RXT 110 INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
RXT 110 Inc.

We have audited the accompanying financial statements of RXT 110 Inc., which comprise the balance sheets as at September 30, 2011 and 2010 and the statements of comprehensive loss and deficit, and cash flows for the years then ended, 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 Canadian generally accepted accounting principles, 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 audit. We conducted our audit 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.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of RXT 110 Inc. as at September 30, 2011 and 2010, its results of operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Soberman LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
January 27, 2012

RXT 110 INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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RXT 110 INC.
STATEMENT OF COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30,

	2011	2010
	$	$
SALES	-	-
DIRECT COSTS	-	-
GROSS PROFIT	-	-
ADMINISTRATIVE EXPENSES		
Management, engineering, and consulting fees	507,622	-
Legal and accounting	196,962	15,013
Bad debt expense	70,518	-
Commissions	46,000	-
Office and general	37,487	1,151
Advertising and promotion	33,162	-
Salaries and benefits	30,355	-
Vehicle expenses	26,047	-
Stock transfer fees	25,930	12,659
Travel & entertainment	24,722	-
Rent	19,199	-
Amortization	26,644	-
	1,044,648	28,823
LOSS FROM OPERATIONS	(1,044,648)	(28,823)
LOAN IMPAIRMENT CHARGES - (Note 5)	-	475,968
LICENSE IMPAIRMENT CHARGES - (Note 5)	200,000	-
COMPREHENSIVE LOSS BEFORE INCOME TAXES	(1,244,648)	(504,791)
INCOME TAXES - (Note 6)	(399,000)	-
NET LOSS AND COMPREHENSIVE LOSS	(845,648)	(504,791)
DEFICIT, beginning of year	(796,415)	(291,624)
DEFICIT, end of year	(1,642,063)	(796,415)
BASIC AND DILUTED LOSS PER SHARE - (Note 7)	(0.03)	(0.03)

See accompanying notes

RXT 110 INC.
BALANCE SHEET
AS AT SEPTEMBER 30,

	2011	2010
	$	$
ASSETS		
CURRENT		
Cash	800,421	242
Amounts receivable	88,470	2,565
Prepaid expenses and other assets	135,726	-
Future income tax asset - (Note 6)	441,689	-
Loan receivable - (Note 8)	100,000	-
	1,566,306	2,807
EQUIPMENT - (Note 9)	70,855	-
INTANGIBLE ASSET - (Note 10)	125,000	-
	1,762,161	2,807
LIABILITIES		
CURRENT		
Accounts payable	489,022	15,026
Loan payable - (Note 11)	35,000	32,133
	524,022	47,159
SHAREHOLDERS EQUITY		
SHARE CAPITAL - (Note 12)	2,679,224	752,063
SHARE SUBSCRIPTIONS RECEIVED - (Note 12)	72,500	-
CONTRIBUTED SURPLUS - (Note 15)	128,478	-
DEFICIT	(1,642,063)	(796,415)
	1,238,139	(44,352)
	1,762,161	2,807

See accompanying notes

ON BEHALF OF THE BOARD:

(s) Bruce Lewis, Director

(s) Edward Pardiak, Director

RXT 110 INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30,

	2011	2010
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss	(845,648)	(504,791)
Amortization	26,644	-
Impairment charges	200,000	475,968
Future income tax	(399,000)	-
	(1,018,004)	(28,823)
NON-CASH COMPONENTS OF WORKING CAPITAL		
(Increase) decrease in amounts receivable	(85,905)	(578)
(Decrease) increase in accounts payable	473,996	7,330
(Increase) decrease in prepaid expenses	(135,726)	-
Net change in non-cash components of working capital	252,365	6,752
	(765,639)	(22,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(12,499)	-
Acquisition of intangible asset	(150,000)	-
	(162,499)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of Class A shares	1,584,472	-
Proceeds from loan advances	2,867	22,170
Share subscriptions received	12,500	-
Contributed surplus	128,478	-
	1,728,317	22,170
INCREASE IN CASH	800,179	99
CASH, beginning of year	242	143
CASH, end of year	800,421	242
Supplemental information		
Equipment purchased in exchange for share subscriptions received (See Note 22 (ii))	60,000	-
Shares issued in consideration for loan receivable (See Note 18(vi))	100,000	-
Shares issued in consideration for license agreement (See Note 5)	200,000	-

See accompanying notes

1. GENERAL INFORMATION

RXT 110 Inc. (the "Company") is a public company incorporated and domiciled in Canada, whose shares are traded on the Canadian National Stock Exchange (CNSX) under the symbol "RXT". On April 15, 2011, the Company changed its name from "Triangle Multi-Services Corporation" and the CNSX symbol from "TMS". The Company's registered address is 1120 Finch Avenue West, Suite 503, Toronto, Ontario M3J 3H7, Canada.

In 2011, the Company acquired the intellectual property rights to certain technology and processes relating to anti-microbial products with potential commercial and consumer applications as described in Note 10. During the year, the Company entered into an exclusive retail distribution agreement with a major distributor of home renovation products (the "Distributor") for Canada and the United States for the Company's line of home improvement and construction related anti-microbial products.

In late 2011, the Company began construction of a dedicated research facility in Parry Sound, Ontario, Canada to further develop and expand both the consumer and commercial applications of the technology. Construction is scheduled to be completed in late 2012.

2. BASIS OF PREPARATION

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are expressed in Canadian dollars.

Use of Estimates and Judgements

The preparation of these financial statements in accordance with Canadian GAAP which requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Judgement is commonly used in determining whether a balance or transaction should be recognized in the financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

The Company has applied judgement in its assessment of the appropriateness of the classification of items such as financial instruments and identifying the indicators of impairment for equipment and intangible assets.

Estimates are used for determining the useful lives of equipment and intangible assets, fair values and income taxes and when testing assets for impairment. Actual results may differ from these estimates.

2. BASIS OF PREPARATION (Continued)

Use of Estimates and Judgements (Continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Investments in highly liquid securities with original maturities of 90 days or less are included in cash and cash equivalents.

(b) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided annually on bases designed to amortize the assets over their estimated useful lives as follows:

Furniture and equipment	-	20% declining balance and 20 years straight line
Computer equipment	-	45% declining balance

(c) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average number of Class A common shares outstanding during the year. Fully diluted earnings (loss) per share is calculated using the treasury stock method which assumes that outstanding stock options and warrants are exercised.

(d) Income tax

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

(e) Stock-based compensation

The Company has a stock-based compensation plan as described in Note 14. The Company accounts for all stock based payments granted using the fair value based method. Awards of stock based compensation that are subject to shareholder approval are accounted for from the date of approval if shareholder approval is assured. Under the fair value based method, employee compensation cost is measured at fair value at the grant date and recognized over the vesting period. For awards that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis; for

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Stock-based compensation (Continued)

awards that vest on a graded basis, compensation cost is recognized on a pro rata basis over the vesting period. For non-employees, compensation cost is measured at the earliest of: the date performance is complete; the date at which a commitment for performance is reached; or the date at which the instruments are granted if they are fully vested and non-forfeitable at that date. Consideration received on the exercise of stock options is recorded as share capital along with the related amounts of contributed surplus.

(f) Financial instruments

All financial assets and liabilities are initially recognized at fair value. Subsequent measurement is dependent on their initial classification, as follows:

Cash is classfied as held-for -trading and measured at fair value.

Amounts receivable and due from related parties are classified as loans and receivables and are carried at amortized cost using the effective interest rate method.

Accounts payable and accrued charges, are classified as other financial liabilities and are carried at amortized cost using the effective interest rate method.

Transaction costs that are directly attributable to the acquisition or issuance of equity, are accounted for as a reduction of the carrying value of such financial instrument.

(g) Intangibles

Intangible assets are recorded at cost. Amortization is provided annually on bases designed to amortize the assets over their estimated useful lives, as follows:

License	-	straight-line over the license term

(h) Leases

Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is amortized on the same basis as described above. Rental payments under operating leases are included in the determination of net income over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of long-lived assets

Long-lived assets are tested for recoverability when an event or circumstance occurs that indicates that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount exceeds fair value.

4. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The Accounting Standards Board ("AcSB") requires that all public companies adopt International Financial Reporting Standards ("IFRS") effective for interim and annual periods beginning on or after January 1, 2011 for Canadian publicly accountable enterprises. IFRS replaces Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be reported. As a result, the Company's audited annual financial statements for the year ending September 30, 2012 will be the first audited annual financial statements that will be prepared in compliance with IFRS. The interim financial statements for the first quarter 2012 (for the three month period ending December 31, 2011) will be prepared in accordance with IFRS and under International Accounting Standard ("IAS") 34, "Interim Financial Reporting". Both these IFRS financial statements will include reconciliations between Canadian GAAP and IFRS as required by IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1").

5. IMPAIRMENT CHARGES

On November 26, 2010, the Company entered into an exclusive License Agreement with Rx 110 Inc. to manufacture, import, market and sell in Canada filler products for stopping mould at source. Pursuant to the terms of the License Agreement the Company issued to Rx 110 Inc. 10,000,000 Class A shares in the capital of the Company with a fair value of $200,000 (See Note 12(b)) and granted an ongoing royalty equal to 3% of all revenues generated from the sale of products under the license. On signing the License Agreement a principal of Rx 110 Inc. (Mr. Donald Meade) was appointed a director of the Company. On June 3, 2011 the Company received notice of revocation of the License Agreement from Rx 110 Inc. The Company had not received any prior notice of any breach or default under the License Agreement, therefore an impairment charge was recognized for the full carrying amount of the License Agreement during the year. Mr. Meade agreed to surrender his director position for a payment of $25,000, which is included in management and consulting fees. Of the 10,000,000 Class A shares issued as consideration for the license, 854,824 were issued to current directors of the Company on Mr. Meade's direction. Subsequent to the year end these shares were purchased for cancellation as described in Note 22(i).

5. IMPAIRMENT CHARGES (Continued)

A charge for loan impairment of $475,968 was recognized during the prior year for a promissory note receivable as the Company no longer had reasonable assurance of collection. The promissory note was due from a company controlled by a director and shareholder of the Company.

6. INCOME TAXES

	2011	2010
Comprehensive loss before income taxes	**(1,244,648)**	(504,791)
Basic income tax rate %	**26.25 %**	26.25 %
Computed income tax	**(326,720)**	(132,500)
Non-deductible expenses	**10,720**	124,900
Increase (decrease) in valuation allowance	**(83,000)**	7,600
	$ (399,000)	$ -

The Company has operating losses available to reduce taxable income in future years of approximately $1,381,000 (September 30, 2010 - $316,200), which expire as follows:

2025	$ 52,600
2026	26,000
2027	68,300
2028	77,000
2030	92,300
2031	1,064,900

The future income tax asset benefit resulting from these losses amounts to $362,500 (2010 - $83,000). Other components of the future income tax asset that were recognized at September 30, 2011 include an excess of amortization over tax depreciation of $36,500 (2010 - $Nil) and the tax benefit of deductible financing costs incurred of $42,689 (2010 - $Nil). At September 30, 2010 a full valuation reserve was provided. At September 30, 2011, it is more likely than not that the Company will be able to realize the benefit of the unused tax losses, therefore no valuation allowance has been provided.

7. LOSS PER SHARE

The following table sets forth the reconciliation of basic and diluted earnings per share:

	2011	2010
Net loss and comprehensive loss	(845,648)	(504,791)
Weighted average number of Class A shares outstanding - basic	27,334,270	17,470,003
Shares assumed issued (i)	-	-
Shares assumed purchased (i)	-	-

7. LOSS PER SHARE (Continued)

	2011	2010
Weighted average number of Class A shares outstanding - diluted	27,334,270	17,470,003
Comprehensive loss per Class A share:		
Basic	(0.03)	(0.03)
Diluted	(0.03)	(0.03)

(i) 500,000 stock options granted in the third quarter of 2011 and 1,750,000 stock options granted in the fourth quarter of 2011 were anti-dilutive as at September 30, 2011. Therefore, they have not been included in the calculation of shares assumed issued and shares assumed purchased.

8. LOAN RECEIVABLE

The loan receivable is unsecured, non-interest bearing and has no specific terms of repayment. See Notes 12(b)(ii), 18(vi) and 22(i).

9. EQUIPMENT

	2011			2010
	Cost	Accumulated Amortization	Net	Net
	$	$	$	$
Furniture and equipment	69,348	935	68,413	-
Computer equipment	3,151	709	2,442	-
	72,499	1,644	70,855	-

Amortization of $1,644 (2010 - $nil) was recorded during the year and is included in amortization expense.

10. INTANGIBLE ASSET

	2011			2010
	Cost	Accumulated Amortization	Net	Net
	$	$	$	$
MM License Agreement	150,000	25,000	125,000	-

10. INTANGIBLE ASSET (Continued)

Amortization of $25,000 (2010 - $nil) was recorded during the year and is included in amortization expense.

On June 7, 2011, the Company entered into an exclusive world-wide interim license agreement with Marcus Martin, a Director of the Company with respect to certain intellectual property rights held by Mr. Martin relating to a process for the manufacture of anti-microbial filler product (the "MM License Agreement"). The MM License Agreement provides for an interim license for a two year period during which time the Company has the opportunity to prove out the manufacturing process and obtain all legal and regulatory approvals. The consideration payable for the interim license was $150,000 of which $100,000 is included in accounts payable at September 30, 2011. The Company has the option to convert the interim license to a full license and upon the exercise of such option the Company is required to issue 20,000,000 Class A Shares to the licensor and pay a royalty (See Note 19(i)).

11. LOAN PAYABLE

The loan payable is unsecured, non-interest bearing and has no specific terms of repayment. (See Note 22(iii)).

12. SHARE CAPITAL

(a) Authorized

The Company can issue an unlimited number of:

Class A shares, voting and participating.

Class B shares, voting, redeemable at any time at the option of the corporation for an amount equal to the fair value of the consideration received at issuance.

Class C preferred shares issuable in series with the following to be fixed with each series: number of shares, designation, rights, privileges, restrictions and conditions including dividend rate and calculation method and payment dates, the redemption, purchase and/or conversion prices, terms of redemption, purchase and/or conversion, any sinking fund or other provisions, may be convertible into Class A shares and voting unless otherwise determined.

12. SHARE CAPITAL (Continued)

(b) Issued and outstanding

Class A shares	Shares #	Amount $	Subscriptions received $
Balance - September 30, 2009 and 2010	**17,470,003**	**752,063**	-
Pursuant to license agreement at $0.02 (See Note 5)	10,000,000	200,000	-
Pursuant to private placement at $0.25 in April 2011 (i)	902,500	225,625	-
Pursuant to private placement at $0.20 in July 2011 (i)	7,900,000	1,580,000	-
Issued at $0.20 (ii)	500,000	100,000	-
Share issuance cost (iii)	-	(178,464)	-
Subscriptions received (See Note 22(ii))	-	-	72,500
Balance, end of year	**36,772,503**	**2,679,224**	**72,500**

(i) During the year the Company issued 8,800,000 units, comprising one Class A share and one warrant as described in Note 13.

(ii) During the year the Company issued 500,000 Class A shares to close relatives of Mr. Martin and Mr. Pardiak, directors of the Company, for fair value consideration of $100,000, which was unpaid at September 30, 2011. See Notes 8,18(vi) and 22(i).

(iii) Share issuance cost includes the fair value of 620,000 warrants granted. See Note 13.

13. WARRANTS

The following table sets forth all changes in outstanding warrants:

	Number of Warrants	Exercise Price
Balance- September 30, 2009 and 2010	-	-
Unit warrants issued April 2011	900,000	0.35
Unit warrants issued July 2011	7,900,000	0.30
Warrants issued for stock issuance cost (i)	620,000	0.20
Balance - September 30, 2011	**9,420,000**	**0.30**

13. WARRANTS (Continued)

The following table summarizes the warrants outstanding at September 30, 2011:

Exercise price $	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price $	Number of exerciseable warrants
0.20-0.35	9,420,000	15.0	0.30	9,420,000

(i) The fair value of these warrants was estimated using the Black-Scholes model using the following assumptions:

Grant date		**July 22, 2011**
Number of warrants granted		**620,000**
Dividend yield		-
Fair value of warrants granted	$	0.1399
Expected volatility		66.00 %
Risk-free interest rate		1.47 %
Expected life in years		1.5

14. STOCK OPTIONS

On August 16, 2011, the Company announced that the board of directors adopted a "rolling" employee stock option plan (the "Option Plan") pursuant to which the Company may issue options to eligible employees, officers, directors and consultants to purchase up to 10% of the Class A Shares in the Company. The Option Plan and grant of options thereunder is subject to regulatory approval and approval of the shareholders of the Company. The Company will account for stock based compensation related to options issued under the Option Plan after both approvals are obtained.

The following table sets forth all changes in outstanding stock options:

	Number of Options	Exercise Price
Balance- September 30, 2009 and 2010	-	-
Non-employee options granted	500,000	0.25
Employee options granted (i)	1,750,000	0.20
Balance - September 30, 2011	**2,250,000**	**0.21**

14. STOCK OPTIONS (Continued)

The following table summarizes the stock options outstanding at September 30, 2011:

Exercise price $	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price $	Number of exerciseable share options
0.20-0.25	2,250,000	57.0	0.21	937,500

(i) The board of directors of the Company also conditionally approved the grant of 1,750,000 options under the Option Plan, exercisable, subject to vesting, at any time during the period of five years from the date of the grant at an exercise price of $0.20 per optioned share. Such options vest 25% on the date of the grant and in equal installments on the next three anniversaries of the grant date.

The fair values of these stock options were estimated using the Black-Scholes model using the following assumptions:

Grant date **Number of options granted**	**April 13, 2011** **500,000**	**August 16, 2011** **1,750,000**
Dividend yield	-	-
Fair value of options granted	$ 0.1399	$ 0.1280
Expected volatility	66.00 %	60.00 %
Risk-free interest rate	1.74 %	1.12 %
Expected life in years	5	5

15. CONTRIBUTED SURPLUS

	2011 **$**	2010 $
Balance, beginning of year	-	-
Employee stock-based compensation expense - (See Note 14(i))	-	-
Warrants issued for stock issuance costs	**58,528**	-
Non-employee stock based compensation expense	**69,950**	-
Balance, end of year	**128,478**	-

16. CAPITAL MANAGEMENT

Capital is defined as share capital. The Company's objectives when managing capital are to maintain an appropriate balance between holding a sufficient amount of capital to support its operations as a going concern, and providing shareholders with a prudent amount of leverage, as and when required, to enhance returns. There have been no changes since the prior year.

The Company is not subject to any regulatory or contractual capital obligations of material consequence.

17. FINANCIAL INSTRUMENTS

(a) Fair Value

The carrying amounts of the Company's financial instruments, consisting of cash, amounts receivable, and accounts payable and accrued charges, approximate their fair values due to their short-term nature. The fair value estimates for due from related parties cannot be determined with sufficient reliability as no active market exists for such related party instruments.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet a demand for cash or fund its obligations as they come due. The Company considers that it has sufficient funds available to meet its current and long-term financial needs. There have been no changes since the prior year.

18. RELATED PARTY TRANSACTIONS

During the year the Company engaged in transactions with related parties in the normal course of operations and recorded at the exchange amounts as agreed between the parties, as follows:

(i) The Company recognized an expense of $25,000 and an impairment charge related to a license agreement entered into with Rx 110 Inc., a company controlled by a former director of the Company, as described in Note 5. The Company also recognized a bad debt expense for a receivable balance of $65,447 due from Rx 110 inc.

(ii) A receivable balance of $5,071 due from a company controlled by a director and shareholder of the Company was expensed as a bad debt during the year because the debtor company has ceased operations.

18. RELATED PARTY TRANSACTIONS (Continued)

(iii) The Company paid rent of $10,000 (rent for the prior year was waived) to and purchased equipment for $4,220 (2010 - $nil) from a company controlled by a director and shareholder of the Company.

(iv) During the year the Company entered into a license agreement with a director of the Company as described in Note 10.

(v) During the year the Company paid the following amounts to directors of the Company or companies that they control or close family members for management, scientific, engineering and technical services:

Mr. Marcus Martin - $73,500 (2010 - $Nil)

Mr. Edward Pardiak - $80,000 (2010 - $Nil)

Mr. Allan Gibbins - $10,000 (2010 - $Nil)

(vi) At September 30, 2011 a loan receivable was outstanding from close relatives of certain directors of the Company as described in Notes 8 and 12(b)(ii). See Note 22(i).

19. COMMITMENTS

(i) The Company has a commitment to issue 20,000,000 Class A shares on exercise of the option as described in Note 10.

(ii) On August 11, 2011, the Company entered into an Executive Employment Agreement with the President and CEO of the Company commencing March 1, 2011 and ending December 31, 2016, paying an annual salary of $250,000 and a car allowance.

(iii) During the year, the Company entered into a three year lease obligation for its head office located at 1120 Finch Avenue West, Toronto, Ontario, ending August 31, 2014, and into a lease obligation for its warehouse and manufacturing facility located in Parry Sound, Ontario, for the 5 year period commencing September 1, 2011. The total basic rents, not including utilities and other assessed levies, are as follows for each fiscal year:

2012	-	$51,000
2013	-	$66,400
2014	-	$65,300
2015	-	$53,300
2016	-	$48,900

19. COMMITMENTS (Continued)

(iv) During the year the Company entered into contractual commitments to purchase property and equipment for a total of $221,390 (2010 - $Nil), of which $66,885 was paid by September 30, 2011 and is included in prepaid expenses and other assets. Of the unpaid balance of $154,504 at September 30, 2011 an amount of $36,000 is to be settled by the issuance of Class A shares.

(v) During the year the Company entered into a contractual commitment for consulting services for a two year term commencing on April 13, 2011. Under the terms of the agreement, the Company is commited to issue 500,000 stock options. Each option will entitle the holder to purchase one Class A share for $ 0.25 for a five year period. The future minimum annual cash payments for the next two fiscal years are:

2012	-	$96,000
2013	-	$52,000

20. SEGMENTED INFORMATION

The Company operates in one segment. All of the Company's assets and operations are located in Canada.

21. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

22. SUBSEQUENT EVENTS

Subsequent to the year end, the Company entered into the following transactions:

(i) 854,824 Class A shares held by directors of the Company were purchased for cancellation for consideration of $30 cash and cancellation of the loan receivable described in Note 8. (See Note 5).

(ii) Issued 62,500 Class A shares for proceeds of $12,500 that the Company received prior to September 30, 2011 (see Note 12). At the date of approval of the financial statements the 300,000 Class A shares relating to the remaining $60,000 of subscriptions received had not been issued.

(iii) The loan payable was repaid. (See Note 11).

22. SUBSEQUENT EVENTS (Continued)

(iv) The Company contracted to purchase equipment at a cost of $108,000 and paid a cash deposit of $25,000. Of the balance outstanding an amount of $21,700 is to be settled by the issuance of approximately 87,000 Class A shares.

(v) The Company collected share subscription proceeds in cash totalling $181,000 for the issuance of 905,000 Class A shares. At the date of approval of the financial statements, the shares had not been issued.