Bellair Ventures Inc.

(A Capital Pool Corporation)

Unaudited Interim Financial Statements

Three Months and Nine Months Ended

May 31, 2011

(Expressed in Canadian Dollars)

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

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

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

Bellair Ventures Inc.
(A Capital Pool Corporation)

Unaudited Interim Balance Sheets
(Expressed in Canadian Dollars)

		May 31, 2011		August 31, 2010
Assets				
Current assets				
Cash	**$**	**275,887**	$	352,809
Interest receivable		**24,750**		4,500
Sundry receivable		**59,675**		22,906
Note receivable *(note 4)*		**225,000**		225,000
	$	**585,312**	$	605,215
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**310,100**	$	169,196
Shareholders' equity				
Share capital *(note 5)*		**773,977**		773,977
Contributed surplus		**116,340**		116,340
Deficit		**(615,105)**		(454,298)
		275,212		436,019
	$	**585,312**	$	605,215

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

Approved by the Board

Signed: "Rajiv Rai"

Director

Signed: "Emlyn J. David"

Director

Unaudited Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Three months ended May 31, 2011	2010	Nine months ended May 31, 2011	2010
Interest income	**$ 6,750**	$ 6,750	**$ 20,250**	$ 20,999
Expenses				
Office expense	**6**	-	**46**	5,750
Professional fees	**121,121**	1,585	**148,167**	9,835
Filing fees	**12,611**	6,889	**32,844**	14,372
	133,738	8,474	**181,057**	29,957
Net loss and comprehensive loss for the period	**$ (126,988)**	$ (1,724)	**$ (160,807)**	$ (8,958)
Loss per share - basic and diluted	**$ (0.05)**	$ (0.00)	**$ (0.06)**	$ (0.00)
Weighted average shares outstanding	**2,556,600**	2,556,600	**2,556,600**	2,556,600

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

Bellair Ventures Inc.
(A Capital Pool Corporation)

Unaudited Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Three months ended May 31, 2011	2010	Nine months ended may 31, 2011	2010
Share Capital				
Balance, beginning and end of period	**$ 773,977**	$ 773,977	**$ 773,977**	$ 773,977
Contributed Surplus				
Balance, beginning and end of period	**$ 116,340**	$ 116,340	**$ 116,340**	$ 116,340
Deficit				
Balance, beginning of period	**$ (488,117)**	$ (429,623)	**$ (454,298)**	$ (422,389)
Net loss for the period	**(126,988)**	(1,724)	**(160,807)**	(8,958)
Balance, end of period	**$ (615,105)**	$ (431,347)	**$ (615,105)**	$ (431,347)

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

Unaudited Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	Three months ended May 31, 2011	2010	Nine months ended May 31, 2011	2010
Cash flow from operating activities				
Cash paid to suppliers	**$ (40,865)**	$ (58,658)	**$ (76,922)**	$ (79,750)
Decrease in cash	**(40,865)**	(58,658)	**(76,922)**	(79,750)
Cash, beginning of period	**316,752**	372,187	**352,809**	393,279
Cash, end of period	**$ 275,887**	$ 313,529	**$ 275,887**	$ 313,529

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

1. Nature of Operations

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 Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

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.

2. Summary of Significant Accounting Policies

Basis of presentation

These unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements, are expressed in Canadian dollars, and should be read in conjunction with the Corporation's August 31, 2010 audited financial statements. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed to include only the notes related to the elements which have significantly changed in the interim period. The accounting policies applied are consistent with those described in the Company's August 31, 2010 audited financial statements.

The results of operations for the period ended May 31, 2011 are not necessarily indicative of those to be expected for the entire year ending August 31, 2011.

3. Future Changes in Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Corporation is in the process of evaluating the requirements of the new standards. Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a noncontrolling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard lAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption of these sections is permitted.

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. IFRS will be effective for the Corporation's fiscal year commencing on September 1, 2011. The Corporation is currently assessing the impact of IFRS on its financial statements.

4. Note Receivable

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 Company 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 Company, DBI, and a guarantor agreed to further extend the maturity date of the loan and obligations under the guarantee to August 31, 2010. The balance of the note receivable, and accrued interest of $20,250, was unpaid as at May 31, 2011.

On November 25, 2010 the Company entered into a non-binding letter of intent (“LOI”) with R. DiBattista Investments Inc. ("RDBI") to pursue a transaction whereby the Company would acquire a wholly-owned subsidiary of RDBI, KNR Management Inc. (“KNR”). RDBI and DBI are related by common control. The balance of the note receivable will be settled on closing of this transaction (note 8).

In fiscal 2009 the Corporation advanced an additional $25,000 to DBI which was written down to $Nil, as at August 31, 2009, as collection was not reasonably assured.

5. Share Capital

(a) Authorized

An unlimited number of common shares

(b) Issued

	Number of common shares	Amount
Private placement	1,200,000	$ 300,000
Balance, September 30, 2008	1,200,000	300,000
Initial public offering	1,356,600	473,977
Balance, August 31, 2010 and May 31, 2011	**2,556,600**	**$ 773,977**

5. Share Capital - continued

(b) Issued - continued

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 issued and outstanding common shares are held in escrow pursuant 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 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.

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 during the nine month period ended May 31, 2011.

(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 exercisable 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, 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 options expired during the nine month period ended May 31, 2011. 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 as they vested immediately.

5. Share Capital - continued

(c) Stock options - continued

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at May 31, 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**	**2.49**	**255,660**	**$ 0.50**

6. Capital Management

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. Management defines capital as the Corporation's cash balance. The Corporation is not subject to externally imposed capital requirements.

7. Financial Instruments

The Corporation is exposed to credit risk on its note and interest receivable from DBI. Management believes that collection is reasonably assured at this time. The note is personally guaranteed by a principal of DBI.

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2011, the Corporation had cash of $275,887 to settle current liabilities of $310,100. The Corporation is not exposed to significant liquidity or market risk.

The carrying value of cash, interest receivable, sundry receivable, note receivable and accounts payable and accrued liabilities reflected in the balance sheet approximate fair value because of the short-term nature of these instruments.

8. Qualifying Transaction

Pursuant to the November 25, 2010 LOI, the Corporation and RDBI entered into a definitive agreement whereby the Corporation will acquire all of the issued and outstanding common shares in the capital of KNR through a share exchange transaction ("Proposed Transaction"). If completed, the Proposed Transaction is expected to constitute the Corporation's Qualifying Transaction.

The terms of the Proposed Transaction include an aggregate payable to RDII of approximately $5,250,000 subject to adjustment in accordance with the terms of the agreement. The Corporation will acquire the KNR shares from RDII in exchange for 4,000,000 shares, the retirement of the Loan plus accrued interest, and assumption by Bellair in KNR of debt obligations totaling approximately $3,000,000.

Certain employees and consultants of KNR will receive KNR Shares as partial consideration for services provided and certain other persons may subscribe for KNR Shares pursuant to a private placement financing. Bellair will also acquire such KNR Shares, with an aggregate value of approximately $100,000, in exchange for issuing to the holders of such KNR Shares an aggregate of approximately 200,000 Bellair Shares.

Concurrently with the Closing, Bellair will complete a brokered private placement of up to 4,000,000 units at a subscription price of $0.50 per Unit, for aggregate gross proceeds of up to $2,000,000. Each unit will be comprised of one Bellair Share and one half of a share purchase warrant. Each Warrant will entitle the holder thereof to acquire one Bellair Share at an exercise price of $0.75 per share, within 24 months from the date of issuance. Canaccord Genuity Corp. has been engaged by Bellair to act as agent for the Private Placement pursuant to an engagement letter dated January 31, 2011. The agent is entitled to receive as compensation a cash commission equal to 10% of the gross proceeds, broker options equal to 10% of the Units sold and a corporate finance fee of $50,000, as well as the reimbursement of its reasonable expenses.

Pursuant to the agreement, KNR is required to obtain, prior to closing, a commitment from a major Canadian bank to advance or make available financing of up to $2,250,000. The financing will be secured against all assets and undertakings of KNR and/or its subsidiaries, as applicable, and in any other manner acceptable and agreed to by the parties of the financing.