This is exhibit “F” referred to in the Affidavit of Howard Elliott sworn before me on March 13, 2013 at the City of Ann Arbor, Michigan.

HEATHER CONWAY-VISSER
NOTARY PUBLIC, STATE OF MI
COUNTY OF WASHTENAW
MY COMMISSION EXPIRES Aug 12, 2017
ACTING IN COUNTY OF Washtenaw

Heather Conway-Visser

A Notary Public in and for the State of Michigan, United States of America

Consolidated Financial Statements of

RS TECHNOLOGIES INC.

(formerly Resin Systems Inc.)

Years Ended December 31, 2010 and 2009

Management's Report

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of RS Technologies Inc. and all of the information included in this report are the responsibility of management and have been approved by the Company's Board of Directors.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors, composed entirely of independent directors, meets regularly with management, as well as the external auditors, to discuss auditing, internal controls, accounting policy and financial reporting matters. The Committee reviews the financial statements with both management and the independent auditors and reports its finding to the Board of Directors before such statements are approved by the Board.

Signed "Paul Giannelia"
Paul Giannelia
President and Chief Executive Officer
RS Technologies Inc.

signed "Joel Tennison"
Joel Tennison
Interim Chief Financial Officer
RS Technologies Inc.

Calgary, Canada
March 30, 2011

KPMG LLP
Chartered Accountants
2700 205 - 5th Avenue SW
Calgary AB T2P 4B9

Telephone (403) 691-8000
Telefax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RS Technologies Inc. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of loss, comprehensive loss and deficit, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2010 and 2009, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes that the Company incurred a net loss of $29.6 million during the year ended December 31, 2010 and as of that date the Company's current liabilities exceeded its total assets by $4.2 million. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 30, 2011

RS TECHNOLOGIES INC.
(formerly Resin Systems Inc.)
CONSOLIDATED BALANCE SHEETS

Thousands of Canadian dollars		**December 31, 2010**		December 31, 2009
ASSETS				
Current assets				
Cash	**$**	**1,238**	$	3,048
Accounts receivable		**275**		1,378
Inventories (note 3)		**3,889**		5,033
Prepaid expenses and deposits		**214**		240
		5,616		9,699
Restricted cash (note 4)		**145**		145
Property, plant and equipment (note 5)		**1,562**		7,527
	$	**7,323**	$	17,371
LIABILITIES and SHAREHOLDERS' DEFICIT				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,992**	$	5,849
Bank loans (note 6)		**7,000**		4,000
Province of Ontario loan (note 7)		**2,000**		2,000
Current portion of long-term debt (note 9)		**240**		226
Unsecured convertible debenture (note 11)		**-**		22,718
Other current liabilities (note 10)		**260**		763
		11,492		35,556
Secured convertible debenture (note 11)		**-**		6,892
Long-term notes payable (note 8)		**3,349**		-
Long-term debt (note 9)		**793**		1,033
Other long-term liabilities (note 10)		**1,112**		652
		16,746		44,133
Shareholders' deficit				
Share capital (note 12)		**192,202**		138,051
Warrants (note 12)		**5,497**		2,746
Equity component of convertible debentures (note 11)		**-**		10,415
Contributed surplus (note 12)		**10,254**		9,830
Deficit		**(217,376)**		(187,804)
		(9,423)		(26,762)
Future operations (note 1)				
Subsequent event (note 12)				
Contingencies (note 21)				
Commitments (note 22)				
	$	**7,323**	$	17,371

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Signed "   "
Director

Signed "   "
Director

RS TECHNOLOGIES INC.

(formerly Resin Systems Inc.)

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

Thousands of Canadian dollars Except per share amounts and shares outstanding	Year ended December 31 **2010**	 2009
Sales	**$ 12,133**	$ 10,571
Cost of sales	**17,954**	16,937
	(5,821)	(6,366)
Expenses		
Selling, general and administrative	**11,148**	12,429
Stock based compensation (note 12)	**76**	1,945
Depreciation (note 16)	**205**	957
	11,429	15,331
Loss before the undernoted items	**(17,250)**	(21,697)
Write-down of property, plant and equipment (note 5)	**(5,928)**	-
Other income	**183**	79
Financing charges (note 13)	**(6,577)**	(6,893)
Net loss and comprehensive loss	**(29,572)**	(28,511)
Deficit, beginning of year	**(187,804)**	(159,293)
Deficit, end of year	**$ (217,376)**	$ (187,804)
Basic and diluted loss per common share	**$ (9.13)**	$ (34.83)
Basic and diluted weighted average number of shares outstanding (note 12)	**3,240,523**	818,480

See accompanying notes to the consolidated financial statements.

RS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Thousands of Canadian dollars	Year ended December 31	
	2010	2009
Cash provided by (used in):		
Operating activities:		
Net loss	**$ (29,572)**	$ (28,511)
Items which do not involve cash:		
Depreciation of property, plant and equipment (note 16)	**1,153**	1,718
Non-cash financing charges	**5,625**	4,414
Amortization of deferred gain on sale of equipment (note 10)	**(76)**	(88)
Stock based compensation	**76**	1,945
Write-down of property, plant and equipment (note 5)	**5,928**	-
Other non-cash items	**(19)**	(30)
	(16,885)	(20,552)
Change in non-cash operating working capital (note 16)	**352**	942
	(16,533)	(19,610)
Financing activities:		
Issue of share capital, net of share issue costs	**39,609**	12,001
Settlement of secured and unsecured debentures	**(32,274)**	-
Issue of unsecured promissory notes	**2,000**	1,500
Repayment of unsecured promissory notes	**(2,000)**	(1,500)
Issue of long-term notes payable	**6,000**	-
Bank loans (note 6)	**3,000**	4,000
Repayment of mortgage	**(226)**	(144)
Repayment of NRC advances (note 10)	**(270)**	(191)
	15,839	15,666
Investing activities:		
Purchase of property, plant and equipment	**(1,116)**	(1,172)
Restricted cash	**-**	200
	(1,116)	(972)
Decrease in cash	**(1,810)**	(4,916)
Cash, beginning of year	**3,048**	7,964
Cash, end of year	**$ 1,238**	$ 3,048

See accompanying notes to the consolidated financial statements.

(Tabular amounts are stated in thousands of Canadian dollars except for per share amounts)

1. Nature of operations and future operations

RS Technologies Inc., ("RS" or the "Company") is an ISO 9001:2008 certified technology innovator that develops advanced composite material products for infrastructure markets. The composite products manufactured using the company's proprietary resins and processes are typically lighter, more durable and longer-lasting than competing products made from the traditional building blocks of wood, steel or concrete. RS's flagship product is its award-winning RStandard® composite pole which is used in transmission and distribution projects to carry electric grids and as communication structures for various uses including wireless networks and microwave communications systems. RS designs, engineers, manufactures and markets its products worldwide.

Future Operations

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, which assumes the Company will realize its assets and discharge its liabilities and commitments in the normal course of business. The application of the going concern concept in preparation of these financial statements is dependent upon the Company successfully raising equity and/or debt financing in the near term, and the ability of the Company to generate profitable operations. For the year ended December 31, 2010, the Company reported a net loss of $29,572 (2009 - $28,511) and negative cash flow from operations of $16,533 (2009 - $19,610). At December 31, 2010, the Company had negative working capital of $5,876 (2009 - $25,857) and an accumulated deficit of $217,376 (2009 - $187,804).

These financial statements do not reflect any adjustments should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities outside the normal course of business.

On February 18, 2011, the Company completed a private placement for total proceeds of $1,092 which should provide the RS with sufficient funds through to mid-April 2011. During which time the Company, in concert with its financial advisors Macquarie Capital Markets, will continue to pursue alternative forms of financing.

In parallel with its commercial activities and the pursuit of orders from utility companies, RS continues to focus on cost reduction and cash management strategies to preserve current cash reserves. These strategies include negotiating more favourable terms with suppliers, reducing discretionary and operational spending, maintaining weekly cash flow budgets, monetizing existing inventories and reducing head-count and general and administrative expenses. In addition, to streamline its capital structure, the Company settled its $25,000 and $10,000 debentures and related interest by issuing common shares in accordance with the terms of the respective indentures on October 7, 2010 and October 20, 2010.

Management acknowledges that there is significant doubt surrounding the Company's ability to discharge its current liabilities through the normal course of operations. The Company has a number of significant obligations coming due during 2011, as summarized in note 18 of the financial statements, and is exploring possible alternatives to ensure that its current obligations will be met. These alternatives include, but are not limited to, additional equity and debt financing, achieving positive gross margin and implementing cost reduction measures.

There can be no assurance that management's plans will be successful as such plans will be entirely dependent upon additional financing as well as market acceptance of the Company's products and the implementation of manufacturing improvements.

On March 29, 2011, the Company's shares were delisted from the Toronto Stock Exchange ("TSX") as a result of the Company no longer meeting the continued listing requirements of the TSX. Effective March 30, 2011, the Company's shares commenced trading on the NEX board of the TSX Venture Exchange.

2. Significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian generally acceptable accounting procedures. The preparation of financial statements in conformity with Canadian generally acceptable accounting procedures requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment; valuation allowances for receivables and inventories; valuation of equity component on convertible debentures and valuation of stock-based compensation. Actual results could differ from those estimates.

Basis of presentation
These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and all significant inter-company balances and transactions have been eliminated.

Inventories
Raw materials and finished goods are valued at the lower of average cost and net realizable value. A reasonable allocation of overheads based on production volumes as well as amortization of production equipment is included in average cost.

Property, plant and equipment
Property, plant and equipment are stated at cost. Equipment under construction is not amortized until it is substantially complete and ready for productive use. Amortization is provided on a declining balance basis over the estimated useful lives as follows:

Asset	Rate
Building	4%
Equipment	20%
Furniture and fixtures	20%
Automotive	30%
Computer hardware and software	50%

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or their estimated useful lives.

Impairment of long-lived assets
Long-lived assets, including property, plant and equipment, and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the assets exceeds the discounted fair value of the assets.

Research and development
Development costs related to specific projects that in the Company's view have a clearly defined future market or use are deferred and amortized on a straight-line basis starting in the year following that in which the new development was completed. All other research and development costs are charged to earnings in the year incurred. Since inception, the Company has expensed all research and development costs incurred.

Revenue recognition
Revenue from product sales is recognized when there is persuasive evidence of an arrangement, delivery has occurred under the terms of the arrangement, title has passed to the customer, the price is fixed or determinable and collection is reasonably assured. The Company has no further performance obligations other than its standard manufacturing warranty.

Interest and other income are recognized as they are earned.

The Company sells the majority of its products on a free carrier basis and the customer assumes the risk of loss once the product has left the Company's plant. For those less common situations where the Company bears the risk of loss until the product has arrived at the customer's location, the Company does not recognize the revenue associated with the transaction until confirmation of receipt of the goods is obtained.

Income taxes
The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Accordingly, the Company has recorded such an allowance.

Foreign currency translation
The Company's subsidiaries are integrated operations and are translated into Canadian dollars using the temporal method. Accordingly, all monetary assets and liabilities are recorded at exchange rates in effect at the balance sheet date, non-monetary assets are recorded at historical exchange rates, and revenues and expenses are translated at the exchange rate in effect at the transaction date.

Stock-based compensation plans
The Company applies the fair-value method of accounting to all stock-based compensation arrangements, using the Black-Scholes option pricing model, for both employees and non-employees. Compensation cost of equity-classified awards to employees are measured at fair value at the grant date, as defined by the stock option plan, and expensed over the awards' vesting period with a corresponding increase to contributed surplus. Upon the exercise of the award, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Compensation cost of equity-classified awards to non-employees, initially measured at fair value and periodically re-measured to fair value until the non-employees' performance is complete, are expensed over the vesting period. The Company accounts for actual forfeitures as they occur for unvested options.

The Company has a restricted share unit plan whereby restricted share units are granted to participants at the discretion of management. Compensation expense, equal to the fair market value of the shares on the grant date, is recorded as an increase to contributed surplus over the vesting period. Once vested, the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(Canadian Dollars in 000s)

The Company has a cash settled deferred share unit plan, where the directors' fees are tied to the market value of the Company's common shares and payment is deferred until the Director resigns from the Board. Deferred share units are recorded as a liability and are initially recognized at the fair value of the Company's shares on the grant date. The liability relating to the deferred share unit plan is revalued quarterly based on the market value of the Company's common shares and the resulting adjustment is recorded in income.

Financial Instruments
Financial instruments are classified into one of five categories: (i) held-for-trading; (ii) held-to-maturity; (iii) loans and receivables; (iv) available-for-sale; and (v) other financial liabilities. The standards require that all financial instruments within the scope of the standards, including all derivative instruments, be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities – except those in the held-for-trading and available-for-sale categories – must be determined at amortized cost using the effective interest rate method. Held-for-trading financial instruments are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recognized in comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Company designates its cash and cash equivalents and restricted cash and deposits as "held-for-trading", which are measured at fair value. Accounts receivable are classified as "loans and receivables", which are measured at amortized cost. The Company's financial liabilities are classified as "other financial liabilities" which are measured at amortized cost.

3. Inventories

December 31	2010	2009
Raw materials	$ 813	$ 1,096
Finished goods	3,076	3,937
	$ 3,889	$ 5,033

In 2010, the Company wrote down finished goods inventories to net realizable value. The inventory write-down of $2,504 (2009 - $3,267) is included in cost of sales. Raw materials are recorded at cost.

4. Restricted cash

The Company has established certain credit arrangements through its bank which are secured by cash of $145 (2009 - $145) held in a separate account.

5. Property, plant and equipment

As a result of the Company's inability to achieve positive cash flows from its operating activities, the Company conducted an evaluation of the recoverability of certain long-lived assets. Because the carrying value of the affected assets exceeded the projected future undiscounted cash flows, the Company was required to reduce the carrying value of the assets to their fair value and recognized an impairment charge of $5,928 (2009 - nil), which has been separately disclosed in the income statement in the line item "Write-down of property, plant and equipment". The fair value of these assets is based on discounted estimated future cash flows.

(Canadian Dollars in 000s)

2010	Cost	Accumulated depreciation	Write-down	Net book value
Land	$ 250	$ -	$ -	$ 250
Building	1,952	112	940	900
Equipment	10,771	6,351	4,420	-
Furniture and fixtures	525	377	-	148
Automotive	265	148	-	117
Computer hardware and software	1,626	1,485	-	141
Leasehold improvements	1,543	969	568	6
	$ 16,932	$ 9,442	$ 5,928	$ 1,562

2009	Cost	Accumulated depreciation	Write-down	Net book value
Land	$ 250	$ -	$ -	$ 250
Building	1,598	46	-	1,552
Equipment	10,055	5,537	-	4,518
Furniture and fixtures	525	344	-	181
Automotive	226	141	-	85
Computer hardware and software	1,619	1,392	-	227
Leasehold improvements	1,543	829	-	714
	$ 15,816	$ 8,289	$ -	$ 7,527

6. Bank loans

On February 19, 2010, the Company obtained an additional $3,000 of demand loans from a Canadian chartered bank at an interest rate of bank prime plus 1.00% due March 31, 2010. A commitment fee of $30 was paid to the bank upon acceptance of the loan.

On March 19, 2010, the Company obtained an extension on the demand loans from March 31, 2010 to October 1, 2010. An extension fee of $35 was paid upon acceptance of the extension and a general security agreement over all the assets of the Company was provided to the bank as part of the agreement, giving the bank a first charge over the Company’s assets, subject to certain permitted encumbrances.

On September 30, 2010, the Company obtained an extension on the demand loans from October 1, 2010 to December 1, 2010. An extension fee of $12 was paid.

On October 29, 2010, (in conjunction with the November 1, 2010 announcement of the $6,000 private placement of 240 units) the Company obtained an extension on the demand loans from December 1, 2010 to December 1, 2013. An extension fee of $50 was paid.

Directors of the Company or corporations which they control have agreed to provide limited liability guarantees ("Guarantees") in favour of the bank guaranteeing all the obligations of the Company to the bank up to December 1, 2013. The Directors will be compensated for the provision of the Guarantees at a weighted average annual rate of 8.46% for the loans. As at December 31, 2010 $545 of compensation for the provision of these Guarantees has been expensed in the financial statements.

(Canadian Dollars in 000s)

7. Province of Ontario loan

In August 2007, the Company entered into a definitive manufacturing and licensing agreement with Global Composite Manufacturing Inc. ("GCM"). The Company provided a $2,090 loan guarantee to the Province of Ontario ("Province") on a limited recourse basis collateralized by the RStandard pole manufacturing equipment. This guarantee could be called upon if GCM failed to perform under its obligations to the Province.

On September 3, 2008, GCM was deemed to have made an assignment into bankruptcy with an effective date of August 1, 2008. The bankruptcy of GCM constituted an event of default of the loan agreement between GCM and the Province. In substance, the Company has assumed the obligation of $2,090 effective August 1, 2008 in accordance with the guarantee it provided the Province on June 1, 2007. During 2009, the Company paid the Province $90 reducing the obligation to $2,000. The Company has recorded interest at 5.69% on the loan totaling $114 in the current year (2009 - $227). The Company intends to discuss the settlement of this loan with the Province.

8. Long-term notes payable

On October 29, 2010, the Company completed a private placement for total proceeds of $6,000 whereby 240 units at $25 per unit were issued. Each unit consisted of a $25 note payable bearing interest at 10% per annum paid semi-annually with a maturity value of $28 (the units were issued at a 10% discount) on October 29, 2015 plus 3,981,656 warrants exercisable for 1 common share of the Company at $0.01 per share with an expiry of October 29, 2015.

The long-term notes payable were bifurcated into a liability component of $3,249 and an equity component of $2,751 at inception. The difference between the $6,000 face value and the initial liability component will be accreted and recorded as financing charges. The 10% discount will be accrued and recorded as financing charges.

9. Long-term debt

The mortgage payable bears interest of 6.00% compounded annually, repayable in monthly installments of $24.5 and matures December 1, 2014. The mortgage is secured by the land and building in Tilbury, Ontario, the location of the Company's production facility, with a carrying value of $1,150 (see note 5). As a requirement of the agreement, the Company must keep current with the utilities and taxes payable to the municipality.

As at December 31, 2010, the mortgage payable is as follows:

	2010	2009
Mortgage principal	$ 1,033	$ 1,259
Less: current portion	(240)	(226)
	$ 793	$ 1,033

Principal repayments required over the next 5 years are as follows:

2011	$ 240
2012	254
2013	270
2014	269
	$ 1,033

(Canadian Dollars in 000s)

10. Other liabilities

	2010	2009
Current portion:		
NRC advances *i)*	$ 20	$ 145
Deferred sale leaseback gain *ii)*	76	78
Deferred lease inducement *iii)*	34	34
Deferred share unit liability (note 12)	120	506
Other	10	-
Total other current liabilities	$ 260	$ 763
Long-term portion:		
Deferred sale leaseback gain *ii)*	$ 368	$ 446
Deferred lease inducement *iii)*	136	152
Other *iv)*	608	54
Total other long-term liabilities	$ 1,112	$ 652

i) Pursuant to an agreement with the National Research Council ("NRC"), as amended, the Company received advances of $498 to develop its resin formulations. The advances are payable quarterly at a rate of 1.90% of the Company's gross revenue, as defined, for the period December 1, 2005 through November 30, 2010. During the repayment period, the aggregate payments can equal but not exceed $747. As the Company had fully repaid the initial advances of $498 by November 30, 2010 (the final payment of $20 was not due until February 2011), per the agreement, the Company's obligation to NRC ceases and no further payments are required.

ii) The Company realized a gain of $906 on the sale and subsequent leaseback of property in 2005. The gain was deferred and is being recognized over the term of the ten year lease.

iii) In 2006, the Company renegotiated one of its operating leases and received $300 in tenant inducements. These inducements are being amortized over the term of the lease.

iv) In October 2010, in exchange for settlement of invoices for raw materials the Company issued an unsecured promissory note in the amount of $500 plus interest at bank prime plus 5.00% to a supplier. The unsecured promissory note principal and interest are due January 2, 2012.

11. Convertible debentures

Unsecured convertible debentures
In January 2010, the Company entered into a supplemental indenture whereas the interest due on December 31, 2009 and through the remainder of the debenture term could be made by an issuance of shares in lieu of a cash payment. The number of shares issued is based on 95% of the current market price as defined by the Toronto Stock Exchange ("TSX").

On January 7, 2010, the Company issued 2,582,891 shares (on a pre 1 for 200 consolidation basis) at $0.411 per share as payment for interest accrued for the period from July 1, 2009 to December 31, 2009. On June 30, 2010, the Company issued 6,903,777 common shares (on a pre 1 for 200 consolidation basis) at $0.154 per share as payment for interest accrued for the period from January 1, 2010 to June 30, 2010.

On August 11, 2010, the Company announced its intention to satisfy its obligation to repay all the Unsecured Debentures by issuing and delivering to the holders common shares in accordance with the terms of the indenture.

(Canadian Dollars in 000s)

On October 7, 2010, the Company issued 1,096,491,176 shares (on a pre 1 for 200 consolidation basis) at $0.023 per share as payment for the principal amount of the Unsecured Debentures and 40,038,599 shares (on a pre 1 for 200 consolidation basis) at $0.014 per share as payment for interest accrued from July 1, 2010 to October 7, 2010.

Secured convertible debentures
On October 20, 2010, the Company issued 769,230,740 shares (on a pre 1 for 200 consolidation basis) at $0.013 per share as payment for the principal amount of the Secured Debentures and 102,107,658 shares (on a pre 1 for 200 consolidation basis) at $0.013 per share as payment for interest accrued from the last interest payment date to October 20, 2010.

12. Shareholders' deficit

(a) Authorized and issued share capital:

	Common Shares		Warrants	
(Common share and warrant numbers in '000's)	Number	Amount	Number	Amount
Balance, December 31, 2008	146,993	$124,449	40,000	$2,752
Issued for cash, net of issue costs – *i)*	36,793	11,993	-	-
Issued in lieu of cash interest on secured convertible debentures – *ii)*	4,905	1,430	-	-
Restricted share units exercised	111	164	-	-
Warrants exercised	81	15	(81)	(6)
Balance, December 31, 2009	188,883	$138,051	39,919	$ 2,746
Issued for cash, net of issue costs – *iii)*	22,465	7,335	-	-
Issued in lieu of cash interest on convertible debentures – *iv),v),vi),vii)*	151,634	4,023	-	-
Issued in settlement of unsecured convertible debentures – *viii)*	1,096,491	35,415	-	-
Issued in settlement of secured convertible debentures – *ix)*	769,231	7,274	-	-
Issued in connection with promissory note – *x)*	1,000	65	-	-
Warrants issued – *xi)*	-	-	955,598	2,751
Restricted share units exercised	26	39	-	-
Share consolidation – *xii)*	(2,218,581)	-	(990,739)	-
Balance, December 31, 2010	11,149	$192,202	4,978	$ 5,497

i) On July 29, 2009, the Company completed a rights offering whereby shareholders of record on June 24, 2009 were entitled to one right for each common share held on the record date. Four rights entitled the holder to subscribe for one common share at a price of $0.33. A total of 36,793,289 common shares (on a pre 1 for 200 consolidation basis) were issued for net proceeds of $11,993.

ii) On November 30, 2009, the Company issued 4,905,265 common shares (on a pre 1 for 200 consolidation basis) in lieu of cash interest on the 15% $10,000 debenture for interest accrued during the period from December 16, 2008 to November 29, 2009. The number of common shares issued was calculated as being $0.292 per common share in accordance with the terms of the indenture.

iii) On March 19, 2010, the Company issued 22,465,396 common shares (on a pre 1 for 200 consolidation basis) as part of a private placement at $0.33 per share for net proceeds of $7,335.

iv) On January 7, 2010, the Company issued 2,582,891 common shares (on a pre 1 for 200 consolidation basis) in lieu of cash interest on the 8.5% $25,000 debenture for interest accrued during the period from July 1, 2009 to December 31, 2009. The number of common shares issued was calculated as being $0.411 per common share in accordance with the terms of the indenture.

v) On June 10, 2010, the Company issued 6,903,777 common shares (on a pre 1 for 200 consolidation basis) in lieu of cash interest on the 8.5% $25,000 debenture for interest accrued during the period from January 1, 2010 to June 30, 2010. The number of common shares issued was calculated as being $0.154 per common share in accordance with the terms of the indenture.

vi) On October 7, 2010, the Company issued 40,038,399 common shares (on a pre 1 for 200 consolidation basis) in lieu of cash interest on the 8.5% $25,000 debenture for interest accrued during the period from July 1, 2010 to October 7, 2010. The number of common shares issued was calculated as being $0.023 per common share in accordance with the terms of the indenture.

vii) On October 10, 2010, the Company issued 102,107,658 common shares (on a pre 1 for 200 consolidation basis) in lieu of cash interest on the 15% $10,000 debenture for interest accrued during the period from November 30, 2009 to October 10, 2010. The number of common shares issued was calculated as being $0.013 per common share in accordance with the terms of the indenture.

viii) On October 7, 2010, the Company issued 1,096,491,176 common shares (on a pre 1 for 200 consolidation basis) in lieu of cash settlement of the 8.5% $25,000 debenture. The number of common shares issued was calculated as being $0.023 per common share in accordance with the terms of the indenture.

ix) On October 10, 2010, the Company issued 769,230,740 common shares (on a pre 1 for 200 consolidation basis) in lieu of cash settlement of the 15% $10,000 debenture. The number of common shares issued was calculated as being $0.013 per common share in accordance with the terms of the indenture.

x) On August 17, 2010, the Company issued 1,000,000 common shares (on a pre 1 for 200 consolidation basis) in connection with a $2,000 unsecured promissory note from a company controlled by a director.

xi) On October 29, 2010, the Company issued 955,597,440 warrants (on a pre 1 for 200 consolidation basis) in connection with its $6,000 private placement unit offering (see note 8).

xii) On November 29, 2010, the Company consolidated its shares on a 1 for 200 basis. Because the settlement of the Company's previously outstanding debentures occurred later in the year, in October 2010, and involved the issuance of a significant number of shares, the weighted average number of shares outstanding for 2010 was heavily weighted towards the beginning of the year when less shares were outstanding (where on a post 1 for 200 consolidation basis, there were approximately 1,051,000 shares outstanding). With the significant number of shares issued to settle the debentures, the weighted average number of shares outstanding for 2010 increased to 3,240,523.

(Canadian Dollars in 000s)

On February 18, 2011, the Company completed a private placement for total proceeds of $1,092 whereby 1,300,000 units at $0.84 per unit were issued. Each unit consists of 1 common share of the Company plus 1 warrant exercisable for 1 common share of the Company at $1.03 per share with an expiry of February 18, 2013.

(b) Warrants

At December 31, 2010, there were 199,595 warrants exercisable at $34.00 (on a post 1 for 200 share consolidation basis) with an expiry of December 16, 2013.

On October 29, 2010, as part of the $6,000 private placement unit offering, 4,777,991 warrants exercisable at $2.00 with an expiry of October 29, 2015 were issued (on a post 1 for 200 share consolidation basis).

(c) Stock based compensation

During 2010, the Company recorded $418 (2009 - $1,476) in stock-based compensation expense that relates to stock options granted to employees and non-employees. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used in valuing the options:

Weighted average assumptions and results	2010	2009
Risk free interest rate (%)	3.03	1.96
Expected life (years)	5.00	5.00
Expected volatility (%)	100.85	99.05
Expected dividends ($)	-	-
Weighted average grant-date fair value ($)	0.22	0.21

In addition, a recovery of $342 (2009 – $469 expense) of stock-based compensation has been recorded related to the granting and revaluation of deferred share units and the vesting of restricted share units.

(d) Stock options outstanding

Options held by employees	Number of share options	Weighted average exercise price
Outstanding, December 31, 2008	7,225	$ 1.21
Granted	2,975	0.23
Expired	(60)	0.79
Forfeited	(97)	1.62
Outstanding, December 31, 2009	10,043	$ 0.92
Granted	2,750	0.29
Expired	(757)	1.09
Forfeited	(1,888)	0.59
1 for 200 Share consolidation	(10,097)	
Outstanding, December 31, 2010	51	$ 160.47

(Canadian Dollars in 000s)

Options held by non-employees	Number of share options	Weighted average exercise price
Outstanding, December 31, 2008	315	$ 1.47
Forfeited	(215)	1.39
Outstanding, December 31, 2009	100	$ 1.63
Expired	(100)	1.63
Outstanding, December 31, 2010	0	$ 0.00

The following table summarizes information about the stock options outstanding as at December 31, 2010:

Price range	Outstanding	Weighted average years remaining	Exercisable
$ 46 - 70	21	3.78	3
71 - 224	12	2.46	8
225 - 480	18	1.22	16
$ 46 - 480	51	2.55	27

The exercise prices of the options granted during the year were at or greater than the fair market value of the common shares at the time the options were granted. Fair market value is defined in the Company's stock option plan as being the five day VWAP for the period immediately preceding the date the options are granted.

(e) Restricted shares

Under the Company's restricted share unit ("RSU") plan, the Company can award units to participants in the RSU plan. The vesting periods of the awarded units are dependent upon the participant's RSU agreement, but shall not exceed December 15 of the third calendar year following the grant date of the corresponding unit. Any unvested units in a participant's plan will forfeit once the participant ceases to be employed by the Company.

The Company did not grant RSUs in the current year nor in the prior year to employees of the Company. Of the units previously granted, 26 vested during the period (2009 - nil) and 100 vest in 2011.

(f) Deferred share unit plan

Under the Company's deferred share unit ("DSU") plan, directors have the option to defer their annual fees. Currently, all directors have elected to be compensated under the DSU plan. Annual fees are converted to DSUs which will be converted to cash upon the director leaving the board. Each DSU has an initial value equal to the volume weighted average price for the five days preceding the granting date of one common share. The value of a DSU when converted to cash is equivalent to the market value of one common share at the time the conversion takes place. If dividends are paid on the Company's common shares, DSUs will attract dividends in the form of additional DSUs at the same rate as dividends on common shares.

A director cannot convert DSUs to cash until the director ceases to be a member of the board. As at December 31, 2010 there were 127,445 DSUs outstanding (2009 - 6,207 on a post 1 for 200 consolidation basis). The liabilities for DSUs are revalued to market on a quarterly basis and as at December 31, 2010, $120 is included in other long-term liabilities.

(Canadian Dollars in 000s)

(g) Contributed surplus

The following table reconciles the Company's contributed surplus:

Balance, December 31, 2008	$ 8,462
Stock-based compensation	1,571
Restricted share units exercised/forfeited	(203)
Balance, December 31, 2009	$ 9,830
Stock-based compensation	873
Stock options forfeited	(410)
Restricted share units exercised	(39)
Balance, December 31, 2010	$ 10,254

13. Financing charges

	2010	2009
Interest on convertible debentures (note 18)	$ 2,833	$ 3,618
Convertible debenture accretion	2,792	3,052
Other	952	223
	$ 6,577	$ 6,893

14. Future income taxes

Expected tax rate

In 2010, the Company's statutory income tax rate was approximately 28.8% (2009 – 29.0%). RS's recorded income tax expense (reduction) differs from the amounts computed by applying the statutory income tax rate to the loss before income taxes as a result of the following:

	2010	2009
Loss before income taxes	$ (29,572)	$ (28,511)
Computed "expected" tax reduction	(8,513)	(8,268)
Change in valuation allowance	5,052	5,109
Change in tax rates	916	938
Non-deductible permanent differences and other	2,545	2,221
	$ -	$ -

Net future income tax assets

The temporary differences that give rise to future income tax assets, none of which have been recorded in the financial statements, are as follows:

(Canadian Dollars in 000s)

	2010 Temporary Differences	2010 Tax effected	2009 Temporary Differences	2009 Tax effected
Future tax assets:				
Non-capital loss carry forward	$ 165,854	$ 41,464	$ 147,651	$ 36,913
Property, plant and equipment	10,234	2,559	6,583	1,646
Other	3,400	824	4,925	1,236
	179,488	44,847	159,159	39,795
Less valuation allowance	(179,488)	(44,847)	(159,159)	(39,795)
	$ -	$ -	$ -	$ -

Non-capital losses carried forward expire from 2011 through 2030 as follows:

Period	Amount
2014	$ 11,663
2015	14,509
2018 - 2030	139,682
Total	$ 165,854

15. Segmented information

RS's activities are comprised of one operating segment being the development, manufacturing and sales of composite products for infrastructure markets. The Company evaluates performance as one entity. During the year, the Company's revenue consisted entirely of utility pole sales. During the year 84% (2009 – 90%) of total sales were to one customer. Sales to customers in the United States totaled $300 (2009 - $1,421) and International sales totaled $1,683 (2009 - $470) with all other sales attributed to customers located in Canada.

16. Supplemental cash flow information

Changes in non-cash working capital:

	2010	2009
Accounts receivable	$ 1,103	$ (773)
Inventories	1,144	(1,433)
Prepaid expenses and deposits	26	124
Accounts payable and accrued liabilities	(3,857)	3,057
Other liabilities	746	(33)
Other	1,190	-
Total	$ 352	$ 942
Relating to:		
Operating activities	$ (838)	$ 942
Financing activities	1,190	-

(Canadian Dollars in 000s)

Interest paid (received):

	2010	2009
Interest paid	$ 815	$ 1,238
Interest received	83	79

Depreciation:

	2010	2009
Property, plant and equipment	$ 205	$ 957
Cost of goods sold	948	761
Total depreciation	$ 1,153	$ 1,718

17. Related party transactions

During the year, in exchange for $2,000, an unsecured promissory note along with 1,000,000 common shares of the Company (5,000 common shares on a post 1 for 200 consolidation basis) was issued to a corporation wholly-owned by a director of the Company. The unsecured promissory note bore interest of 12% per annum and was due November 1, 2010.

On October 12, 2010, in exchange for $900, additional unsecured promissory notes were issued to either directors of the Company or to corporations which they control. The unsecured promissory notes bore interest of 12% per annum and were due November 1, 2010.

On October 29, 2010, (in conjunction with the November 1, 2010 announcement of the $6,000 private placement of 240 units of RS) these unsecured promissory notes were exchanged for $2,900 of the Units. Interest of $73 was paid on these unsecured promissory notes.

During the year, 37,818,539 common shares of the Company (189,093 common shares on a post 1 for 200 consolidation basis) were issued to either directors of the Company or to corporations which they control for interest due and settlement of the $25,000 unsecured convertible debenture.

During the year, 244,360,748 common shares of the Company (1,221,804 common shares on a post 1 for 200 consolidation basis) were issued to either directors of the Company or to corporations which they control for interest due and settlement of the $10,000 secured convertible debenture.

The members of the Board of Directors have agreed to provide limited liability guarantees (“Guarantees”) in favour of the bank guaranteeing all the obligations of the Company to the bank up to December 1, 2013. As at December 31, 2010 $545 of compensation for the provision of these Guarantees by the directors has been recorded in the financial statements.

On February 18, 2011, the Company completed a private placement for total proceeds of $1,092 whereby 1,300,000 units at $0.84 per unit were issued. Each unit consists of 1 common share of the Company plus 1 warrant exercisable for 1 common share of the Company at $1.03 per share with an expiry of February 18, 2013. Of which 556,400 units were issued to directors or to corporations which they control.

These transactions are considered to be in the normal course of operations and have been recorded at the exchange amount.

18. Financial instruments

At December 31, 2010, the fair value of cash, accounts receivable, accounts payable, accrued liabilities, bank loans, the Province of Ontario loan and the long-term notes payable approximate their carrying amounts due to the short-term, demand, nature of these instruments. The fair value of the restricted cash approximates carrying value as it earns interest at variable market rates.

(Canadian Dollars in 000s)

The carrying value of the mortgage payable approximates fair value as the interest rate of the mortgage is consistent with interest rates available to the Company from other lenders with the same terms.

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks the Company is exposed to are described below.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable.

Cash is maintained at major financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

Credit risk from accounts receivable encompasses the default risk of the Company's customers. The maximum exposure is the carrying amount of accounts receivable. The Company holds no collateral or other security relating to accounts receivable other than insisting on direct wire pre-payment or the use of Letters of Credit for shipments outside of the United States and Canada. The Company closely monitors the extension of credit and does not believe there is significant credit risk arising from existing accounts receivable based on historical collections and the creditworthiness of its customers, which is not already reflected in the financial statements. As at December 31, 2010, the Company had 3.3% (2009 - 99.7%) of outstanding accounts receivable from one customer.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Management uses internally prepared cash flow forecasts to ensure the Company has sufficient liquidity to meet its liabilities when due. The Company will seek to issue additional equity, obtain further debt facilities, and implement cost cutting strategies to meet its liquidity needs.

The following are the contractual maturities of financial liabilities as at December 31, 2010:

	Carrying amount	Contractual cash flow	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	$ 1,892	$ 1,892	$ 1,892	$ -	$ -	$ -
CWB loans	7,000	7,000	-	-	-	7,000
Other liabilities	4,405	3,789	2,262	127	311	1,089
Long-term notes payable	3,349	6,667	-	-	-	6,667
Long-term notes payable interest	100	1,800	400	300	600	500
	$16,746	$21,148	$4,554	$ 427	$ 911	$15,256

(Canadian Dollars in 000s)

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its financial instruments.

i) Foreign exchange risk
The Company's business activities are conducted primarily in US and Canadian dollars. Assets, liabilities and administrative costs are denominated primarily in Canadian dollars. A substantial portion of sales, raw material, and product purchases are denominated in US dollars. The Company does not engage in any hedging or currency trading activities. The effects of the foreign exchange changes on these transactions and related balances are not significant.

ii) Interest rate risk
The Company is exposed to interest rate risk on its short-term, non-revolving demand loans which have variable interest rates. As such, the Company is subject to interest rate risk to the extent lending rates change.

The Company invests excess cash in investment-grade short-term investments with original maturities of 90 days or less. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.
The effect of a one percent increase or decrease in interest rates would not have had a significant impact on the Company during the year.

19. Economic dependence

The Company's manufacturing is dependent on the quality of the raw materials. Certain raw materials are specialized and are purchased from specific qualified suppliers. The Company is in the process of qualifying alternative suppliers to reduce its dependence on particular vendors.

20. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and expand upon the Company's current product base so that it can provide returns for shareholders and benefits for other stakeholders. Management defines capital as the Company's cash and cash equivalents, long-term debt and shareholders' deficit. The Company sets the amount of capital in proportion to risk. The Company seeks to manage the capital structure and makes adjustments to it in light of changes in economic conditions and the risk of the underlying assets. The Company's objective is met by retaining adequate capital to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes sustainable operation goals. The Company is not subject to any externally imposed capital requirements.

	2010	2009
Cash	$ 1,238	$ 3,048
Long-term debt and debentures	4,382	30,869
Shareholders' deficit	(9,423)	(26,762)
	$ (3,803)	$ 7,155

21. Contingencies

In the ordinary course of business, the Company may be contingently liable for litigation and/or claims with customers, suppliers, former employees and third parties. Management believes that adequate provisions have been recorded in the accounts where applicable. Although, it may not be possible to estimate accurately the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material effect on the financial position of the Company.

22. Commitments

The Company has a contract with its North American distributor until December 31, 2014 at contracted prices. The contract stipulates certain price increases for RStandard modules, some that took effect on January 1, 2011, and others that will come into effect based on increases in certain manufacturing costs. Accordingly, the Company continuously monitors its manufacturing costs to plan potential changes to pricing.

The Company has a 41-year warranty and limited lifetime guarantee on its RStandard modules. The Company has not included a provision for the warranty or guarantee in these financial statements, as there is insufficient historical information to estimate the future cost of the warranty and guarantee to the Company.

23. Comparative figures

Certain comparative figures have been reclassified to conform to the current financial statement presentation.