Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

SUPPLEMENT TO FIRST REPORT OF THE RECEIVER DATED SEPTEMBER 22, 2014

PURPOSE

1. This supplement to the First Report of the Receiver (the "Supplemental First Report") is provided in reference to the Receiver's First Report dated September 12, 2014 (the "First Report"). The purpose of the Supplemental First Report is to provide this Court with information in respect of the status of the sale of Hanfeng Evergreen Inc.'s (or the "Company") wholly owned subsidiary, Hanfeng Slow-Release Fertilizer Co., Ltd (the "Chinese Subsidiary").

TERMS OF REFERENCE

2. In preparing this Supplemental First Report and making the comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, prepared by the Company's books and records, discussions with employees of the Company and information from other third-party sources (collectively, the "Information"). Except as described in this Supplemental First Report:

    (a) The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with the Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants

Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information; and

(b) The Receiver has prepared this Supplemental First Report in its capacity as a court-appointed officer solely for the use of this Court and the stakeholders in these proceedings and will make a copy of this First Report available on the Receiver's website at www.ey.com/ca/hanfeng.

3. All monetary amounts contained herein are expressed in Canadian dollars, unless otherwise stated.

GENERAL BACKGROUND

4. On August 20, 2014, following an application by the Company, this Court approved a share transfer agreement between the Company and Heilongjiang Harbin Pengcheng Fertilizer Co., Ltd. (the "Purchaser") dated August 8, 2014 (the "Share Transfer Agreement") in respect of the shares of the Chinese Subsidiary (the "Shares") and the transaction contemplated therein (the "Share Transfer Transaction") and provided for the vesting of all of the Shares in the Purchaser free and clear of any encumbrances upon the completion of the Share Transfer Transaction (the "Vesting Order").

SHARE TRANSFER TRANSACTION UPDATE

5. On September 12, 2014, the Receiver provided the following update in the First Report in respect of the payments contemplated in the Share Transfer Transaction:

- Pursuant to the terms of the Share Transfer Agreement, RMB 12,400,000 (approximately $2.2 million) has already been received from the Purchaser; and

- A further RMB 37,200,000 (approximately $6.6 million) due ten business days after the date of approval of the Share Transfer Transaction by this Court was delayed on account of regulatory clearance from China`s State

Administration of Foreign Exchange (“SAFE”). The Receiver understood that as of September 12, 2014, SAFE clearance had been obtained and that the payment would be processed and released. The Receiver expected receipt of the payment in the week ending September 19, 2014.

6. Subsequently, on September 15, 2014 the Purchaser advised the Receiver, that notwithstanding that SAFE clearance had been obtained, the bank handling this remittance (the “Bank”) informed the purchaser that after the Bank’s review of the supporting documentation, the Bank would not initiate the RMB 37,200,000 payment unless it received a notarized copy of the Vesting Order which had been appropriately authenticated by Official Documents Services, Ontario and the Consulate of the People’s Republic of China (the “Authenticated Court Order”). Therefore, the Receiver proceeded to undertake the requisite steps and has dispatched a copy of the Authenticated Court Order to the Purchaser. The Receiver understands that payment will be initiated forthwith after receipt of the Authenticated Court Order by the Purchaser and the Bank.

7. The Receiver understands that the Authenticated Court Order has arrived in Harbin, China (where the Purchaser is located) and that delivery to the Purchaser is pending. The Receiver also understands that the Purchaser will deliver the Authenticated Court Order to the Bank forthwith upon receipt.

All of which is respectfully submitted this 22nd day of September 2014.

ERNST & YOUNG INC.
In its capacity as Receiver of
Hanfeng and not in its personal or corporate capacity

Per:

Murray A. McDonald
President