

**Synergy Acquisition Corp.**  
**Second Quarter Interim Report**  
June 30, 2011 (unaudited)

## **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Synergy Acquisition Corp. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Synergy Acquisition Corp.**  
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**Second Quarter Ended June 30, 2011**

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**Synergy Acquisition Corp.**  
**Interim Statement of Loss**  
**Comprehensive Loss and Deficit**  
(Unaudited – expressed in Canadian dollars)  
Six Month Period Ended June 30

	<b>2011</b> <b>(3 months)</b>	2010 (3 months)	<b>2011</b> <b>(6 months)</b>	2010 (6 months)
<b>Expenses</b>				
Corporate administration	\$ 8,293	\$ 2,330	\$ 19,449	\$ 10,705
Management and professional fees	<u>225</u>	<u>615</u>	<u>225</u>	<u>840</u>
	<u><b>8,518</b></u>	<u>2,945</u>	<u><b>19,674</b></u>	<u>11,545</u>
<b>Net loss</b>	<u><b>\$ (8,518)</b></u>	<u>\$ (2,945)</u>	<u><b>\$ (19,674)</b></u>	<u>\$ (11,545)</u>
<hr/>				
Deficit, beginning of period	\$ (5,422,220)	\$ (5,379,734)	\$ (5,411,064)	\$ (5,371,134)
Net loss	<u>(8,518)</u>	<u>(2,945)</u>	<u>(19,674)</u>	<u>(11,545)</u>
Deficit, end of period	<u><b>\$ (5,430,738)</b></u>	<u>\$ (5,382,679)</u>	<u><b>\$ (5,430,738)</b></u>	<u>\$ (5,382,679)</u>
<hr/>				
Weighted average number of common shares outstanding	<u><b>8,567,475</b></u>	<u>33,691,000</u>	<u><b>12,034,973</b></u>	<u>33,691,000</u>
Basic and diluted loss per share	<u><b>\$ 0.00</b></u>	<u>\$ 0.00</u>	<u><b>\$ 0.00</b></u>	<u>\$ 0.00</u>

See accompanying notes to the financial statements.

# Synergy Acquisition Corp.

## Interim Balance Sheets

(Unaudited - expressed in Canadian dollars)

	June 30, 2011	December 31, 2010	January 1, 2010
			(Note 14)
<b>Assets</b>			
Current			
Cash	\$ 4,521	\$ 7,589	\$ 13,821
GST receivable	1,221	1,725	33,122
Due from related parties (Note 6)	<u>-</u>	<u>-</u>	<u>492,792</u>
Investment in subsidiaries (Note 7)	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 5,742</u>	<u>\$ 9,314</u>	<u>\$ 539,736</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	\$ 10,436	\$ 14,334	\$ 22,033
Due to related party (Note 8)	<u>30,000</u>	<u>10,000</u>	<u>492,792</u>
	40,436	24,334	514,825
<b>Shareholders' Equity (Deficiency)</b>			
Capital stock (Note 9)	1,902,719	1,902,719	4,126,094
Contributed surplus (Note 10)	3,493,325	3,493,325	1,269,951
Deficit	<u>(5,430,738)</u>	<u>(5,411,064)</u>	<u>(5,371,134)</u>
	<u>(34,694)</u>	<u>(15,020)</u>	<u>24,911</u>
	<u>\$ 5,742</u>	<u>\$ 9,314</u>	<u>\$ 539,736</u>

Going Concern (Note 2)

See accompanying notes to the financial statements.

**Synergy Acquisition Corp.**  
**Interim Statement of Changes in Equity**

(Unaudited - expressed in Canadian dollars)

	Common Shares		Contributed Surplus	Accumulated Deficit	Total
	Number	Amount			Shareholders' Equity (Deficiency)
Balance at January 1, 2010	33,691,000	\$4,126,094	\$1,269,951	(\$5,371,134)	\$24,911
Cancellation of common shares (Notes 5, 7 & 8)	(18,150,000)	(2,223,374)	2,223,374		-
Net loss and comprehensive loss for the year			-	(39,930)	(39,930)
<b>December 31, 2010</b>	<b>15,541,000</b>	<b>\$1,902,720</b>	<b>\$3,493,325</b>	<b>(\$5,411,064)</b>	<b>(\$15,020)</b>

	Common Shares		Contributed Surplus	Accumulated Deficit	Total
	Number	Amount			Shareholders' Equity (Deficiency)
Balance at January 1, 2011	15,541,000	\$1,902,720	\$3,493,325	(\$5,411,064)	(\$15,020)
Share consolidation (Note 9)	(12,950,833)				
Net loss and comprehensive loss for the quarter			-	(19,674)	(19,674)
<b>June 30, 2011</b>	<b>2,590,167</b>	<b>\$1,902,720</b>	<b>\$3,493,325</b>	<b>(\$5,430,738)</b>	<b>(\$34,694)</b>

	Common Shares		Contributed Surplus	Accumulated Deficit	Total
	Number	Amount			Shareholders' Equity (Deficiency)
Balance at January 1, 2010	33,691,000	\$4,126,094	\$1,269,951	(\$5,371,134)	\$24,911
Net loss and comprehensive loss for the quarter			-	(11,545)	(11,545)
<b>June 30, 2010</b>	<b>33,691,000</b>	<b>\$4,126,094</b>	<b>\$1,269,951</b>	<b>(\$5,382,679)</b>	<b>\$13,366</b>

See accompanying notes to the financial statements.

**Synergy Acquisition Corp.**  
**Interim Statements of Cash Flow**  
(Unaudited – expressed in Canadian dollars)  
Six month period ended June 30

	<b>2011</b> <b>(3 months)</b>	2010 <u>(3 months)</u>	<b>2011</b> <b>(6 months)</b>	2010 <u>(6 months)</u>
Increase (decrease) in cash and cash equivalents				
<b>Operating</b>				
Net loss	<b>\$ (8,518)</b>	\$ (2,945)	<b>\$ (19,673)</b>	\$ (11,545)
	<b>(8,518)</b>	(2,945)	<b>(19,673)</b>	(11,545)
Change in non-cash operating working capital:				
GST receivable	<b>1,216</b>	1,022	<b>504</b>	31,843
Accounts payable & accrued liabilities	<b>(1)</b>	(11,278)	<b>(3,899)</b>	(21,167)
	<b>(7,303)</b>	(13,201)	<b>(23,068)</b>	(869)
<b>Financing</b>				
Advances from a related party	<b>10,000</b>	-	<b>20,000</b>	-
	<b>10,000</b>	-	<b>20,000</b>	-
Increase (decrease) in cash	<b>2,697</b>	(13,201)	<b>(3,068)</b>	(869)
Cash				
Beginning of period	<b>1,824</b>	26,153	<b>7,589</b>	13,821
End of period	<b>\$ 4,521</b>	\$ 12,952	<b>\$ 4,521</b>	\$ 12,952

Supplementary Cash flow information:

Taxes Paid	-	-	-	-
Interest paid	-	-	-	-

# Synergy Acquisition Corp.

## Notes to Financial Statements

(Unaudited - Expressed in Canadian dollars)

Six Months Ended June 30, 2011 and 2010

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### 1. Nature of operations

Synergy Acquisition Corp. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on June 24, 2003. It is a public company listed on the NEX board of the TSX Venture Exchange Inc., trading under the symbol SAQ.H. Although it does not currently have an ongoing business, it is actively seeking acquisition opportunities.

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### 2. Going concern

As at June 30, 2011 the Corporation has negative working capital of \$34,694 and an accumulated deficit of \$5,430,738. The Corporation's ability to continue as a going concern is dependent on the ability of the Corporation to raise additional funds and or acquire profitable business operations. The Corporation can offer no assurance a financing or an acquisition of profitable business operations will be completed in the near future. Accordingly, these financial statements have been prepared on a "going concern" basis, which assumes the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

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### 3. Basis of presentation

The Corporation is required to present the annual audited financial statements for the year ended December 31, 2011 under International Financial Reporting Standards ("IFRS"). In conjunction with this, these interim financial statements present the Corporation's initial financial results of operations and financial position under IFRS as at and for the three and six months ended June 30, 2011, including 2010 comparative periods. They have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These interim financial statements do not include all the necessary annual disclosures in accordance with IFRS.

The financial statements are presented in accordance with IAS 1 - Presentation of Financial Statements.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 4 below. These accounting policies have been used throughout all periods presented in these financial statements except where the Corporation has applied certain accounting policies and exemptions upon transition to IFRS.

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### 4. Summary of significant accounting policies

#### First time adoption of IFRS

The Corporation has adopted IFRS on January 1, 2011 with a transition date of January 1, 2011. Under IFRS 1 "First Time Adoption of International Financial Reporting Standards", the IFRS



# **Synergy Acquisition Corp.**

## **Notes to Financial Statements**

(Unaudited - Expressed in Canadian dollars)

Six Months Ended June 30, 2011 and 2010

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### **4. Summary of significant accounting policies (cont'd)**

are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemption are applied. The Corporation is not applying any exemptions on first-time adoption of IFRS.

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption of IFRS has not changed the Statement of Financial Position, Statement of Comprehensive Loss, Statement of Changes in Equity and Statement of Cash Flows as previously reported under GAAP.

#### **Use of estimates**

In preparing financial statements to conform with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

#### **Income taxes**

The Corporation uses the tax liability method for determining income taxes. Under this method, future tax assets and liabilities are determined based on differences between their respective carrying amounts and tax basis. Future tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse.

In assessing whether the future income tax assets are realizable, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax losses are utilized.

#### **Loss per share**

Basic loss per share is computed by dividing net loss by the weighted average number of shares outstanding during the reporting period. Diluted loss per share are computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed conversion of preferred shares and exercise of outstanding warrants and stock options, if dilutive. Basic and diluted loss per share is the same as the corporation has no options or preferred shares issued.

#### **Financial Instruments**

The Corporation classifies all financial assets as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and all financial liabilities as held-for-trading and other. Financial instruments classified as held-for-trading are measured at fair value with changes in fair value recognized in net income. Financial assets classified as held-to-maturity or as loans and

# Synergy Acquisition Corp.

## Notes to Financial Statements

(Unaudited - Expressed in Canadian dollars)

Six Months Ended June 30, 2011 and 2010

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### 4. Summary of significant accounting policies (cont'd)

receivables and financial liabilities not classified as held-for-trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in other comprehensive income ("OCI"). All derivative financial instruments are reported on the balance sheet at fair value with changes in fair value recognized in net income unless the derivative is part of a hedging relationship that qualifies as a fair value hedge, cash flow hedge or hedge of a net investment in a self-sustaining foreign operation.

Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of hedging relationship or not, are measured at fair value. Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost.

The Corporation has made the following classifications:

Accounts payable and other liabilities are classified as other financial liabilities.

Cash is classified as held-for-trading.

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### 5. Reorganization

Effective December 29, 2008, the shareholders of the Corporation approved a reorganization agreement (the "Transaction") with a related party, providing for the sale by the Corporation of its subsidiaries. The sale was satisfied by the cancellation of 18,150,000 common shares of the Corporation owned by the related party along with all current and future obligations, including property and other obligations and any liabilities of whatsoever type.

On July 23, 2009, the Corporation received conditional approval for the Transaction from the TSX Venture Exchange pending a full or partial revocation of the cease trade order from certain Canadian securities commissions. The full revocation order was received on December 1, 2010 and the Transaction was thus completed.

As mentioned, the Transaction had the Corporation acquire and cancel 18,150,000 common shares of the Corporation. As the cost to acquire such shares was below their average cost, the cost was allocated to share capital (Note 9) in an amount equal to the average cost of the shares and the remainder to contributed surplus (Note 10). The amount allocated to the share capital account was based on the historical average cost per share of \$0.12 as at December 1, 2010, the date the revocation order was received. The cost to acquire the shares was \$1, the value of the subsidiaries sold.

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### 6. Due from related party

The \$492,792 "Due from related party" represents an intercompany loan from the Corporation to one its subsidiaries, which existed prior to the completion of the Transaction described in Note 5.

# Synergy Acquisition Corp.

## Notes to Financial Statements

(Unaudited - Expressed in Canadian dollars)  
Six Months Ended June 30, 2011 and 2010

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### 7. Investment in subsidiary

Following the Transaction described in Note 5, it was determined the Corporation no longer had the continuing power to determine the strategic, investing and financing policies of its subsidiaries and therefore lost control of the subsidiaries, effective December 29, 2008. Based on this determination, the subsidiaries were not consolidated subsequent to this date and were accounted for using the cost method.

Management assessed the value of its investment in subsidiaries as at December 31, 2008 and determined they were impaired and therefore recorded an impairment of the full value of the investment.

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### 8. Due to related party and related party transactions

	<b>June 30, 2011</b>	December 31, 2010	January 1, 2010
Opening Balance	<b>\$ 10,000</b>	\$ 492,792	\$ 492,792
Settlement (a)	-	(492,792)	-
Advance (b)	<u>20,000</u>	<u>10,000</u>	<u>-</u>
Closing Balance	<b><u>\$ 30,000</u></b>	<b><u>\$ 10,000</u></b>	<b><u>\$ 492,792</u></b>

(a) The \$492,792 was due to shareholders of the Corporation. It was settled as part of the Transaction described in Note 5.

(b) The June 30, 2011 and December 31, 2010 balances are due to a company over which a director has significant influence.

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### 9. Capital stock

#### a) Share Capital

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares, issuable in series

Issued and outstanding common shares:	<u>Number</u>	<u>Amount</u>
Opening balance, January 1, 2010	33,691,000	\$ 4,126,094
Cancelled common shares, in accordance with the Transaction (Note 5)	<u>(18,150,000)</u>	<u>(2,223,375)</u>
Closing balance, December 31, 2010	15,541,000	\$ 1,902,719
Share consolidation (a)	<u>(12,950,833)</u>	<u>-</u>
Closing balance, June 30, 2011	<b><u>2,590,167</u></b>	<b><u>\$ 1,902,719</u></b>

# Synergy Acquisition Corp.

## Notes to Financial Statements

(Unaudited - Expressed in Canadian dollars)  
Six Months Ended June 30, 2011 and 2010

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### 9. Capital stock (cont'd)

#### (a) Share consolidation

On May 12, 2011, the Corporation received approval from the TSX Venture Exchange to complete a consolidation of its outstanding shares on the basis of one post-consolidation common share for every six pre-consolidation shares held ("Consolidation") in accordance with the approvals received from its shareholders at the annual and special meeting of shareholders held February 8, 2011. The 15,541,000 pre-consolidation common shares of the Corporation outstanding immediately prior to the Consolidation were reduced to 2,590,167 post-consolidation common shares of the Corporation.

#### b) Share purchase warrants

As at June 30, 2011 there were Nil (June 30, 2010 – Nil) warrants outstanding.

#### c) Stock options

The Corporation does not have any stock options outstanding under its stock option plan.

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### 10. Contributed surplus

	<u>June 30,</u> <u>2011</u>	December 31, <u>2010</u>
Balance, beginning of year	\$ 3,493,325	\$ 1,269,951
Cancelled common shares in accordance with the Transaction (Note 5)	<u>-</u>	<u>2,223,374</u>
Balance, end of year	<u>\$ 3,493,325</u>	<u>\$ 3,493,325</u>

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### 11. Income taxes

#### Allowable losses

The Corporation has unused non-capital income tax losses available for carry forward in Canada of \$1,676,712 (2009 - \$1,636,781). The benefit of these losses has not been recognized in these financial statements. These losses are available to reduce taxable income in Canada in future periods and may be carried forward for 20 years for non-capital losses and indefinitely for capital losses. These losses expire as follows:

Year of loss	As at Dec 31, 2010	Expiry	
2005	91,346	-	2025
2006	919,509	-	2026
2007	567,970	-	2027
2008	32,972	-	2028
2009	24,984	-	2029
2010	39,931	-	2030
	<u>1,676,712</u>		

# Synergy Acquisition Corp.

## Notes to Financial Statements

(Unaudited - Expressed in Canadian dollars)  
Six Months Ended June 30, 2011 and 2010

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### 12. Financial instruments

#### a) Fair values

The Corporation's financial instruments consist of cash and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term maturity.

#### b) Liquidity Risk

The Corporation's exposure to liquidity risk is dependent on the ability to raise funds to meet purchase commitments and to sustain operations. The Corporation controls its liquidity risk by managing working capital and cash flows.

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### 13. Capital Management

The Corporation manages its capital to safeguard the Corporation's ability to continue as a going concern, and to preserve financial flexibility in order to fund growth and expansionary opportunities that may arise. The Corporation's capital is currently its cash balances. As at June 30, 2011, cash balances were \$4,521 (December 31, 2010 - \$7,589). The Corporation is not subjected to capital requirements imposed by a regulator. Other than the related party advance, the Corporation does not have debt and is not subject to any debt covenant provisions. Prudent cash management is augmented by ongoing analysis conducted by the Management.

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### 14. First Time Adoption of IFRS

As disclosed in Note 3, these statements comprise the Company's first financial statements prepared in accordance with IFRS 1, "First time adoption of International Financial Reporting Standards" and IAS 34 "Interim Financial Reporting", and in conjunction with the Company's annual consolidated financial statements to be issued under IFRS as at and for the year ended December 31, 2011. The Company previously prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP. The date of transition from previous GAAP to IFRS standards was January 1, 2010.

The financial statements presented for the periods ended June 30, 2011, December 31, 2010, and the comparative information and the opening balance sheet at the date of transition have all been prepared using the Company's IFRS accounting policies as presented in Note 3 above.

The Company has applied IFRS 1 – First time adoption of International Financial Reporting Standards in preparing these first IFRS financial statements. There were no effects of the transition on equity, total comprehensive income, and reported cash flows.

The Company has elected not to apply IFRS 2 – Share Based Payments to equity instruments granted to employees and non-employees that vested on or before the date of transition. This includes equity instruments granted under the reverse asset acquisition which occurred March 29, 2006.

# **Synergy Acquisition Corp.**

## **Notes to Financial Statements**

(Unaudited - Expressed in Canadian dollars)  
Six Months Ended June 30, 2011 and 2010

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### **15. Authorization of financial statements**

The financial statements for the interim period ended June 30, 2011 (including comparatives) were approved by the board of directors on August 26, 2011.

***"Don Caron"***

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Don Caron, Director

***"Jason Theiss"***

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Jason Theiss, Director