# GREENANGEL ENERGY CORP.

## FINANCIAL STATEMENTS

## FOR THE YEARS ENDED

## NOVEMBER 30, 2010 AND 2009

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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## AUDITORS' REPORT

To the Shareholders of
GreenAngel Energy Corp.

We have audited the balance sheets of GreenAngel Energy Corp. as at November 30, 2010 and 2009 and the statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*/s/ "Manning Elliott LLP"*

Chartered Accountants

Vancouver, British Columbia

March 10, 2011

**GREENANGEL ENERGY CORP.**

**BALANCE SHEETS**

**AS AT NOVEMBER 30, 2010 AND 2009**

| **ASSETS** | **2010** | **2009** |
|---|---|---|
| Cash and cash equivalents | $ 276,985 | $ 147,629 |
| Investments (Note 5) | 2,963,322 | 2,151,000 |
| | $ 3,240,307 | $ 2,298,629 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 18,898 | $ 43,855 |
| Future income tax liability | 2,879 | - |
| | 21,777 | 43,855 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 6) | 2,733,883 | 2,433,515 |
| Contributed surplus (Note 7) | 110,620 | 95,700 |
| Retained earnings (deficit) | 374,027 | (274,441) |
| | 3,218,530 | 2,254,774 |
| | $ 3,240,307 | $2,298,629 |

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENT (Note 12)

Approved on behalf of the Board of Directors:

/s/ *"Michael Volker"*
Michael Volker, Director

/s/ *"Bruce Schmidt"*
Bruce Schmidt, Director

The accompanying notes are an integral part of the financial statements.

**GREENANGEL ENERGY CORP.**

**STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT**

**FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

| | 2010 | 2009 |
|---|---|---|
| **EXPENSES** | | |
| Administrative, management, and directors fees (Note 8) | $ 39,472 | $ 3,000 |
| Consulting | - | 28,140 |
| Legal and accounting fees | 40,315 | 17,252 |
| Office, promotion, and miscellaneous | 27,770 | 50,689 |
| Stock-based compensation (Note 6) | 14,920 | - |
| Transaction costs (Note 5) | - | 65,945 |
| Transfer agent and filing fees | 16,133 | 31,145 |
| | 138,610 | 196,171 |
| **LOSS BEFORE OTHER ITEM AND INCOME TAXES** | (138,610) | (196,171) |
| **OTHER ITEMS** | | |
| Unrealized gain on investments | 781,147 | - |
| Interest income | 8,810 | 4,087 |
| | 789,957 | 4,087 |
| **NET INCOME (LOSS) BEFORE INCOME TAXES** | 651,347 | (192,084) |
| **FUTURE INCOME TAX EXPENSE** | (2,879) | - |
| **NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR** | 648,468 | (192,084) |
| **RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR** | (274,441) | (82,357) |
| **RETAINED EARNINGS (DEFICIT), END OF YEAR** | $ 374,027 | $ (274,441) |
| **INCOME (LOSS) PER SHARE - BASIC AND DILUTED** | $ 0.05 | $ (0.04) |
| **WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING** | 13,793,532 | 4,907,497 |

The accompanying notes are an integral part of the financial statements.

**GREENANGEL ENERGY CORP.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

| | 2010 | 2009 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income for the year | $ 648,468 | $ (192,084) |
| Item not involving cash: | | |
| Stock-based compensation | 14,920 | - |
| Unrealized gain on investments | (781,147) | |
| Future income tax expense | 2,879 | - |
| | (114,880) | (192,084) |
| Change in non-cash working capital balances: | | |
| Accounts payable and accrued liabilities | (24,957) | 43,188 |
| | (139,837) | (148,896) |
| **INVESTING ACTIVITIES** | | |
| Investments | (26,375) | (719,550) |
| **FINANCING ACTIVITIES** | | |
| Common shares issued | 299,832 | 517,000 |
| Share issuance costs | (4,264) | (1,600) |
| Amounts due from director | - | 4,809 |
| | 295,568 | 520,209 |
| **CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR** | 129,356 | (348,237) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 147,629 | 495,866 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 276,985 | $ 147,629 |
| **SUPPLEMENTAL CASH FLOW INFORMATION:** | | |
| Cash paid during the year for interest | $ - | $ - |
| Cash paid during the year for income taxes | - | - |
| **NON-CASH INVESTING AND FINANCING ACTIVITIES**: | | |
| Common shares issued for investments | $ 4,800 | $ 1,431,450 |
| Agents warrants issued | - | 1,024 |

The accompanying notes are an integral part of the financial statements.

## 1. NATURE OF BUSINESS AND GOING CONCERN

GreenAngel Energy Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 26, 2007 as Angelwest Capital Corp. and was a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange (the "TSX"). Effective October 27, 2009, the Company changed its name to GreenAngel Energy Corp. and completed its Qualifying Transaction by acquiring equity interests in certain entities. Its primary business is investing in early stage technology companies that are focused on the production or conservation of energy or energy efficiency improvements.

The Company had net income of $648,468 (2009: ($192,084)) for the year ended November 30, 2010, and an accumulated retained earnings of $374,027 as at November 30, 2010 which has been funded primarily by the issuance of equity. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from its investments in technology companies, obtaining additional financing or maintaining continued support from its shareholders and creditors. In the event that additional financial support is not received or operating profits are not generated, the carrying value of the Company's assets may be adversely affected.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompany financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation

The Company has prepared these financial statements in accordance with Canadian generally accepted accounting principles. During the year the Company changed its basis of presentation as management determined the Company was an investment Company. Accordingly, the Company follows guidelines set out in the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 18, *Investment Companies* ("AcG-18"). The change in presentation did not have a material impact on the 2009 figures. See note 3.

### (b) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of future income tax valuation allowances, the measurement of fair values of investments and assumptions used in valuing options and warrants in stock-based compensation calculations. Actual results could differ from those reported.

### (c) Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid market investments with original terms of maturity of less than ninety days at time of acquisition, or which are redeemable at the option of the Company.

### (d) Share Issue Costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(e) Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities.

Financial assets and liabilities classified as held for trading are measured at fair value, with gains and losses recognized in net earnings. Available for sale financial assets with quoted market prices are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available for sale that do not have quoted market prices in an active market are measured at cost.

Financial assets classified as held to maturity and loans and receivables are measured at amortized cost using the effective interest method of amortization. Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest method of amortization.

The Company classifies its cash and cash equivalents as held for trading. The accounting method for the Company's investments under AcG-18 is consistent with a classification as held for trading, as investments are accounted for at fair value with changes in fair value recognized in the statement of operations. Accounts payable are classified as other financial liabilities.

(f) Investments

Investments consist of common shares, preferred shares, partnership units and warrants held in non-public companies who are focused on the production or conservation of energy or energy efficiency improvements. At the end of each financial reporting period, the Company's management estimates fair value of its investments based on the criteria below and records such valuations in the financial statements. Options and warrants of non-public companies are carried at nil.

Investments are initially recorded at cost, being the fair value at the time of acquisition. At each reporting period thereafter, the fair value of an investment may, depending on circumstances, be adjusted by applying one or more of the following valuation techniques:

(i) There has been a significant subsequent equity financing provided by outside investors at a valuation above or below the current fair value of the investee company, in which case the fair value of the investment is adjusted to the value at which the financing took place; or

(ii) Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward; or

(iii) There have been significant corporate, political, operating or economic events affecting the investee company that, in the Company's opinion, have a positive or negative impact on the investee company's prospects and, therefore, its fair value; or

(iv) The investee company is placed into receivership or bankruptcy.

In addition to the circumstances described above, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments (continued)

Application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized. The amount at which an investment could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to, and determinations reached by, the Company. Any fair value estimated by the application of these techniques may not be realized.

Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the statement of operations.

(g) Stock-based Compensation

The Company has a plan for granting stock options to directors, employees and consultants as described in Note 6 (d). The Company recognizes compensation expense under this plan using the fair value method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, the fair value of stock options granted to employees is recognized as stock-based compensation expense over the vesting period and credited to contributed surplus. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as stock-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to contributed surplus are recorded as share capital. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted.

(h) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences which arise between the accounting basis and the tax basis of various assets and liabilities, and are measured using substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is provided for any future income tax assets if it is more likely than not that the asset will not be realized. Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that future income tax asset will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

(i) Income (loss) per Share

Basic earnings and loss per share is computed by dividing net income or loss by the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted net earnings or loss per share. Stock options and share purchase warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

(j) Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation. Such reclassification does not have any effect on the assets or earnings previously reported.

## 3. CHANGES IN ACCOUNTING POLICIES

(i) During the year, the Company changed its accounting policy for investments. In the prior year, the Company followed the principles outlined in CICA handbook section 3855 – *Financial instruments: recognition and measurement,* for valuing its investments. During 2010, the Company met the criteria outlined in AcG-18 and accordingly changed its accounting policy to report as an investment company.

In the prior year, the Company valued its investments at fair value and classified them as available-for-sale with unrealized gains and losses recognized in other comprehensive income. Under its new policy, investments are measured at fair value with unrealized gains and losses recognized in profit or loss. Refer to note 2(f) on the Company's accounting policy for its investments

The Company has accounted for this change in accounting policy on a retroactive basis. No restatement was required to the November 30, 2009 financial statements as the investments were reported at their fair value and the Company did not have any comprehensive income or loss.

(ii) Financial Instruments – Recognition and Measurement

During the year, the CICA amended Section 3855 to bring greater consistency between Canadian GAAP, IFRS and US GAAP regarding the timing of impairment recognition for debt instruments. The amendments allow more debt instruments to be classified as loans and receivables. In addition, the amendments require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances and require that loans and receivables that an entity intends to sell immediately or in the near term be classified as held for trading. The transitional provisions are complex and are accompanied by disclosure requirements to explain any reclassifications made on adopting the amendments.

## 4. ACCOUNTING PRONOUNCEMENTS

(i) Business Combinations

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The adoption of these standards is not expected to have a material effect on the Company's financial statements.

## 4. ACCOUNTING PRONOUNCEMENTS (continued)

(ii) Equity

In August 2009, the CICA issued certain amendments to Section 3251 — Equity. The amendments apply to entities that have adopted Section 1602 — Non-controlling interests. The amendments require separate presentation on the statements of operations and comprehensive income of income attributable to owners of the Company and those attributable to non-controlling interests. The amendments also require that non-controlling interests be presented separately as a component of equity. The future adoption of this standard is not expected to have an impact on the financial statements.

(iii) Comprehensive Revaluation of Assets and Liabilities

In August 2009, Section 1625 Comprehensive Revaluation of Assets and Liabilities was issued for consistency with new Section 1582 Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on the financial statements.

(iv) International Financial Reporting Standards

In February 2008, the CICA confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. This will result in the Company reporting under IFRS starting with the interim period ending January 31, 2012, with restatement for comparative purposes of amounts reported under Canadian GAAP. The Company expects the transition to IFRS to impact accounting policies and financial reporting but has not yet quantified the extent of this impact.

## 5. INVESTMENTS

As at November 30, 2010, the Company held the following investments:

| Investees | Common Shares | Preferred shares | Partnership Units | Warrants | Cost | Fair Value |
|---|---|---|---|---|---|---|
| Delaware Power Systems Corp. | 965,000 | - | - | - | $ 414,500 | $ 414,500 |
| Dpoint Technologies Inc. | 448,718 | - | - | - | 350,000 | 637,180 |
| Espresso Capital Partnership | - | - | 5,000 | - | 50,000 | 50,000 |
| Habitat Enterprises Ltd. | 1,533,334 | - | - | - | 230,000 | 265,267 |
| Light-Based Technologies Inc. | 960,000 | 600,000 | - | 300,000 | 390,000 | 811,200 |
| Paradigm Environmental Technologies Inc. | 169,184 | - | - | - | 447,675 | 447,675 |
| Rapid Electric Vehicles Inc. | 1,500,000 | - | - | - | 300,000 | 337,500 |
| | | | | | $2,182,175 | $ 2,963,322 |

**5. INVESTMENTS** (continued)

As at November 30, 2009, the Company held the following investments:

| Investee | Common Shares | Preferred shares | Partnership Units | Warrants | Cost and Fair Value |
|---|---|---|---|---|---|
| Delaware Power Systems Corp. | 965,000 | - | - | - | $ 414,500 |
| Dpoint Technologies Inc. | 448,718 | - | - | - | 350,000 |
| Espresso Capital Partnership | - | - | 5,000 | - | 50,000 |
| Habitat Enterprises Ltd. | 1,533,334 | - | - | - | 230,000 |
| Light-Based Technologies Inc. | 960,000 | 600,000 | - | 300,000 | 390,000 |
| Paradigm Environmental Technologies Inc. | 153,200 | - | - | - | 416,500 |
| Rapid Electric Vehicles Inc. | 1,500,000 | - | - | - | 300,000 |
| | | | | | $ 2,151,000 |

During 2009, the Company completed its qualifying transaction pursuant to which it acquired equity interests in seven private green technology companies (the “Target Companies”). The Target Companies are Delaware Power Systems Corp., DPoint Technologies Inc., Espresso Capital Partnership, Habitat Enterprises Ltd., Light-Based Technologies Inc., Paradigm Environmental Technologies Inc., and Rapid Electric Vehicles Inc. These companies are early stage technology companies whose primary business involves the generation of renewable power, the storage of energy or the application of technologies that contribute to greenhouse gas reductions. The Company issued a total of 7,157,250 common shares with a fair value of $1,431,450 and paid $719,550 in cash for its interests. Transaction costs of $65,945 relating to these investments have been expensed in the statement of operations. 24,000 common shares were not issued for the Paradigm Environmental Technologies Inc. investment due to a clerical error. This error was corrected on May 17, 2010 by the issuance of 24,000 additional shares at a value of $4,800.

During 2010, an additional $25,000 was invested in Paradigm Environmental Technologies Inc. through a convertible debenture. The convertible debenture, including accrued interest of $1,375, was converted into 15,984 shares of Paradigm Environmental Technologies Inc. on September 30, 2010. During 2010, the Company recorded unrealized gains on their investments in Light-Based Technologies Inc. of $421,200, Dpoint Technologies Inc. of $287,180, Habitat Enterprises Ltd. Of $35,267 and Rapid Electric Vehicles Inc. of $37,500.

## 6. SHARE CAPITAL

a) **Authorized**

Unlimited common shares without par value.

b) **Issued and Outstanding**

| | Number of Shares | Amount |
|---|---|---|
| Balance, November 30, 2008 | 4,000,000 | $ 487,688 |
| Shares issued for the acquisition of investments at $0.20 per share (ii) | 7,157,250 | 1,431,450 |
| Shares issued for cash at $0.20 per share (iii) | 2,585,000 | 517,000 |
| Share issuance costs (iii) | - | (2,623) |
| Balance, November 30, 2009 | 13,742,250 | 2,433,515 |
| Shares issued for the acquisition of investments (ii) | 24,000 | 4,800 |
| Shares issued for cash at $0.15 per share (i) | 1,998,546 | 299,832 |
| Share issuance costs (i) | – | (4,264) |
| Balance, November 30, 2010 | 15,764,796 | $2,733,883 |

i) On November 23, 2010, the Company closed a non-brokered private placement of 1,998,546 units at $0.15 per unit for gross proceeds of $299,832. Each unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share at a price of $0.20 per share until November 23, 2012. In connection with the private placement the Company paid share issuance costs of $4,264.

ii) On October 27, 2009, the Company issued 7,157,250 common shares to acquire interests in Target Companies as discussed in Note 4. Due to a clerical error 24,000 common shares were not issued for the Paradigm Environmental Technologies Inc. The shares were issued in 2010.

iii) On October 27, 2009, the Company closed a non-brokered private placement of 2,585,000 units at $0.20 per unit for gross proceeds of $517,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share at a price of $0.25 per share until October 27, 2010. In connection with the private placement the Company paid share issuance costs of $1,600 and issued 10,000 broker's warrants with a fair value of $1,023.

c) **Shares Held in Escrow**

At November 30, 2010, 1,200,000 shares issued and outstanding are held in escrow. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin for TSX's acceptance of a Qualifying Transaction, and 15% will be released every six months thereafter for a period of thirty-six months.

**6. SHARE CAPITAL** (continued)

d) **Stock Options**

The Company has adopted an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, the exercise price of an option shall not be less than the discounted market price at the time of granting, or as permitted by the policies of TSX. Options granted may not exceed a term of five years from the grant date. Options granted to consultants conducting investor relation activities vest 25% upon grant, and 25% every three months thereafter. Vesting period for all other options will be determined by the board of directors at the time of each grant.

During the year ended November 30, 2010, the Company granted 800,000 stock options, 200,000 options expired and there were no options exercised, forfeited or cancelled. The following table summarizes the information about the Company's stock options outstanding at November 30, 2010:

| | Number of Options | Weighted-Average Exercise Price |
|---|---|---|
| Balance, November 30, 2008 and 2009 | 600,000 | $0.20 |
| Granted | 800,000 | $0.20 |
| Expired | (200,000) | $0.20 |
| Balance, November 30, 2010 | 1,200,000 | $0.20 |

Additional information regarding options outstanding as at November 30, 2010 is as follows:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Exercise Price $ | Number of Shares | Weighted Average Remaining Contractual Life (Years) | Expiry Date | Number of Shares | Weighted Average Exercise Price $ |
| 0.20 | 400,000 | 2.38 | April 18, 2013 | 400,000 | 0.20 |
| 0.20 | 400,000 | 4.56 | June 21, 2015 | 59,616 | 0.20 |
| 0.20 | 400,000 | 4.99 | November 26, 2015 | 1,464 | 0.20 |
| 0.20 | 1,200,000 | 3.98 | | 461,080 | 0.20 |

During the year ended November 30, 2010, the Company granted 800,000 options to directors and officers. The weighted average fair value of each option granted was $0.12 computed using the Black-Scholes option-pricing model on the date of each grant using the following weighted average assumptions:

| | |
|---|---|
| Risk free interest rate | 2.57% |
| Expected dividend yield | 0% |
| Expected stock price volatility | 102% |
| Expected life of options | 5 years |

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option and warrant grants. For the year ended November 30, 2010, the Company recognized $14,920 in compensation expense which was charged to operations. There were no options granted during the year ended November 30, 2009.

## 6. SHARE CAPITAL (continued)

### e) Warrants

A summary of the changes in the Company's warrants for the years ended November 30, 2010 and 2009 is presented below:

| | Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|---|
| Balance, November 30, 2008 | - | - | |
| Issued on private placement (Note 5(b)(iii)) | 1,292,500 | $0.25 | October 27, 2010 |
| Issued on private placement – agents' warrants (Note 5(b)(iii)) | 10,000 | $0.25 | October 27, 2010 |
| Balance, November 30, 2009 | 1,302,500 | $0.25 | |
| Warrants expired during the year | (1,302,500) | $0.25 | |
| Issued on private placement (Note 5(b)(i)) | 999,273 | $0.20 | November 23, 2012 |
| Balance, November 30, 2010 | 999,273 | $0.20 | |

The following table summarizes the share purchase warrants outstanding and exercisable as at October 31, 2010:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 999,273 | $0.20 | November 23, 2012 |
| 999,273 | $0.20 | |

## 7. CONTRIBUTED SURPLUS

A summary of the changes in the Company's contributed surplus for the years ended November 30, 2010 and 2009 is presented below:

| | | |
|---|---|---|
| Balance, November 30, 2008 | $ | 94,677 |
| Agents' warrants issued for financing costs (Note 5(b)(iii) | | 1,023 |
| Balance, November 30, 2009 | | 95,700 |
| Stock-based compensation - options | | 14,920 |
| Balance, November 30, 2010 | $ | 110,620 |

## 8. RELATED PARTY TRANSACTIONS

The following related party transactions were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties:

(a) Administrative fees of $10,000 (2009 - $3,000) were paid to an individual related to a director.

(b) Directors fees of $12,000 (2009 - $Nil) were paid to directors during the year.

(c) Management fees of $17,472 (2009 - $Nil) were paid during the year.

(d) In 2009, the Company acquired an equity interest in Paradigm Environmental, a private company which shared a common director with the Company. The Company paid $50,050 and issued 1,832,250 common shares with a fair value of $366,460. During 2010, the Company issued an additional 24,000 common shares in relation to this investment.

## 8. RELATED PARTY TRANSACTIONS (continued)

(e) In 2010, a director of the Company became a director of Rapid Electric Vehicles Inc., a private company in which the Company owns shares in.

## 9. INCOME TAXES

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

| | 2010 | 2009 |
|---|---|---|
| Combined Canadian statutory income tax rate | 28.63% | 30.00% |
| Income taxes (recovery) at statutory rate | $ 186,464 | $ (57,625) |
| Non deductible expense | 3,050 | 1,659 |
| Non taxable portion of unrealized gain | (111,822) | - |
| Effect of income taxes of: | | |
| Change in income tax rates | (1,913) | 7,967 |
| Change in valuation allowance | (72,900) | 47,999 |
| Future income tax expense | $ 2,879 | $ - |

Significant components of the Company's future income tax assets (liabilities) are shown below:

| | 2010 | 2009 |
|---|---|---|
| Non-capital loss carry forwards | $ 75,985 | $ 41,500 |
| Share issue costs | 10,536 | 15,200 |
| Investments | (89,400) | 16,200 |
| Valuation allowance | - | (72,900) |
| Net future income tax asset (liability) | $ (2,879) | $ - |

The Company has approximately $304,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

| | |
|---|---|
| 2027 | $ 1,000 |
| 2028 | 24,000 |
| 2029 | 145,000 |
| 2030 | 134,000 |
| | $ 304,000 |

## 10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to identify and to invest in investments with long-term growth potential, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets.

The Company's investment policy is to invest in early stage technology companies that are focused on the production or conservation of energy or energy efficiency improvements. Management looks to assets that will grow in value in the future and create growth in income over time.

The Company expects its current capital resources will be sufficient to carry its operations through its 2011 fiscal year.

## 11. FINANCIAL INSTRUMENTS AND RISK

Classification and Fair Value

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

| | **2010**<br>**$** | **2009**<br>**$** |
|---|---|---|
| Cash and cash equivalents - Held for trading | 276,985 | 147,629 |
| Investments – Held for trading | 2,963,322 | 2,151,000 |
| Accounts payable - Other financial liabilities | 18,898 | 43,855 |

The estimated fair values of cash and cash equivalents, and accounts payable approximate their respective carrying values due to their nature and short terms to maturity. Investments are carried at fair value.

CICA 3862 "Financial Instruments – Disclosures", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

## 11. FINANCIAL INSTRUMENTS AND RISK (continued)

Classification and Fair Value (continued)

The Company's financial assets measured at fair value by level within the fair value hierarchy as of November 30, 2010 were as follows:

| | Balance at November 30, 2010 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash and cash equivalents | 276,985 | 276,985 | - | - |
| Investments | 2,963,322 | - | 2,963,322 | - |

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with high-credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash and cash equivalents balances to meet current working capital requirements. The Company is dependent on obtaining regular financings in order to continue as a going concern. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash and cash equivalents consist of cash deposited in business accounts and redeemable guaranteed investment certificates held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company's ability to raise capital to fund operations and investments is subject to risks associated with fluctuations in the stock market. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 12. SUBSEQUENT EVENT

Subsequent to the year ended November 30, 2010, the Company granted 150,000 stock options to directors and employees of the Company. The options have an exercise price of $0.20 expiring January 27, 2016 and are subject to a three year vesting provision.