

**ECO-SAFE SYSTEMS USA, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2009 AND 2008**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholders  
of Eco-Safe Systems USA, Inc.

We have audited the accompanying balance sheets of Eco-Safe Systems USA, Inc. (a Delaware corporation) as of December 31, 2009 and 2008 and the related statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2009 and 2008. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eco-Safe Systems USA, Inc. as of December 31, 2009 and 2008 and the results of its operations and cash flows for the years ended December 31, 2009 and 2008 in conformity with accounting principles generally accepted in the United States of America.

**Mendoza Berger & Company, LLP**

*Mendoza Berger & Company*

Irvine, California  
September 21, 2010

**ECO-SAFE SYSTEMS USA, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2009 AND 2008**

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**ASSETS**

|                                 | <u>2009</u>       | <u>2008</u>         |
|---------------------------------|-------------------|---------------------|
| Current assets:                 |                   |                     |
| Cash                            | \$ 45,703         | \$ 20,828           |
| Accounts receivable             | 114,775           | 32,357              |
| Inventory                       | 359,950           | 331,641             |
| Prepaid expenses                | 26,048            | 713,966             |
| Loan receivable - related party | 112,029           | 109,629             |
|                                 | <u>658,505</u>    | <u>1,208,421</u>    |
| Property and equipment, net     | <u>11,655</u>     | <u>8,986</u>        |
| Other assets:                   |                   |                     |
| Deposits                        | <u>4,675</u>      | <u>4,675</u>        |
|                                 | <u>\$ 674,835</u> | <u>\$ 1,222,082</u> |

**ECO-SAFE SYSTEMS USA, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2009 AND 2008**

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**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)**

|                                                                                                                                                                             |                   |                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|
| Current liabilities:                                                                                                                                                        |                   |                     |
| Accounts payable                                                                                                                                                            | \$ 64,787         | \$ 124,638          |
| Credit cards payable                                                                                                                                                        | 24,265            | 37,431              |
| Bank lines of credit                                                                                                                                                        | 9,500             | 9,500               |
| Accrued expenses                                                                                                                                                            | 25,595            | 8,577               |
|                                                                                                                                                                             | <u>124,147</u>    | <u>180,146</u>      |
| Total current liabilities                                                                                                                                                   |                   |                     |
| Long-term note payable – shareholder                                                                                                                                        | -                 | 20,000              |
|                                                                                                                                                                             | <u>124,147</u>    | <u>200,146</u>      |
| Total long-term liabilities                                                                                                                                                 |                   |                     |
| Shareholders' equity (deficit):                                                                                                                                             |                   |                     |
| Common stock, par value \$.0004, 200,000,000 shares<br>authorized 89,492,832 and 84,264,832 shares issued<br>and outstanding at December 31, 2009 and 2008,<br>respectively | 35,797            | 33,706              |
| Paid in capital                                                                                                                                                             | 2,554,046         | 2,214,981           |
| Retained earnings                                                                                                                                                           | (2,039,155)       | (1,226,751)         |
|                                                                                                                                                                             | <u>550,688</u>    | <u>1,021,936</u>    |
| Total shareholders' equity                                                                                                                                                  |                   |                     |
| Total liabilities and stockholders' equity                                                                                                                                  | <u>\$ 674,835</u> | <u>\$ 1,222,082</u> |

**ECO-SAFE SYSTEMS USA, INC.**  
**STATEMENTS OF OPERATIONS**  
**DECEMBER 31, 2009 AND 2008**

|                                  | 2009         | 2008           |
|----------------------------------|--------------|----------------|
| Sales                            | \$ 425,948   | \$ 355,251     |
| Cost of sales                    | 201,851      | 215,009        |
| Gross Profit                     | 224,097      | 140,242        |
| Operating expenses:              |              |                |
| Advertising and marketing        | 28,091       | 16,138         |
| Automobile expense               | 7,886        | 12,618         |
| Commissions and outside services | 168,482      | 180,828        |
| Depreciation                     | 3,632        | 3,054          |
| Insurance                        | 10,722       | 10,658         |
| Office expense                   | 50,470       | 50,775         |
| Public relations                 | 78,845       | 138,063        |
| Product development              | 491,514      | 502,656        |
| Professional fees                | 108,523      | 395,661        |
| Rent                             | 50,312       | 49,162         |
| Repairs and maintenance          | 657          | 12,738         |
| Telephone and utilities          | 11,680       | 12,815         |
| Travel and entertainment         | 28,262       | 17,728         |
| Total operating expenses         | 1,039,076    | 1,402,894      |
| Loss from operations             | (814,979)    | (1,262,652)    |
| Other income (expenses):         |              |                |
| Interest income                  | 6,202        | 4,545          |
| Interest expense                 | (9,039)      | (4,429)        |
| Other income                     | 6,212        | -              |
| Loss before income taxes         | (811,604)    | (1,262,536)    |
| Income tax expense               | (800)        | (800)          |
| Net income (loss)                | \$ (812,404) | \$ (1,263,336) |

See accompanying notes to financial statements

**ECO-SAFE SYSTEMS USA, INC.**  
**STATEMENTS OF SHAREHOLDERS' EQUITY**  
**DECEMBER 31, 2009 AND 2008**

|                            | Common Stock |           | Paid in<br>Capital | Retained<br>Earnings<br>(Accumulated<br>Deficit) | Total<br>Shareholders'<br>Equity |
|----------------------------|--------------|-----------|--------------------|--------------------------------------------------|----------------------------------|
|                            | Shares       | Amount    |                    |                                                  |                                  |
| Balance, December 31, 2007 | 76,903,832   | \$ 30,762 | \$ 1,740,238       | \$ 36,585                                        | \$ 1,807,585                     |
| Shares issued for cash     | 3,000,000    | 1,200     | 108,800            |                                                  | 110,000                          |
| Shares issued for services | 4,361,000    | 1,744     | 365,943            |                                                  | 367,687                          |
| Net income (loss)          |              |           |                    | (1,263,336)                                      | (1,263,336)                      |
| Balance, December 31, 2008 | 84,264,832   | 33,706    | 2,214,981          | (1,226,751)                                      | 1,021,936                        |
| Shares issued for cash     | 2,278,000    | 1,311     | 208,679            |                                                  | 209,990                          |
| Shares issued for services | 2,950,000    | 780       | 130,386            |                                                  | 131,166                          |
| Net income (loss)          |              |           |                    | (812,404)                                        | (812,404)                        |
| Balance, December 31, 2009 | 89,492,832   | \$ 35,797 | \$ 2,554,046       | \$ (2,039,155)                                   | \$ 550,688                       |

See accompanying notes to financial statements

**ECO-SAFE SYSTEMS USA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2009 AND 2008**

|                                                                                                      | <b>2009</b>  | <b>2008</b>    |
|------------------------------------------------------------------------------------------------------|--------------|----------------|
| Cash flows from operating activities:                                                                |              |                |
| Net income (loss)                                                                                    | \$ (812,404) | \$ (1,263,336) |
| Adjustment to reconcile net income (loss) to net cash provided by<br>(used in) operating activities: |              |                |
| Depreciation                                                                                         | 3,632        | 3,054          |
| Stock issues for services                                                                            | 131,166      | 367,687        |
| Changes in:                                                                                          |              |                |
| Accounts receivable                                                                                  | (82,418)     | 23,927         |
| Inventory                                                                                            | (28,310)     | (90,081)       |
| Prepays and other assets                                                                             | 687,918      | 713,261        |
| Accounts payable                                                                                     | (59,852)     | 54,421         |
| Accrued expenses                                                                                     | 17,019       | (7,455)        |
| Net cash provided by (used in) operating activities                                                  | (143,249)    | (198,522)      |
| Cash flows used in investing activities:                                                             |              |                |
| Purchase of property and equipment                                                                   | (6,300)      | -              |
| Principle payments from shareholders                                                                 | (2,400)      | (53,309)       |
| Net cash provided by investing activities                                                            | (8,700)      | (53,309)       |
| Cash flows from financing activities:                                                                |              |                |
| Repayment of line of credit                                                                          | -            |                |
| Repayment of note payable -- shareholder                                                             | (20,000)     | 20,000         |
| Proceeds from (repayment of) credit cards                                                            | (13,166)     | 4,754          |
| Proceeds from sale of common stock                                                                   | 209,990      | 110,000        |
| Net cash provided by financing activities                                                            | 176,824      | 134,754        |
| Net increase (decrease) in cash and cash equivalents                                                 | 24,875       | (117,077)      |
| Cash and cash equivalents, beginning of period                                                       | 20,828       | 137,905        |
| Cash and cash equivalents, end of period                                                             | \$ 45,703    | \$ 20,828      |
| <b>Supplemental disclosure of cash flow information:</b>                                             |              |                |
| Income taxes paid                                                                                    | \$ 800       | \$ 800         |
| Interest paid                                                                                        | \$ 9,039     | \$ 4,429       |
| <b>Supplemental disclosure of non-cash investing financial activities</b>                            |              |                |
| Common stock issued for services                                                                     | \$ 131,166   | \$ 367,687     |
| Amortization of prepaid stock issued for services                                                    | \$ 709,500   | \$ 709,500     |

See accompanying notes to financial statements



**ECO-SAFE SYSTEMS USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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**1. GENERAL**

Eco-Safe Systems USA, Inc. (the Company) which became a publicly traded corporation in 2006, is in the business of developing, manufacturing and distributing ozone food and water disinfection systems. These systems are designed to be utilized by large institutions such as grocery stores chains, fish processing plants and in the beef and poultry industry, as well as for individual home use. The systems are 100% toxin free and present an alternative to the use of harsh chemicals or disinfecting agents for food and water sanitation.

The FDA approved the use of ozone as an antimicrobial on food products including produce, beef and poultry in either a gaseous or aqueous state in June of 2001 when the Company's major focus was on product development. In October of 2003, ozone was approved by the USDA and allowed as an ingredient in or on products labeled as organic.

Because ozone slows the decaying process, use of the ozone food disinfection system extends the useful shelf life of produce, beef and poultry, anywhere from four to twenty five days, depending on the product. It also significantly decreases bacteria count on these products throughout the shelf life.

With a small product line, the Company enjoyed profitable operations in 2006 and 2007. However, during 2008 and 2009, the Company executed a bold business plan which called for the allocation of substantial funds to the product development of four new and potentially highly profitable systems.

While this allocation of funds resulted in an operating loss for 2008 and 2009, the product development effort was an outstanding success. Each of these systems, now in the final stages of product development, will result in patent applications, some before the end of this year, and each will soon thereafter enter a huge new market with an opportunity for an exciting increase in volume for the Company.

The Company will begin initial market efforts within the next few months by allowing prospective clients to use demonstration units for a month in their businesses to prove the effectiveness of the equipment. Historically, many of these units are subsequently sold to the customers.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America

**ECO-SAFE SYSTEMS USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Cash and Cash Equivalents**

For purposes of financial statement presentation, the Company considers all money market funds and highly liquid debt instruments with maturities of three months or less to be cash equivalents.

**Inventory**

Inventory is comprised of finished units which are valued using the lower of the standard cost based on the annual average cost of production, or market.

**Property and Equipment**

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of five to seven years. Repairs and maintenance costs are expensed as incurred, and expenditures for major improvements which extend the useful lives of the improved assets are capitalized.

**Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred taxes also are recognized for operating losses and tax credits that are available to offset future taxable income. There were no deferred taxes as of December 31, 2009 and 2008.

**3. ACCOUNTS RECEIVABLE**

As of December 31, 2009 and 2008, all accounts receivable were current and collectible. Therefore, there is no reserve for uncollectible accounts.

**ECO-SAFE SYSTEMS USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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**4. PREPAID EXPENSES**

The Company issued 10,850,000 shares of common stock in the amount of \$1,419,000 in 2007 as a prepayment for services to be rendered in future years. The Company amortized its prepaid services in the amount of \$709,500 for both 2009 and 2008 once these services had been performed. Prepaid expenses for the years ended December 31, 2009 and 2008 were \$26,048 and \$713,966, respectively.

**5. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, consists of the following:

|                                | 2009      | 2008     |
|--------------------------------|-----------|----------|
| Furniture and equipment        | \$ 900    | \$ 900   |
| Vehicles                       | 20,671    | 14,370   |
| Less: accumulated depreciation | (9,916)   | (6,284)  |
| Total property and equipment   | \$ 11,655 | \$ 8,986 |

Depreciation expense as of December 31, 2009 and 2008 was \$3,632 and \$3,054, respectively.

**6. BANK LINE OF CREDIT AND CREDIT CARDS PAYABLE**

The Company obtained a bank line of credit during 2006. The limit on this line is \$10,000. Borrowings under the agreement accrue interest at the bank's prime rate plus 4.00%. This revolving line of credit has no expiration date but is reviewed annually. The Company had an outstanding balance of \$9,500 on the line of credit at December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, credit cards payable was comprised of three separate credit cards in which all three were issued to the President of the company. As of December 31, 2009 and 2008, the Company's credit cards maintained credit limits of \$7,000, \$15,000 and \$18,500. The Company's credit cards accrue interest ranging between 11.99% and 22.24% for purchases as of December 31, 2009 and 2008, respectively. The Company's credit cards accrue interest ranging between 19.98% and 27.24% for cash advances as of December 31, 2009 and 2008, respectively. There were no cash advances maintained on these cards as of December 31, 2009 and 2008, respectively. The outstanding balances on these cards were \$24,265 and \$37,431 as of December 31, 2009 and 2008, respectively.

Interest expense for the years ended December 31, 2009 and 2008 was \$9,039 and \$4,429, respectively.

**ECO-SAFE SYSTEMS USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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**7. COMMITMENTS & CONTINGENCIES**

**Operating Leases**

The Company leases facilities under two separate operating leases. The operating lease agreements for both facilities expired in 2008 and are currently and will continue on a month-to-month basis. The total monthly operating lease payment for both facilities was \$3,931 for December 31, 2009 and 2008, respectively.

Total rent expense for operating leases as of December 31, 2009 and 2008 was \$50,312 and \$49,162, respectively.

**Public Relations Service Agreement**

On July 18, 2006 the Company entered into an agreement with a Public Relations Firm (PR Firm) for services involving market analysis, branding, web site identification and related services. The agreement expired on July 18, 2008.

Total budgeted cost for the initial services, including: Market Analysis, Branding, Copy, Web Site and Downloadables, and Design shall be \$7,000, one-half to be delivered upon commencement of the project and one-half to be delivered upon completion. In conjunction with the payment terms of this agreement, 50,000 shares for a total of \$6,535 shall be issued to a separate individual of the public relations team, in the same percentage distribution as the cash.

Continued monthly services shall be paid as follows: a \$2,500 retainer to be paid at the beginning of each month, plus out of pocket expenses. In the event the retainer is not paid, the PR Firm may elect to have company stock shares allocated to them at the current market price in lieu of cash. Interest on unpaid amounts will accrue at 1/2% per month; 30 days after billings are mailed.

In the event the Company becomes a publicly traded company, the Company shall arrange to have transferred to the PR Firm one million shares of voting stock. Paperwork related to such stock transfer shall be submitted to the PR Firm within two weeks of the initial public issuance of Company stock.

The agreement will be reviewed every six months, with any mutually agreeable adjustments made based on workload and Company requirements. The agreement continues automatically upon expiration unless cancelled in writing by either party.

**ECO-SAFE SYSTEMS USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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**8. RELATED PARTY TRANSACTIONS**

**Loan Receivable – Related Party**

The unsecured note receivable from related parties was due from the Company's President and Global Marketing, Inc., which is 100% owned by the Company's President, who is also the majority shareholder of Eco-Safe Systems USA, Inc. The note had a balance of \$112,029 and \$109,629, at December 31, 2009 and 2008, respectively.

On July 8, 2010, the Company redeemed 500,000 shares of common stock owned by the Company's President as a settlement for the outstanding notes receivable due from the President in the amount of \$112,029.

**Long Term Note Payable – Shareholder**

The Company has a note payable to a shareholder in the amount of \$0 and \$20,000 as of December 31, 2009 and 2008, respectively. This note represents unreimbursed business expenses paid by the shareholder on behalf of the Company. These advances are non-interest bearing, have no fixed terms of repayment and are unsecured. The note was paid in full in 2009.

**9. SUBSEQUENT EVENTS**

On April 30, 2010, Eco-Safe Systems USA, Inc. amended its Corporation's Certificate of Incorporation increasing its authorized shares from 100,000,000 shares of common stock to 200,000,000 shares of common stock. The financial statements reflect the new authorized amount.

On April 30, 2010, the Board of Directors approved the issuance of 6,200,000 shares of common stock to certain individuals, which included 1,500,000 shares of common stock to be issued to the President. As of September 2010, these shares have not been issued.

On April 30, 2010, the Board of Directors approved stock options to a board member granting the board member the option to purchase 1,000,000 shares of common stock at \$.05 per share. The stock options expire on May 1, 2012.

On June 30, 2010, 3,000 shares of common stock were issued for \$.50 per share to vendors of the Company.