Immunall Science Inc.

(expressed in Canadian dollars)

Financial Statements

December 31, 2011

Collins Barrow

Chartered Accountants & Consultants

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Independent Auditors' Report

To the Shareholders
Immunall Science Inc.

We have audited the accompanying financial statements of Immunall Science Inc., which comprise the balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Immunall Science Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 2 to the financial statements which describes the uncertainty related to the Company's ability to operate as a going concern in the future. Our opinion is not qualified in respect of this matter.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
April 18, 2012

Immunall Science Inc.

(Incorporated under the laws of Alberta)

Balance Sheets

(expressed in Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets			
Cash	$ 19,562	$ 9,290	$ 5,988
Accounts receivable (note 4)	74,384	2,637	15,000
Goods and Services Tax recoverable	-	5,356	9,034
Inventory (note 3(a))	44,754	60,461	72,376
Prepaid expenses	396	517	540
	139,096	78,261	102,938
Equipment (note 5)	1,078	1,333	1,588
	$ 140,174	$ 79,594	$ 104,526
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (notes 6 & 8)	$ 62,166	$ 64,403	$ 97,824
Promissory note payable (note 7)	-	25,000	-
	62,166	89,403	97,824
Shareholders' Equity (Deficiency)			
Share capital (note 7)	945,248	919,144	919,144
Contributed surplus	224,769	224,769	224,769
Deficit	(1,092,009)	(1,153,722)	(1,137,211)
	78,008	(9,809)	6,702
	$ 140,174	$ 79,594	$ 104,526

Going concern (note 2)

See accompanying notes.

Approved by the Board,

(signed) *"M. Frank Phillet"* __________, Director

(signed) *"Jim Aboughoche"* __________, Director

Immunall Science Inc.

Statements of Income (Loss) and Comprehensive Income (Loss)

Years Ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	2011	2010
Revenue	$ 103,545	$ 39,500
Cost of sales	13,116	11,915
	90,429	27,585
Expenses		
Advertising and promotion	3,532	252
Bad debts	-	14,285
Consulting fees	-	9,046
Bank charges	246	286
Office	501	904
Product testing costs	777	4,095
Professional fees	6,720	20,396
Regulatory expenses	16,685	21,205
Rent	-	742
Travel	-	750
Amortization	255	255
	28,716	72,216
Income (loss) from operations	61,713	(44,631)
Other income (loss)		
Finance expenses - interest on promissory note	-	(630)
Settlement of accounts payable	-	28,750
	-	28,120
Net income (loss) and comprehensive income (loss)	$ 61,713	$ (16,511)
Basic and diluted income (loss) per share (note 7(e))	$ 0.0015	$ (0.0004)
Interest paid	$ 630	$ -

See accompanying notes.

Immunall Science Inc.

Statement of Changes in Shareholders' Equity

Years Ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	Number of common shares	Common shares at stated value	Contributed surplus	Deficit	Total equity
Balance, at January 1, 2010	38,565,842	$ 919,144	$ 224,769	$ (1,137,211)	$ 6,702
Loss for the period	-	-	-	(16,511)	(16,511)
Balance at December 31, 2010	38,565,842	919,144	224,769	(1,153,722)	(9,809)
Shares issued upon amalgamation (note 7(c))	3,700,000	26,104	-	-	26,104
Income for the period	-	-	-	61,713	61,713
Equity, end of year	42,265,842	$ 945,248	$ 224,769	$ (1,092,009)	$ 78,008

See accompanying notes.

Immunall Science Inc.
Statements of Cash Flows
Years Ended December 31, 2011 and 2010
(expressed in Canadian dollars)

	2011	2010
Operating activities		
Net income (loss)	$ 61,713	$ (16,511)
Items not affecting cash		
Amortization	255	255
Settlement of accounts payable	-	(28,750)
	61,968	(45,006)
Changes in non-cash working capital		
Accounts receivable	(71,747)	12,363
Goods and Services Tax recoverable	5,356	3,678
Inventory	15,707	11,915
Prepaid expenses	121	23
Accounts payable and accrued liabilities	(1,607)	(4,671)
	(52,170)	23,308
	9,798	(21,698)
Financing activities		
Proceeds from promissory note	-	25,000
Cash acquired in amalgamation	474	-
	474	25,000
Cash inflow	10,272	3,302
Cash, beginning of year	9,290	5,988
Cash, end of year	$ 19,562	$ 9,290

See accompanying notes.

1. Nature of operations

Immunall Science Inc. (the “Company”) was incorporated under the *Business Corporations Act* (Alberta) on November 22, 2005. The Company is a research company engaged in the business of developing and commercializing technology related to the growth and extraction of active ingredients from American Ginseng.

The address and principal place of business of the Company is 10979 - 127th Street, Edmonton, Alberta, Canada, T5M 0T1.

2. Basis of presentation

(a) Going concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company is in the development stage and the ability of the Company to continue as a going concern is dependent on obtaining additional financing or generating income sufficient to pay its liabilities and ongoing operating expenses. To December 31, 2011, the Company has earned limited revenues from operations and at December 31, 2011, has a deficit of $1,092,009 (2010 - $1,153,722). Management is currently investigating a range of strategic options available with a view to maximizing shareholder value. The Company may be required to obtain additional financing in the future to fund operations and settle obligations.

These statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate for these financial statements, then adjustments, which could be material, would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses and the balance sheet classifications used.

(b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) for the year ended December 31, 2011, including 2010 comparative periods as well as with IFRS 1 "First Time Adoption of IFRS". Previously, the Company prepared its annual and interim financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The preparation of these annual audited financial statements resulted in selected changes to the Company's accounting policies as compared to those disclosed in the Company's annual audited financial statements for the year ended December 31, 2010 issued under Canadian GAAP. A summary of significant changes to the Company's accounting policies is disclosed in Note 12 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at January 1, 2010 and as at and for the year ended December 31, 2010. These financial statements should be read in conjunction with the Company's Canadian GAAP financial statements as at the for the year ended December 31, 2010.

A summary of the Company's significant accounting policies under IFRS is presented in Note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in Note 12.

The consolidated financial statements were authorized for issue by the Board of Directors ("the Board") on April 18, 2012.

(c) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for held-for-trading financial assets that are measured at fair value with changes in fair value recorded in earnings. See note 11 for the methods used to measure fair values.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The amounts recorded for inventory are based on management's best estimate of the net realizable value of slow moving or obsolete inventory. Allowances are made against obsolete or damaged inventories and charged to cost of sales. The reversal of any write-down of inventory arising from an increase in net realizable value is recognized as a reduction in cost of sales in the period in which the reversal occurred.

The Company performs ongoing credit evaluations of its customers and grants credit based upon a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions.

Deferred income taxes are based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantively enacted and the determination of the valuation allowance. The valuation allowance is based on estimates of the probability of the Company utilizing certain tax pools and losses in future periods.

The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the value of the Company's shares at grant date, the risk-free interest rate, average expected option life, estimated forfeitures and estimated volatility of the Company's shares.

3. Significant accounting policies

(a) Inventory

Inventory consists of raw materials and processed product and is valued at the lower of cost and net realizable value, cost being determined on a specific identification basis. When the applicable cost of the inventories exceeds the net realizable value inventory is written down to the net realizable value. Write-downs are subsequently reversed up to the original cost if the net realizable value exceeds the carrying amount. The amount of inventory recognized as an expense during the year ended December 31, 2011 was $15,707 (2010 - $11,915). In addition, during the year ended December 31, 2011, the Company sold 178 kilograms of raw materials that had previously been written down to nil. No inventory write-downs were recorded during the years ended December 31, 2011 and 2010.

(b) Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Amortization of equipment is provided using the straight-line method at the following rates approximating their estimated useful lives:

Furniture	10 years

(c) Impairment

The carrying value of long-term assets is reviewed annually for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net income.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold for in an arm's length transaction. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the asset or cash generating unit in its present form.

Reversals of impairments are recognized when there are indicators that an impairment loss recognized in prior periods may no longer exist, or may have decreased. In this event, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The revised recoverable amount is limited to the original carrying amount less depreciation as if no impairment had been recognized for the asset or cash-generating unit for prior periods.

(d) Revenue recognition

The Company recognizes revenue when the product is shipped and there is reasonable assurance of collection.

(e) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, plus any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilized, are recognized.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(f) Finance income and costs

Finance income, consisting of interest income, is recognized as it accrues in the statement of income, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets.

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. A qualifying asset is one that takes a substantial period of time to get ready for use or sale.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognized in the statement of income in the period in which they are incurred using the effective interest method.

(g) Stock-based compensation

The Company has a stock based compensation plan, which is described in note 7(d). The fair value of the stock options is measured at the grant date and recognized as share-based compensation expense, with a corresponding increase in contributed surplus over the vesting period. The fair value of the stock is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the stock options were granted. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of stock options that will ultimately vest. When the stock options is exercised, the amount previously recorded as share-based compensation is recorded as share capital.

(h) Financial instruments

(i) Classification and measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through the statement of income", "longs and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost: as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through the statement of income" are either classified as "held for trading" or "designated at fair value through the statement of income" and are measured at fair value with changes in fair value recognized in the income statement. Transaction costs are expensed when incurred. The Company has designated cash as "held for trading".

Financial assets and financial liabilities classified as "loans and receivables", "held-to-maturity", or "financial liabilities measured at amortized cost" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. "Financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through the statement of income" and that are not derivatives. The Company has designated accounts receivable as "loans and receivables", which are measured at amortized cost.

Accounts payable and accrued liabilities are classified as "financial liabilities measured at amortized cost".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company has no available-for-sale financial assets.

(ii) Equity instruments

The Company's common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(iii) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that financial assets, other than those designated as "fair value through the statement of income" are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of income. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of income in the period. Impairment losses may be reversed in subsequent periods.

(i) Diluted income (loss) per share

Diluted income (loss) per share is calculated using the treasury stock method whereby it is assumed that proceeds from the exercise of in-the-money stock options are used by the Company to repurchase Company common shares at the weighted average market price during the period.

(j) New accounting standards, interpretations and amendments to existing standards

IFRS 9, “Financial Instruments” (“IFRS 9”)

In November 2009, the IASB issued IFRS 9, “Financial Instruments”, replacing IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 will be issued in three phases. The first phase, which has already been issued, addresses the accounting for financial assets and financial liabilities. The second phase will address impairment of financial instruments, while the third phase will address hedge accounting.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

Requirements for financial liabilities were added to IFRS 9 in October 2010. Although the classification criteria for financial liabilities will not change under IFRS 9, the fair value option may require different accounting for changes to the fair value of a financial liability resulting from changes to an entity’s own credit risk.

In December 2011, the IASB issued amendments to IFRS 9, extending the mandatory effective date for implementation of IFRS 9, which is now effective for annual periods beginning on or after January 1, 2015, although early adoption is permitted, with varying transitional arrangements dependent on the date of initial application.

IFRS 10, “Consolidation” (“IFRS 10”)

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, “Consolidation—Special Purpose Entities” and parts of IAS 27, “Consolidated and Separate Financial Statements” (“IAS 27”). This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 11, "Joint Arrangements" ("IFRS 11")

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas, for a joint operation, the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities—Non-monetary Contributions by Venturers". This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 13, "Fair Value Measurement" ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

Amendments to Other Standards

In addition to the issuance of new standards as detailed above, there have also been amendments to existing standards, including IAS 1, "Presentation of Financial Statements" ("IAS 1"), IAS 19, "Employee Benefits" ("IAS 19"), IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") and IAS 32 "Financial Instruments: Presentation" ("IAS 32").

The amendments to IAS 1 will require that entities group items presented in other comprehensive income ("OCI") based on an assessment of whether such items may or may not be reclassified to earnings at a subsequent date. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted.

Amendments to IAS 19 eliminate an entity's option to defer the recognition of certain gains and losses related to post employment benefits and require remeasurement of associated assets and liabilities in OCI. Amendments to IAS 19 are applicable on a modified retrospective basis to annual periods beginning on or after January 1, 2013, with early adoption permitted.

The amended IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13 as outlined above. Amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted.

Amendments to IFRS 7 require the disclosure of information that will enable users of an entity's financial statements to evaluate the effect, or potential effect, of offsetting financial assets and financial liabilities, to the entity's financial position.

Amendments to IFRS 7 are applicable to annual periods beginning on or after January 1, 2013, with retrospective application required.

The amendments to IAS 32 clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. Early adoption is permitted.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4. Accounts receivable

Trade receivables are due within 30 days from the date of billing. See note 11 for further details on the Company's credit risk.

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

61 - 90 days	$ 74,384	$ -
91 + days	-	2,637
	$ 74,384	$ 2,637

During the year ended December 31, 2011 the Company had no bad debt expense or allowance for doubtful accounts. During the year ended December 31, 2010 the Company had recognized a bad debt expense of $14,285.

All trade receivables are expected to be received within one year.

5. Equipment

	2011		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 2,550	$ 1,472	$ 1,078

	2010		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 2,550	$ 1,217	$ 1,333

6. Accounts payable and accrued liabilities

	2011	2010
Trade creditors	$ 1,676	$ 18,636
Other payables and accrued liabilities (note 8(b))	58,069	45,767
Goods and services tax payable	2,421	-
	$ 62,166	$ 64,403

Accounts payable and accrued liabilities include $45,237 that is greater than 30 days, all other amounts payable are current and all amounts are expected to be settled within one year.

During the year ended December 31, 2010, the Company wrote off an account payable for previous research and development expenditures that was forgiven by the supplier.

7. Share capital

(a) Authorized

Unlimited	number of common shares
20,000,000	preferred shares, issuable in one or more series
20,000,000	redeemable preferred shares, issuable in one or more series

(b)

	Number	Stated value
Issued: Common shares		
Balance January 1, 2010 and December 31, 2010	38,565,842	$ 919,144
Shares issued on amalgamation	3,700,000	26,104
Balance December 31, 2011	42,265,842	$ 945,248

(c) On January 11, 2011 the Company issued a joint management information circular and proxy statement relating to the amalgamation of the Company with Altius Edge Ltd. ("Altius"). The amalgamation was completed on March 31, 2011 and each shareholder of the Company received for each share held, one common share of the amalgamated company, .025 of a share of Aileron Ventures Limited and .025 of a share in Nautor Progressive Corporation. The Company issued 3,700,000 common shares to the shareholders of Altius and received proceeds for the shares equivalent to $26,104 by the cancellation of a promissory note and related interest payable totaling $25,630 and cash of $474.

(d) Stock options

The Company has a stock option plan pursuant to which the Board of Directors of the Company may grant options to purchase common shares to the officers, directors and employees of the Company or affiliated companies and to consultants retained by the Company.

The aggregate number of common shares reserved for issuance under the stock option plan is set at a maximum of 10% of the total number of shares outstanding at the time the options are granted. Furthermore, the aggregate number of shares issuable to one individual may not exceed 5% of the total number of issued and outstanding common shares of the Company. The exercise price of all options issued under the stock option plan may not be less than the closing market price on the last business day prior to the date the option was granted.

A summary of the status of the Company's stock options as at December 31, 2011 and 2010 and changes during the periods then ended are as follows:

	2011			2010		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	500,000	$	0.10	700,000	$	0.10
Expired	-	$	-	200,000	$	0.10
Outstanding and exercisable, end of year	500,000	$	0.10	500,000	$	0.10

No options were granted during the years ended December 31, 2011 and 2010.

The following table summarizes the options outstanding and exercisable at December 31, 2011:

Options outstanding and exercisable	Exercise price	Weighted average remaining contractual life
500,000	$ 0.10	.54 years

(e) Net income (loss) per share

Net income (loss) per share is calculated based on the basic and diluted weighted average number of common shares outstanding during the year ended December 31, 2011 of 41,353,513 and 2010 of 38,565,842. The effect of all potential option exercises have been excluded from the diluted calculations as there were no in-the-money options outstanding at either date, and the effect would be anti-dilutive.

8. Related party transactions

(a) The Company has not entered into transactions with related parties during 2011 or 2010, however accounts payable remain outstanding relating to consulting fees charged in prior periods.

(b) Amounts payable

	2011	2010
Accounts payable and accrued liabilities includes amounts payable to:		
Craig D. McLennan Professional Corporation	$ 22,500	$ 22,500
Michael Frank Phillet Professional Corporation	22,500	22,500
	$ 45,000	$ 45,000

Amounts included in accounts payable and accrued liabilities are due under normal credit terms.

(c) The Company has not paid any compensation to executives, directors or employees during the years ended December 31, 2011 and 2010.

9. Income taxes

(a) The components of the Company's deferred tax asset and associated movement are as follows:

	December 31, 2010	Recognized in Profit and Loss	December 31, 2011
Cumulative eligible capital	$ 213,749	$ (14,770)	$ 198,979
Non-capital loss carry-forwards	333,482	(28,452)	305,030
Other	190	(54)	136
Valuation allowance	(547,421)	43,276	(504,145)
	$ -	$ -	$ -

	January 1, 2010	Recognized in Profit and Loss	December 31, 2010
Cumulative eligible capital	$ 243,627	$ (29,878)	$ 213,749
Non-capital loss carry-forwards	330,166	3,316	333,482
Other	2,150	(1,960)	190
Valuation allowance	(575,943)	28,522	(547,421)
	$ -	$ -	$ -

(b) Income tax recovery differs from that which would be expected from applying the approximate combined effective Canadian federal and provincial income tax rates of 25% (2010 - 28%) to income (loss) before income taxes as follows:

	2011	2010
Income (loss) before income taxes	$ 61,713	$ (16,511)
Expected income tax recovery	15,546	(4,623)
Change in tax rates	29,504	32,976
Other	(1,774)	55
Deferred income tax benefit not recognized	(43,276)	(28,408)
	$ -	$ -

(c) The Company has available the following non-capital loss carryforwards for which no benefit has been recognized in the financial statements:

Amount	Year of Expiry
$ 27,828	2014
81,192	2015
270,129	2026
302,300	2027
175,433	2028
265,794	2029
80,537	2030
16,907	2031
$ 1,220,120	

In addition, the Company has $795,917 of cumulative eligible capital for which no benefit has been recognized in the financial statements.

10. Capital disclosures

The Company's objectives in managing its capital is to safeguard the Company's assets to be able to continue as a going concern, and to sustain future development of the business.

Management defines capital as the Company's shareholders' equity. The Company manages its capital structure and makes adjustments to it according to economic market conditions. Management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses expected capital requirements for the fiscal period. In order to maintain or adjust the capital structure, the Company may adjust capital spending, issue new shares, sell assets or incur debt.

There have been no changes to the Company's capital disclosure policy during the year ended December 31, 2011 and the Company is not subject to externally imposed capital requirements at December 31, 2011.

11. Financial instruments

The Company has exposure to credit and liquidity risks on its financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, however, management has the responsibility to administer and monitor these risk.

(a) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or party to a financial instrument fails to meet its financial obligations.

The Company mitigates its cash credit loss by holding its cash in a major Canadian chartered bank.

The Company is exposed to a concentration of credit risk on its accounts receivable as the balance is from two companies. Management believes that this risk is mitigated as $886 of the accounts receivable is due from a related party and the remainder of the accounts receivable was collected subsequent to year end.

The objective of managing credit risk is to prevent losses in financial assets and it is the Company's experience that the credit worthiness of its accounts receivable is adequate.

The carrying amount of accounts receivable is reduced through the use of a bad debt account and the amount of the loss is recognized in the income statement within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited to the bad debt account. During the year ended December 31, 2011, receivable balances of $NIL (2010 - $14,285) were written-off.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations as they become due.

(c) Fair values

The fair values of the Company's cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these instruments

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurements.

Cash is measured at fair value based on a Level 1 designation.

12. Transition to IFRS

As disclosed in note 2, these financial statements represent the Company's first annual presentation of the financial performance and financial position under IFRS for the period ended December 31, 2011. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian GAAP.

IFRS 1 requires the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs.

The following reconciliations present the adjustments made to the Company's previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Company's balance sheets as at January 1, 2010 and December 31, 2010, statements of income (loss) and comprehensive income (loss) and cash flows for the year ended December 31, 2010 and shareholders' equity reconciliations as at January 1, 2010 and December 31, 2010.

Reconciliation of balance sheet as at January 1, 2010 from Canadian GAAP to IFRS:

	Notes	Canadian GAAP	Reclassification upon transition to IFRS	Effect of transition to IFRS	IFRS
ASSETS					
Current assets					
Cash		$ 5,988	$ -	$ -	$ 5,988
Accounts receivable		15,000	-	-	15,000
Goods and Services Tax recoverable		9,034	-	-	9,034
Inventory		72,376	-	-	72,376
Prepaid expenses		540	-	-	540
		102,938	-	-	102,938
Property and equipment		1,588	-	-	1,588
Total assets		$ 104,526	$ -	$ -	$ 104,526
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$ 97,824	$ -	$ -	$ 97,824
		97,824	-	-	97,824
Shareholders' Equity					
Share capital		919,144	-	-	919,144
Contributed surplus		224,769	-	-	224,769
Deficit		(1,137,211)	-	-	(1,137,211)
		6,702	-	-	6,702
		$ 104,526	$ -	$ -	$ 104,526

Reconciliation of balance sheet as at December 31, 2010 from Canadian GAAP to IFRS:

	Notes	Canadian GAAP	Reclassification upon transition to IFRS	Effect of transition to IFRS	IFRS
ASSETS					
Current assets					
Cash		$ 9,290	$ -	$ -	$ 9,290
Accounts receivable		2,637	-	-	2,637
Goods and Services Tax recoverable		5,356	-	-	5,356
Inventory		60,461	-	-	60,461
Prepaid expenses		517	-	-	517
		78,261	-	-	78,261
Equipment	5	1,333	-	-	1,333
Total assets		$ 79,594	$ -	$ -	$ 79,594
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$ 64,403	$ -	$ -	$ 64,403
Promissory note payable		25,000	-	-	25,000
		89,403	-	-	89,403
Shareholders' Equity					
Share capital		919,144	-	-	919,144
Contributed surplus		224,769	-	-	224,769
Deficit		(1,153,722)	-	-	(1,153,722)
		(9,809)	-	-	(9,809)
		$ 79,594	$ -	$ -	$ 79,594

Reconciliation of statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2010 from Canadian GAAP to IFRS:

	Canadian GAAP	Reclassification upon transition to IFRS	Effect of transition to IFRS	IFRS
Revenue	$ 39,500	$ -	$ -	$ 39,500
Cost of sales	11,915	-	-	(11,915)
	27,585	-	-	27,585
Expenses				
Advertising and promotion	252	-	-	252
Bad debts	14,285	-	-	14,285
Consulting fees	9,046	-	-	9,046
Bank charges	286	-	-	286
Interest on promissory note	630	630	-	-
Office	904	-	-	904
Product testing costs	4,095	-	-	4,095
Professional fees	20,396	-	-	20,396
Regulatory expenses	21,205	-	-	21,205
Rent	742	-	-	742
Travel	750	-	-	750
Amortization	255	-	-	255
	72,846	630	-	72,216
Loss from operations	(45,261)	630	-	(44,631)
Finance expenses - interest in promissory note	-	(630)	-	(630)
Settlement of accounts payable	28,750	-	-	28,750
Loss and comprehensive loss for the year	$ (16,511)	$ -	$ -	$ (16,511)
Net loss per share Basic and diluted	$ (0.0004)	$ -	$ -	$ (0.0004)

Reconciliation of shareholders' equity (deficiency) as at January 1, 2010 and December 31, 2010 from Canadian GAAP to IFRS:

	Notes	January 1, 2010	December 31, 2010
Total shareholders' equity under Canadian GAAP		$ (1,137,211)	$ (1,153,722)
Total adjustments to shareholders' equity		$ -	$ -
Total shareholders' equity under IFRS		$ (1,137,211)	$ (1,153,722)

Reconciliation of cash flows statement for the year ended December 31, 2010 from Canadian GAAP to IFRS:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Cash provided by (used in):			
Operating activities			
Loss for the period	$ (16,511)	$ -	$ (16,511)
Adjustments for:			
Amortization	255	-	255
Net finance (income) expense	-	630	630
Settlement of accounts payable	(28,750)	-	(28,750)
Changes in non-cash working capital	23,308	-	23,308
Net cash used in operating activities	(21,698)	630	(21,068)
Cash flows from financing activities			
Proceeds from promissory note	25,000	-	25,000
Interest paid	-	(630)	(630)
	25,000	(630)	24,370
Change in cash	3,302	-	3,302
Cash, beginning of year	5,988	-	5,988
Cash, end of year	$ 9,290	$ -	$ 9,290

(a) First-time adoption exemptions and exception applied

The following optional exemptions and required exception were applied by the Company:

(i) Business combinations exemption

IFRS 1 allows the Company to adopt IFRS 3, "Business Combinations", on a prospective basis rather than retrospectively restating all prior business combinations. The Company elected not to retrospectively apply IFRS 3 to

business combinations that occurred prior to January 1, 2010 and such business combinations have not been restated. Any goodwill arising on such business combinations before January 1, 2010 has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

(ii) Estimate exception

The applicable mandatory exception in IFRS 1 applied in the conversion from Canadian GAAP to IFRS is "Estimates". Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS.

(b) Changes in classification

Under IFRS, a separate line item is required in the statement of income (loss) and comprehensive income (loss) for financing costs. The item that was reclassified was the interest on promissory note. In addition, the Company has chosen to classify interest expense on the promissory note as a financing activity on the statement of cash flows, whereas it was classified as an operating activity under Canadian GAAP.

(c) Changes in accounting policies

Other than the exemption and exception discussed above, there were no significant differences between the previous Canadian GAAP and the current IFRS accounting policies applied by the Company.