Risk Disclosures Illustrative Examples[1] – Boilerplate Disclosure

Market for new products / market penetration

In order to remain competitive, we plan to introduce several news products in the coming years. As communicated in our most recent filings, we plan to launch products that meet the needs of customers and produce these products in the most cost effective way. In order to determine the needs of customers, our external consultants conduct surveys on a frequent basis to determine the styles and colours that meet their needs. Based on the results of these surveys, we develop techniques and processes that can produce the desired products in the most cost effective way. When a new product is introduced, there is no certainty that it will be accepted by our customers. This may adversely impact our business.

Reliance on customers

Due to the nature of the Company's business, we are dependent on a limited number of key customers for a significant portion of our revenues. A cancellation of a significant order by any of these customers, the loss of any such customers for any reason or the insolvency of any such customers, or reduced sales of our principal product Alpha to such customers, could significantly reduce the Company's ongoing revenue and/or profitability, and could materially and adversely affect the Company's financial condition. To manage credit risk and exposure for these key customers, we have established limits on the amount of accounts receivable outstanding at any one point to an individual customer. As well, we impose minimum credit standards that our customers must meet before and during the sales transaction process.

Foreign exchange risk

The Company's operating results and cash flow are significantly affected by changes in the Currency A and Currency X relative to the Canadian dollar exchange rate. All of the Company's revenues are earned in Canadian dollars but all of its operating costs in Country ABC and Country XYZ are incurred in currency A and currency X, respectively. While we have strategies to manage the risks, there can be no assurance that these strategies will be successful or that foreign exchange fluctuations will not negatively impact the Company's financial performance and results of operations in a material manner.

Risk unique to operations in Country ABC

If the Company's operations in Canada need additional resources to undertake new projects, the Company may face delays repatriating funds held in Country ABC. Our business and operations could be materially and adversely affected.

[1] These examples are for illustrative and discussion purposes only. Accordingly, they may not be sufficient for any particular issuer given its complexity and the needs of its investors.

Risk Disclosures Illustrative Examples – Entity-specific Disclosure

Risk disclosure examples

Market for new products / market penetration

Entity-specific

When a new product is introduced, there is no certainty that it will be accepted by our customers. **We believe that product Star, expected to be launched in early 2012, has attributes that consumers will find attractive relative to its competition. These attributes include longer shelf life, more efficient processing capabilities and cheaper per unit price. However, there is no guarantee that these positive attributes will result in product Star displacing competitive products that are currently on the market. While we expect the launch of product Star to result in 20% increase in our overall sales, there is no guarantee that this will occur. A failure to successfully launch product Star may result in a failure to achieve the sales targets and pressure on our financial position, which is more fully discussed elsewhere in this document. A product launch failure may also negatively impact the value of our brand in the marketplace. These potentially adverse consequences could place downward pressure on our common share price.**

Potential impact

Reliance on customers

Entity-specific

Due to the nature of the Company's business, we are **dependent on three key customers for a significant portion of our revenues. These customers accounted for 85% and 91% of our total revenue in fiscal 2011 and 2010, respectively. The contracts with all customers have a term of five years. The contract for customer #1 and #2 is due for renewal in 2014 and for customer #3 in 2015.**

A cancellation of a significant order by any of these customers, the loss of any such customers for any reason or the insolvency of any such customers, or reduced sales of our principal product Alpha to such customers, could significantly reduce the Company's ongoing revenue and/or profitability, and could materially and adversely affect the Company's financial condition. To manage credit risk and exposure for these key customers, we have established limits on the amount of accounts receivable outstanding at any one point to an individual customer. As well, we impose minimum credit standards that our customers must meet before and during the sales transaction process.

Foreign exchange risk

Risk disclosure examples

The Company's operating results and cash flow are significantly affected by changes in the Currency A and Currency X relative to the Canadian dollar exchange rate. All of the Company's revenues are earned in Canadian dollars but all of its operating costs in Country ABC and Country XYZ are incurred in currency A and currency X, respectively.

Potential impact

Strategies to mitigate the risks

Based on the Company's expected 2012 after-tax operating results, a 10% change in Currency A and Currency X relative to the Canadian dollar exchange rate from the 2011 market average exchange rate of 1.20 Canadian dollars per Currency A and 1.25 Canadian dollars per Currency X would affect net income by approximately 0.80 Canadian dollars per share. To attempt to mitigate its foreign exchange risk and minimize the impact of exchange rate movements on operating results and cash flow, the Company has used foreign currency options and forward foreign exchange contracts to purchase Canadian dollars. There can be no assurance that the Company's strategies will be successful or that foreign exchange fluctuations will not negatively impact Company's financial performance and results of operations in a negative manner.

Risk unique to operations in Country ABC

Entity specific

One of the Company's material subsidiaries, Subsidiary A, earns all of its revenues in Country ABC which operates with currency A . Under current Country ABC regulation, the transfer of after-tax profits is limited to x% of subsidiary revenues in currency A on an annual basis. While the regulatory body Luzonzo is relaxing restrictions on the transfer of funds to countries outside of Country ABC, there is no certainty that future after-tax profits from Subsidiary A can be repatriated back to Canada.

Potential Impact

Strategies to mitigate the risks

If the Company's operations in Canada needs additional resources to undertake new projects, the Company may face delays repatriating funds held in Country ABC. Our business and operations could be materially and adversely affected. **There can be no guarantee that these repatriation limits will not be changed so as to require the prior approval of the regulatory body Luzonzo to repatriate profits back to Canada. Any failure to obtain the prior approval from the regulatory body Luzonzo may affect our ability to expand operations and achieve our objectives. To mitigate this risk, the Company and its board of directors proactively monitor and engage experts to understand the developments of regulatory body Luzonzo and to assess how any changes or proposed changes may impact the Company's business.**