

Introduction

The foregoing explanation of True Green Energy Group Canada Ltd.'s corporate structure and the Company's Consolidated Financial Statements for 2009, 2010 and the First and Second Quarters of 2011.

We commence with an explanation of the relationship between True Green Energy Group Ltd. Canada and its agent companies. This is followed by a discussion of the corporate structure of TGEG Canada. This is followed by an explanation on the basis of the consolidation of the Financial Statements for True Green Energy Corporation ("TGEG Philippines") and Spectrum Blue Steel ("SBSC Philippines") for 2009, 2010 and the First and Second Quarters of 2011 prepared by Kim Nestor S. Mangada, Jr., CPA and Associates. We conclude with the rationale for treating these documents as the financial statement of TGEG Canada.

TGEG Canada and Its Agent Companies

TGEG Philippines (with Company Registration No. CS200903735) is a company duly organized under the laws of the Philippines. Its Certificate of Incorporation was issued on 11 March 2009 by the Philippine Securities and Exchange Commission ("SEC"). TGEG Philippines has entered into joint venture agreements ("JVA") with the Municipality of Sta. Rosa, and the Cities of Dumaguete, Naga and Tanjay to build and operate Biosphere facilities in their respective jurisdictions. Under the JVAs of Dumaguete, Naga and Tanjay, TGEG subsidiary companies shall be incorporated and shall assume TGEG Philippines' rights and obligations under their respective JVAs.

Spectrum Blue Steel (Negros Oriental) Corporation ("SBS-Negor"), True Green Planet International-Negros Oriental ("TGPI-Negor"), and True Green Planet International- Camarines Sur ("TGPI-Camsur;" SBS -Negor, TGPI-Negor, and TGPI-Camsur shall hereinafter be collectively referred to as "TGEG Subsidiaries") are presently undergoing incorporation as a subsidiaries of TGEG Philippines. SBS-Negor, TGPI-Negor and TGPI-Camsur shall assume TGEG Philippines' rights and obligations with respect to the future Tanjay, Dumaguete and Naga Biosphere facilities, respectively.

SBSC Philippines (with Company Registration No. CS2008088418) was organized under the laws of the Philippines. Its Certificate of Incorporation was

issued on 30 June 2008 by the Philippine SEC. By virtue of BTLA-2008-03 dated 02 June 2008, SBSC Philippines was duly licensed to use the Biosphere technology here in the Philippines. SBSC Philippines has entered into a Public Private Partnership Agreement (“PPA”) with the City of San Fernando to build and operate our pioneer Biosphere facility in the Philippines.

SBSC San Fernando (with Company Registration No. CS201004253) is likewise a company organized under Philippine laws on 18 June 2010. SBSC San Fernando was incorporated to become a subsidiary of SBSC Philippines in order to assume the latter’s rights and obligations with respect to the San Fernando Biosphere facility. SBSC Seychelles (with Company No. 078545) was incorporated in the Republic of Seychelles on 02 August 2010. TGEG Seychelles (with Company No. 078544) was likewise incorporated in the Republic of Seychelles on 02 August 2010.

Corporate Structure

The corporate structure is a graphical representation tracing the ownership and/or interests of TGEG Canada in its agent companies located outside of Canada.

Legal mechanisms are in place giving TGEG Canada full operational control over its agent companies. Operational control of TGEG Canada over its affiliate companies is maintained in several ways.

First, TGEG Canada’s Chairman/Founder and CEO Ronald Shane Flynn (“Mr. Flynn”) and its management team and directors (collectively, “TGEG Canada directors”) own the controlling equity of TGEG Canada shares. TGEG Canada has 800,000,000 authorized shares. The remaining 92, 893, 780 shares were issued to investors, other companies and Company employees. The shares were issued to investors by way of a bonus, in recognition of the fact that their investment in SBSC Seychelles was crucial contribution for TGEG Canada’s and its affiliate companies’ operations as a whole. The shares issued to other companies and Company employees were in recognition of their exemplary services to TGEG Canada and its agent companies.

Second, TGEG Canada owns eighty percent (80%) of SBSC Seychelles; the remaining twenty percent (20%) is owned by individual shareholders.

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Third, TGEG Canada and its agent companies, share the same directors, officers and controlling shareholders.

Below is a table of the positions occupied by TGEG Canada directors, officers and controlling shareholders in TGEG Canada affiliate companies.

Name & Nationality	Position Held in TGEG Canada	Position held in TGEG Philippines	Position held in SBSC Philippines	Position held in SBSC Seychelles	Position held in TGEG Seychelles
Renato W. Lee III (Filipino)	CEO	N/A	N/A	N/A	N/A
John Lamb (British)	President/ Shareholder	N/A	President/ Shareholder	Director/ Shareholder	Director/ Shareholder
Yolanda Hess (Filipino)	Executive Director	N/A	Secretary/ Shareholder	N/A	N/A
Charlie Padua (Filipino)	Executive Director	N/A	N/A	N/A	N/A
HolliePhipps (Canadian)	Director	N/A	N/A	N/A	N/A
Richie Carson (Filipino)	Secretary	Director/ Secretary/ Shareholder	COO/ Shareholder	N/A/ Shareholder	N/A
Dorcas Jutis (Filipino)	Treasury	N/A	N/A	Director/ Shareholder	Director/ Shareholder
Tomasita Camayra (Filipino)	Auditor	N/A	N/A	Director/ Shareholder	Director/ Shareholder

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Ronald Shane Flynn	Chairman/ Shareholder	CEO/ Founder / Shareholder	CEO/ Founder/ Shareholder	Director/ Shareholder	Director/ Shareholder
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Fourth, TGEG Canada owns the forty (40%) foreign equity in TGEG Philippines. Shareholders who own the forty percent (40%) foreign equity in TGEG Philippines and have jointly executed a deed assigning their respective shares in favor of TGEG-Canada.

This arrangement likewise ensures that TGEG Philippines (and SBSC Philippines) comply with related Philippine laws limiting foreign equity in Philippine corporations to forty percent (40%) for certain business undertakings.

Resort to the above legal mechanisms is imperative because of strict Philippine laws limiting foreign equity in certain business undertakings to a maximum of forty percent (40%) at all times. No less than the Philippine Constitution limits foreign equity in Philippine companies seeking to own private lands. This limitation is echoed in Republic Act No. 7042 (“Foreign Investments Act of 1991”) in relation to Executive Order No. 584 (a presidential edict implementing the Foreign Investments Act of 1991). In their respective Articles of Incorporation, both TGEG Philippines and SBSC Philippines indicated the ownership of private lands as one of their business undertakings.

Fifth, TGEG Canada has an agency agreement with TGEG Philippines, authorizing the latter to act as the former’s agent in marketing, selling and operating the Biosphere Process Systems in the Philippines. This agency agreement operates as the agent TGEG Philippines’ authority to enter into contracts to build and operate Biosphere facilities in the Philippines and enables the principal TGEG Canada to control the latter’s business decisions with respect to the project, under pain of revocation of TGEG’s authority to use the Biosphere System.

Sixth, to ensure full operational control over TGEG Philippines subsidiaries, TGEG Philippines shall acquire at least ninety percent (90%) of the shares of each future TGEG Philippines subsidiaries. The remaining shares shall be owned and held by common directors of SBSC Philippines or TGEG Philippines. By way of recollection, it was stated at the outset that TGEG Philippines has entered in JVAs with several local government units in the

Philippines and that under these agreements, TGEG subsidiaries shall be incorporated under Philippine laws to assume TGEG Philippines' rights and obligations under their respective JVs.

Seventh, TGEG Philippines has one hundred percent (100%) control over SBSC Philippines. This control is maintained by the following mechanisms: (a) TGEG Philippines and SBSC Philippines share interlocking directors, officers and controlling shareholders; (b) SBSC Philippines is a subsidiary of TGEG Philippines; (c) TGEG Philippines owns the sixty percent (60%) shareholding in SBSC Philippines reserved by law for Philippine citizens or Philippine companies; and lastly, (d) the remaining forty percent (40%) shares representing the foreign equity in SBSC Philippines is owned and controlled by common directors, officers and shareholders of both companies. This arrangement ensures that TGEG Philippines and SBSC Philippines comply with related Philippine laws limiting foreign equity in Philippine corporations to forty percent (40%) for certain business undertakings earlier explained.

There is a further reason for maintain the so-called sixty-forty (60-40) rule on foreign equity. SBSC Philippines is presently seeking to register the Biosphere Project with the Philippine Board of Investment (an attached agency to the Philippine Department of Trade and Industry) under Executive Order No. 226 ("Omnibus Investment Code of 1987"), in order for the to avail of fiscal incentives. In order to qualify for these fiscal incentives under the law, a corporation must be organized in under Philippine laws and at least sixty percent (60%) of its stock must be owned and held by Filipino stockholders.

Lastly, TGEG Seychelles was envisioned to act as the intermediary for all future sales of finished products from our Biosphere facilities worldwide, given the strategic location of Seychelles in the global community. Geographically situated at the heart of Africa, India and the open seas, TGEG Seychelles will play a central role in marketing our products to a worldwide market.

Basis for the Consolidation of the Financial Statements of TGEG Philippines and SBSC Philippines

As previously discussed, the Consolidated Financial Statements of TGEG Philippines and SBSC Philippines for 2009, 2010 and the first two quarters of 2011 were prepared by Kim Nestor S. Mangada, Jr., CPA and Associates.

TGEG Philippines is the parent company of SBSC Philippines. Coupled with the fact that the financial statements of the parent company TGEG

Philippines and its subsidiary SBSC Philippines were prepared under the same reporting period and using the same uniform accounting policies of International Accounting Standards (IAS), there is sufficient basis for the consolidation of the financial statements of the parent and subsidiary companies.

Rationale for treating the Consolidated Financial Statements of TGED Philippines and SBSC Philippines as the Financial Statements of TGED Canada

The Consolidated Financial Statements of TGED Philippines and SBSC Philippines should be viewed in the context of TGED-Canada's corporate structure since this corporate structure, as earlier explained, traces the ownership and/or interests of TGED Canada in its affiliate companies as well as their underlying legal relationships. Simply stated, based on the corporate structure, TGED Philippines' and SBSC Philippines' Consolidated Financial Statements are that of TGED Canada. This position finds further support in the related party transactions divulged in the aforesaid financial statements, as well as other legal documents uploaded elsewhere in this website.

Conclusion

In sum, TGED Canada's corporate structure sufficiently explains and traces its ownership and/or interests in all its agent companies, specifically to TGED Philippines and SBSC Philippines, which latter two companies are directly involved in the promotion, marketing and future operation of the Biosphere Technology (beginning with the San Fernando Facility in the very near future). The proven ownership and/or interests of TGED Canada in its affiliate companies support our position to treat TGED Philippines' and SBSC Philippines' Consolidated Financial Statements as that of TGED Canada.

Ultimately, the complexities of doing business in multiple jurisdictions governed by oftentimes divergent laws have made the resort to the above described corporate structure a legal, as well as a practical necessity for the Company.

We trust that this explanation sufficiently addresses your concerns.

Amendment letter (with Agency Revision)

Very Truly Yours,

Atty. Renato Paraiso

Atty. Deborah Santos