

**C LEVEL BIO INTERNATIONAL HOLDING INC.**

**Interim Financial Statements**

**July 31, 2006**  
(unaudited)

# C LEVEL BIO INTERNATIONAL HOLDING INC.

## Balance sheet as at July 31, 2006

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### Current Assets

Cash	\$494,700
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<b>Deferred Charges, at cost</b>	<b>50,300</b>
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**\$545,000**

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### Current Liabilities

Accrued liabilities	\$48,327
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### Shareholders' Equity

Share capital (Note 3)	496,673
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**\$545,000**

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**On behalf of the Board,**

(S) Daniel Pharand, Director

(S) Jean-Francois Pelland, Director

# **C LEVEL BIO INTERNATIONAL HOLDING INC.**

## **Cash Flows**

**Three months ended July 31, 2006**

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### **OPERATING ACTIVITIES**

Net Loss	\$-
Net change in non cash working capital items	3,327
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	3,327

### **FINANCING ACTIVITIES**

Share issuance net of related issuance costs	496,673
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<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>(5,300)</b>
<b>CASH AT END</b>	<b>\$494,700</b>
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# C LEVEL BIO INTERNATIONAL HOLDING INC.

## Cash Flows

Three months ended July 31, 2006

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### 1. Description of the business

The Corporation was incorporated on April 6, 2006 under the *Canada Business Corporations Act* and issued its seed capital by April 7, 2006. On June 9, 2006, Articles of Amendment were issued to, inter alia, remove the private company provisions and the restrictions on share transfers. The Corporation is a Capital Pool Company as defined in the Capital Pool Company Policy of the TSX Venture Exchange Inc. (the "Exchange"). The business of the Corporation will be the identification and evaluation of assets or businesses with a view of completing a Qualifying Transaction.

### 2. Significant accounting policies

#### *Use of accounting estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts recorded in the financial statements and related notes. Estimates are based on the best knowledge of current events and actions of the Corporation may undertake in the future. Actual results could differ from those estimates.

#### *Stock-based compensation plan*

The Corporation has a stock-based compensation plan, which is described in Note 3. Stock-based compensation is recorded under the fair value based method. According to that method, awards of stock options are measured on their date of grant using the fair market value based method. They are expensed and credited to contributed surplus over their vesting period. This credit is reclassified to capital stock when stock options are exercised. As of the balance sheet date no stock options were granted.

#### *Deferred charges*

Fees incurred for the public offering and the qualifying transaction are deferred and will be charged to shareholders' equity upon the closing of the public offering and the closing of the Qualifying Transaction or will be written-off if these operations are not concluded.

#### *Statement of earnings*

The Company having no commercial operations other than the identification and evaluation of assets or businesses with a view to complete a Qualifying Transaction, the statement of earnings has not been presented.

# C LEVEL BIO INTERNATIONAL HOLDING INC.

## Cash Flows

Three months ended July 31, 2006

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### 3. Share capital

Authorized, an unlimited number of common shares without par value, voting and participating

Issued and paid

10,000,000	Common shares	\$ 496,673
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As of April 7, 2006, the Corporation issued 10,000,000 Common shares in exchange for cash consideration in the amount of \$500,000, net of incorporation, organisation and share issue costs of \$3,327.

As of June 16, 2006, the Corporation established a stock-based compensation plan, subject to regulatory approval. Under the stock-based compensation plan, the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase Common shares, provided that the number of Common shares reserved for issuance will not exceed 10% of the issued and outstanding Common shares, exercisable for a period of up to five (5) years from the date of grant. The exercise price of options is set by the Board of Directors and is equal to the market price of the Common shares at the date of grant. The options shall fully vest and become exercisable only upon the earlier of the following events: (i) as to one-third of the options, the first anniversary of the granting thereof, provided however that no such options may be exercised unless a Qualifying Transaction has been completed or the optioned Shares being the object thereof are duly escrowed until the issuance of the Final Exchange Bulletin, in accordance with the requirements of Policy 2.4 of the Exchange; (ii) as to the second one-third of the options, the second anniversary of the granting thereof; and (iii) as to the final one-third of the options, the third anniversary of the granting thereof. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common shares and the number of Common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding Common shares.

Pursuant to the stock option plan, stock options to purchase a maximum of 1,500,000 Common shares in the event of a minimum offering and a maximum of 2,000,000 Common shares in the event of a maximum offering were reserved for issue, at an exercise price of \$0.10 per share expiring five years from the date of grant, which options will be granted to directors and officers at the conclusion of the offering described in Note 6.

### 4. Financial instruments

The carrying amount of financial assets and liabilities approximate the fair market value because of the near maturity of those instruments

# **C LEVEL BIO INTERNATIONAL HOLDING INC.**

## **Cash Flows**

**Three months ended July 31, 2006**

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### **5. Related party transactions**

Three shareholders of and one of the directors of the Corporation are partners of the law firm acting as legal counselors with regard to the public Offering and the Qualifying Transaction. Issuance costs and deferred charges include respectively \$3,327 and \$40,000 of fees for services rendered by the law firm. As at July 31, 2006, \$43,327 were due and included in accounts payable with regard to these operations which were concluded in the normal course of operations.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **6. Subsequent events**

On September 5<sup>th</sup>, 2006, the Corporation filed a prospectus (“Offering”) to offer for sale to the public a minimum of 5,000,000 Common shares to a maximum of 10,000,000 Common shares at a price of \$0.10 per share. The net proceeds will be used to provide the Corporation with a minimum of funds with which to identify and evaluate assets or businesses for acquisition with a view to completing a Qualifying Transaction.

The Corporation also intends to grant to the Agent a non-transferable option to purchase up to 500,000 Common Shares in the event of a minimum Offering and up to 1,000,000 Common Shares in the event of a maximum Offering at a price of \$0.10 per Common Share, exercisable for a period of 24 months from the date of listing with the Exchange.