Form 51-102F4
BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Bellair Ventures Inc. ("**Bellair**")
10 Bellair Street
Toronto, ON
M5R 3T8

1.2 Executive Officer

The following executive officer of Bellair is knowledgeable about the significant acquisition and this report:

Emlyn David
President, Chief Executive Officer, Secretary and Chairman
(416) 840-5002

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On December 5, 2012, Bellair acquired (the "**Acquisition**") of all of the issued and outstanding shares of Urban Mechanical Contracting Ltd. ("**Urban Mechanical**") from The Edward J. Winter Family Trust (the "**Vendor**") pursuant to the terms and conditions of a share purchase agreement (the "**Agreement**") dated September 6, 2012 between the Bellair, the Vendor, Edward J. Winter and Marco E. Winter. A copy of the Agreement is on SEDAR at www.sedar.com.

Urban Mechanical is a mid-tier mechanical contractor which, together with predecessor businesses, and has a history spanning more than 45 years in low-rise residential, high-rise residential and ICI installations in Ontario, Canada.

2.2 Acquisition Date

December 5, 2012.

2.3 Consideration

The total consideration for the shares of Urban Mechanical was $10,000,000 less all outstanding long term debt of Urban Mechanical at closing of the Acquisition (the "**Purchase Price**"). On closing, Urban Mechanical had $1,721,581 of long term debt outstanding. The Purchase Price was satisfied by Bellair through the issuance of 9,597,125 common shares of Bellair at an issue price of $0.55 per share having an aggregate value of $5,278,418.75, the payment of $500,000 in cash payable within 90 days after closing and the assignment to the Vendor by Bellair of a $500,000 term loan previously advanced by Bellair to Urban Mechanical. Up to an additional 3,636,363 common shares of Bellair will be issued in satisfaction of the balance of the Purchase Price (the "Holdback Shares"). The Holdback Shares will be decreased dollar-for-dollar by (i) the amount the working capital of Urban Mechanical (current assets less current liabilities) is less than $3,000,000, as determined from a statement of working capital to be prepared after closing by Bellair and approved by Urban Mechanical (provided that the amount of Holdback Shares shall not be reduced below zero), and (ii) by any amounts due and outstanding to Bellair for indemnification under the Agreement.

2.4 Effect on Financial Position

As a result of the Acquisition, Urban Mechanical became a wholly owned subsidiary of Bellair.

For information on the expected effect of the Acquisition on Bellair's financial position, see the pro forma consolidated financial statements of Bellair attached hereto. Other than changes which occurred as a result of the Acquisition, there are currently no plans or proposals for material changes in the business affairs of Bellair or affairs of Urban Mechanical which may have a significant effect on the results of operations and financial position of Bellair.

2.5 Prior Valuations

None.

2.6 Parties to Transaction

The Acquisition was not with an informed person, associate or affiliate of Bellair.

2.7 Date of Report

December 31, 2012.

Item 3 Financial Statements and Other Information

The following financial statements are attached:

- Bellair Pro forma financial statements for the year ended August 31, 2012.
- Urban Mechanical audited comparative annual financial statements for the most recently completed financial year and the immediately preceding financial year, being the periods ended July 31, 2012 and July 31, 2011, respectively.

The following financial statements are incorporated by reference:

- Bellair audited financial statements for the year ended August 31, 2012 filed on SEDAR.

The auditor of the financial statements of Bellair has not provided its consent to the inclusion of its audit report in the business acquisition report.

Bellair Ventures Inc.
Unaudited Pro Forma Consolidated Statement of Financial Position
As at August 31, 2012

	Bellair Ventures Inc. as at August 31, 2012	Urban Mechanical Contracting Ltd. as at July 31, 2012	Note 3	Pro Forma Adjustments	Pro Forma Consolidated
	$	$		$	$
Assets					
Current assets					
Cash	1,383,371	-	(d)	(60,000)	1,823,371
			(e)	500,000	
Accounts receivable	1,317,330	12,945,154			14,262,484
Unbilled receivables	-	706,854			706,854
Inventories	102,943	810,544			913,487
Income taxes recoverable	-	180,500			180,500
Note receivable	500,000	-	(a)	(500,000)	-
Prepaid expenses	70,763	357,000			427,763
	3,374,407	15,000,052		(60,000)	18,314,459
Long-term deposits and receivables	-	160,788			160,788
Property, plant and equipment	68,768	2,665,163			2,733,931
Goodwill & unallocated purchase price	4,935,003	-	(a)	7,224,223	12,159,226
	8,378,178	17,826,003		7,164,223	33,368,404
Liabilities					
Current liabilities					
Bank indebtedness	-	188,437			188,437
Accounts payable and accrued liabilities	831,786	13,868,841	(a)	500,000	15,200,627
Loans payable - related party	1,142,714	1,147,350			2,290,064
Promissory note	-	750,000	(e)	500,000	1,250,000
Deferred revenue	-	1,314,726			1,314,726
Loans payable - current	-	173,391			173,391
Operating lease obligations	-	57,980			57,980
Finance lease obligations	4,266	-			4,266
	1,978,766	17,500,725		1,000,000	20,479,491
Long-term liabilities					
Finance lease obligations	-	32,533			32,533
Long-term holdbacks payable	-	5,700			5,700
Loans payable	-	432,849			432,849
Deferred income taxes	-	800,000			800,000
	1,978,766	18,771,807		1,000,000	21,750,573
Shareholders' Equity					
Share capital (Note 4)	7,901,791	75	(a)	5,278,419	13,180,210
			(c)	(75)	
Contributed surplus (Note 5)	242,103	-			242,103
Deficit (Note 9)	(1,744,482)	(945,879)	(b)	945,879	(1,804,482)
			(d)	(60,000)	
	6,399,412	(945,804)		6,164,223	11,617,831
	8,378,178	17,826,003		7,164,223	33,368,404

Bellair Ventures Inc.
Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss
For the year ended August 31, 2012

	Bellair Ventures Inc. for the year ended August 31, 2012	Urban Mechanical Contracting Ltd. for the year ended July 31, 2012	Note 3	Pro Forma Adjustments	Pro Forma Consolidated
	$	$		$	$
Sales	426,851	58,472,822			58,899,673
Cost of sales	(287,283)	(55,395,112)			(55,682,395)
Gross margin	139,568	3,077,710		-	3,217,278
General and administrative	369,945	3,665,697			4,035,642
Depreciation	2,299	223,023			225,322
Transaction costs	705,134	-	(d)	60,000	765,134
Finance costs	1,304	288,236			289,540
Finance and other income	(50)	(188)			(238)
	1,078,632	4,176,768		60,000	5,315,400
Loss before income taxes	(939,064)	(1,099,058)		(60,000)	(2,098,122)
Recovery of (provision for) income taxes					
Income taxes - current	-	(107,522)			(107,522)
Income taxes - deferred	-	300,000			300,000
Loss and comprehensive loss for the period	(939,064)	(906,580)		(60,000)	(1,905,644)

1. Nature of the transaction

a) On September 6, 2012, the Company and trustees of the shareholder of Urban entered into an agreement, and on December 5, 2012 it closed the transaction, whereby the Company acquired all of the issued and outstanding common shares of Urban in exchange for $10,000,000, less an amount equal to any long-term debt of Urban outstanding on closing. Payment of the purchase price is as follows:

   i) $500,000 within 90 days of closing;
   ii) $500,000 by assignment of the loan due from Urban to the vendor, which was advanced previously by Bellair;
   iii) $2,000,000 by allotting 3,636,363 Bellair shares, valued at $0.55 each, as holdback shares; and
   iv) the balance of $7,000,000 less long-term debt of $1,721,581 through issuance of 9,597,125 Bellair shares valued at $0.55 each.

   The purchase price will be reduced dollar-for-dollar for the amount (if any) that Urban's working capital is less than $3,000,000 upon close of the transaction provided that the number of holdback shares shall not be decreased below zero.

b) As a condition of the transaction, the Company advanced a loan of $500,000 to Urban which is due on demand after six months, bearing interest at 10%. Upon closing, the loan was assigned to the vendor as part of the purchase price consideration. Shares issued for the acquisition are subject to the TSX Venture three year escrow arrangement based on the transaction. The holdback shares shall be released one year after closing, subject to working capital adjustments.

2. Basis of presentation

The unaudited pro forma consolidated statement of financial position as at August 31, 2012 and the unaudited pro forma consolidated statements of loss and comprehensive loss for the year ended August 31, 2012 have been prepared by management based on historical financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), for illustrative purposes only, after giving effect to the proposed transaction between Bellair Ventures Inc. (the "Company" or "Bellair") and Urban Mechanical Contracting Ltd. ("Urban") on the basis of the assumptions and adjustments described in Note 1 and 3. The unaudited pro forma financial statements should be read in conjunction with the annual audited financial statements of Bellair, including the accompanying notes, for the year ended August 31, 2012, as well as the audited financial statements of Urban for the year ended July 31, 2012.

The unaudited pro forma consolidated statement of financial position as at August 31, 2012 has been compiled from and include the consolidated statement of financial position of Bellair as at August 31, 2012 and the statement of financial position of Urban as at July 31, 2012. The unaudited pro forma consolidated statement of loss and comprehensive loss for the year ended August 31, 2012 has been compiled from and include the consolidated statement of loss and comprehensive loss of Bellair for the year ended August 31, 2012 and the statement of loss and comprehensive loss of Urban for the year ended July 31, 2012.

It is management's opinion that the unaudited pro forma statement of financial position includes all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Notes 1 and 3, applied on a basis consistent with the Company's accounting policies. The unaudited pro forma statement of financial position and unaudited pro forma statements of loss and comprehensive loss are not necessarily indicative of the financial position that would have resulted if the combination had actually occurred on that date.

The pro forma adjustments and purchase price allocation have been determined from information available to the management of the Company at this time and incorporates and reflects management's preliminary assessment of the fair value of the net assets acquired. The actual adjustments to the financial statements of the Company will depend on a number of factors, including changes in working capital of Urban between July 31, 2012 and the actual acquisition date. Therefore, the actual adjustments will differ from the pro forma adjustments. The allocation of the purchase price to the assets and liabilities of Urban will be finalized after the final fair values of the assets and liabilities have been determined and, accordingly, the purchase price allocation is subject to change.

The unaudited pro forma consolidated statement of financial position should be read in conjunction with the historical financial statements and notes thereto of the Company and Urban.

3. Pro forma assumptions and adjustments

The unaudited pro forma consolidated statement of financial position and unaudited pro forma consolidated statements of loss and comprehensive loss reflect the following assumptions and adjustments:

To give effect to the acquisition of Urban by the Company

(a) The total estimated purchase price has been calculated as follows:

Purchase price to vendors	
Shares	$ 9,000,000
Cash (payable within 90 days of closing)	500,000
Assignment of loan	500,000
Less: Long-term debt assumed	(1,721,581)
Less: Reduction of share for working capital below $3,000,000 based on pro forma statements	(2,000,000)
Total purchase price	$ 6,278,419

The following table reflects the preliminary purchase price allocation, which is subject to final determinations:

	Urban financial position July 31, 2012	Purchase price allocation	Pro Forma adjustment
Accounts receivable	$ 12,945,154	$ 12,945,154	$ -
Unbilled receivables	706,854	706,854	-
Inventories	810,544	810,544	-
Income taxes recoverable	180,500	180,500	-
Prepaid expenses	357,000	357,000	-
Long-term deposits and receivables	160,788	160,788	-
Property, plant and equipment	2,665,163	2,665,163	-
Bank indebtedness	(188,437)	(188,437)	-
Accounts payable and accrued liabilities	(13,868,841)	(13,868,841)	-
Loans payable - related party	(1,147,350)	(1,147,350)	-
Promissory note	(750,000)	(750,000)	-
Deferred revenue	(1,314,726)	(1,314,726)	-
Loans payable - current	(173,391)	(173,391)	-
Operating lease obligations	(57,980)	(57,980)	-
Finance lease obligations	(32,533)	(32,533)	-
Long-term holdbacks payable	(5,700)	(5,700)	-
Loans payable	(432,849)	(432,849)	-
Deferred income taxes	(800,000)	(800,000)	-
Goodwill & unallocated purchase price	-	7,224,223	7,224,223
Net assets acquired	$ (945,804)	$ 6,278,419	$ 7,224,223

This would result in an increase in the Company's share capital of $5,278,419 and a corresponding allocation to the net assets acquired to reflect an issuance of 9,597,125 common shares in connection to the transaction. In addition, a decrease in cash of $500,000 and a decrease in notes receivable of $500,000 to reflect payment to the vendor in connection to the transaction.

The purchase price allocation remains subject to the completion of the determination of fair value of the net identifiable assets acquired. As the Company is still finalizing its valuations, there is an unallocated amount of $7,224,223 on the purchase price allocation.

Should any additional amount of the excess be allocated to finite lived intangible assets, an additional amortization charge would need to be recorded. Accordingly, the pro forma net loss for the year would be higher to account for such amortization.

3. Pro forma assumptions and adjustments (continued)

(b) An adjustment of $945,879 to eliminate Urban's historical deficit.

(c) An adjustment of $75 to eliminate Urban's share capital.

(d) Transaction costs for the acquisition have been estimated at $60,000 and have been recorded as an expense through deficit and a reduction in cash.

To give effect to the advance of the $500,000 loan by the Company to Urban

(e) An increase in promissory note of $500,000 with a corresponding increase in cash to reflect receipt of the advance by Urban that occurred subsequent to July 31, 2012.

4. Pro forma share capital

	Number	Amount
The Company's common shares outstanding - August 31, 2012	17,308,600	$ 7,901,791
Urban's share capital		75
Elimination of Urban's share capital (note 3(c))		(75)
Common shares issued to Urban's shareholders for transaction	9,597,125	5,278,419
Pro forma share capital - August 31, 2012	26,905,725	$ 13,180,210

5. Pro forma contributed surplus

	Amount
The Company's contributed surplus	$ 242,103
Urban's reserve	-
Pro forma contributed surplus - August 31, 2012	$ 242,103

6. Pro forma stock options

	Weighted average remaining life (years)	Number outstanding	Number vested	Exercise price
The Company's options	1.24	170,440	170,440	$ 0.50
Pro forma stock options - August 31, 2012		170,440	170,440	$ 0.50

7. Pro forma warrants

	Weighted average remaining life (years)	Number	Exercise price
The Company's warrants	1.90	4,788,000	$ 0.75
Pro forma warrants - August 31, 2012		4,788,000	$ 0.75

8. Pro forma broker warrants (agent options)

	Weighted average remaining life (years)	Number	Exercise price
The Company's broker warrants (agent options)	1.90	478,800	$ 0.50
Pro forma broker warrants (agent options) - August 31, 2012		478,800	$ 0.50

9. Pro forma deficit

	Amount
The Company's deficit	$ (1,744,482)
Urban's deficit	(945,879)
Elimination of Urban's deficit (note 3(b))	945,879
Additional transaction costs (note 3(d))	(60,000)
Pro forma deficit - August 31, 2012	$ (1,804,482)

10. Pro forma loss per share

For the purposes of the unaudited pro forma combined financial statements, the loss per share has been calculated using the weighted average number of shares of 26,905,725 which would have been outstanding after giving effect to the transactions described above in Note 1 and 3.

	For the year ended Aug 31, 2012
Net loss	$ (1,905,644)
Weighted average number of shares outstanding	26,905,725
Pro forma basic and diluted loss per share	$ (0.07)

11. Pro forma income taxes and future income taxes

The Company's has an expected income tax rate of 26.5%.

Financial statements of

Urban Mechanical Contracting Ltd.

For the years ended July 31, 2012 and 2011

Urban Mechanical Contracting Ltd.
July 31, 2012 and 2011

Table of contents

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Independent Auditor's Report

To the Directors of
Urban Mechanical Contracting Ltd.

We have audited the accompanying financial statements of Urban Mechanical Contracting Ltd., which comprise the statements of financial position as at July 31, 2012, July 31, 2011, and August 1, 2010 and the statements of (loss) income and comprehensive (loss) income, statements of changes in shareholder's deficiency and statements of cash flows for the years ended July 31, 2012 and 2011, 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.

Auditor's 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 auditor's 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 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 Urban Mechanical Contracting Ltd. as at July 31, 2012, July 31, 2011 and August 1, 2010, and its financial performance and its cash flows for the years ended July 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
October 11, 2012
Toronto, Canada

Urban Mechanical Contracting Ltd.

Statements of financial position
as at July 31, 2012, 2011 and August 1, 2010
(In Canadian dollars)

	July 31, 2012	July 31, 2011 (Note 3)	August 1, 2010 (Note 3)
	$	$	$
Assets			
Current			
Cash	**-**	-	445,464
Trade and other receivables (Note 5)	**12,945,154**	12,912,023	16,822,907
Unbilled receivables	**706,854**	1,149,468	1,334,199
Inventory	**810,544**	467,507	215,800
Loans receivable - related parties (Note 12)	**-**	-	57,662
Prepaid expenses	**357,000**	338,584	475,218
Income taxes recoverable	**180,500**	167,600	247,468
	15,000,052	15,035,182	19,598,718
Long-term receivables (Note 5)	**160,788**	739,890	500,951
Property and equipment (Note 6)	**2,665,163**	2,464,791	1,551,029
	17,826,003	18,239,863	21,650,698
Liabilities			
Current			
Bank indebtedness	**188,437**	46,131	-
Trade and other payables	**13,868,841**	14,146,085	16,850,249
Loans payable - related parties (Note 7)	**1,147,350**	683,940	-
Promissory note (Note 8)	**750,000**	-	673,048
Deferred revenue	**1,314,726**	1,776,642	3,064,097
Loans payable - current portion (Note 9)	**173,391**	55,517	40,331
Obligations under finance leases - current portion (Note 10)	**57,980**	104,145	91,640
	17,500,725	16,812,460	20,719,365
Long-term			
Long-term holdbacks payable	**5,700**	171,549	119,812
Loans payable (Note 9)	**432,849**	104,565	101,839
Obligations under finance leases (Note 10)	**32,533**	90,513	96,006
Deferred income taxes (Note 15)	**800,000**	1,100,000	1,221,000
	1,271,082	1,466,627	1,538,657
Total liabilities	**18,771,807**	18,279,087	22,258,022
Shareholder's (deficiency)			
Share capital (Note 11)	**75**	75	75
(Deficit)	**(945,879)**	(39,299)	(607,399)
	(945,804)	(39,224)	(607,324)
	17,826,003	18,239,863	21,650,698

Approved by the Board

____________________________ Director

____________________________ Director

The accompanying notes are an integral component of these financial statements.

Urban Mechanical Contracting Ltd.

Statements of (loss) income and comprehensive (loss) income
years ended July 31, 2012 and 2011
(In Canadian dollars)

	2012	2011 (Note 3)
	$	$
Revenue	**58,472,822**	54,016,707
Direct costs	**55,395,112**	50,093,365
	3,077,710	3,923,342
Administrative expenses	**3,665,697**	2,929,937
(Loss) income before the following items	**(587,987)**	993,405
Depreciation	**(223,023)**	(219,285)
Interest expense	**(288,236)**	(266,359)
Interest income	**188**	992
Loss on disposal of property and equipment	**-**	(7,175)
(Loss) income before income taxes	**(1,099,058)**	501,578
Recovery of (provision for) income taxes (Note 15)		
Current	**(107,522)**	(54,478)
Deferred	**300,000**	121,000
	192,478	66,522
Net (loss) income and total comprehensive (loss) income	**(906,580)**	568,100

The accompanying notes are an integral component of these financial statements.

Urban Mechanical Contracting Ltd.

Statements of changes in shareholder's (deficiency)
years ended July 31, 2012 and 2011
(In Canadian dollars)

	Share capital	(Deficit)	Total shareholder's (deficiency)
	$	$	$
Balance at August 1, 2010	75	(607,399)	(607,324)
Net income and total comprehensive income	-	568,100	568,100
Balance at July 31, 2011	75	(39,299)	(39,224)
Net loss and total comprehensive loss	-	(906,580)	(906,580)
Balance at July 31, 2012	**75**	**(945,879)**	**(945,804)**

The accompanying notes are an integral component of these financial statements.

Urban Mechanical Contracting Ltd.

Statements of cash flows
years ended July 31, 2012, and 2011
(In Canadian dollars)

	2012	2011 (Note 3)
	$	$
Inflow (outflow) of cash relating to the following activities		
Operating activities		
Net (loss) income for the year	**(906,580)**	568,100
Adjustments for		
Depreciation	**223,023**	219,285
Depreciation included in direct costs	**339,771**	213,624
Deferred income taxes	**(300,000)**	(121,000)
Interest expense recognized	**288,236**	266,359
Loss on sale of property and equipment	**-**	7,175
	(355,550)	1,153,543
Changes in non-cash working capital items		
Trade and other receivables	**545,971**	3,671,945
Unbilled receivables	**442,614**	184,731
Inventory	**(343,037)**	(251,707)
Prepaid expenses	**(18,416)**	136,634
Income taxes recoverable	**(12,900)**	79,868
Trade and other payables	**(443,093)**	(2,656,704)
Deferred revenue	**(461,916)**	(1,287,455)
Cash generated from operations	**(646,327)**	1,030,855
Interest paid	**(288,236)**	(262,082)
Cash (used in) provided by operating activities	**(934,563)**	768,773
Financing activities		
Advances from related parties	**463,410**	683,940
Loans receivable - related parties	**-**	57,662
Increase in loans payable	**508,660**	65,818
Repayment of loans payable	**(62,502)**	(47,906)
Repayments of obligations under finance lease	**(104,145)**	(96,070)
Proceeds from (repayments to) promissory note	**750,000**	(673,048)
Cash provided by (used in) financing activities	**1,555,423**	(9,604)
Investing activities		
Acquisition of property and equipment	**(771,206)**	(1,251,564)
Proceeds on disposal of property and equipment	**8,040**	800
Cash used in investing activities	**(763,166)**	(1,250,764)
Decrease in cash	**(142,306)**	(491,595)
(Bank indebtedness) cash, beginning of year	**(46,131)**	445,464
(Bank indebtedness), end of year	**(188,437)**	(46,131)

The accompanying notes are an integral component of these financial statements.

1. Description of business

Urban Mechanical Contracting Ltd. (the “Company”) was incorporated under the Ontario Business Corporations Act on June 28, 1993 and is primarily engaged in the mechanical contracting business operating in Ontario, Canada. The ultimate parent of Urban Mechanical Contracting Ltd. is The Edward J. Winter Family Trust. The address of the Company’s registered head office is 254 Attwell Drive Toronto, Ontario.

The Canadian dollar is the functional and presentation currency of the Company.

2. Basis of presentation

The Company adopted International Financial Reporting Standards (“IFRS”) on August 1, 2010. Previously the Company’s financial statements were prepared in accordance with Part V of the Canadian Institute of Chartered Accountants Handbook Canadian generally accepted accounting principles (“GAAP”). The Company’s 2011 financial statements have been restated in accordance with IFRS.

The Company’s financial statements for the year ended July 31, 2012 are the first annual financial statements presented in accordance with IFRS.

The Company has applied IFRS 1 First Time Adoption of International Financial Reporting Standards, in preparing these financial statements. The Company’s transition date is August 1, 2010 and an opening IFRS statement of financial position has been prepared at that date.

The financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities that are presented at fair value. The Company presents the statement of financial position in order of liquidity.

These financial statements have not been prepared using the same accounting policies and methods of computation as compared with the most recent annual financial statements of the Company. Note 4 includes a description of the accounting policies of the Company and to the extent these policies have changed, a description of the nature of the changes has been included in Note 3 to the financial statements. These financial statements were prepared on a going concern basis. The accounting policies set out below have been consistently applied. Standards and guidelines not effective for the current year are described in Note 4.

The Company’s financial statements were authorized for issuance by the Board of Directors on October 11, 2012.

Statement of compliance

These financial statements have been prepared in accordance with IFRS.

3. Transition to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and financial performance. In order to allow the users of the financial statements to better understand these changes, the Company has adjusted its statements of (loss) income and comprehensive (loss) income for the year ended July 31, 2011 and statements of financial position as at July 31, 2011 and August 1, 2010 to comply with IFRS, with the resulting differences explained.

IFRS 1 allows some exemptions from full retrospective application of certain standards. In preparing these financial statements in accordance with IFRS, the Company has applied the applicable mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS as disclosed below.

(a) Elected exemptions from full retrospective application

Business combinations that occurred before the date of transition to IFRS were not restated. In addition, the Company did not reassess lease arrangements that existed as at the date of adoption. The classifications determined in accordance with GAAP has been maintained.

(b) Mandatory exceptions to retrospective application

In preparing these financial statements in accordance with IFRS 1 the Company has applied certain mandatory exceptions from full retrospective application of IFRS. Hindsight was not used to create or revise the estimates and accordingly the estimates previously made by the Company under GAAP are consistent with their application under IFRS.

(c) Presentation of deferred income tax assets and liabilities

IAS 12 Income Taxes does not allow the current portion of deferred income taxes to be presented as current on the statement of financial position. Under Canadian GAAP, deferred income taxes were classified as both current and non-current. As a result, the deferred income tax liabilities of $1,100,000 as at July 31, 2011 (August 1, 2010 $1,221,000) have been reclassified to non-current.

(d) Financial statement presentation changes

The transition to IFRS has resulted in financial statement presentation changes. The statement of (loss) income and comprehensive (loss) income presents an analysis of expenses recognized in profit or loss using a classification based on their function within the Company.

(e) Effect of IFRS adoption on the Company's statements of cash flows

Under Canadian GAAP, interest paid and income taxes paid included in the determination of net income were disclosed separately as supplementary cash flow information. Under IFRS, interest paid and income taxes paid are included into the body of the statement of cash flows as separate line items.

(f) Reconciliation to amounts previously reported

There were no differences from amounts reported under Canadian GAAP for total comprehensive income and net cash flows for the 2011 fiscal year nor where there any differences in equity as at July 31, 2010 and 2011. Therefore no reconciliations are provided.

4. Significant accounting policies

The financial statements reflect the following significant accounting policies:

Inventories

Raw materials are valued at the lower of cost and net realizable value with cost determined on a first-in first-out basis. Net realizable value is defined as current replacement cost.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the declining balance method at varying rates. Depreciation is provided as follows:

Vehicles	30%
Machinery and equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Leasehold improvements	straight-line over the term of the lease

Half of the above rates are used in the year of acquisition.

Useful lives, the depreciation method and indications of impairment are reviewed annually. Such a review takes into consideration the nature of the assets and the intended use of the assets.

Impairment of assets

Assets other than financial assets are reviewed each reporting period for indication of impairment. If any such indication exits, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset and or cash generating unit. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Any impairment loss is recognized immediately in income. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount. However, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized immediately in income.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4. Significant accounting policies (continued)

Provisions (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

At the end of the reporting periods presented, the Company has no material provisions.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

Revenues are recognized using the percentage of completion method. In using this method, revenues are recorded based on the percentage of costs incurred and accrued to date relative to the estimated total expected costs for each contract. Profit estimates on these contracts are revised periodically based on various reasons throughout the life of the contract, which may include changes to the scope of work required, labour efficiencies, scheduling and price changes in cost of goods. Any losses on contracts are recognized in the period that such losses become known. Billings in excess of revenues earned to date on these contracts are recorded as deferred revenue until recognized as revenue.

Unbilled receivables and deferred revenue

Unbilled receivables represent revenues earned in excess of amounts billed on incomplete contracts. Such amounts are recoverable from customers upon various measures or performance, including achievements of certain milestones, completion of specified units or completion of the contract.

Deferred revenue represents the excess of amounts billed to customers over revenue earned on incomplete contracts.

Also included in unbilled receivables are amounts the Company seeks or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope or prices, or other customer related causes of unanticipated additional contract costs, claims and unapproved change orders. For change orders that have not been approved as to price, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Profit on unpriced change orders is not recognized. If there are disputes or claims regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, the Company's accounting policy is to record all costs for these change orders and to record revenues anticipated from these disputes when resolution is probable.

The Company expenses litigation costs as incurred, although it may seek to recover the costs as part of the litigation. The Company believes that it has established legal basis for pursuing recovery of recorded claims and unapproved change orders, and it is management's intention to pursue and litigate these claims and unapproved change orders, if necessary, until a decision or settlement is reached. Claims against the Company are recognized when a loss is considered likely and amounts are reasonably determined.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the statement of financial position date.

4. Significant accounting policies (continued)

Income taxes (continued)

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax basis and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each financial position date and reduced to the extent it is no longer probable that the deferred income tax asset will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Research and development expenses and apprentice training and investment tax credits

Research and development costs are expensed as incurred.

Apprentice training and investment tax credits, which are earned as a result of incurring qualifying apprentice training and research and development expenditures, are accounted for as a reduction of the related expenses in the period that the credits become available and there is reasonable assurance that they will be realized. Apprentice training and investment tax credits receivable as at year-end are included in income taxes receivable.

Financial instruments

Financial instruments are classified as one of the following: (i) held-to-maturity, (ii) loans and receivables, (iii) fair value through profit or loss, (iv) available-for-sale, or (v) other financial liabilities. Financial assets and liabilities classified as fair value through profit or loss are measured at fair value with gains and losses recognized in the statement of (loss) income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income.

The Company’s financial assets and financial liabilities are classified and measured as follows:

Asset/liability	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Long term receivables	Loans and receivables	Amortized cost
Loans receivable -related parties	Loans and receivables	Amortized cost
Loans payable -related parties	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Long term holdbacks payable	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Promissory note	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost

Fair value through profit or loss (“FVTPL”)

FVTPL financial instruments are financial assets or financial liabilities typically acquired with an objective to generate revenues from short-term fluctuations in price. They are measured at fair value at the statement of financial position date. Interest earned, gains and losses realized on disposal and unrealized gains and losses from the change in fair value are recorded as part of other interest expense in the statements of (loss) income. The Company did not hold any FVTPL financial instruments at July 31, 2012, July 31, 2011, and August 1, 2010.

4. Significant accounting policies (continued)

Financial instruments (continued)

Held to maturity (“HTM”)

HTM financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. The Company did not hold any HTM assets at July 31, 2012, July 31, 2011, and August 1, 2010.

Available for sale (“AFS”)

AFS financial assets are those non-derivative financial assets that are designated as AFS or that are not classified as loans and receivables, HTM or FVTPL. AFS financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until realized, when the cumulative gain or loss is transferred to the statements of (loss) income and presented within interest expense. The Company did not hold any AFS assets at July 31, 2012, July 31, 2011, and August 1, 2010.

Loans and receivables

Loans and receivables are financial assets accounted for at amortized cost, using the effective interest method.

Other financial liabilities

Other financial liabilities, including trade and other payables, promissory notes and loans, are initially recorded at fair value and subsequently measured at amortized cost, using the effective interest method. Transaction costs incurred with issuing non-revolving debt are included in the carrying value of the debt to which they relate and are amortized to interest expense using the effective interest method.

Transaction costs

Transaction costs relating to financial instruments other than those classified as FVTPL are offset against the related financial instrument and amortized using the effective interest method.

Critical accounting judgments

The following are the critical judgments that have been made in applying the Company’s accounting policies and that have the most significant effect on the amounts in the financial statements:

Depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives and salvage values, both of which are determined with the exercise of judgment.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. In applying this policy, judgment is applied in determining significant identifiable components.

Identification of cash generating units

The Company has allocated its tangible and intangible assets to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The Company applies judgment to determine its cash-generating units.

4. Significant accounting policies (continued)

Critical accounting estimates

The following are the key critical accounting estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Actual outcomes could vary.

Percentage of completion

The Company uses the percentage of completion method in accounting for its contract revenues. Use of the percentage of completion method requires the Company to estimate the contract work performed to date as a proportion of the total contract work to be performed and it is management's judgment that the use of costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Trade and other receivables

The allowance for doubtful accounts is measured by management using their best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action by the Company.

Unbilled receivables

An adjustment is made each period to value unbilled receivables at the net recoverable amount. This adjustment is estimated based on management's estimate of the amount collectible at that time.

Useful lives of property and equipment

The Company reviews the estimated useful lives of property and equipment at the end of each reporting period. The assessment of any impairment of property and equipment is dependent upon estimates of recoverable amounts based on the higher of fair value less cost to sell ("FVLCTS") or a value-in-use calculation that takes into account factors such as economic conditions and the useful life.

Valuation of deferred income tax assets

The Company assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When a forecast shows a net profit, the Company considers that the use of deferred income taxes is probable and recognizes the benefit. When management believes that the benefit will not be realized, the deferred tax asset is derecognized.

Provisions

Management uses their best estimates to provide for potential losses. Assumptions used reflect the most probable set of economic conditions and planned courses of action by the Company.

Future accounting policy changes

The listing below includes issued standards and interpretations which the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. Unless otherwise noted, the effective date of each standard below is the first annual period beginning on or after January 1, 2013, with retrospective application required and early adoption permitted. Unless otherwise noted, the Company is currently considering the impact of adopting these standards and interpretations on the financial statements and cannot reasonably estimate the effect at this time.

4. Significant accounting policies (continued)

Future accounting policy changes (continued)

Financial instruments: Disclosures

On December 16, 2011, the IASB approved additional amendments to IFRS 7, which establishes disclosure requirements to help users better assess the effect or potential effect of offsetting arrangements on a company's financial position. The Company has yet to assess the impact of the new standard on its financial performance, financial position and disclosures.

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and was amended on October 28, 2010. The new standard will replace IAS 39 entirely. IFRS 9 uses a single approach to determine whether financial assets and liabilities are measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages financial instruments and the contractual cash flow characteristics of the financial assets and liabilities. The new standard also requires a single impairment method to be used, replacing many different impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

Consolidated financial statements

IFRS 10 requires a parent to present financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee.

Joint arrangements

In May 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11") to establish principles for financial reporting by parties to a joint arrangement. This standard supersedes IAS 31, "Interests in Joint Ventures" ("IAS 31") and SIC-13, "Jointly Controlled Entities - Non-Monetary Contributions by Venturers." Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures; the classification of a joint arrangement focuses on the nature and substance of the rights and obligations of the arrangement. IFRS 11 requires that joint ventures be accounted for using the equity method, rather than proportionate consolidation.

Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"). IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates, and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 28, IAS 31, and SIC-12 while others are new. IFRS 12 requires that an entity discloses the significant judgment and assumptions it has made in determining whether it controls an entity.

Fair value measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. Entities are required to make various disclosures depending upon the nature of the fair value measurement and the level in which it is classified.

4. Significant accounting policies (continued)

Future accounting policy changes (continued)

Employee benefits

The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognized in the period in which the benefit is earned by the employee, rather than when it is paid or payable. The Company has yet to assess the impact of the new standard on its financial performance, financial position and disclosures.

Separate financial statements

The IASB issued amendments to IAS 27, Separate Financial Statements (“IAS 27”). The amended version of IAS 27 now only deals with the requirements for separate financial statements, which have been carried largely unamended from IAS 27, consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10, Consolidated Financial Statements (“IFRS 10”). The standard requires that when an entity prepares separate financial statements, investment in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9, Financial Instruments.

Investments in Associates and Joint Ventures

IAS 28 (2003) is superseded by IAS 28 (2011) Investments in Associates and Joint Ventures effective January 1, 2013. IAS 28 applies to all investments in which an investor has significant influence but not control or joint control except for investments held by a venture capital organization, mutual fund, unit trust, and similar entity that are designated under IAS 39 to be at fair value with fair value changes recognized in profit or loss. The Company has yet to assess the impact of the new standard on its financial performance, financial position and disclosures.

Financial instruments: Presentation

The IASB amended IAS 32 to address inconsistencies in current practice in the application of offsetting criteria. The amendments provide clarification with respect to the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has yet to assess the impact of the new standard on its financial performance, financial position and disclosures.

Presentation of financial statements

In June 2011, the IASB issued amendments to IAS 1, “Presentation of Financial Statements” (“IAS 1”) to improve the consistency and clarity of items presented in Accumulated Other Comprehensive Income (“AOCI”). The amendments require that items presented in AOCI be grouped into two categories: items that may be reclassified into profit or loss at a future date and items that will never be reclassified into profit or loss. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

(in Canadian dollars)

5. Trade and other receivables

Trade and other receivables include statutory receivable holdbacks in the amount of $6,193,210 (July 31, 2011 - $5,707,413; August 1, 2010 $7,179,680). The holdbacks for each project are not due until 45 days after substantial performance is published. Long-term receivables reflect holdbacks for projects where substantial performance is not expected to be published in the next twelve months.

The provision for doubtful accounts for trade accounts receivable of $75,000 (July 31, 2011 - $92,000; August 1, 2010 $85,000) is established based on an assessment of a customer's credit quality, as well as subjective factors and trends, including the collection experience of the customer as well as the aging of accounts receivable balances. Generally, these credit assessments occur prior to the inception of the credit exposure and are reviewed regularly during the life of the exposure.

Movements in the allowance for doubtful accounts were as follows:

	Year ended July 31, 2012	Year ended July 31, 2011
	$	$
Allowance for doubtful accounts, beginning of period	**92,000**	85,000
(Reversal) additional charge for the period	**(17,000)**	7,000
Allowance for doubtful accounts, end of period	**75,000**	92,000

The aging of accounts receivable balances was as follows:

	July 31, 2012	July 31, 2011	August 1, 2010
	%	%	%
Current	**24**	27	31
31-60	**26**	25	24
61-90	**1**	3	3
Over 90	**2**	3	1
Holdbacks	**47**	42	41
	100	100	100

(in Canadian dollars)

6. Property and equipment

	Vehicles	Machinery and equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance at August 1, 2010	556,045	490,232	218,067	227,681	1,132,858	2,624,883
Additions	63,768	1,007,566	151,345	8,671	123,296	1,354,646
Disposals	(26,323)	-	-	(27,541)	-	(53,864)
Fully depreciated assets	-	-	-	-	(29,254)	(29,254)
Balance at July 31, 2011	593,490	1,497,798	369,412	208,811	1,226,900	3,896,411
Balance at August 1, 2011	593,490	1,497,798	369,412	208,811	1,226,900	3,896,411
Additions	29,435	488,554	20,758	5,898	226,561	771,206
Disposals	-	(9,090)	-	-	-	(9,090)
Balance at July 31, 2012	**622,925**	**1,977,262**	**390,170**	**214,709**	**1,453,461**	**4,658,527**
Depreciation and impairment losses						
Balance at August 1, 2010	319,913	244,070	131,946	127,950	249,975	1,073,854
Depreciation charge for the year	79,926	149,989	48,538	20,136	134,320	432,909
Disposals	(25,523)	-	-	(20,366)	-	(45,889)
Fully depreciated assets	-	-	-	-	(29,254)	(29,254)
Balance at July 31, 2011	374,316	394,059	180,484	127,720	355,041	1,431,620
Balance at August 1, 2011	374,316	394,059	180,484	127,720	355,041	1,431,620
Depreciation charge for the year	70,167	269,604	59,792	16,808	146,423	562,794
Disposals	-	(1,050)	-	-	-	(1,050)
Balance at July 31, 2012	**444,483**	**662,613**	**240,276**	**144,528**	**501,464**	**1,993,364**
Carrying amount						
August 1, 2010	236,132	246,162	86,121	99,731	882,883	1,551,029
July 31, 2011	219,174	1,103,739	188,928	81,091	871,859	2,464,791
July 31, 2012	**178,442**	**1,314,649**	**149,894**	**70,181**	**951,997**	**2,665,163**

The Company leases vehicles, machinery and equipment and furniture and fixtures under finance leases and records these as property and equipment if the risks and rewards of ownership have substantially transferred. Some leases provide the Company with an option to purchase the equipment at a beneficial price. At July 31, 2012, total assets under finance leases included in property and equipment with a carrying amount of $223,247 (July 31, 2011 - $265,400; August 1, 2010 $337,443).

7. Loans payable - related parties

Loans payable to related parties, which include loans from a beneficiary of the shareholder and the shareholder are secured by a general security agreement over the Company's assets, are non-interest bearing and are due on demand.

A loan payable totaling $464,316 (July 31, 2011 $Nil; August 2010 $Nil) from a company controlled by the beneficial owners of the Company is secured by a general security agreement over the Company's assets. The Company has provided a corporate guarantee to the lender of the related company. This loan is repayable in 59 equal monthly principal payments of $9,608 plus interest calculated at 5.75% per annum, the remaining balance is due and payable on October 15, 2016.

8. Promissory note

This promissory note bears interest at 9% per annum and is due March 2, 2013. It is repayable in minimum monthly installments of interest only with unspecified lump sum payments at various dates, and is secured by a general security agreement over all of the Company's assets.

The promissory note as shown in the August 1, 2010 statement of financial position bore interest at 15% per annum and was due June 30, 2011. This note was repaid during the 2011 fiscal year. The note was repayable in minimum monthly installments of interest only with unspecified lump sum payments at various dates, and was secured by a general security agreement over all of the Company's assets, postponements of claim by certain secured creditors, the director and parties related thereto, a personal guarantee by a party related to the director, an assignment of life insurance on a director, and a collateral mortgage on a personal residence.

(in Canadian dollars)

9. Loans payable

	July 31, 2012	July 31, 2011	August 1, 2010
	$	$	$
Two loans payable bear interest at 7.99% per annum. Each is repayable in monthly blended payments of $659, due October 15, 2012 and is secured by two vehicles.	**3,899**	18,742	32,455
Two loans payable bear interest at 7.09% per annum. Each is repayable in monthly blended payments of $655, is due May 24, 2014 and is secured by two vehicles.	**28,160**	42,051	54,993
Two loans payable bear interest at 2.99% per annum. Each is repayable in monthly blended payments of $630, is due May 25, 2014 and is secured by two vehicles.	**26,954**	41,046	54,722
Two loans payable bear interest at 15% per annum. Each is repayable in monthly blended payments of $404, is due June 3, 2013 and is secured by two vehicles.	**8,260**	16,072	-
Loan payable bears interest at 7.24% per annum. Repayable in monthly blended payments of $621, is due October 13, 2014 and is secured by one vehicle.	**15,420**	21,509	-
Loan payable bears interest at 6.59% per annum. Repayable in monthly blended payments of $458, is due November 1, 2015 and is secured by one vehicle.	**16,402**	20,662	-
Loan payable bears interest at 3.99% per annum. Repayable in monthly blended payments of $614, is due April 2, 2017 and is secured by one vehicle.	**31,841**	-	-
Loan payable bearing interest at Roynat's floating base rate plus 3% per annum. Repayable in monthly interest payments until September 15, 2012, then monthly principal payments of $11,450 plus interest, is due October 15, 2016 and is secured by a first charge on the Company's property and equipment and an assignment of trade receivables and inventories, and guaranteed by a related company.	**475,304**	-	-
	606,240	160,082	142,170
Less: current portion	**(173,391)**	(55,517)	(40,331)
	432,849	104,565	101,839

(in Canadian dollars)

10. Finance lease obligations

The Company purchased equipment and vehicles under finance leases with various interest rates per annum ranging from 5.58% to 11.90%. The obligations are secured by the equipment and the vehicles and future minimum payments required under the contracts are as follows:

	July 31, 2012	July 31, 2011	August 1, 2010
	$	$	$
Not later than one year	**64,076**	118,700	105,767
Later than one year but not later than 5 years	**37,705**	101,781	104,880
Future finance charges	**(11,268)**	(25,823)	(23,001)
Present value of minimum lease payments	**90,513**	194,658	187,646
Current portion	**57,980**	104,145	91,640
Long-term portion	**32,533**	90,513	96,006
	90,513	194,658	187,646

11. Share capital

Authorized , unlimited

Class "A" special shares, non-cumulative, non-voting, redeemable, and participating

Common shares

Issued and fully paid

	2012	2011	2010
	$	$	$
75 common shares	**75**	75	75

12. Related party transactions

(a) Loans receivable - related parties for the year ended July 31, 2010 represent amounts receivable from the shareholder, which are non-interest bearing, and due on demand.

(b) The remuneration of key management was as follows:

	July 31, 2012	July 31, 2011
	$	$
Salaries and benefits	**1,267,657**	1,160,277

(c) During the 2012 fiscal year, rent of $141,750 (2011 – $Nil) was paid to a company controlled by the beneficial owners of the Company.

The Company has provided a guarantee for a company owned by the shareholder of the Company to a lender in the form of a general security agreement over all of its assets. This guarantee is in support of the related company's purchase of the building which the Company occupies.

(in Canadian dollars)

12. Related party transactions (continued)

(d) During the 2011 fiscal year, an individual related to the shareholder of the Company sold equipment to the Company for $799,698. This transaction has been recorded at the exchange amount.

13. Commitments

The Company is committed to the rental of facilities, certain vehicles used in the operations of the business and certain office equipment under operating leases which expire at various dates up to 2017. Future minimum lease payments are as follows:

	$
2013	306,031
2014	290,526
2015	259,699
2016	262,776
2017	264,168
	1,383,200

14. Contingent liabilities

A subcontractor alleges that it is owed $640,026 pursuant to two contracts with the Company. Management is of the opinion the claim for one contract had merit and in 2006 the Company paid $64,700 in trust to the general contractor's solicitor. As of July 31, 2012 this amount still remains in trust. The Company, during fiscal 2012 has recorded a further $65,000 provision for this claim. Management is of the opinion the claim under the other contract is both inaccurate and exaggerated. This claim has been pursued intermittently since 2004. As the outcome of this action cannot reasonably be predicted or foreseen, no provision for loss related to the second contract has been accrued in these financial statements.

A general contractor has filed a claim in the amount of $3 million against the Company and one of its subcontractors together with the subcontractor's bonding company for deficiencies in the workings of the subcontractors control systems. In turn, the Company has filed a claim against the subcontractor, their supplier and bonding company in the amount of $5 million. In the opinion of management, resolution to this issue is in process and will not result in a material effect to the financial position of the Company.

The Company is involved in a number of claims in the capacity of plaintiff as well as defendant. The Company or its insurer, where applicable, has filed defenses where the Company has been named defendant. In the opinion of Management, the resolution of claims against the Company for an amount differing from the amount reflected in the records will not result in a material effect on the financial position of the Company. Any settlements or awards related to these matters, where the Company is the plaintiff, will be reflected in the statement of income as the matters are resolved.

15. Income taxes

The Company's basic tax rate is 15.5% on income eligible for the small business deduction and approximately 27% on the excess. However, because the statement of (loss) income and comprehensive (loss) income includes items which are non-deductible for income tax purposes, the provision for income taxes does not reflect the basic tax rate.

(in Canadian dollars)

15. Income taxes (continued)

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets and liabilities are as follows:

	July 31, 2012	July 31, 2011	August 1, 2010
	$	$	$
Deferred income tax assets			
Tax benefit of losses available for carry forward	**326,000**	238,000	2,157,000
Corporate minimum tax credits carried forward	**-**	-	80,000
Tax benefit of donations available for carry forward	**-**	-	11,000
Reserves and other credits	**8,000**	2,000	12,000
Property and equipment	**18,000**	9,000	11,000
Investment tax credits carried forward	**-**	7,000	103,000
	352,000	256,000	2,374,000
Deferred income tax liability			
Tax liability on current investment tax credit	**(26,000)**	(12,000)	(29,000)
Tax reserve on incomplete contracts	**(1,126,000)**	(1,344,000)	(3,566,000)
	(1,152,000)	(1,356,000)	(3,595,000)
Net deferred income taxes	**(800,000)**	(1,100,000)	(1,221,000)

Realization of the deferred income tax assets is dependent on generating sufficient income in future years and has been recognized in the financial statements based on management's assessment of its likelihood of recovery, with the exception of Ontario corporate minimum tax credits.

The Company has Ontario corporate minimum tax credits of approximately $80,000 which can be used to offset Ontario taxes payable and expire as follows:

	$
2013	23,000
2014	57,000
	80,000

In addition, the Company has Federal investment tax credits of approximately $10,300 which expire in 2032 which can be used to offset taxes payable.

(in Canadian dollars)

15. Income taxes (continued)

The reconciliation of the income tax expense per the financial statements is as follows:

	July 31, 2012	July 31, 2011
	$	$
(Loss) income before income taxes	**(1,099,058)**	501,578
Combined federal and provincial statutory tax rates	**26.5%**	27.0%
Income taxes based on statutory income tax rates	**291,250**	(135,426)
Non-deductible expenses	**(13,795)**	13,455
Rate differential on temporary differences	**(72,700)**	68,447
Other	**(12,277)**	120,076
	192,478	66,552

16. Financial risk management

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company does not use derivative financial instruments to manage these risks. These risks are discussed in more detail below:

Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, causing a financial loss. The Company's principal financial assets are cash, trade and other receivables and long-term accounts receivable. The carrying amounts of financial assets on the statement of financial position represent the Company's maximum credit exposure at that date.

The Company's credit risk is primarily attributable to its trade receivables and holdback receivables included in trade receivables and long-term receivables respectively as at July 31, 2012 of which two customers represent 53% and 18% respectively, (2011- of which three customers represent 43%, 26% and 16% respectively, 2010 - of which two customers represent 32% and 19% respectively) of the Company's total accounts receivable as at July 31, 2012. Aged receivable balances are constantly monitored to mitigate credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations relating to its financial liabilities. The Company manages liquidity risk to ensure it will have sufficient liquidity to sustain operations and meet its obligations as they become due.

The Company monitors cash flow and forecasts cash requirements bi-monthly to ensure there is sufficient cash on hand to meet forecasted operational expenses and financial obligations. The primary source of liquidity has been, and is expected to continue to be, cash generated by operating activities

The Company does not have a Revolving Credit Facility available nor does the Company provide credit to customers' payment and performance bonds.

(in Canadian dollars)

16. Financial risk management (continued)

Liquidity risk (continued)

The contractual maturities of the Company's financial liabilities as at July 31, 2012 are as follows:

	2013	2014	2015	2016	2017	Total
	$	$	$	$	$	$
Bank indebtedness	188,437	-	-	-	-	188,437
Trade and other payables	8,798,199	-	-	-	-	8,798,199
Holdback payables	2,826,725	5,700	-	-	-	2,832,425
Obligations under finance lease	64,076	15,584	11,003	9,686	1,432	101,781
Loans payable	173,391	181,446	151,155	94,811	5,437	606,240
Promissory note	750,000	-	-	-	-	750,000
Operating leases	306,031	290,526	259,699	262,776	264,168	1,383,200
	13,106,859	493,256	421,857	367,273	271,037	14,660,282

Obligations under finance lease include interest paid as part of the lease.

17. Capital management

The Company's primary objectives when managing capital is to ensure sufficient liquidity to pursue its growth and expansion strategy, while taking a conservative approach towards financial leverage and management of financial risk.

The Company's capital is composed of shareholder's deficiency and loans payable to related parties, and promissory note payable. The Company's primary uses of capital are to finance its growth strategies and capital expenditure programs without jeopardizing its ability to sustain sufficient liquidity for its operations.

The Company intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

The Company also manages its capital through a rolling forecast of financial position and expected operating results and cash flow forecasts.

Since the Company does not have a credit facility in place, it is not subject to the normal covenants required by other companies.

The Company's capital management objectives, evaluation measures and definitions have remained unchanged over the periods presented.

(in Canadian dollars)

17. Capital management (continued)

The following table provides a summary of certain information with respect to the Company's capital structure and financial position at the end of the year:

	July 31, 2012	July 31, 2011	July 31, 2010
	$	$	$
Bank indebtedness (cash)	**188,437**	46,131	(445,464)
Promissory note payable	**750,000**	-	673,048
Loans payable	**606,240**	160,082	142,170
Obligations under finance leases	**90,513**	194,658	187,646
Long-term holdbacks payable	**5,700**	171,549	119,812
Debt	**1,640,890**	572,420	677,212
Total shareholders' deficiency	**(945,879)**	(39,299)	(607,399)
Total capitalization	**695,011**	533,121	69,813
Debt to shareholders' deficiency	**(1.73)**	(14.57)	(1.11)
Debt to capitalization ratio	**2.36**	1.07	9.70

	Year ended 2012	Year ended 2011
	$	$
Debt	**1,640,890**	572,420
Net (loss) income and comprehensive (loss) income	**(906,580)**	568,100
Add (less):		
Interest expense	**288,236**	266,359
Interest income	**(188)**	(992)
Loss on disposal of property and equipment	**-**	7,175
Income tax recovery	**(192,478)**	(66,522)
Depreciation	**562,794**	432,909
Adjusted EBITDA	**(248,216)**	1,207,029
Debt to Adjusted EBITDA	**6.6**	0.5

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is a non-GAAP financial measure. Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies.

As measured by the ratios set out above, the Company maintained its desired capital structure and financial position during the fiscal year.

(in Canadian dollars)

18. Segmented information

The Company operates in one segment. All of the assets and revenue are located and generated in Ontario.

Revenues generated from major customers were as follows:

	2012	2011
	%	%
Largest customer	**61%**	34%
Second largest customer	**22%**	34%
Third largest customer	**7%**	20%

19 Subsequent events

The Trustees of the shareholder of the Company entered into an Agreement on September 6, 2012 to sell all the issued and outstanding shares to Bellair Ventures Inc., a publicly traded Canadian company. Closing of this transaction is subject to certain terms and conditions of the Agreement, including the approval of the TSX-V. As a condition of this Agreement, a loan of $500,000, which is due on demand after six months, bearing interest at 10% was advanced to the Company on September 14, 2012. This loan is evidenced by a promissory note and secured by a security agreement.

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December 31, 2012

Bellair Ventures Inc.
Mr. Emlyn David
Chief Executive Officer
10 Bellair Street, Suite 509
Toronto ON M5R 3T8

Independent Auditor's Consent

To Bellair Ventures Inc.:

We consent to the use of our independent auditor's report dated October 11, 2012 to the directors of Urban Mechanical Contracting Ltd. (the "Company") on the financial statements of the Company comprising the consolidated statements of financial position as at July 31, 2012, July 31, 2011 and August 1, 2010 and the statements of (loss) income and comprehensive (loss) income, statements of changes in shareholder's deficiency and statements of cash flows for the years ended July 31, 2012 and 2011 and a summary of significant accounting policies and other explanatory information, to be filed with securities regulatory authorities on SEDAR on December 31, 2012.

We have not performed any procedures subsequent to the date of this consent.

This consent is provided to the Company for use solely in connection with the above filing of these financial statements pursuant to the continuous disclosure provisions of securities legislation of Ontario; accordingly, we do not consent to the use, or to the release (as such term is defined in section 138 of the Securities Act (Ontario), by the Company or any other person, of our independent auditor's report for any other purpose. If our independent auditor's report is proposed to be used for any other purpose or otherwise released, a further consent in writing is required from us. If a further consent is requested, we will, subject to being retained for that purpose, undertake such additional procedures as are required by professional standards to enable us to determine whether we can furnish the further consent and, if we are able to do so, we will.

Yours very truly,

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants