Unaudited Interim Consolidated Financial Statements of

EcoSynthetix Inc.

For the three month and nine month period ended September 30, 2011

Notice of no auditor review of interim consolidated financial statements

The accompanying unaudited interim consolidated financial statements for the three and nine months ended September 30, 2011 have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the Company's auditor.

EcoSynthetix Inc.
Interim consolidated balance sheets
(In U.S. Dollars)
(Unaudited)

	As at September 30, 2011	As at December 31, 2010
Assets		
Current assets		
Cash	112,246,813	35,193,037
Accounts receivable (note 3)	4,495,647	2,739,570
Inventories (note 4)	8,229,440	1,990,383
Government assistance receivable (note 5)	902,153	973,751
Prepaid expenses	175,468	81,089
Total current assets	126,049,521	40,977,830
Intangible assets (note 6)	62,715	44,315
Property and equipment (note 7)	7,562,261	1,690,069
Total assets	133,674,497	42,712,214
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	7,100,689	3,603,796
Deferred government grant (note 5)	-	486,961
Accrued compensation	-	1,005,371
Total current liabilities	7,100,689	5,096,128
Redeemable preferred shares (note 9 and 12)	-	135,196,431
Warrants (note 9 and 12)	-	1,501,295
Total Liabilities	7,100,689	141,793,854
Shareholder's equity		
Common shares (note 12)	492,334,747	143,213
Equity component of redeemable preferred shares (note 9 and 12)	-	19,793,287
Contributed surplus	5,799,982	2,180,570
Accumulated deficit	(371,560,921)	(121,198,710)
Total shareholder's equity (deficit)	126,573,808	(99,081,640)
Total liabilities and shareholders' equity	133,674,497	42,712,214

See accompanying notes to interim consolidated financial statements

EcoSynthetix Inc.

Interim consolidated statements of operations

(In U.S. dollars, except per share amounts and as noted)

(Unaudited)

	Nine months ended September 30,		Three months ended September 30,	
	2011	**2010**	**2011**	**2010**
Net sales	17,050,722	10,017,200	5,282,495	4,828,696
Cost of sales	12,874,175	7,461,396	3,951,167	3,800,071
Gross profit	4,176,547	2,555,804	1,331,328	1,028,625
Operating expenses				
Selling, general and administrative	6,389,458	3,386,214	2,987,573	1,132,513
Research and development	1,427,515	738,053	694,230	243,339
Total operating expenses	7,816,973	4,124,267	3,681,803	1,375,852
Loss from operations	(3,640,426)	(1,568,463)	(2,350,475)	(347,227)
Interest income	107,752	9,557	61,863	12,413
Loss related to warrants and preferred shares	(246,829,537)	(36,735,731)	-	(17,901,593)
Net loss	(250,362,211)	(38,294,637)	(2,288,612)	(18,236,407)
Basic and diluted loss per common share (note 15)	(20.50)	(48.09)	(0.07)	(22.90)
Weighted average number of common shares outstanding	12,213,476	796,278	34,406,703	796,278

See accompanying notes to interim consolidated financial statements

EcoSynthetix Inc.

Interim consolidated statements of shareholders' equity (deficit)

(In U.S. Dollars)

(Unaudited)

	Common shares	Equity component of redeemable preferred shares	Contributed surplus	Accumulated deficit	Total
Balance - January 1, 2010	143,213	15,949,943	1,084,659	(72,004,679)	(54,826,864)
Preferred share warrants exercised	-	237,456	-	-	237,456
Share based compensation	-	-	775,485	-	775,485
Net loss	-	-	-	(38,294,637)	(38,294,637)
Balance - September 30, 2010	143,213	16,187,399	1,860,144	(110,299,316)	(92,108,560)
Balance - January 1, 2011	143,213	19,793,287	2,180,570	(121,198,710)	(99,081,640)
Issuance of common shares, net of share issuance costs	91,648,302	-	-	-	91,648,302
Conversion of preferred shares and warrants	400,055,390	(19,793,287)	3,265,161	-	383,527,264
Warrants exercised	334,649	-	(305,155)	-	29,494
Common share options exercised	153,193	-	(48,702)	-	104,491
Share based compensation	-	-	708,108	-	708,108
Net loss	-	-	-	(250,362,211)	(250,362,211)
Balance - September 30, 2011	492,334,747	-	5,799,982	(371,560,921)	126,573,808

EcoSynthetix Inc.
Interim consolidated statements of cash flows
(In U.S. Dollars)
(Unaudited)

	Nine months ended September 30,		Three months ended September 30,	
	2011	2010	2011	2010
Operating activities				
Net loss	(250,362,211)	(38,294,637)	(2,288,612)	(18,236,407)
Items not affecting cash				
Changes in fair value of warrants and redeemable preferred shares	246,829,537	36,735,731	-	17,901,593
Share based compensation expense	708,108	775,485	296,773	337,039
Depreciation and amortization	325,039	271,576	33,005	81,583
Changes in non-cash working capital				
Accounts receivable	(1,756,077)	(1,433,001)	(1,414,768)	731,503
Inventories	(6,107,057)	(545,955)	(1,956,668)	97,912
Government assistance receivable	71,598	-	261,795	-
Prepaid expenses	(94,379)	(185,973)	4,026	(157,375)
Accounts payable and accrued liabilities	883,702	714,663	(1,280,129)	231,652
Deferred government assistance	(486,961)	-	-	-
Accrued compensation	(1,005,371)	45,851	-	8,192
Cash provided by (used in) operating activities	(10,994,072)	(1,916,260)	(6,344,578)	995,692
Investing activities				
Cash used for purchase of property, equipment and intangibles	(6,245,898)	(1,668,974)	(3,333,578)	(825,569)
Cash used in investing activities	(6,245,898)	(1,668,974)	(3,333,578)	(825,569)
Financing activities				
Common share issuance costs (note 12)	(10,802,780)	-	(8,571,527)	-
Issuance of common shares	102,451,082	-	102,451,082	-
Increase in government grant (note 10)	2,511,459	415,000	208,555	-
Preferred share warrants exercised (note 12)	29,494	232,456	29,494	-
Common share options exercised (note 11)	104,491	-	58,933	-
Cash provided by financing activities	94,293,746	647,456	94,176,537	-
Net increase (decrease) in cash	77,053,776	(2,937,778)	84,498,381	170,123
Cash - beginning of period	35,193,037	9,550,134	27,748,432	6,442,233
Cash - end of period	112,246,813	6,612,356	112,246,813	6,612,356

See accompanying notes to interim consolidated financial statements

1 (a) Business operations

EcoSynthetix Inc. (the "Company") was incorporated pursuant to the laws of the Province of Ontario on May 20, 2011 and is domiciled in Canada. The Company together with its subsidiaries is referred to as "EcoSynthetix". EcoSynthetix is engaged in the development and commercialization of ecologically friendly, bio-based technologies as replacement solutions for synthetic, petrochemical-based adhesives and other related products in the United States of America, Canada, Latin America, Europe and Asia.

These unaudited interim consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on November 14, 2011.

(b) Basis of preparation

The unaudited interim consolidated financial statements (interim financial statements) were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2010, except as described in note 2. The condensed interim financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 of the Company's consolidated financial statements for the year ended December 31, 2010. These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2010.

2 Changes in accounting policies

Adoption of new accounting policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for accounting periods beginning January 1, 2011. The standards impacted that are applicable to the Company are as follows:

- IFRS 3, Business Combinations
- IFRS 7, Financial Instruments: Disclosures
- IAS 1, Presentation of Financial Statements
- IAS 24, Related Party Disclosures
- IAS 27, Consolidated and Separate Financial Statements
- IAS 34, Interim Financial Reporting

These changes did not have a material impact on the Company's interim financial statements for the three and nine months ended September 30, 2011.

Accounting Standards not yet effective

On June 16, 2011, the IASB issued amendments to IAS 1, Presentation of Financial Statements. The amended standard retains the option of presenting the profit or loss and other comprehensive income in two separate statements. The revised standard requires an entity to present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. In addition, an entity that presents items of other comprehensive income before the related tax effect will also have to allocate the aggregate tax amount between the two subcategories.

Financial instruments

IFRS 9, Financial Instruments (IFRS 9), was issued by the International Accounting Standards Board (IASB) on October 28, 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss (FVTPL) and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost, unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

The Company has not assessed the impact of the new and amended standards on its financial statements.

The following is a brief summary of the new standards:

IFRS 10 — Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation — Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 — Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities — Non-monetary Contributions by Venturers.

IFRS 12 — Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 — Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

(In U.S. Dollars)

3 Accounts receivable

Accounts receivable consists of the following as at the end of the reporting periods:

	2011	2010
Trade accounts receivable, net	3,313,127	2,687,877
Commodity taxes receivable	1,182,520	51,693
	4,495,647	2,739,570

The Company has recorded a $120,000 provision for bad debts as at September 30, 2011 which is included in trade accounts receivable, net. No provisions for bad debt were recognized as at December 31, 2010.

4 Inventory

	2011	2010
Raw materials	1,249,349	1,379,736
Finished goods	6,980,091	610,647
	8,229,440	1,990,383

The cost of inventory included in cost of sales for the three months and nine months ended September 30, 2011 was $3,951,167 (2010 – $3,733,255) and $12,874,175 (2010 - $7,298,719), respectively.

5 Government incentives

The Company has a forgivable loan agreement with the Province of Ontario under its Innovation Demonstration Fund (IDF) Program (Ontario) pursuant to which Ontario will provide a forgivable loan up to a maximum of approximately $3.1 million for a specific technology demonstration project. This loan is forgivable in the event no event of default has occurred and on the basis that the technology is commercialized in the Province of Ontario, or in the event that the technology will not be commercialized outside of the province and various other documentation requirements. The Company expects to meet these forgivable requirements and has treated this forgivable loan as a non-repayable government incentive and has accounted for it using the cost reduction method. This agreement is secured by a general security agreement over all of the assets of EcoSynthetix Adhesives Inc., a subsidiary company, and by the Company's unsecured guarantee. In the event that the Company is required to repay this funding, the Company will be obligated to repay the funding plus interest will be charged at a rate of 4.55% per annum.

The Company has a non-repayable grant agreement from the Canadian federal government's (Canada) Sustainable Development Technology (SDTC) Fund, pursuant to which Canada will provide up to a maximum of approximately $1.7 million for a specific research and demonstration project. The Company has treated this grant as a non-repayable government incentive and accounted for it using the cost reduction method.

(In U.S. Dollars)

As at September 30, 2011 the Company recognized the maximum total amount of government incentives of $4.8 million under the IDF and SDTC programs, of which $3.7 million was recorded against capital expenditures and $1.1 million was recorded against operating expenses. As at September 30, 2011, the Company has collected $3.9 million and expects to receive the remaining $0.9 million in the next twelve months.

6 Intangible assets

The composition of the net book value of the Company's intangible assets is presented in the following table:

At December 31, 2010	
Cost	129,684
Accumulated amortization	(85,369)
Net book value	44,315
Period ended September 30, 2011	
Additions	62,715
Amortization	(44,315)
Net book value	62,715
At September 30, 2011	
Cost	192,399
Accumulated amortization	(129,684)
Net book value	62,715

(In U.S. Dollars)

7 Property and equipment

The composition of the net book value of the Company's property and equipment is presented in the following table:

	Computer Hardware	Machinery and Equipment	Construction-in-process and deposits placed on property and equipment	Total
At December 31, 2010				
Cost	66,392	1,979,663	327,739	2,373,794
Accumulated depreciation	(47,884)	(635,841)	-	(683,725)
Net book value	18,508	1,343,822	327,739	1,690,069
Period ended September 30, 2011				
Additions*	62,193	2,689,294	6,044,888	8,796,375
Depreciation	(13,150)	(399,574)	-	(412,724)
Government assistance	-	-	(2,511,459)	(2,511,459)
Net book value	67,551	3,633,542	3,861,168	7,562,261
At September 30, 2011				
Cost	128,585	4,668,957	3,861,168	8,658,710
Accumulated depreciation	(61,034)	(1,035,415)	-	(1,096,449)
Net book value	67,551	3,633,542	3,861,168	7,562,261

The Company incurred $8.8 million in capital asset additions for the nine months ended September 30, 2011. The additions primarily relate to manufacturing equipment required for the Company's production expansion and the Company's research and development facility in Burlington, Ontario. Approximately $2.6 million of capital asset additions were included in accounts payable and accrued liabilities at September 30, 2011.

For the nine month period ended depreciation expense charged to cost of goods sold and selling, general and administration expenses was $193,000 (2010 – $162,677) and $87,724 (2010 – $108,899), respectively.

8 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2011	2010
Trade payables	5,799,132	2,659,378
Accrued liabilities	1,301,557	944,418
	7,100,689	3,603,796

(In U.S. Dollars)

9 Redeemable preferred shares and warrants

The movement of redeemable preferred shares for the nine month periods ended September 30, 2011 and September 30, 2010 are as follows:

	Series A-3-C preferred shares	Series A-3-B preferred shares	Series A-3-A preferred shares	Series A-2 preferred shares	Series A-1 preferred shares	Total
Opening balance - January 1, 2010	-	7,867,030	9,794,813	17,517,172	28,562,130	63,741,145
Issuances	-	-	-	-	-	-
Charges	-	2,105,901	3,415,411	11,516,246	19,243,797	36,281,355
Closing balance - September 30, 2010	-	9,972,931	13,210,224	29,033,418	47,805,927	100,022,500
Opening balance - January 1, 2011	26,854,800	10,460,686	14,080,679	31,700,734	52,099,532	135,196,431
Issuances	-	2,464,560	-	-	-	2,464,560
Charges	24,324,893	14,568,254	24,598,765	67,448,022	111,661,177	242,601,111
Converstion to equity	(51,179,693)	(27,493,500)	(38,679,444)	(99,148,756)	(163,760,709)	(380,262,102)
Closing balance - September 30, 2011	-	-	-	-	-	-

On June 30, 2011, the Company issued 273,841 Series A-3-B to certain holders of the Company's preferred shares for no proceeds. The preferred shares were issued pursuant to the original A-3-B share agreement whereby if the Company did not complete a qualified event by June 30, 2011, the Series A-3-B would be issued. The Company has expensed $2,464,560 in the nine months period ended September 30, 2011 related to this issuance. The expense is included in the consolidated statement of operations in the line 'Loss related to warrants and redeemable preferred shares'.

Charges related to the warrants for the three and nine months period ended September 30, 2011 and 2010 were NIL (2010 – $155,038) and $1,763,865 (2010 - $454,376) respectively.

On August 4, 2011, the Company's redeemable preferred shares were automatically converted into common shares in connection with the initial public offering. Further, warrants to acquire redeemable preferred shares were automatically converted to warrants to acquire common shares. As a result, the Company's liability relating to redeemable preferred shares were reclassified into common shares and warrants were reclassified to a separate component of shareholders' equity.

10 Related party transactions

Key management personnel include those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the directors, chief executive officer and chief financial officer. The compensation paid or payable to key management personnel for employee services is shown below for the nine months ended September 30:

(In U.S. Dollars)

	2011	2010
Salaries and other short-term employee benefits	636,025	488,236
Share-based payments	392,523	202,796
	1,028,548	691,032

11 Common share options

During the nine month period ending September 30, 2011 the Board of Directors approved a change in vesting period for all share options currently outstanding from a 5 year period to a 4 year vesting period, unless otherwise noted by the board. This change in vesting period has been accounted for as a change in accounting estimate and has been applied prospectively as of the effective date. This change in estimate did not have a material impact on the interim consolidated financial statements as at September 30, 2011.

At September 30, 2011, the Company had outstanding share options to purchase 5,805,565 shares of the Company's common shares. The share options expire at various dates through August 31, 2016.

	Number of share options outstanding	Weighted average exercise price (CAD) $
Outstanding - December 31, 2010	5,741,484	0.36
Share options exercised	(880,922)	0.12
Share options cancelled	-	-
Share options granted	945,003	2.86
Outstanding - September 30, 2011	5,805,565	0.80

For the nine month period ended September 30, 2011, the Company determined the fair values of share options granted using the Black-Scholes option pricing model with the following assumptions for share option grants:

	2011
Expected dividend yield	-
Risk-free interest rate	1.23%- 2.24%
Expected stock option terms (in years)	5
Volatility	70%

The aggregate fair value of share options granted during the period is $1,623,132 (2010 - $191,938). The weighted average fair value of these share options is $1.72 (2010 - $0.71) per share.

For the three nine period ended September 30, 2011, expected volatility is based on a review of similar publicly listed Company's and the Company's historical volatility since the initial public offering on August

(In U.S. Dollars)

4, 2011. Management believes that it currently does not have a sufficient time period of historical volatility data on the Company's common share price given the recent initial public offering completed August 4, 2011.

The expected share option term is based on the employees' historical exercise behaviour. The risk-free interest rate used for each grant is equal to the US Treasury yield curve in effect at the date of grant for instruments with a term similar to the expected life of the related share option.

12 Shareholders' equity

	September 30, 2011 $	December 31, 2010 $
Common shares (Unlimited number of shares authorized, 55,238,366 (2010 – 796,278) shares issued and outstanding)	492,334,747	143,213

Initial Public Offering

On August 4, 2011, the Company completed its initial public offering by issuing 11,150,000 common shares at a price of CAD $9.00 per share (the "Offering"), for aggregate gross proceeds of CAD $100,350,000, subject to the terms of an underwriting agreement.

The Company granted to the underwriters of the Offering an over-allotment option, exercisable, in whole or in part, at the sole discretion of the underwriters, for a period of 30 days from the closing of the Offering, to purchase up to an additional 1,672,500 common shares. On September 12, 2011, the Company announced that the underwriters had purchased an additional 300,000 common shares of the Company at a price of CAD $9.00 per share, pursuant to the partial exercise of the over-allotment option granted to the underwriters in connection with the initial public offering discussed above. The Company did not receive any proceeds from the sale of these additional shares.

Concurrent with the closing of the Offering, the Company acquired 77% of the issued and outstanding common shares of EcoSynthetix U.S. in exchange for 33,640,663 common shares of the Company, assuming no exercise of the over-allotment option. The remaining 23% of the outstanding shares of common stock of the Company continue to be held by certain security holders of the Company that are U.S. holders (the "Retained Interest Holders"). During the three months ended September 30, 2011 109,567 common shares held by U.S. holders were converted to common shares of the Company. The Company did not receive proceeds from the sale of these additional shares.

Pursuant to a put/call agreement entered into by the Company and the Retained Interest Holders, the Retained Interest Holders will be entitled to sell their shares of common stock of EcoSynthetix U.S. and shares of common stock of EcoSynthetix U.S. issued upon exercise of warrants (the "Covered Shares") to the Company at any time prior to the date that is five years following the closing of the Offering (the "Put Expiry Date") in exchange for common shares of the Company on the basis of seven common shares for one Covered Share, subject to adjustment. In addition, the Company will be entitled to purchase the Covered Shares held by the Retained Interest Holders at any time from the period commencing one year following the Put Expiry Date to the date that is two years following the Put Expiry Date in exchange for seven common shares for one Covered Share, subject to adjustment. In addition, the Company will be entitled to exercise its right to purchase the Covered Shares in the event of a change of control of the Company or a bankruptcy event of the Company that occurs prior to the Put Expiry Date. The shares held by the Retained Interest Holders have been presented on an as ‘exchanged basis’ as outstanding common shares of the Company effective August 4, 2011.

(In U.S. Dollars)

Share Exchange:

On August 4, 2011 the Company completed a share exchange of its issued and outstanding common shares with EcoSynthetix (Ecosynthetix U.S.) in conjunction with the initial public offering with a ratio of seven post-exchange shares for every 1 pre-exchange share. The Company has amended the disclosures in the consolidated financial statements to reflect the share exchange as if it had occurred on December 31, 2009.

Conversion of preferred shares to common shares and related warrants:

On August 4, 2011, the Company’s redeemable preferred shares were automatically converted into common shares in connection with the public offering. Further, warrants to acquire redeemable preferred shares were automatically converted to warrants to acquire common shares. As a result, the Company’s liability relating to redeemable preferred shares were reclassified into common shares and warrants were reclassified to a component of shareholders’ equity.

Outstanding Warrants:

During the three months ended September 30, 2011 37,240 warrants were exercised into common shares generating proceeds of $29,494. At September 30, 2011, the Company had outstanding warrants for the purchase of 361,228 shares of the Company’s common shares, exercisable at $0.81 per share. These shares are exercisable up to February 28, 2014.

13 Segmented information and enterprise wide disclosures

Segmented reporting

The Company operates in one reportable segment.

Sales by geographic location

External sales to customers by territory for the three and nine months ended are as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2011	**2010**	**2011**	**2010**
North America	2,828,965	190,030	1,070,411	75,027
Latin America	1,288,500	681,250	844,500	33,250
Europe, Middle East, Africa (EMEA)	290,624	-	226,440	-
Asia Pacific	12,642,633	9,145,920	3,141,144	4,720,419
Total	**17,050,722**	**10,017,200**	**5,282,495**	**4,828,696**

(In U.S. Dollars)

External sales to customers are attributed to each territory based on the country on which the customer is domiciled.

Sales to major customers

The Company derives a significant portion of its revenues from major customers. For the three month period ended, three customers accounted for approximately 30%, 20% and 16% (2010 – 58%, 23% and 16%) of total revenue. For the nine month period ended, two customers represented approximately 31% and 22% (2010, three customers – 52%, 18% and 14%) of total revenue. The concentrations listed do not necessarily apply to the same customer period over period.

Property, equipment and intangible assets

Property, equipment and intangible assets (at net book value) were domiciled in the following countries

	2011	**2010**
Canada	1,799,596	480,298
United States of America	2,139,505	912,000
Netherlands	3,685,875	342,086
	7,624,976	1,734,384

14 Expenses by nature

Additional information on the nature of amounts included in cost of sales, selling, general, and administrative and research and development is as follows:

	Nine months eneded September 30,		**Three months ended September 30,**	
	2011	**2010**	**2011**	**2010**
Wages and salaries	3,600,174	1,876,820	1,471,176	380,074
Share-based compensation	708,108	775,485	296,773	337,039
Depreciation and amortization	325,039	271,576	33,005	81,583

15 Loss per share

Basic loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares in issue during the year.

Diluted loss per share is equivalent to basic loss per share, as the consideration of potentially dilutive securities would be anti-dilutive.

16 Contingencies and Guarantees

In connection with the Offering, the Company agreed to provide an indemnity to each of the Retained Interest Holders for any (i) loss of deferral of U.S. income taxes attributable to the execution of the put/call agreement that are incurred by a Retained Interest Holder before the third anniversary of the closing of the Offering; (ii) interest and penalties paid that are attributable to any U.S. federal, state or local income tax liability of a Retained Interest Holder that arises as a result of a final determination by any U.S. taxing authority relating to the execution of the put/call agreement ("Taxes"); and (iii) certain reasonable fees, costs and expenses paid by a Retained Interest Holder to defend any demand, claim or notice from a U.S. taxing authority with respect to Taxes. The Company's liability under the indemnity will not exceed the indemnity cap which is determined based on $2.72 per Covered Share (which equates to $0.3885 per common share into which each Covered Share may be exchanged) representing a maximum liability to the Company under the indemnity of approximately $4 million. The indemnity will terminate on the fifth anniversary of the Closing. The Company has assessed the likelihood of incurring the liability as remote and accordingly has not recorded a provision at September 30, 2011.

17 Comparative balances

Certain comparative balances have been reclassified to conform to the financial statement presentation adopted in the current year.