Motors. This individual also holds 933,000 shares of free trading stock.

On September 1, 2009 the company entered into another agreement with the individual from Escondido California to provide financial, strategic planning and capital development services. The transaction required the future issue of 1,000,000 shares of common stock and a commission

and bonus arrangement on capital raising totaling 7.5% of capital sourced. This individual is not considered a control person.

If all of the above transactions occur and options are exercised as scheduled, the company would issue another 58,600,000 shares of common stock. If the conversion of the preferred stock is carried out over the next 15 years, another 55,000,000 will be issued. With the 169,994,950 shares now issued, the total of committed issuances in the future will be 256,094,950 common shares outstanding.

Note 8 Going concern issue

The Company's cash and available credit are not sufficient to support its operations for the next year. Accordingly, management needs to seek additional financing. Company management has authorized a plan to raise equity through a private placement offering as evidenced in note 6 above.

These financial statements have been prepared on the basis that adequate financing will be obtained. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.