

Joseph Cianci, C.A.

Comptable Agréé - Chartered Accountant

Financial Statements of

NEXT ALTERNATIVE INC.

(Formerly 6198554 CANADA INC.)

(Audited)

(expressed in U.S. dollars)

Year ended October 31st, 2009

JOSEPH CIANCI, C.A.

COMPTABLE AGRÉÉ - CHARTERED ACCOUNTANT
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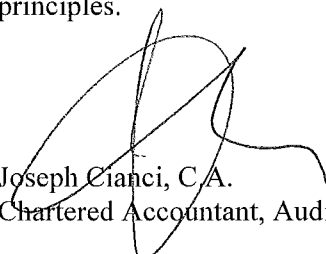
AUDITOR'S REPORT

To the shareholders of Next Alternative Inc.

I have audited the balance sheet of **Next Alternative Inc.** as at October 31st, 2009 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the differential reporting options available to non-publicly accountable enterprises described in note 1 to the financial statements. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the company as of October 31st, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Joseph Cianci, C.A.
Chartered Accountant, Auditor

Montréal, Canada
January 22nd, 2010

Next Alternative Inc.

Balance Sheet
(Audited)

October 31st, 2009

ASSETS

Current Assets:

| | | |
|---|----|---------|
| Cash | \$ | 70,328 |
| Accounts receivable | | 3,892 |
| Deposit on Inventory | | 490,400 |
| Prepaid expenses | | 444 |
| Advance receivable from an affiliated company, non interest bearing | | 458,850 |
| Advances to third parties, non interest bearing | | 48,157 |

1,072,071

Fixed assets (note 3)

2,356

\$ 1,074,427

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

| | | |
|---|----|--------|
| Accounts payable and accrued liabilities | \$ | 5,671 |
| Advances to third parties, non interest bearing | | 20,243 |
| Advances from director, non-interest bearing | | 92,836 |

118,750

SHAREHOLDERS' EQUITY

| | | |
|-----------------------------|--|-----------|
| Capital stock (note 4) | | 1,044,400 |
| Retained earnings (deficit) | | (88,723) |

955,677

\$ 1,074,427

SUBSEQUENT EVENT, NOTE 7

ON BEHALF OF THE BOARD:

_____, Director

See accompanying notes to financial statements.

Next Alternative Inc.

Statement of income and retained earnings
(Audited)

Year ended October 31st, 2009

| | | |
|--|----|----------|
| Sales | \$ | - |
| Administrative expenses | | |
| Telecommunications | | 8,243 |
| Publicity and promotions | | 328 |
| Office supplies | | 2,328 |
| Professional fees | | 8,500 |
| Interest and bank charges | | 2,312 |
| Meals and entertainment | | 8,413 |
| Rent | | 21,421 |
| Repairs and maintenance | | 3,333 |
| Amortization | | 416 |
| Foreign currency fluctuation | | 33,429 |
| | | <hr/> |
| | | 88,723 |
| Income (loss) before income taxes | | (88,723) |
| Income tax expense | | - |
| Net income (loss) | | (88,723) |
| Retained Earnings, beginning of year | | - |
| Retained Earnings (Deficit), end of year | \$ | (88,723) |

See accompanying notes to financial statements.

Next Alternative Inc.

Statement of cash flows
(Audited)

Year ended October 31st, 2009

Operations :

Net income (loss) \$ (88,723)

Items not involving cash:

Depreciation and amortization 416

Changes in non-cash operating working capital :

Accounts receivable (3,892)

Deposits on inventories (490,400)

Prepaid expenses (444)

Accounts payable and accrued liabilities 5,671

(577,372)

Financing:

Advances receivable from an affiliated company (458,850)

Net advances to third parties (27,914)

Advances from a director 92,836

Issuance of share capital 1,044,400

650,472

Investment:

Additions to fixed assets (2,772)

Increase (decrease) in cash and cash equivalents 70,328

Cash and cash equivalents, beginning of the year -

Cash and cash equivalents, end of the year \$ 70,328

See accompanying notes to financial statements.

Next Alternative Inc.

Notes to the financial statements, page 1
(Audited)

Year ended October 31st, 2009

The company was incorporated on February 24th, 2004 under the Canada Business Corporations Act as 6198554 Canada Inc. The company changed its name to Next Alternative Inc. on May 20th, 2009. The company commenced operations on January 1st, 2009 and it holds the distribution rights for the Carbon Nano Tube Batteries for Canada, United States and Mexico.

1 Significant accounting policies:

The company, with the unanimous consent of its shareholders, has elected to prepare its financial statements in accordance with Canadian generally accepted accounting principles, using the following differential reporting options available to non-publicly accountable enterprises:

a) Revenue recognition :

Revenue is recognized when earned which is generally when the service is rendered..

b) Inventories :

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

c) Fixed assets:

Fixed assets are recorded at cost and are depreciated over their estimated useful lives according to the following method and annual rate :

| Asset | Basis | Rate |
|-------------------|-------------------|------|
| Computer Hardware | declining balance | 30 % |

d) Financial instruments:

The company has elected not to disclose fair value information about financial assets and liabilities for which fair value was not readily obtainable. The fair value of the other assets and liabilities has been established as follows:

The fair value of bank overdraft, amounts receivable, accounts payable and accrued liabilities is equal to their carrying value given their maturity date.

e) Income taxes:

The company has elected to account for income taxes using the taxes payable method.

Next Alternative Inc.

Notes to financial statements, page 2
(Audited)

Year ended October 31st, 2009

1. Significant accounting policies (continued):

f) Use of estimates:

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

g) Foreign currency transactions:

The company uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the rate of exchange in effect at year-end. Other assets and liabilities are translated at their historic rates. Items appearing in the income statement, except for cost of inventories and depreciation translated at historic rates, are translated at average year rates. Exchange gains and losses are included in the income statement.

2. Cash flows:

Cash flows from interest, income taxes and dividends are as follows:

| | | |
|---------------|----|-------|
| Interest paid | \$ | 2,312 |
|---------------|----|-------|

3. Fixed assets:

| | Cost | Accumulated depreciation | Net book value |
|-------------------|----------|-----------------------------|-------------------|
| Computer hardware | \$ 2,772 | \$ 416 | \$ 2,356 |

Next Alternative Inc.

Notes to financial statements, page 3
(Audited)

Year ended October 31st, 2009

4. Share capital:

Authorized :

An unlimited number of Class A shares, without par value, voting and participating

Issued and fully paid:

| | |
|--------------------------|--------------|
| 1,044,400 Class A shares | \$ 1,044,400 |
|--------------------------|--------------|

The company issued 1,044,400 voting shares for proceeds of \$ 1,044,400.

5. Commitment:

The company has entered into a lease for office space totaling \$ 1,650 per month. The lease is renewable on a three month basis.

6. Loss Carry forwards:

These financial statements do not take into account a tax benefit resulting from loss carry forwards, available to the company to reduce its income for tax purposes in future periods. These carry forwards, in the amount indicated below, are available until the following dates:

| | |
|-----------|---------------------------------|
| \$ 88,000 | October 31 st , 2029 |
|-----------|---------------------------------|

7. Subsequent event:

The company has received a purchase order for 40,000 batteries on November 1st, 2009 representing sales revenues of \$ 12,300,000. As of the audit report date the company has shipped and received payment for 4,000 batteries. The company's management is of the opinion that the purchase order will be fulfilled within the next 24 months.