

**Bellair Ventures Inc.**  
**(A Capital Pool Corporation)**  
**Condensed Interim Financial Statements**  
**November 30, 2011 and 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

Bellair Ventures Inc.  
(A Capital Pool Corporation)

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**Unaudited Condensed Interim Statements of Financial Position**

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	November 30, 2011	August 31, 2011 <i>(Note 8)</i>	September 1, 2010 <i>(Note 8)</i>
<b>Assets</b>			
<b>Current assets</b>			
Cash	\$ 85,099	\$ 107,208	\$ 352,809
Interest receivable	-	-	4,500
Sundry receivable	-	-	22,906
Note receivable <i>(note 4)</i>	-	-	225,000
	<b>\$ 85,099</b>	<b>\$ 107,208</b>	<b>\$ 605,215</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 23,500	\$ 22,309	\$ 169,196
<b>Shareholders' equity</b>			
Share capital <i>(note 5)</i>	773,977	773,977	773,977
Contributed surplus <i>(note 5)</i>	116,340	116,340	116,340
Deficit	(828,718)	(805,418)	(454,298)
	<b>61,599</b>	<b>84,899</b>	<b>436,019</b>
	<b>\$ 85,099</b>	<b>\$ 107,208</b>	<b>\$ 605,215</b>

Going Concern *(note 1)*

*The accompanying notes are an integral part of these condensed interim financial statements.*

Approved by the Board

Signed: "Emlyn J. David"

Director

Signed: "Rajiv Rai"

Director

Bellair Ventures Inc.  
(A Capital Pool Corporation)

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**Unaudited Condensed Interim Statements of Loss and Comprehensive Loss**

*For the three month periods ended November 30, 2011 and 2010*

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	<b>2011</b>	2010 <i>(Note 8)</i>
<b>Interest income</b>	\$ -	\$ 6,750
<b>Expenses</b>		
Professional fees	<b>21,532</b>	4,221
Filing fees	<b>1,728</b>	3,650
Office expense	<b>40</b>	-
	<b>23,300</b>	7,871
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (23,300)</b>	<b>\$ (1,121)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average shares outstanding</b>	<b>1,956,600</b>	2,556,600

*The accompanying notes are an integral part of these condensed interim financial statements.*

Bellair Ventures Inc.  
(A Capital Pool Corporation)

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**Unaudited Condensed Interim Statements of Changes in Shareholders' Equity**  
*For the three month periods ended November 30, 2011 and 2010*

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	<b>2011</b>	2010 <i>(Note 8)</i>
<b>Share Capital</b>		
Balance, beginning and end of period	\$ 773,977	\$ 773,977
<b>Contributed Surplus</b>		
Balance, beginning and end of period	\$ 116,340	\$ 116,340
<b>Deficit</b>		
Balance, beginning of period	\$ (805,418)	\$ (454,298)
Net loss for the period	(23,300)	(1,121)
<b>Balance, end of period</b>	<b>\$ (828,718)</b>	<b>\$ (455,419)</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

Bellair Ventures Inc.  
(A Capital Pool Corporation)

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**Unaudited Condensed Interim Statements of Cash Flows**  
*For the three month periods ended November 30, 2011 and 2010*

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	<b>2011</b>	2010 <i>(Note 8)</i>
<b>Cash flow from operating activities</b>		
Cash paid to suppliers	\$ (22,109)	\$ (19,067)
<b>Decrease in cash</b>	<b>(22,109)</b>	(19,067)
<b>Cash, beginning of period</b>	<b>107,208</b>	352,809
<b>Cash, end of period</b>	<b>\$ 85,099</b>	\$ 333,742

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Notes to Unaudited Condensed Interim Financial Statements**  
*For the three months ended November 30, 2011 and 2010*

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## **1. Nature of Operations and Going Concern**

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Bellair Ventures Inc. (the “Corporation”) was incorporated under the *Canada Business Corporation Act* on August 22, 2008 and is classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The address of the Company’s corporate office and principal place of business is 10 Bellair Street, Suite 509, Toronto, Ontario, Canada.

The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of a business, or an interest therein. Such an acquisition (a “Qualifying Transaction”) will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's-length transaction, of the majority of the minority shareholders.

The Corporation was not able to complete a Qualifying Transaction within the timeframe prescribed by the Exchange, and as such the Corporation’s listing has been transferred to the NEX, a separate trading board of the Exchange. This action resulted in the cancellation of 600,000 common shares of the Corporation. Trading in the Corporation’s shares will remain suspended pending completion of a Qualifying Transaction.

The accompanying unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. There is, however, substantial doubt whether the Corporation will be able to complete a Qualifying Transaction.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors on February 27, 2012.

## **2. Summary of Significant Accounting Policies**

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### **Conversion to International Financial Reporting Standards (“IFRS”)**

These are the Corporation’s first financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). Previously, the Corporation prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). IFRS 1, First-time Adoption of IFRS (“IFRS 1”) has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in note 8.

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). They do not include all of the information required for full annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented, and in preparing the opening statement of financial position at September 1, 2010 (note 8) for purposes of transition to IFRS.

### **Basis of preparation**

The financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis.

**Notes to Unaudited Condensed Interim Financial Statements**  
*For the three months ended November 30, 2011 and 2010*

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## **2. Summary of Significant Accounting Policies – continued**

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### **Financial instruments**

All financial instruments are classified into one of the following categories: fair value through profit and loss (“FVTPL”), held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments are included on the statement of financial position and are measured at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost. FVTPL financial instruments are subsequently measured at fair value and all gains and losses are included in net income or loss in the period which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income or loss until the instrument is derecognized or impaired. The Corporation has classified its cash as FVTPL, which is measured at fair value.

The sundry receivables, interest receivable and note receivable are classified as loans and receivables, which are measured at amortized cost less any provision for impairment. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. The Corporation had neither available-for-sale nor held-to-maturity instruments during the periods ended November 30, 2011 and August 31, 2011.

### **Income taxes**

Deferred tax assets and liabilities are recognized for the future income tax consequences of events that have been included in the financial statements or income tax returns of the Corporation. Deferred taxes are provided for using the liability method. Under the liability method, deferred taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets, liabilities and certain carry forward items.

Deferred tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

### **Stock-based compensation**

The Corporation has in effect a stock option plan which is described in note 5(c). All stock-based awards granted are accounted for using the fair value based method. Fair value is calculated using the Black-Scholes valuation model. Any consideration paid by eligible participants on the exercise of stock options is credited to share capital. The contributed surplus associated with options is transferred to share capital upon exercise.

### **Loss per share**

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The Corporation applies the treasury stock method in the calculation of diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

**Notes to Unaudited Condensed Interim Financial Statements**  
*For the three months ended November 30, 2011 and 2010*

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## **2. Summary of Significant Accounting Policies – continued**

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### **Use of estimates**

The preparation of these condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **3. Future Changes in Accounting Policies**

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IFRS 13, *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

## **4. Note Receivable**

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As part of a proposed qualifying transaction agreement, the Corporation advanced \$225,000 to DiBattista Industries Inc. (“DBI”) in fiscal 2009. The loan bears interest at 12%, was originally due on January 15, 2010 and is personally guaranteed by a principal of DBI. On April 23, 2009, the Corporation announced that it had terminated its definitive agreement in respect of the proposed qualifying transaction with DBI.

On January 18, 2010 the Corporation and DBI agreed to extend the repayment date to May 31, 2010. On June 16, 2010 DBI made an interest payment of \$39,279. On June 30, 2010, the Corporation, DBI, and a guarantor agreed to further extend the maturity date of the loan and obligations under the guarantee to August 31, 2010.

On November 25, 2010 the Corporation and DBI entered into a Letter of Intent whereby the Corporation intended to acquire all of the issued and outstanding common shares in the capital of KNR Management Inc. (“KNR”) through a share exchange transaction (“Proposed Transaction”). If completed, the Proposed Transaction was expected to constitute the Corporation’s qualifying transaction.



**Notes to Unaudited Condensed Interim Financial Statements**  
*For the three months ended November 30, 2011 and 2010*

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#### **4. Note Receivable - continued**

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The closing of the Proposed Transaction was subject to a number of conditions, including the Corporation successfully completing a private placement for anticipated gross proceeds of at least \$500,000; KNR successfully closing on a term loan facility estimated to be in the amount of \$2,250,000; confirmation of a definitive valuation for KNR; completion of customary due diligence reviews by the Corporation and DBI; the parties entering into a definitive agreement and such other agreements as may be necessary to give effect to the Proposed Transaction; and the parties obtaining all necessary approvals and consents, including the approval of the Exchange.

Subsequent to the year ended August 31, 2011, but before the date of issue of the annual financial statements, the Corporation terminated the Proposed Transaction. As a result the balance of the note receivable of \$225,000, and unpaid accrued interest of \$31,500 as at August 31, 2011, was written down to \$Nil in fiscal 2011 as collection was not reasonably assured.

#### **5. Share Capital**

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**(a) Authorized**

An unlimited number of common shares

**(b) Issued**

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	<b>Number of common shares</b>	<b>Amount</b>
<b>Balance, August 31, 2010</b>	2,556,600	\$ 773,977
Common shares cancelled on transfer to NEX	(600,000)	-
<b>Balance, August 31 and November 30, 2011</b>	1,956,600	\$ 773,977

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**Private placement**

On September 20, 2008, 1,200,000 common shares were issued at a price of \$0.25 per common share as a private placement.

The common shares issued pursuant to this private placement are held in escrow as per to the requirements of the Exchange, to be released as to 10% thereof on the completion of the Corporation's Qualifying Transaction, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

All common shares issued on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction must also be deposited in escrow until the Final Exchange Bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are

**Notes to Unaudited Condensed Interim Financial Statements**  
*For the three months ended November 30, 2011 and 2010*

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also required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be escrowed.

## 5. Share Capital – continued

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### Initial public offering

On November 24, 2008, the Corporation completed its initial public offering (“IPO”) via the issuance of 1,356,600 common shares at a price of \$0.50 per common share for gross proceeds of \$678,300. The Corporation incurred issuance costs of \$173,311. In addition, the Corporation granted the agents of the offering the option to acquire 135,660 common shares, valued at \$31,012 (note 5(c)), at a price of \$0.50 per share for a period of 24 months following the IPO. These options expired unexercised during the year ended August 31, 2011.

The Corporation was not able to complete a Qualifying Transaction within the timeframe prescribed by the Exchange, and as such the Corporation’s listing has been transferred to the NEX, a separate trading board of the Exchange. This action resulted in the cancellation of 600,000 common shares of the Corporation.

### (c) Stock options

The Corporation adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Corporation. The options granted can be exercised for a maximum of 5 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than fair market value of the common shares on the date of grant. At the closing of the IPO, the Corporation granted 255,660 director and officers stock options under this plan, vesting immediately, exercisable at a price of \$0.50 per share for a period of 5 years from the date of grant.

The Corporation uses the Black-Scholes option pricing model to determine the fair value of options granted. The fair value of the 135,660 agent options granted was determined to be \$31,012 and was included in share issuance costs. These agent options expired unexercised during the year. The fair value of the 255,660 director and officers stock options was determined to be \$85,328 and was included in the determination of net loss for the year ended August 31, 2009.

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at November 30, 2011 are as follows:

Options Outstanding			Options Exercisable		
Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price	
255,660	\$ 0.50	1.99	255,660	\$ 0.50	

**Notes to Unaudited Condensed Interim Financial Statements**  
*For the three months ended November 30, 2011 and 2010*

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## **6. Capital Management**

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The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to allow the Corporation to complete a qualifying transaction. The Corporation is not subject to externally imposed capital requirements.

## **7. Financial Instruments**

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The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2011, the Corporation had cash of \$85,099 to settle current liabilities of \$23,500. The Corporation is not exposed to significant liquidity or market risk.

The carrying value of cash and accounts payable and accrued liabilities reflected in the statement of financial position approximates fair value because of the short-term nature of these instruments.

## **8. Transition to IFRS**

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As stated under Significant Accounting Policies Note 2, these are the Company's first condensed interim financial statements prepared in accordance with IFRS.

The policies set out in Note 2 have been applied in preparing the unaudited condensed interim statements for the three months ended November 30, 2011, the comparative information presented in these unaudited condensed interim financial statements for the three and twelve months ended November 30, 2010 and August 31, 2011, respectively, and in the preparation of an opening IFRS statement of financial position at September 1, 2010 (the Company's date of transition).

The Company has followed the recommendations in IFRS-1 *First-time adoption of IFRS*, in preparing its transitional condensed interim financial statements.

### *IFRS exemptions and choices*

In preparing its opening IFRS statement of financial position, the Company did not adjust the amounts reported previously in its financial statements prepared in accordance with Canadian GAAP. There was no financial statement impact resulting from the transition from Canadian GAAP to IFRS.

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting date. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Corporation did not use the optional exemptions listed in IFRS 1.

**Notes to Unaudited Condensed Interim Financial Statements**  
*For the three months ended November 30, 2011 and 2010*

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**8. Transition to IFRS – continued**

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*Mandatory exceptions to retrospective application*

Estimates: Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

**9. Subsequent Events**

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On January 5, 2012, the Company entered into a binding agreement with Alter NRG Corp. (the “Agreement”) to acquire all of the issued and outstanding shares of CleanEnergy Developments Corp. from Alter NRG Corp. The purchase price of \$5 million is to be satisfied by the issuance of 10,000,000 of the Company’s common shares. If completed, the proposed acquisition will constitute the Company’s Qualifying Transaction.