

Greenbelt Resources Corporation
(A Development Stage Company)
Consolidated Financial Statements

December 31, 2011 and 2010

(Unaudited)

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December 31, 2011 and 2010

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CONSOLIDATED BALANCE SHEETS
(unaudited)

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 1,146	\$ 2,457
Accounts receivable	14,750	14,750
Total current assets	<u>15,896</u>	<u>17,207</u>
Property, machinery & equipment, net		
	101,138	132,944
Goodwill		
	<u>248,906</u>	<u>248,906</u>
Total assets		
	<u>\$ 365,940</u>	<u>\$ 399,057</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
Current liabilities		
Convertible notes	\$ -	\$ 499,500
Accounts payable	43,627	17,895
Accrued expenses	<u>47,500</u>	<u>392,069</u>
Total current liabilities	<u>91,127</u>	<u>909,464</u>
Stockholders' equity (deficit)		
Series B Convertible preferred stock, par value \$0.001, 5,000,000 shares authorized, issued and outstanding	5,000	5,000
Series C Preferred stock, par value \$0.001, 5,000,000 shares authorized, issued and outstanding	5,000	5,000
Common stock, par value \$.001, 500,000,000 shares authorized, 215,517,171 shares issued and outstanding 2011, 82,911,906 shares issued and outstanding 2010	215,517	82,912
Additional paid in capital	3,026,895	1,749,699
Stock subscriptions receivable	<u>(9,965)</u>	<u>(9,965)</u>
Deficit accumulated during development stage	<u>(2,967,634)</u>	<u>(2,343,053)</u>
Total stockholders' equity (deficit)		
	<u>274,813</u>	<u>(510,407)</u>
Total liabilities & stockholders' equity		
	<u>\$ 365,940</u>	<u>\$ 399,057</u>

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	<u>Year ended 2011</u>	<u>Year ended 2010</u>
SALES	\$ -	\$ 10,000
EXPENSES		
Selling, general and administrative		
Compensation	231,545	293,626
Other	83,422	125,913
Research and development	231,205	97,883
Depreciation	31,806	23,855
Interest	46,603	48,594
Total expenses	<u>624,581</u>	<u>589,871</u>
Operating (loss)	<u>(624,581)</u>	<u>(579,871)</u>
Other income(expense)		
Loss on abandonment of equipment	-	(4,601)
Other	-	40,583
NET LOSS BEFORE INCOME TAXES	<u>(\$624,581)</u>	<u>(\$543,889)</u>
Provision for income taxes		
NET LOSS	<u>(\$624,581)</u>	<u>(\$543,889)</u>
NET LOSS PER SHARE - BASIC	*	*
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
	<u>215,517,171</u>	<u>82,911,906</u>

* less than \$(0.01) per share

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	<u>Year ended 2011</u>	<u>Year ended 2010</u>
OPERATING ACTIVITIES		
Net loss	(\$624,581)	(\$543,889)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	31,806	23,855
Common stock issued for interest	49,711	-
Equity based compensation	364,795	
Loss on abandonment of equipment	-	4,601
Common stock issued for services	7,500	-
Changes in operating assets and liabilities		
Prepaid expenses	-	2,769
Accounts receivable		
Accounts payable	23,232	2,481
Accrued expenses including interest	(344,569)	351,743
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(492,106)</u>	<u>(158,440)</u>
INVESTING ACTIVITIES		
Acquisition of equipment		(155,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(155,000)</u>
FINANCING ACTIVITIES		
Convertible notes	105,000	278,000
Common stock issued for compensation	337,705	
Common stock issued for interest	48,090	-
Proceeds from stock subscription	-	20,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	490,795	298,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,311)</u>	<u>(15,440)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,457	17,897
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,146</u>	<u>\$ 2,457</u>

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SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest expense	\$ -	\$ -
Accrued equity based compensation	-	<u>355,000</u>
Conversion of interest on convertible notes to common stock	<u>97,801</u>	-
Conversion of convertible notes to common stock	<u>609,500</u>	-
Accrued equity based compensation	<u>7,500</u>	<u>337,705</u>

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(unaudited)

	Preferred Stock		Common Stock		Paid-In Capital	Common Stock Subscribed	Stock Subscriptions Receivable	Accumulated (Deficit)	Total Stockholders Equity
	Shares	Amount	Shares	Amount					
BALANCE - JANUARY 1, 2010	10,000,000	\$ 10,000	82,911,906	\$ 82,912	\$ 1,749,699	\$ -	(\$29,965)	(\$1,799,164)	\$ 13,482
Proceeds from stock subscriptions							20,000		20,000
Net (loss) for the year								(543,889)	(543,889)
BALANCE - DECEMBER 31, 2010	<u>10,000,000</u>	<u>\$10,000</u>	<u>82,911,906</u>	<u>\$82,912</u>	<u>\$1,749,699</u>		<u>(\$9965)</u>	<u>(\$2,343,053)</u>	<u>(\$510,407)</u>
Equity based compensation			86,499,979	86,000	601,500				687,500
Common stock issued for services				500`	14,500				15,000
Common stock issued for convertible notes			46,105,266	46,105	661,196				707,301
Net (loss)								(624,581)	(624,581)
BALANCE - DECEMBER 31, 2011	<u>10,000,000</u>	<u>\$ 10,000</u>	<u>215,517,151</u>	<u>\$ 215,517</u>	<u>\$ 3,026,895</u>	<u>\$ -</u>	<u>(9,965)</u>	<u>(\$2,967,634)</u>	<u>\$ 274,813</u>

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

Note 1. Organization and Nature of Operations

Greenbelt Resources Corporation (the "Company") was organized March 12, 2001 under the laws of the State of Nevada as "Originally New York, Inc."

The Company's last filed financial statements as a reporting public company was for the period ended September 30, 2006.

The Company's fiscal year end is December 31.

The Company's current business model was formulated in 2006 and preceded the acquisition of technology acquired in a business transaction through a now 100% owned subsidiary which was incorporated into a small-scale biomass/waste-to-ethanol pilot plant. The amount paid in excess of the tangible identifiable value of the technology acquired resulted in Goodwill of \$248,906 (Note 10). This facility was completed in 2010 to support the Company's business model in the biomass/waste-to-energy market as a research and development facility.

The business model is to design, develop and deploy a network of cost effective sustainable energy production systems with technology that makes production of alternative fuel practical, reliable and efficient. The Company delivers business solutions with integrity and perpetually high quality control through meticulous manufacturing and remote intelligent support services. Built around the award winning Butterfield Closed-Cycle System™ and controlled by proprietary automated remote controls, our technology enables customers to reduce cost and carbon footprint via small/medium-scale modularized waste-to-ethanol systems designed for localized processing of locally generated waste into locally consumed fuel, fertilizer and filtered water.

The Company is a green technology company publicly traded on the OTC market under the symbol [GRCO](#).

Note 2. Summary of Significant Accounting Policies

Development Stage

The Company's financial statements are presented as those of a development stage company. Activities during the development stage primarily include research and development, implementing the business plan and obtaining additional financing.

Principles of Consolidation

The consolidated financial statements as of and for the years ended December 31, 2011 and 2010 include the accounts of Greenbelt Resources Corporation and its wholly-owned subsidiary Diversified Ethanol Corporation. All inter-company accounts and transactions have been eliminated.

Cash and Cash Equivalents

The Company maintains cash balances which do not exceed federally insured limits at a single financial institution. The Company considers highly liquid investments with an original maturity of three months or less cash equivalents. There were no cash equivalents as of December 31, 2011 and 2010.

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Property and Equipment

Property consisting of office furnishings, machinery and equipment is stated at cost, less accumulated depreciation.

Depreciation is calculated using the straight-line method over-estimated useful lives of five and seven years, respectively.

Net Loss per Share

Basic earnings (loss) per share ("EPS") is computed by dividing the net loss attributable to the Company that is available to common stockholders by the weighted average number of common shares outstanding. Diluted EPS gives effect to all potentially dilutive instruments which affect common stock, including stock warrants, convertible debt and convertible preferred stock, using the converted method. Diluted EPS excludes all dilutive potential shares of common stock if their effect is anti-dilutive.

At December 31, 2010, the Company had outstanding Series B Preferred Convertible Stock and Convertible Notes, both potentially dilutive instruments. At December 31, 2011 the Company had Series B Preferred Convertible Stock as a potentially dilutive instrument.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes.

Such estimates and assumptions impact, among others, the valuation and potential impairment associated with intangible assets and estimates pertaining to the valuation allowance for deferred tax assets.

These estimates require management to exercise significant judgment and it is reasonably possible that conditions or circumstances management considered in formulating an estimate could change. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

The Company's operations are subject to significant risks and uncertainties including financial, operational and regulatory risks, and the potential risk of business failure (Note 4).

Intangible Asset

The Company's intangible asset consists of research and development technology acquired in 2006 and incorporated into a biomass/waste-to-ethanol plant completed in 2010.

The Company reviews intangible assets annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Non-Monetary Transactions

The Company has established a policy related to the methodology to be used to determine the value assigned to each intangible asset acquired and used or licensed by us and for services or products received by us and compensated by common stock. Value is based on the market price of our common stock issued as consideration

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at the date of the agreement of each transaction or when the service is rendered or product is received, as adjusted for applicable discounts.

The methods, estimates, and judgments used in applying this policy may have a significant impact on the financial statements.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at tax rates expected to be in effect when such assets or liabilities are realized or settled. Deferred income tax assets are reduced by a valuation allowance.

Assessing whether deferred tax assets are realizable requires significant judgment. The Company considers all available positive and negative evidence, including historical operating performance and expectations of future operating performance. The ultimate realization of deferred tax assets is often dependent upon future taxable income. To the extent the Company believes it is more likely than not that all or some portion of the asset will not be realized, valuation allowances are established against the Company's deferred tax assets, which may increase income tax expense in the period when such a determination is made.

On January 1, 2010, the Company adopted the provisions of ASC 740-10, "Accounting for Uncertainty in Income Taxes" – an interpretation of FASB Statement No. 109.

ASC 740-10 requires a company to recognize the financial statement effect of a tax position when it is more likely than not (defined as a substantiation likelihood of more than 50%), based on the technical merits of the position, that the position will be sustained upon examination.

Income taxes include the largest amount of tax benefit for an uncertain tax position that is more likely than not to be sustained upon audit based on the technical merits of the tax position. Settlements with tax authorities, the expiration of statutes of limitations for particular tax positions or obtaining new information on particular tax positions may cause a change to the effective tax rate. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes on the statement of operations when applicable.

There were no unrecognized tax benefits for the years ended December 31, 2011 and 2010, respectively.

Share-Based Payment Arrangements

Generally, all forms of share-based payments, including stock option grants, warrants and restricted stock grants are measured at fair value on the awards' grant date, based on estimated number of awards that are ultimately expected to vest. Share-based compensation issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payments, whichever is more readily determinable.

All share-based payments made to date have vested upon issuance.

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Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

Level 1 – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.

Level 2 – Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Research and Development

Company sponsored research and development costs that do not consist of component parts which have a future alternative use are expensed as incurred.

For the years 2011 and 2010, respectively, costs were \$ 231,205 and \$ 97,883, respectively.

Advertising

The Company's policy is to expense advertising and marketing costs as incurred. Advertising and marketing expense for the years ended December 31, 2011 and 2010, respectively, were \$1,894 and \$14,700, respectively.

Recent Accounting Pronouncements

There are no new accounting pronouncements that have a material impact on the Company's financial statements.

Note 3. Stockholder Equity (Deficit)

Common Stock

The Company is authorized to issue 500,000,000 shares of common stock, par value \$0.001 per share.

The holders of the Company's common stock are entitled to one vote for each share held of record on all matters submitted for a vote of stockholders. Holders of our common stock have no pre-emptive rights and no right to convert stock into any other security.

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The Company's officers and directors currently own approximately 41% of the shares of outstanding common stock.

Preferred Stock

Series A Preferred Stock

No Series A Preferred Stock has been authorized.

Series B Preferred Convertible Stock

As of December 31, 2011, 5,000,000 shares of Series B Convertible Preferred Stock, par value \$0.001, was issued and outstanding and held in a Voting Trust, the sole Trustee of which is an officer and director of the Company. Series B Convertible Preferred Stock can only be issued to Company directors.

Each share of Series B Convertible Preferred Stock is entitled to one vote per share at the time of each vote and ordinary dividends only if declared simultaneously with dividends on common shares.

Each share of Series B Convertible Preferred Stock can be converted into one (1) share of Common Stock.

The Series B Convertible Preferred Stock is non-cumulative, has no liquidation value, no put option and is redeemable only by the Company.

Series C Preferred Stock

As of December 31, 2011, 5,000,000 shares of Series C Preferred Stock, par value \$0.001 per share, was issued and outstanding and held in a Voting Trust, the Trustees of which are officers and directors of the Company.

The Series C shares divide voting rights equally among the Board of Directors at the time of each vote and have either (a) a 100-to-1 voting right as a group or (b) have a 51% voting right in the event 100-to-1 is no longer a majority vote.

The Series C Preferred Stock is entitled to ordinary dividends only if declared simultaneously with dividends on common shares.

The Series C Preferred Stock is non-convertible, non-cumulative, has no liquidation value, no put option and is redeemable only by the Company.

Note 4. Going Concern

The Company had a net loss of approximately (\$624,581) and net cash used in operations of approximately (\$492,105) for the year ended December 31, 2011.

The Company does not yet have a history of financial stability. Historically, the principal source of liquidity has been the issuance of convertible debt, equity securities and officer loans. In addition, the Company is in the development stage and has generated little revenue since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue operations is dependent on the success of management's plans, which include the operational business model described at Note 1 and obtaining additional capital until such time that funds provided by operations are sufficient to fund working capital requirements.

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The Company will require additional funding to finance the growth of its current and expected future operations. The Company believes its current available cash along with anticipated cash may be insufficient to meet its cash needs for the long-term future. There can be no assurance that such financing will be available in amounts or terms acceptable to the Company, if at all.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 5. Related Party Transactions

Certain officers of the Company deferred payment of a portion of their cash and other compensation for the years ended December 31, 2011, 2010 and 2009. These amounts are included in expense for the years ended December 31, 2011 and 2010 and accrued expenses for the year ended 2010.

In December 2011, the Company agreed to issue non-cash share - based compensation in the form of 86.5 million shares of common stock, valued at \$0.008 per share, partially in settlement of all compensation due. At December 31, 2011, 86.0 million of these shares had been issued.

Note 6. Convertible Notes

The Company issued \$609,500 of unsecured convertible notes during the period August 2009 through December 2011 (\$499,500 outstanding at December 31, 2010). The notes had an interest rate of 10.0% and were convertible into the Company's common shares at prices ranging from \$0.01 per share to \$0.02 per share (weighted average price of \$0.0153).

In December, 2011, 100% of the convertible notes' principal and accrued interest was converted into 46,105,266 shares of the Company's common stock in accordance with the terms specified in the notes.

Note 7. Income Taxes

The Company has net operating loss carry forwards of \$2,854,000 at December 31, 2011 and research and development credit carry forwards of \$80,000, expiring in various periods through 2029. Utilization of the net operating loss carry forwards are and may be limited due to ownership changes.

The valuation allowance at December 31, 2011 was approximately \$1,027,133. The increase in valuation allowance during the two year period ended December 31, 2011 was approximately \$417,000.

In assessing the realize-ability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon future taxable income during the periods in which those temporary differences become deductible.

Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balance to warrant the application of a full (100%) valuation allowance as of December 31, 2011.

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The Company has not filed its Federal or State income tax returns for the years ended December 31, 2010 and 2011. Management plans to file these tax returns within the next 60 days.

There was no income tax expense for the years ended December 31, 2011 and 2010.

Components of significant net deferred tax assets, including a valuation allowance, are approximately as follows:

	<u>Deferred Tax Assets</u>	<u>Valuation Allowance</u>	<u>Balance</u>
Deferred tax assets as of December 31, 2010	\$801,133	(\$801,133)	\$ -
Additions for the year	<u>226,000</u>	<u>(226,000)</u>	\$ -
Deferred tax assets as of December 31, 2011	<u>\$1,027,133</u>	<u>(\$1,027,133)</u>	<u>\$ -</u>

The following is a reconciliation of federal income tax expense for:

	<u>2011</u>	<u>2010</u>
Expected income tax (benefit) at Federal statutory tax rate - 34%	(\$218,000)	(\$185,000)
Permanent differences	(8,000)	(6,000)
Valuation allowance	<u>226,000</u>	<u>191,000</u>
Actual income tax (benefit)	\$ -	\$ -

The tax effects of temporary differences which were computed at a Federal statutory rate of 34% that give rise to deferred tax assets as of December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Net operating loss carry forwards	\$ 226,000	\$191,000
Less: valuation allowance	<u>(226,000)</u>	<u>(191,000)</u>
Net deferred tax assets recorded	<u>\$ -</u>	<u>\$ -</u>

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Note 8. Derivative Financial Instruments

The Company's derivative financial instruments initially consisted of a conversion option embedded in both the 10% Convertible Notes and Series B Convertible Preferred Stock.

These derivative financial instruments are categorized in Level 3 of the fair value hierarchy.

As of December 31, 2011, 100% of the Convertible Notes were exchanged for shares of the Company's common stock (Notes 3 and 6).

The Company has determined that there is no material realized or unrealized gains or losses to be recognized attributable to the Series B Convertible Preferred Stock at December 31, 2011 and 2010 and no material Derivative liability to be recognized at December 31, 2011.

Note 9. Property, Machinery and Equipment

Property, machinery and equipment consist of the following:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Biomass pilot plant	\$155,000	\$155,000
Equipment, furniture & fixtures	3,000	3,000
Less accumulated depreciation	<u>(56,862)</u>	<u>(25,056)</u>
	<u>\$101,138</u>	<u>\$132,944</u>

In 2010, the Company incurred a net loss on abandonment of certain assets of \$4,601 in conjunction with the relocation of the corporate office.

In 2010, the Company substantially completed the construction of its biomass/waste-to-ethanol pilot plant. The plant is deemed to have an alternative future use and the physical component parts of the plant are capitalized and depreciated over 5 years.

All other research and development costs associated with the design and construction of this plant have been expensed.

Note 10. Goodwill

The Company's Goodwill of \$248,906 consists of technology acquired in a business transaction in 2006 and incorporated into the biomass/waste-to-ethanol pilot plant completed in 2010. This plant is currently used in continuing research and development to support our business model.

There were no impairment charges during the years ended December 31, 2011 and 2010, respectively.

Note 11. Commitments and Contingencies

Consulting Agreements

The Company has annual renewable consulting agreements with two executive officers. These agreements provide for minimum salary levels, bonus compensation, change of control and other provisions typical of such agreements.

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Performance Bond

In 2011, the Company entered into an agreement to potentially issue 20.0 million shares of common stock, valued at \$0.005 per share, as consideration for a commitment to guarantee a Performance Bond related to the project described at Note 12 and other consideration. As of December 31, 2011 these shares have not been issued.

From time to time, the Company may become subject to threatened and/or asserted claims arising in the ordinary course of business. Management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Note 12. Subsequent Events

FASB ASC 855-10-50 ("Subsequent Events") requires disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the financial statements is required.

In January 2012, the Company executed a contract as a subcontractor to provide distillation and dehydration systems and continuous remote monitoring and related technical support for a Cellulosic Ethanol Pilot Plant project designed to identify efficient methodologies to produce fuel ethanol from biomass.

The Company is expected to become an operational, revenue producing company in 2012.