

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-KSB
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended: July 31, 2011

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

MEGOLA, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Nevada

88-0492605

(STATE OR OTHER JURISDICTION
OF
INCORPORATION OR ORGANIZATION)

(IRS EMPLOYER
IDENTIFICATION NO.)

SEC File Number: 000-49815

5045 Orbitor Dr, Bldg 10, Suite 200
Mississauga, ON

L4W 4Y4

(Address of Principal
Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: Tel: 888 400 1189

(Former Name or Former Address, if Changed Since Last Report)

214 LaSalle Line
Sarnia, ON

N7T 7H5

(Address of Principal
Executive Offices)

(Zip Code)

(Address of Principal Executive Offices) (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS: Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 49,495,407 at July 31, 2011.

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The statements contained in this Report that are not historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business, which can be identified by the use of forward-looking terminology, such as “estimates,” “projects,” “plans,” “believes,” “expects,” “anticipates,” “intends,” or the negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the reader of the forward-looking statements that such statements, which are contained in this Report, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employee, and general business factors affecting our operations, markets, growth, services, products, licenses and other factors discussed in our other filings with the Securities and Exchange Commission, and that these statements are only estimates or predictions. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of risks facing us, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause our actual results, performance or achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include, without limitation:

- ☐ The availability of additional funds to successfully pursue our business plan;*
- ☐ The cooperation of industry service partners that have signed agreements with us;*
- ☐ Our ability to market our services to current and new customers and generate customer demand for our products and services in the geographical areas in which we operate;*
- ☐ The ability to comply with provisions of our financing agreements;*
- ☐ The highly competitive nature of our industry;*
- ☐ Our ability to retain key personnel;*
- ☐ Our ability to maintain adequate customer care and manage our churn rate;*
- ☐ Our ability to maintain, attract and integrate internal management, technical information and management information systems;*
- ☐ Our ability to manage rapid growth while maintaining adequate controls and procedures;*
- ☐ The availability and maintenance of suitable vendor relationships, in a timely manner, at reasonable cost;*
- ☐ General economic conditions.*

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied by us in those statements.

These risk factors should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. All written and oral forward looking statements made in connection with this Report that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We do not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Further, the information about our intentions contained in this document is a statement of our intention as of the date of this document and is based upon, among other things, the existing regulatory environment, industry conditions, market conditions and prices, the economy in general and our assumptions as of such date. We may change our intentions, at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

PART I

Item 1. BUSINESS DEVELOPMENT

Megola, Inc. was incorporated in Ontario, Canada on August 28, 2000 as Corporation No. 1375595. It was renamed Megola, Inc. on December 21, 2001. Megola was formed to sell physical water treatment devices to residential, commercial, industrial and agricultural end-users in the United States, Canada and other international locations under a license granted by the German manufacturer, Megola GmbH. Initial operations and sales began in October 2000.

On November 26, 2003, Megola was acquired by SuperiorClean, Inc. in a transaction accounted for as a reverse acquisition. Megola's stockholders were issued 13,389,591 SuperiorClean shares in exchange for 100% of the outstanding common and preferred stock of Megola, plus \$250,000 in cash and \$200,000 in notes payable. Two major stockholders of SuperiorClean and two other persons then signed consulting contracts for 1,250,000 common shares. Prior to the merger, SuperiorClean had no assets or operations. SuperiorClean's name was later changed to Megola, Inc.

Business

Our principal executive offices are located at 5045 Orbitor Drive Building 10, Suite 200, Mississauga, ON., L4W 4Y4. Our telephone number is 888 400 1189.

Megola Inc. is committed to providing environmental solutions through advanced technology and solving environmental problems using the most environmentally sustainable means possible that in the long term will have positive impact on company budgets and the environment. Megola Inc. is the exclusive World supplier, manufacturer of a fire inhibitor coating and fire inhibiting powder product lines and the exclusive world-wide manufacturer/distributor of the ScaleGuard series of physical water treatment equipment. Megola Inc. is creating distribution networks throughout the world to integrate our products into wide scale usage. Megola's focus will continue to be on their revolutionary environmentally friendly line of anti-fire products, ScaleGuard line of physical water treatment products and Air Guardian product line. Megola now has tremendous growth potential with three distinct environmentally friendly product lines for the industrial, commercial, residential and agricultural markets. As the world continues to become more "green" focused and a greater emphasis is placed on identifying environmentally sound solutions, Megola will benefit from our unwavering vision of providing superior solutions that support a sustainable future for all.

For more information on Megola products, please go to www.megola.com.

At July 31, 2011 the Company had an accumulated deficit of \$8,158,870. The Company had a net loss of \$328,664 in fiscal year 2011.

During the year ending July 31, 2011 the Company's revenues increased from \$336,822 for 2010 to \$359,972 for the year ended July 31, 2011.

PRINCIPAL PRODUCTS AND SERVICES

The Company's principal product is our Fire Inhibitor Coating Product

FIC is a colorless water based solution that is:

- Non-toxic
- Non-corrosive
- Biodegradable
- Environment friendly

Features:

- Prevents the spread of fire
- Eliminates afterglow
- Treated materials classified Class 0 non-flammable
- Ease of application (spraying, padding, dipping, brushing or fogging)
- Does not affect the look, feel, smell or color of the treated items
- Offers permanent protection from fire once applied

Uses: Suitable for use on all water absorbent as well as many synthetic fiber materials including:

- Curtains
- Carpets and rugs
- Upholstery fabrics
- Mattresses
- Porous wall coverings / Partitions
- Exposed wood surfaces prior to all decorative surface treatments
- Corks
- Dried flowers
- Soft toys
- Polypropylene backed carpets
- 100% polyester
- Paper / Cardboard

Testing/Certifications;

- ☐ ASTM E84 (CLASS A) – surface burning characteristics of building materials
- ☐ ASTM E84 (with Bluwood) (CLASS A) – various types of wood products – Douglas Fir, Southern Yellow Pine (SYP), SPF, plywood, etc...
- ☐ 16 CFR 1633 – open flame mattress flammability test
- ☐ ASTM D 3201 – Hygroscopicity Test(compared to Dricon (pressure-treated wood))
- ☐ NFPA 701- vertical burn test; flame propagation of textiles
- ☐ NFPA 2112 – flame resistance for protection of industrial personnel against flash fires

THE SCALEGUARD SYSTEM

Description of ScaleGuard:

Megola's ScaleGuard technology cost effectively conditions hard water while also eliminating the historical build-up of scale caused by hard water in residential, commercial and industrial applications. ScaleGuard units use a revolutionary electromagnetic technology to condition the soften water, both preventing the ongoing build-up of scale and eliminating historical scale build-up in water delivery systems and machinery.

Traditionally, hard water problems - the underlying cause of scale - have been solved with ion-exchange (salt) water softeners or chemical treatments. These solutions are often environmentally unfriendly, time-consuming and expensive.

Megola's scientists have invented a deceptively simple-looking box containing a computer-programmable chip that delivers low-voltage, high-frequency magnetic impulses that can alter the scale-forming properties of water. The company's revolutionary solution prevents new scale formation, while eliminating previous scale build-up.

ScaleGuard is a non-invasive, physical water treatment device. That is, it does not make any direct contact with the water, and it neither adds chemicals to nor removes chemicals from the water.

The Company has no retail suggested price, as The Company's dealers offer their own rebates, incentives, and volume discounts. It is the Company's intention never to undercut their dealers.

The Company is currently developing a revised business plan to deploy the ScaleGuard devices through its distribution network throughout the world. The Company believes that the increasing data that they have been collecting, and continue to collect on existing systems, and the increasing market exposure they have been getting through satisfied customers, can be used as sales tools for the distributors.

ScaleGuard Models:

The Company currently has eight models of ScaleGuard devices, all of which have been used in trials and sold to customers that have hard water or scale problems. Over the years, Megola has sold these units all over the world, ranging from residential applications to large industrial applications. The principal differences between the eight models, other than cost, are that they are designed to work with different water flows and pipe sizes.

The final cost of the individual units may vary, as they may be designed for certain customers to perform differently based on their specific needs. Also, depending on the geographic region, some distributors may sell the ScaleGuard products for more than Megola's suggested retail price.

ScaleGuard Models:

TFK
SG
SG100
SG200
SG300
SG400
SG500
SG1000

Manufacturing:

The ScaleGuard devices were designed and custom manufactured in Germany under the direction of Megola GmbH. The technology of the product is owned by Megola and is protected under intellectual/ software property rights. The units are pre-assembled in Germany and are then shipped to China where the final assembly is completed and packaged.

Notable Installations of our ScaleGuard Systems:

The Company's systems have been in operation with various customers with some in operation for over 10 years. Some of themore notable installations include:

| | |
|---|------------------------|
| LanXess | Tim Horton's |
| Nova Chemicals | Kentucky Fried Chicken |
| The Great Hall of the People (the national assembly of China) | Zurn Industries |
| Mengniu Dairy Group | Royal Plastics |
| Runan Mu Gong Shan Group | TRW Automotive |
| Zhoushan Gang Ming Foodstuff Industries | Parmalat |
| Zhong Mei Coal Mining Company | FritoLay |
| Zhujiang Brewery | Honeywell |
| Country Fresh Dairy | DuPont Canada |
| | Colgate University |

AIR PURFICATION

AirGuardian System

The AirGuardian 1000 is a uniquely engineered, integrated UVC & UVV system designed to dramatically reduce/control airborne allergens and toxic compounds, such as mold, fungus, formaldehyde, xylene gases and tobacco smoke along with infectious agents,

such as bacteria, influenza, hemolytic streptococci and many others. This product is duct-mounted on the central Heating, Ventilation, Air Conditioning (HVAC) system and, to enhance system effectiveness, is designed to run continuously with

the HVAC system fan in the "on" position. This product is certified by the American Institute of Toxicology to produce only safe levels of UVV (ozone) and is available with a UVC only bulb. There are 3 different AirGuardian models. (manufactured in Canada)

AirGuardian Power Filter

Megola no longer carries this product line.

Portable Ozone Systems

Equipment Master - Sports equipment deodorizing unit

Room Blaster - Room Deodorizing unit

Air Care - Room Air Treatment unit

(all units manufactured in Canada)

HARTINDO LINE OF ANTI-FIRE PRODUCTS

HARTINDO AF11E

Megola no longer offers this product as the supplier Newstar Chemicals of Malaysia/Indonesia and the inventor Randall Hart would not file the appropriate certifications to meet North American standards. Thus the product is not able to be sold.

HARTINDO AF31 has now been recreated and will be sold under a new marketing brand name to be determined January 1, 2013.

a multi-purpose, water-based, non-toxic, non-corrosive and environmentally friendly fire extinguishing and inhibiting agent

New Product is

- an "Environment Friendly" non Ozone Depleting Substance.
- Water based, biodegradable and non toxic.
- Clean, requires no specialized clean up procedures.
- Easy to use with it's fast knockdown.
- Able to render objects non-flammable, preventing re-ignition.
- Able to provide rapid extinction of fire with no reignition creating a safe escape route for rescue.
- Most effective media for creating fire breaks when fighting forest fire.
- Suitable for training purposes

Testing/Certifications;

- ☐ ASTM E84 (CLASS A) – Surface burning characteristics of building materials (to show inhibition of reignition on Class A fires and potential as a fire inhibitor
- ☐ Aquatic toxicity
- ☐ Standard toxicity (mammalian) – oral, dermal, eye irritation (prerequisites for NFPA approvals)

Titan 21 Fire Blanket

100% cotton blanket that protects from flash fires as well as direct fire attack

The Titan 21 Fire Blanket can protect people from fire and can also be used to blanket, and extinguish, the fire source. It is ideal for houses, offices, hospitals, hotels, buses, ships, nightclubs, etc. Unlike synthetic fire blankets, that are designed to only withstand flash fire, the 100% cotton Titan 21 Fire Blanket protects from flash fires as well as DIRECT FIRE attack over 1000°C.

Testing/Certifications;

- ☐ NFPA 701 – flame propagation of textiles
- ☐ NFPA 2112 – flame resistant garments for protection of industrial personnel against flash fire
- ☐ International Standard BS 476 Part 6 & Part 7: Class 0 (LPC BRE UK, SIRIM Malaysia and BOMBA Malaysia)

Employees

On September 5, 2012 a new board of directors and management were voted into Megola. The Company had no employees at the year end

Item 2. DESCRIPTION OF PROPERTY

The principal executive offices are located at 5045 Orbitor Dr, Building 10, Suite 200, Mississauga, Ontario, L4W 4Y4 August 1, 2012. Our previous office was located at 214 LaSalle Line, Sarnia, Ontario N7T 7H5. The Company leases this 2,600 square foot facility at a rental of \$3,683 per month for a five-year term ending August 1, 2013.

The Company's telephone number at the above location is 888 400 1189

The Company does not intend to renovate, improve, or develop properties. The Company has no policy with respect to investments in real estate or interests in real estate and no policy with respect to investments in real estate mortgages. Further, we have no policy with respect to investments in securities of or interests in persons primarily engaged in real estate activities.

Item 3. LEGAL PROCEEDINGS

The Company is not currently involved in any legal proceedings nor do they have knowledge of any threatened litigation.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

PART II

Item 5. Market for Common Equity and Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities

Market for Securities

The Company's common stock currently trades on the OTCBB under the symbol MGON. The high and low closing price for each quarterly period of our last two fiscal years is listed below:

| | <u>High</u> | <u>Low</u> |
|-------------------------|-------------|------------|
| <u>Fiscal 2010</u> | | |
| 1 st Quarter | \$0.04 | \$0.01 |
| 2 nd Quarter | 0.69 | 0.13 |
| 3 rd Quarter | 0.61 | 0.26 |

| | | |
|-------------------------|------|------|
| 4 th Quarter | 0.51 | 0.08 |
|-------------------------|------|------|

Fiscal 2011

| | | |
|-------------------------|--------|--------|
| 1 st Quarter | \$0.04 | \$0.01 |
| 2 nd Quarter | 0.69 | 0.13 |
| 3 rd Quarter | 0.61 | 0.26 |
| 4 th Quarter | 0.51 | 0.08 |

* The quotations reflect inter-dealer prices, without mark-up, mark-down or commission and may not represent actual transactions.

Unregistered sales of common stock

Not applicable

Reclassification

Certain amounts presented at July 31, 2010 have been reclassified to conform to presentation at July 31, 2011.

Penny Stock Considerations

Our shares will be "penny stocks" as that term is generally defined in the Securities Exchange Act of 1934 to mean equity securities with a price of less than \$5.00. Our shares thus will be subject to rules that impose sales practice and disclosure requirements on broker-dealers who engage in certain transactions involving a penny stock.

Under the penny stock regulations, a broker-dealer selling a penny stock to anyone other than an established customer or accredited investor must make a special suitability determination regarding the purchaser and must receive the purchaser's written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. Generally, an individual with a net worth in excess of \$1,000,000 or annual income exceeding \$100,000 individually or \$300,000 together with his or her spouse is considered an accredited investor. In addition, under the penny stock regulations the broker-dealer is required to:

- * Deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commissions relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt;
- * Disclose commissions payable to the broker-dealer and our registered representatives and current bid and offer quotations for the securities;
- * Send monthly statements disclosing recent price information pertaining to the penny stock held in a customer's account, the account's value and information regarding the limited market in penny stocks; and
- * Make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction, prior to conducting any penny stock transaction in the customer's account.

Because of these regulations, broker-dealers may encounter difficulties in their attempt to sell shares of our common stock, which may affect the ability of selling stockholders or other holders to sell their shares in the secondary market and have the effect of reducing the level of trading activity in the secondary market. These additional sales practice and disclosure requirements could impede the sale of our securities, if our securities become publicly traded. In addition, the liquidity for our securities may be decreased, with a corresponding decrease in the price of our securities. Our shares in all probability will be subject to such penny stock rules and our stockholders will, in all likelihood, find it difficult to sell their securities.

Holders

As of July 31, 2011, the Company had 174 holders of record of our common stock, 69 holders of record of Preferred Series A, and 5 holders of Preferred Series B stock. As of July 31, 2011, the Company had 1,008 NOBO's on record.

Dividends

The Company has not declared any cash dividends on our common stock since our inception and do not anticipate paying such dividends in the foreseeable future. We plan to retain any future earnings for use in our business. Any decisions as to future payments of dividends will depend on our earnings and financial position and such other facts, as the board of directors deems relevant.

Reports to Stockholders

The Company has become subject to the information and reporting requirements of the Securities Exchange Act of 1934 and will file periodic reports, proxy statements and other information with the Securities and Exchange Commission. The Company intends to voluntarily send an annual report with audited consolidated financial statements to all security holders.

Where You Can Find Additional Information

For further information about the Company and the shares of common stock registered hereunder, please refer to the registration statement and the exhibits and schedules thereto. The registration statement and exhibits may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100F. St., N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The registration statement and other information filed with the SEC are also available at a web site maintained by the SEC at <http://www.sec.gov>.

Item 6. Selected Consolidated Financial Data

Not required.

Item 7. Management's Discussion and Analysis or Plan of Operation.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report contains forward-looking statements about Megola, Inc.'s (the Company" or "Megola") business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, Megola's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to expand our customer base, management's ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Annual Report, words such as, "believes," "expects," "intends," "plans," "anticipates," "estimates" and similar expressions are intended to identify forward-looking statements, as defined in Section 21E of the Securities Exchange Act of 1934, although there may be certain forward-looking statements not accompanied by such expressions.

The safe harbors of forward-looking statements provided by Section 21E of the Exchange Act are unavailable to issuers of penny stock. As we issued securities at a price below \$5.00 per share, our shares are considered penny stock and such safe harbors set forth under the Reform Act are unavailable to us.

Special Information Regarding Forward Looking Statements

Some of the statements in this report are “forward-looking statements.” These forward-looking statements involve certain known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among others, the factors set forth above under “Risk Factors.” The words “believe,” “expect,” “anticipate,” “intend,” “plan,” and similar expressions identify forward-looking statements. We caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update and revise any forward-looking statements or to publicly announce the result of any revisions to any of the forward-looking statements in this document to reflect any future or developments. However, the Private Securities Litigation Reform Act of 1995 is not available to us as a penny stock issuer and thus we may not rely on the statutory safe harbor from liability for forward-looking statements.

Overview

Megola Inc. is committed to providing environmental solutions through advanced technology and solving environmental problems using the most environmentally sustainable means possible that in the long term will have positive impact on company budgets and the environment. Megola Inc. is the exclusive World supplier, manufacturer of a fire inhibitor coating and fire inhibiting powder product lines and the exclusive world-wide manufacturer/distributor of the ScaleGuard series of physical water treatment equipment. Megola Inc. is creating distribution networks throughout the world to integrate our products into wide scale usage. Megola's focus will continue to be on their revolutionary environmentally friendly line of anti-fire products, ScaleGuard line of physical water treatment products and Air Guardian product line. Megola now has tremendous growth potential with three distinct environmentally friendly product lines for the industrial, commercial, residential and agricultural markets. As the world continues to become more "green" focused and a greater emphasis is placed on identifying environmentally sound solutions, Megola will benefit from our unwavering vision of providing superior solutions that support a sustainable future for all.

Current Results of Operations and Financial Status

Results of Operations:

The revenues are generated on a sporadic basis and vary significantly from quarter to quarter and year to year. In addition, expense levels for each quarter are, to a significant extent, fixed. The Company is therefore generally unable to adjust spending in a timely manner to compensate for any unexpected shortfall in net revenues. Further, as a result of these factors, any delay in product introductions, whether due to internal delays or delays caused by third party difficulties, or any significant shortfall in demand in relation to our expectations, would have an almost immediate adverse impact on the operating results and on ability to maintain profitability in a quarter.

Comparison of the year ended July 31, 2011 with the year ended July 31, 2010.

During the year ending July 31, 2011 our revenues increased from \$336,822 for 2010 to \$359,972 for the year ended July 31, 2011, an increase of 6.87% over the prior year. Our revenues for the year ended July 31, 2011 vs. year ended July 31, 2010 increased with the sales of our fire inhibitor product.

Cost of sales consists of direct manufacturing costs and applied overhead expenses for our cost of raw materials to manufacture the ScaleGuard, Fire Inhibitor line and other systems. Cost of sales decreased to \$3,745 in the year ended July 31, 2011, as compared to \$99,254 for the year ended July 31, 2010. The overall decrease in the cost of sales during 2011 is due to the sale of inventory items that were considered slow moving items from 2010 year end financials, thus will have no corresponding cost of sales due to the inventory reduction entered from year end 2010.

General and administrative (operating) expenses decreased 31.85% to \$598,674 during 2011 from \$878,425 in 2010. The overall decrease in general and administrative (operating) expenses is due to reduced consulting fees and stock issued for services..

Interest expense increased 44.61% in 2011 to \$7,926 from \$5,481 in 2010, because of the Company's interest on stockholder loans during the year.

Accumulated other comprehensive loss decreased 5.40% in 2011 to \$27,856 from \$26,428, which is directly attributable to the foreign currency translation adjustment.

Net Income (Loss)

For the reasons outlined above, the Company incurred a net loss of \$328,664 for the year ended July 31, 2011 as compared to a net loss of \$1,956,432 for the year ended July 31, 2010, a decrease of 83.20%.

ROYALTY INCOME:

Megola no longer has royalty income from our Asian sales company as the company has stopped operations.

Liquidity and Capital Resources

The consolidated financial statements as of and for the year ending July 31, 2011 have been prepared assuming we continue as a going concern.

At July 31, 2011, the Company had an accumulated deficit of \$8,158,870.

Cash and cash equivalents at July 31, 2011 were \$nil and \$nil at July 31, 2010. The inventory decreased for the same period from \$209,334 to \$69,212 or 66.94%;

Megola is also pursuing other financial resources to augment its cash requirements for retirement of debt, expansion of operations and acquisition of suitable companies and products.

The Company's success and ongoing financial viability is contingent upon its selling of our products and the related generation of cash flows. The Company evaluates its liquidity and capital needs on a continuous basis and based on known requirements and the capital market conditions may, from time to time, raise working capital through additional debt or equity financing. There is no assurance that such financing will be available in the future to meet our additional capital needs, or that any such terms or conditions of any such financing would be favorable to us. Both our current growth and expanded business involve significant financial risk and require significant capital investment.

During 2011, three customers/distributors accounted for 100% of sales respectively and two vendors/distributors accounted for 97% of purchases .

The Company's ability to continue as a going concern is dependent on their ability to raise funds to implement its planned development; however the Company may not be able to raise sufficient funds to do so. The Company's independent auditors have indicated that there is substantial doubt about Megola's ability to continue as a going concern over the next twelve months. The poor financial condition could inhibit the Company's ability to achieve our business plan. Because the Company is currently operating at a substantial loss, an investor cannot determine if the Company will ever become profitable.

In order to become profitable, the Company will still need to secure additional debt or equity funding. The Company hopes to be able to raise additional funds from an offering of our stock in the future. However, this offering may not occur, or if it occurs, may not raise the required funding. There are no preliminary or definitive agreements or understandings with any party for such financing. The Company cannot predict when, if ever, that will happen.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 8. Financial Statements and Supplementary Data

Megola Inc

Statement of income and comprehensive loss for the years ended July 31, 2011 (unaudited) and July 31, 2010 (audited)

| | <u>Year Ended</u> <u>July 31,</u> <u>2011</u> | <u>Year Ended</u> <u>July 31,</u> <u>2010</u> |
|--|---|---|
| | <i>unaudited</i> | <i>audited</i> |
| Income - sales | \$ 359,972 | \$ 336,822 |
| Cost of sales | 3,745 | 99,254 |
| GROSS PROFIT (LOSS) | 356,226 | 237,568 |
| Income - royalties (note 13) | - | - |
| | <u>356,226</u> | <u>237,568</u> |
| General and administrative | 598,674 | 878,425 |
| Impairment of intangible asset | - | 1,350,000 |
| Depreciation | 3,156 | 5,427 |
| Interest | 7,926 | 5,481 |
| TOTAL EXPENSES | 609,756 | 2,239,333 |
| Other income (expenses) | 75,135 | (45,333) |
| TOTAL OTHER INCOME | 75,135 | (45,333) |
| NET LOSS | (328,664) | (1,956,432) |
| Foreign currency translation adjustment | (27,856) | (26,442) |
| COMPREHENSIVE LOSS | \$ (356,520) | \$ (1,982,874) |
| Weighted average common shares outstanding | 8,399,000 | 7,245,347 |
| Loss per share - basic and diluted | <u>(0.039)</u> | <u>(0.270)</u> |

See accompanying notes to unaudited financial statements

Megola Inc

Statement of source and use of cash for the years ended July 31, 2011 (unaudited) and July 31, 2010 (audited)

| | YEAR ENDED | |
|---|------------------|------------------|
| | July 31, 2011 | July 31, 2010 |
| | <i>unaudited</i> | <i>audited</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the period | (328,664) | (1,956,432) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| <u>Non-cash operating transactions</u> | | |
| Depreciation | 3,156 | 5,035 |
| Impairment of intangible asset | - | 1,350,000 |
| Shares issued for rent | - | 27,887 |
| Shares issued for services | 75,000 | 114,000 |
| Shares issued for assets | 2,501,000 | |
| Shares issued for debt | (165,561) | |
| Write off of receivable | - | 120,899 |
| Write off accrued interest | - | (25,821) |
| <u>Cash used by operating activities</u> | | |
| Long term receivable | - | - |
| Inventory | - | 31,689 |
| Prepaid expenses | - | - |
| Accounts payable | - | 18,406 |
| Accrued expenses | - | 92,599 |
| Cash flows used in operating activities | <u>2,084,931</u> | <u>(221,738)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in bank indebtedness | - | (54,008) |
| Advances from stockholders | - | 282,189 |
| Convertible debenture borrowings | 66,500 | 20,000 |
| Principal payments on notes payable | - | - |
| Cash flows from financing activities | <u>66,500</u> | <u>248,181</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | - | - |
| Cash flows used in investing activities | <u>-</u> | <u>-</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | - | (26,443) |
| NET INCREASE (DECREASE) IN CASH FOR THE YEAR | <u>-</u> | <u>-</u> |
| NET CASH, beginning of year | <u>-</u> | <u>-</u> |
| NET CASH, end of year | <u><u>-</u></u> | <u><u>-</u></u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Interest paid | 7,926 | 5,481 |
| Income taxes paid | - | - |
| NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Conversion of debt into preferred stock | (165,561) | 165,617 |
| Issuance of stock for services rendered | - | 114,000 |

Megola, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)

(Amounts expressed in US dollars)

| | Common Stock | | Preferred Stock Series "A" | | Preferred Stock Series "B" | |
|-----------------------------------|--------------|-----------|----------------------------|----------|----------------------------|--------|
| | Shares | Amount | Shares | Amount | Shares | Amount |
| Balances, July 31, 2009 | 663,749 | \$ 664 | 1,911,940 | \$ 1,912 | 137,885 | \$ 138 |
| Stock for services | 64,000 | 64 | - | - | 5,000 | 5 |
| Common converted to Preferred "A" | (23,668) | (24) | 47,400 | 48 | - | - |
| Debt converted to Preferred "B" | - | - | - | - | 16,561 | 16 |
| Preferred "A" converted to common | 21,677,874 | 21,678 | (867,115) | (867) | - | - |
| Preferred "B" converted to common | 11,188,500 | 11,188 | - | - | (111,885) | (112) |
| Net Loss | - | - | - | - | - | - |
| Foreign Currency | | | | | | |
| Translation Adjustment | - | - | - | - | - | - |
| Balances, July 31, 2010 | 33,570,455 | \$ 33,570 | 1,092,225 | \$ 1,092 | 47,561 | \$ 47 |
| Stock for services | 937,500 | 938 | - | - | - | - |
| Stock for Debt | 12,800,000 | 12,800 | - | - | 233,439 | 233 |
| Stock for Convertible Debenture | 8,400,252 | 8,399 | - | - | - | - |
| Common converted to Preferred A | (1,000,000) | (1,000) | 40,000 | 40 | - | - |
| Common converted to Preferred B | (7,031,800) | (7,032) | - | - | 70,318 | 70 |
| Preferred "A" converted to Common | 1,819,000 | 1,819 | (72,760) | (73) | - | - |
| Common stock buyback | - | - | - | - | - | - |
| Net Loss | - | - | - | - | - | - |
| Foreign Currency | | | | | | |
| Translation Adjustment | - | - | - | - | - | - |
| Balances, July 31, 2011 | 49,495,407 | 49,494 | 1,059,465 | 1,059 | 351,318 | 351 |

| | Treasury Stock | | Comprehensive | Paid In | Accumulated | Totals |
|--|----------------|---------|---------------|--------------|----------------|--------------|
| | Shares | Amount | Income (Loss) | Capital | Deficit | |
| Balances, July 31, 2009 | | | (92,327) | \$ 7,514,297 | \$ (5,873,774) | \$ 1,550,910 |
| Stock for services | - | - | - | 113,931 | - | 114,000 |
| Common converted to Preferred "A" | - | - | - | (24) | - | - |
| Debt converted to Preferred "B" | - | - | - | 165,600 | - | 165,616 |
| Preferred "A" converted to common | - | - | - | (20,811) | - | - |
| Preferred "B" converted to common | - | - | - | (11,076) | - | - |
| Net Loss | - | - | - | - | (1,956,432) | (1,956,432) |
| Foreign Currency | | | | | | |
| Translation Adjustment | - | - | (26,442) | - | - | (26,442) |
| Balances, July 31, 2010 (audited) | - | - | (118,769) | \$ 7,761,917 | \$ (7,830,206) | \$ (152,348) |
| Stock for services | - | - | - | 74,062 | - | 75,000 |
| Stock for Debt | - | - | - | 2,440,350 | - | 2,453,383 |
| Stock for Convertible Debenture | - | - | - | 32,601 | - | 41,000 |
| Common converted to Preferred "A" | - | - | - | 960 | - | - |
| Common converted to Preferred "B" | - | - | - | 6,962 | - | - |
| Preferred "A" converted to Common | - | - | - | (1,746) | - | - |
| Common stock buyback | 18,000 | (1,080) | - | 335 | - | (745) |
| Net Loss | - | - | - | - | (328,664) | (328,664) |
| Foreign Currency | | | | | | |
| Translation Adjustment | - | - | (31,104) | - | - | (31,104) |
| Balances, July 31, 2011 (unaudited) | 18,000 | (1,080) | (149,873) | 10,315,441 | (8,158,870) | 2,056,522 |

See accompanying notes to unaudited financial statements

TO THE STOCKHOLDERS OF MEGOLA INC.

The balance sheets of Megola Inc. (the "Company") at July 31, 2011 and July 31, 2010 and the Statements of Operations and Comprehensive Loss, Changes in Stockholders' Deficiency and Cash Flows for the periods then ended have not been audited by the Company's auditors, Schwartz Levitsky Feldman LLP. These financial statements are the responsibility of management and have been reviewed and approved by the Company's audit committee and Board of Directors.

MEGOLA, INC.

Notes to Consolidated Financial Statements for the Years ended July 31, 2011 and 2010

(Amounts expressed in US dollars)

1. NATURE OF BUSINESS

Megola, Inc. ("Megola" or "the Company") was incorporated in Ontario, Canada on August 28, 2000. Megola was formed to sell physical water treatment devices to a wide range of end-users in the United States, Canada and internationally under a license granted by Megola GmbH in Germany.

The Company presently distributes the following product lines: physical water treatment; air purification; and fire safety.

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. As shown in the accompanying consolidated financial statements, Megola incurred recurring net losses of \$328,664 and \$1,956,432 in the 2011 and 2010 fiscal years respectively, and negative cash flows from operations of \$221,738 and a deficit of \$8,158,870 as at July 31, 2011. These conditions create an uncertainty as to Megola's ability to continue as a going concern. At present, the Company does not have sufficient resources to fund its current working capital requirements. The Company's financing plans include obtaining additional capital through various debt and/or equity financing arrangements to service its current working capital requirements; any additional or unforeseen obligations and to fund the implementation of future opportunities. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These consolidated financial statements do not include any adjustments for this uncertainty.

Management has undertaken the following initiatives that it believes will be instrumental in leading to better management of cash flows and more profitable operations:

- Outsourcing of much of the manufacturing activities has been established along with appropriate analysis ensuring cost competitiveness to minimize capital outlay and provide for rapid potential growth in production levels
- Establishment of policies and procedures for production processes to ensure timely delivery of product to distribution groups and customers
- Established relationships with Distribution groups that can provide the necessary expertise in commercialization of the Company's entire product line to ensure maximum market penetration
- Signing of Definitive Sales and Agency Agreements, pertaining to the distribution rights, that have purchase/sale order requirements expected to generate substantial sales in the next five years
- Requirement for cash deposit with sales orders to minimize drain on working capital

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements are presented in U.S. dollars and have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and the rules of the Securities Exchange Commission ("SEC").

(b) Principles of consolidation

The Company's consolidated financial statements include the accounts of Megola and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated on consolidation.

(c) Use of estimates

MEGOLA, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JULY 31, 2011 and 2010
(AMOUNTS EXPRESSED IN U.S. DOLLARS)**

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates are comprised of depreciation, accrued expenses, impairment of intangible asset, and recoverability of deferred tax asset. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

Megola determined that its functional currency is the Canadian Dollar as substantially all of its operations are in Canada. Megola's reporting currency is U.S. dollars. Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Transactions and balances in other currencies are converted into U.S. dollars in accordance with SFAS No. 52, Foreign Currency Translation, and are included in determining net income or loss. For foreign operations with the local currency as the functional currency, assets and liabilities are translated from the local currencies into U.S. dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated at weighted average exchange rates for the period to approximate translation at the exchange rates prevailing at the dates those elements are recognized in the consolidated financial statements. Translation adjustments resulting from the process of translating the local currency *consolidated financial statements into U.S. dollars are included in determining comprehensive loss.*

As of July 31, 2011, the exchange rate for the Canadian Dollar was \$1.00 U.S. for \$1.0458 Canadian (2010 - \$1.00 U.S. for \$.9571). The annual average exchange rate for the 2011 fiscal year was \$1.00 U.S. for \$1.0059 (2010 - \$1.00 U.S. for \$.9536). The Canadian dollar strengthened considerably in relation to the U.S. during the fiscal year of 2011, and as a result currency fluctuations have benefited Megola's operations. In the future, inflation rates and the devaluation or valuation of the Canadian Dollar in relation to the U.S. dollar may have significant effects on Megola's consolidated financial statements.

As of the year-ended July 31, 2011 the company incurred an aggregated foreign currency translation loss of \$13,432.

(e) Cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents.

(f) Revenue recognition

Revenue is recognized when it is realized or realizable and earned. Megola considers revenue realized or realizable and earned when persuasive evidence of an arrangement exists, services have been provided, and collectability is reasonably assured. In the case of exclusive agreements with distributors, finished goods are shipped directly FOB manufacturer/point of assembly. Megola offers no independent warranty and refers any warranty claims to the manufacturer for products it sells. Therefore, Megola recognizes revenue under these agreements when the goods are shipped. Megola recognizes royalty revenue as the Company is informed that such payments are due.

(g) Shipping and Handling

Megola provides all customers the option of having product delivered or making their own shipping arrangements. All shipping and handling costs are disclosed in the pricing estimate. Megola contacts its primary shipping facility for shipping costs at the time orders are received and provides to customer in the pricing estimate.

(i) Financial Instruments

Fair Value of Financial Instruments

The carrying amounts of certain of the Company's financial instruments including cash and cash equivalents, inventory, account payable, accrued expenses, notes payables, and other accrued liabilities approximate fair value because of their short maturities. The Company measures and reports fair value in accordance with ASC 820, "Fair

Value Measurements and Disclosure" defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value investments.

Fair value, as defined in ASC 820, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset should reflect its highest and best use by market participants, principal (or most advantageous) markets, and an in-use or an in-exchange valuation premise. The fair value of a liability should reflect the risk of nonperformance, which includes, among other things, the Company's credit risk.

Valuation techniques are generally classified into three categories: the market approach; the income approach; and the cost approach. The selection and application of one or more of the techniques may require significant judgment and are primarily dependent upon the characteristics of the asset or liability, and the quality and availability of inputs. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also provides fair value hierarchy for inputs and resulting measurement as follows:

Level 1

Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3

Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair values.

Fair value measurements are required to be disclosed by the Level within the fair value hierarchy in which the fair value measurements in their entirety fall. Fair value measurements using significant unobservable inputs (in Level 3 measurements) are subject to expanded disclosure requirements including a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following: (i) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings, and a description of where those gains or losses included in earnings are reported in the statement of income.

Foreign Currency Risk

The company is exposed to currency risks due to potential variation of the currencies in which it operates.

Principal currencies include the United States dollar and Canadian Dollar. The company monitors the foreign currency exposure regularly to minimize the foreign currency risk exposure.

Liquidity Risk

The company is exposed to liquidity risk as its continued operations are dependant upon obtaining additional capital to satisfy

its liabilities as they come due.

(j) Allowance for doubtful accounts

Megola does not require collateral from its customers with respect to accounts receivable but performs periodic credit evaluations of such customers' financial conditions. Megola determines any required allowance by considering a number of factors including lengths of time accounts receivable are past due and Megola's previous loss history. Megola provides reserves for accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Megola requires payment in full for most orders, which minimizes collection requirements. Certain customers are able to provide us with a deposit of 50% up front with the balance due on shipping. Our standard procedures related to any delayed payments are to follow up within 10 days with a friendly reminder phone call and a letter in 30 days. After 60 days, the Company will have a letter drafted by our lawyer go out demanding payment in full along with any outstanding interest charges. Failure to make payment in the next 15 days will result in the account being forwarded to a collection agency for recovery. Receivables will be classified as doubtful after 120 days and written off as Bad Debt. Interest charges will start to accumulate on the 30th day following the Invoice for any unpaid balances at a rate of 18% per annum calculated daily.

As of July 31, 2011 and 2010, Megola had \$5,212 and \$nil respectively as an allowance for doubtful accounts.

(k) Inventory

Inventory is valued at the lower of cost (determined on a first-in, first-out method) and net realizable value. Megola records provisions to write down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between cost of the inventory and its estimated net realizable value based on assumptions about future market demand and market conditions. If future demand or market conditions are less favorable than currently expected, additional inventory provisions may be required. During the fiscal years ended July 31, 2011 and 2010 impairment expense was \$nil and \$nil, respectively related to inventory impairments. In the year ending July 31, 2007, included in the impairment reserve is \$245,032 for slow moving products. These products are in good condition and are still expected to be sold.

(l) Property and equipment

Property and equipment are stated on the basis of historical cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Depreciation expense for the years ended July 31, 2011 and 2010 was \$3,156 and \$5,427, respectively. Depreciation of property and equipment acquired and disposed of during the year is recorded at one half of the indicated rates.

(m) Impairment of long-lived assets

Long-lived assets other than intangible assets require the recognition of an impairment loss whenever it is indicated that an asset may be impaired and the future cash flows from that asset are less than the asset's carrying value.

(n) Comprehensive income (loss)

The Company has adopted ASC 220 Reporting Comprehensive Income. This standard requires companies to disclose comprehensive income (loss) in their consolidated financial statements. In addition to items included in net income, comprehensive income (loss) includes items currently charged or credited directly to stockholders' deficiency, such as foreign currency translation adjustments.

(o) Concentration of credit risk

Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk", requires disclosure of any significant off-balance sheet risk and credit risk concentration. The Company does not have significant off-balance sheet risk or credit concentration.

(p) Income taxes

Megola accounts for income taxes under ASC Topic 740, "Accounting for Income Taxes.". Under Statement 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the

period that includes the enactment date. There was no current or deferred income tax expense or benefits for the period ending July 31, 2011 and 2010.

(q) Net earnings (loss) per common share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of stock options and other dilutive instruments are used to repurchase the Company's shares at their weighted average market price for the period.

(r) Share-based compensation

The Company has adopted the requirements of ASC Topic 718, "Share-Based Payments". This pronouncement requires that the fair value method of accounting be applied to all share-based compensation payments to both employees and non-employees respectively.

The fair value method of accounting is used to account for share based payments granted to directors, officers, employees and others whereby the fair value of share based payments granted is recorded as an expense in the consolidated financial statements. The expense is based on the estimated fair value at the time of the grant and recognized over any vesting period.

The fair value of share based payments granted to employees and non-employees is determined using the Black-Scholes option pricing model.

(s) Recent accounting pronouncements

Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs", (ASU 2011-04). ASU 2011-04 amends ASC 820, Fair Value Measurements, (ASC 820), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 will be effective for the Company's fiscal year beginning January 1, 2012. The adoption of ASU 2011-04 is not expected to have a material effect on the Company's consolidated financial statements, but may require certain additional disclosures.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, (ASU 2011-05), which improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this standard do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU 2011-05 are effective for our interim and annual periods beginning January 1, 2012 and are to be applied retrospectively. The adoption of the provisions of ASU 2011-05 is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In September 2011, the FASB issued an amendment to ASC 350, Intangibles—Goodwill and Other (ASC 350), which simplifies how entities test goodwill for impairment. Previous guidance under ASC 350 required an entity to test goodwill for impairment using a two-step process on at least an annual basis. First, the fair value of a reporting unit was calculated and compared to its carrying amount, including goodwill. Second, if the fair value of a reporting unit was less than its carrying amount, the amount of impairment loss, if any, was required to be measured. Under the amendments in this update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads the entity to determine that it is more likely than not that its fair value is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then the two-step impairment test is unnecessary. If the entity concludes otherwise, then it is required to test goodwill for impairment under the two-step process as described under ASC 350. The amendments are effective for us for annual and interim goodwill impairment tests performed for

fiscal years beginning January 1, 2012, and early adoption is permitted. The adoption of the provisions of ASC 350 is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In July 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which amends FASB ASC 310, Receivables. This ASU requires disclosures related to financing receivables and the allowance for credit losses by portfolio segment. The ASU also requires disclosures of information regarding the credit quality, aging, non-accrual status and impairments by class of receivable. Trade accounts receivable with maturities of one year or less are excluded from the disclosure requirements. The company does not have any financing receivables as of the end of March 31, 2011.

On April 1, 2010, the Company adopted FASB ASU 2010-06, Fair Value Measurements and Disclosures (ASU 2010-06). ASU 2010-06 updates FASB ASC 820, Fair Value Measurements. ASU 2010-06 requires additional disclosures about fair value measurements including transfers in and out of levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. There was no material impact on the Company's consolidated financial statements related to the adoption of this guidance.

On April 1, 2010, the Company adopted updated guidance included in FASB ASC 860-10, Transfers and Servicing — Overall. This guidance requires additional disclosures about the transfer and de-recognition of financial assets and eliminates the concept of qualifying special-purpose entities. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

On April 1, 2010, the Company adopted updated guidance included in FASB ASC 810, Consolidation (ASC 810), related to the consolidation of variable interest entities. This guidance requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. In addition, this updated guidance amends the quantitative approach for determining the primary beneficiary of a variable interest entity. ASC 810 amends certain guidance for determining whether an entity is a variable interest entity and adds additional reconsideration events for determining whether an entity is a variable interest entity. Further, this guidance requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, Intangibles — Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (ASU 2010-28). ASU 2010-28 clarifies the requirement to test for impairment of goodwill. ASC Topic 350 has required that goodwill be tested for impairment if the carrying amount of a reporting unit exceeds its fair value. Under ASU 2010-28, when the carrying amount of a reporting unit is zero or negative an entity must assume that it is more likely than not that a goodwill impairment exists, perform an additional test to determine whether goodwill has been impaired and calculate the amount of that impairment. The modifications to ASC Topic 350 resulting from the issuance of ASU 2010-28 are effective for fiscal years beginning after December 15, 2010 and interim periods within those years. Early adoption is not permitted. The adoption of ASU 2010-08 is not expected to have an impact on the financial statements of the Company.

4. INTANGIBLE ASSET DISTRIBUTION RIGHTS

In May, 2011 Megola purchased from 1771601 Ontario Inc "the formula" for the Fire Inhibitor Product line for 250,000 shares of Preferred Series B shares and 1,000,000 restricted common shares

Megola has no other contract obligations

5. PROPERTY AND EQUIPMENT

| | ---- 2011 ---- | | | 2010 |
|--------------------------------|------------------|--------------------------|------------------|----------------|
| | Original Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Sports Ozeone Machines | 16,000 | 16,000 | - | 594 |
| Office Furniture and Equipment | 31,846 | 27,155 | 4,691 | 6,795 |
| IP Fire Inhibitor | 2,501,000 | - | 2,501,000 | |
| | <u>2,548,846</u> | <u>43,155</u> | <u>2,505,691</u> | <u>7,389</u> |

Depreciation expense for the years ended July 31, 2011 and 2010 was \$3,156 and \$5,427, respectively.

6. CONVERTIBLE NOTES PAYABLE

On August 31, 2010, Megola ("Company") entered into a Securities Purchase Agreement with Asher Enterprises, Inc. ("Buyer"). The basic parameters of the Agreement with Asher Enterprises, Inc. will include, but not be limited to, the following:

(a) The Company and the Buyer is executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

(b) Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement an 8% convertible note of the Company, in the form attached hereto as Exhibit A, in the aggregate principal amount of \$45,000.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the "Note"), convertible into shares of common stock of the Company (the "Common Stock"), upon the terms and subject to the limitations and conditions set forth in such Note.

(c) The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto

During the year ending July 31, 2011, Megola ("Company") issued 8,400,161 shares of its Common Stock to Asher Enterprises, Inc in the amount of \$41,000, to reduce the amount owing on the Company's August 31, 2010 Convertible Debenture outstanding to Asher Enterprises, Inc.

On October 19, 2010, Megola was issued \$25,000 as proceeds from a 9% Convertible Debenture issued to Tangiers Investors, LP (the "Holder) and designated as its 9% Convertible Debenture due July 19, 2011.

Megola promises to pay to the Holder the principal sum of \$25,000 on July 19, 2011 or such earlier date as this Debenture is required or permitted to be repaid as provided hereunder, and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture at the rate of 9% per annum, payable on the Maturity Date, unless the Debenture is converted to shares of common stock in accordance with the terms and conditions herein.

This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration of transfer or exchange. This Debenture may be transferred or exchanged only in compliance with applicable federal and state securities laws and regulations. Prior to due presentment to the Company for transfer of this Debenture, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

On December 28, 2010, Megola ("Company") paid the principal amount of \$45,000 to Tangiers Investors LP, and issued 937,500 of the company's restricted common stock at 0.08 per share, for a value of \$75,000, for commitment fees that were set forth in the Note.

On December 8, 2010, Megola ("Company") confirmed proceeds from a Securities Purchase Agreement entered into on November 29, 2010 with Asher Enterprises, Inc. ("Buyer"). The basic parameters of the Agreement with Asher Enterprises, Inc. will include, but not be limited to, the following:

(a) The Company and the Buyer is executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

(b) Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement an 8% convertible note of the Company, in the form attached hereto as Exhibit A, in the aggregate principal amount of \$32,500.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the "Note"), convertible into shares of common stock of the Company (the "Common Stock"), upon the terms and subject to the limitations and conditions set forth in such Note.

(c) The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto

On March 7, 2011 the Corporation approved the issuance of 11,800,000 (eleven million eight hundred thousand) Common Shares of MGON, in the form of four Common Stock certificates without any restrictive legend; each of 2,950,000 shares (two million nine hundred fifty thousand), to 538 Investments, Ltd, Euroline Clearing Corporation, Vanilla Sky, S.A , Limestone Nominees, as per a Debt Conversion Agreement executed by the companies.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The composition of accrued expenses is as follows:

| | 2011 | 2010 |
|--|----------------|----------------|
| Accounts Payable | 73,251 | 62,231 |
| Accrued Payroll Liabilities | 136,733 | 144,369 |
| Other | 4,822 | 26,623 |
| Total Accounts Payable & Accrued Liabilities | <u>214,806</u> | <u>233,223</u> |

8. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL

(a) Common stock

Common stock (\$.001 par value per share): 200,000,000 shares are authorized, with 49,495,407 shares issued and outstanding at July 31, 2011 and 33,570,455 at July 31, 2010

All Preferred Series A stock held 12 months are eligible for conversion back to common stock at a conversion price set at .20 cents.

All Preferred series B stock held 12 months are eligible for conversion back to common stock at a conversion price set at .10 cents. This conversion price was amended to .05 cents June 2012 with the state of NV.

On September 3, 2010, the corporation approved the conversion, thru RBC Dominion Securities, of 7,031,800 restricted common shares of Megola Inc. (MGON) to 70,318 shares of Megola Inc Series B Preferred Stock.

On September 8, 2010, Megola announced that the company had opened a brokerage account with Glendale Securities for the purpose of initiating a stock buyback plan.

On September 9, 2010, Megola received a request from TD AMERITRADE Clearing Inc. to reverse a conversion and transfer that was done per their request by the transfer agent. As the conversion and transfer from Megola Series 'A' Preferred stock to Megola Common stock was done without the authorization of their client TD AMERITRADE Clearing Inc. asked for consent to reverse the transaction and revert the Common Shares back to Preferred Series A Shares. Megola has given consent for 1,000,000 Common Shares to be reverted back to the original 40,000 shares of Series 'A' Preferred stock into the name of their client.

As of September 17, 2010 Megola has purchased 143,000 of common stock of Megola Inc. (MGON) and will return shares to treasury.

On March 7, 2011 the Corporation approved the issuance of 11,800,000 (eleven million eight hundred thousand) Common Shares of MGON, in the form of four Common Stock certificates without any restrictive legend; each of 2,950,000 shares (two million nine hundred fifty thousand), to 538 Investments, Ltd, Euroline Clearing Corporation, Vanilla Sky, S.A , Limestone Nominees, as per a Debt Conversion Agreement executed by the companies.

On June 1, 2011, Megola issued 5,000 shares of its Preferred B stock, for professional fees, under an agreement, valued at \$50,000.

On July 31, 2011 16,561 Preferred Series B shares were returned to treasury

The Company has a Stock Incentive Plan for employees and consultants. There were no shares issued under the plan during the year ended July 31, 2011

9. SEGMENT REPORTING

The Company sells products in North America and Asia and has two reportable geographic segments and three reportable product segments summarized as follows:

| | North America | Asia | Other | Total |
|--------------------------|------------------|------|-------|-------------|
| Year ended July 31, 2011 | | | | |
| Sales and Royalties | 359,972 | - | - | 359,972 |
| Net Loss | (328,664) | - | - | (328,664) |
| Amortization | 3,156 | - | - | 3,156 |
| Interest Expense | 7,926 | - | - | 7,926 |
| Total Assets | 2,580,294 | - | - | 2,580,294 |
| Year ended July 31, 2010 | | | | |
| Sales and Royalties | 336,822 | - | - | 336,822 |
| Net Loss | (1,956,432) | - | - | (1,956,432) |
| Amortization | 5,427 | - | - | 5,427 |
| Interest Expense | 5,481 | - | - | 5,481 |
| Total Assets | 238,173 | - | - | 238,173 |

10. COMMITMENTS

(i) As of July 31, 2011, the company is no longer in the office and warehouse lease commitment in Point Edward, Ontario, Canada. The above Debt has been settled by a third party and a cash payment of \$15,000 CAD by Joel Gardner on March 31, 2012

(ii) As of July 31, 2011 the company does not lease any vehicles and is no longer in any lease commitments. All vehicle leases have been taken over to personal leases and are no longer a liability to the company

11. CONTINGENCIES

none to report for year ending July 31, 2011

12. ROYALTY INCOME

Megola no longer receives any royalty payments as our Asian distributor is no longer in operations.

13. ALLOWANCE FOR DOUBTFUL ACCOUNTS

For the period year ending July 31, 2011, the Company has recorded an allowance for doubtful account in the amount of \$5,212.

14. RESEARCH AND DEVELOPMENT

In 2011, Megola had \$1,890 (7,369 in 2010) in research and development related expenditures. Much work had been completed in furthering the potential marketability of the fire Inhibitor product line.

15. CONCENTRATIONS

During 2011, three customers/distributors accounted for 100% of sales respectively and two vendors/distributors accounted for 97% of purchases 2010

During 2010, 36% of the recognized sales were related to the Hartindo product line, and 27% were related to technical and administrative revenue. As of July 31, 2010, the Company only had one main supplier of the Hartindo raw materials needs for the Hartindo product line.

16. INCOME TAXES

Deferred income taxes arise from timing differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. A deferred tax asset valuation allowance is recorded when it is more likely than not that deferred tax assets will not be realized. A valuation allowance of 100% of the deferred tax assets was made; there are no deferred taxes as of July 31, 2011. There was no income tax expense for the years ended July 31, 2011 and 2010 due to the Company's net losses.

The Company's tax benefit differs from the "expected" tax benefit for the years ended July 31, 2011 and 2010, which is computed by applying the Federal Corporate tax rate of 35% to loss before taxes), as follows:

| | | <u>Through July 31,</u> 2011 | <u>Through July 31,</u> 2010 |
|---|----|--|--|
| Computed "expected" tax benefit | \$ | 2,855,604 | 2,740,572 |
| Less; benefit of operating loss carryforwards | | 2,855,604 | 2,740,572 |
| | \$ | <u>-</u> | <u>-</u> |

17. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2011, the Company had the following material related party transactions:

- (i) Joel Gardner, the Company's Chief Executive officer loaned the Company \$282,189, and converted \$165,617 into 16,561 shares of preferred B stock during the year ended July 31, 2011. Those preferred shares were returned to treasury. As of July 31, 2011, the Company owed Joel Gardner \$117,022.

18. SUBSEQUENT EVENTS

In April 2012 the company did a 50:1 reverse split of its common stock.
On September 5, 2012 a new board of directors and officers were voted into Megola Inc

21. COMPARATIVE FIGURES

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None--Not Applicable

Item 9A(T). Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) at July 31, 2011. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Principal Accounting Officer and Treasurer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at July 31, 2011, our disclosure controls and procedures are not effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Principal Accounting Officer and Treasurer, to allow timely decisions regarding required disclosure.

The Company has established disclosure controls and procedures to ensure that information disclosed in this annual report on Form 10-K was properly recorded, processed, summarized and reported to the Company's Board of Directors. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Accounting Officer and Treasurer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework stated by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's Chief Executive Officer and Principal Accounting Officer and Treasurer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of July 31, 2011 and for the fiscal year ending July 31, 2011 covered by this Annual Report on Form 10-K. Based upon such evaluation, the Chief

Executive Officer and Principal Accounting Officer and Treasurer has concluded that, as of July 31, 2011 and for the fiscal year ending July 31, 2011, the Company's disclosure controls and procedures were not effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This conclusion by the Company's Chief Executive Officer and Principal Accounting Officer and Treasurer does not relate to reporting periods after July 31, 2011.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the year ended July 31, 2011, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III - OTHER INFORMATION

Item 10. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act

Each of our directors' serves for a term of one year or until the successor is elected at our annual shareholders' meeting and is qualified, subject to removal by our shareholders. Each officer serves, at the pleasure of our board of directors, for a term of one year and until the successor is elected at the annual meeting of the board of directors and is qualified.

The names, ages and positions of the Company's directors and executive officers are as follows as of Sept 5, 2012:

| Name | Age | Position |
|-----------------|-----|--|
| Magaly Biachini | 66 | Chief Executive Officer/President/Director |
| Rick Restivo | 53 | Director |
| Aldo Rotondi | 49 | Treasurer, Director |
| Sufan Siau | 45 | Director |
| Donald Folkner | 76 | Director |

OFFICERS and DIRECTORS Prior to September 5, 2012

Joel Gardner, CEO, President/Director
 Daniel Gardner, Treasurer, Director
 Craig Wagenschutz, CFO, Director
 DARRYL Germain, COO, Director
 Sufan Siau, Director

Family Relationships

Joel Gardner and Daniel Gardner are brothers. Not current relationships with new officers, directors.

Legal Proceedings

Megola incurred no expense to dispute legal proceedings

May 06, 2011 - EcoBlu Press Release

EcoBlu Announces That Newstar Chemical Sues Megola Over Misrepresentations and Fraudulent Conduct.

May 20, 2011 - Order to Show Cause for Preliminary Injunction and Temporary Restraining Order filed by NewStar Chemicals.

May 26, 2011 - Case Summary of NewStar Injunction Order — DENIED

June 6, 2011- Notice of Voluntary Dismissal Pursuant to FRCP 41(a)(1)(A)(i)

No officer, director, or persons nominated for such positions, promoter or significant employee has been involved in the last five years in any of the following:

- ☐ Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- ☐ Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- ☐ Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and
- ☐ Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Code of Ethics

The Company does not currently have a Code of Ethics applicable to our principal executive, financial or accounting officer.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who beneficially own more than 10% of a registered class of our equity securities, to file reports of beneficial ownership and changes in beneficial ownership of our securities with the SEC on Forms 3 (Initial Statement of Beneficial Ownership), 4 (Statement of Changes of Beneficial Ownership of Securities) and 5 (Annual Statement of Beneficial Ownership of Securities). Directors, executive officers and beneficial owners of more than 10% of our Common Stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. Based solely on review of the copies of such forms furnished to us, or written representations that no reports were required, the Company believes that for the fiscal year ended July 31 2011 beneficial owners complied with Section 16(a) filing requirements applicable to them.

Item 11. Executive Compensation

The following table sets forth the compensation paid to our executive officers during fiscal year ended July 31, 2011 and 2010 (collectively, the “Named Executive Officers”):

Summary Compensation Table

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Non-Qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|-----------------------------|------|-------------|------------|-------------------|--------------------|---|---|-----------------------------|------------|
| Joel Gardner | 2011 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| President/CEO | 2010 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |

Compensation Agreements

The Company has the no compensation agreements with our executive officers for year ending July 31, 2011. On January 2012 Megola signed a convertible promissory note for \$1,050,000 to Joel Gardner.

Summary Equity Awards Table

The following table sets forth certain information for our executive officers concerning unexercised options, stock that has not vested, and equity incentive plan awards as of July 31, 2011.

| OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END | | | | | | | | | |
|--|---|---|---|----------------------------|------------------------|---|--|---|---|
| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) |
| Joel Gardner | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Director Compensation Table

Advisory Board

Megola Inc. has formed an Advisory Board that consist of individuals that it believes to be an important group of people that will play an integral role in assisting Megola in the overall growth of the company. The Company will turn, from time to time, to its Advisory Board for direction and advice on certain business matters of the company. Nothing has been compensated to these individuals but maybe figured into the future.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

As of the date of this Annual Report, the following table sets forth certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated. As of the date of this Annual Report, there are 49,495,407 shares of common stock issued and outstanding.

The following tables set forth the ownership, as of the date of this prospectus, of our common stock by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, our directors, and our executive officers and directors as a group. To the best of our knowledge, the persons named have sole voting and investment power with respect to such shares, except as otherwise noted. There are not any pending or anticipated arrangements that may cause a change in control.

The information presented below regarding beneficial ownership of our voting securities has been presented in accordance with the rules of the Securities and Exchange Commission and is not necessarily indicative of ownership for any other purpose. Under these rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is deemed to own beneficially any security as to which such person has the right to acquire sole or shared voting or investment power within 60 days through the conversion or exercise of any convertible security, warrant, option or other right. More than one person may be deemed to be a beneficial owner of the same securities. The percentage of beneficial ownership by any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days, by the sum of the number of shares outstanding as of such date plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, the Company believe that the beneficial owners of our common stock listed below have sole voting and investment power with respect to the shares shown. The business address of the shareholders is 5045 Orbitor Dr, Bldg 10, suite 200, Mississauga, ON and previously was 214 LaSalle Line, Sarnia, ON, N7T 7H5

Holder of Preferred Series A

| <u>Name of Beneficial Owner</u> | <u>Amount and Nature of Beneficial Ownership</u> | <u>Percentage of Class(A)</u> |
|---------------------------------|--|-----------------------------------|
| Joel Gardner and affiliates | 604,054 | 57% |
| | | % |
| | | % |
| | | % |

The above is based on 1,059,465 shares of Preferred Series A Stock issued and outstanding as of July 31, 2011. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as otherwise indicated, the Company believe that the beneficial owners of the Preferred Series A Stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Holder of Preferred Series B

| <u>Amount Nature of</u> | <u>and Percentage</u> |
|-----------------------------|---------------------------|
|-----------------------------|---------------------------|

| Name of Beneficial Owner | Beneficial Ownership | of Class(B) | |
|--------------------------|-------------------------|-------------|---|
| Joel Gardner | 70,318 | 20 | % |
| 1771601 Ontario Inc | 250,000 | 71 | % |

The above is based on 351,318 shares of Preferred Series B Stock issued and outstanding as of July 31, 2011. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Director Independence

The Company is not subject to the listing requirements of any national securities exchange or national securities association and, as a result, the Company is not at this time required to have our board comprised of a majority of "independent directors." Currently, the Company have only one director and the Company believe that such directors currently does not meet the definition of "independent" as promulgated by the rules and regulations of Nasdaq.

Item 14. Principal Accountant Fees and Services.

The aggregate fees billed by our principal accountant for each of the last two fiscal years for Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees are as follows:

| | Fiscal Year Ended July 31 | |
|--------------------|---------------------------|-----------|
| | 2011 | 2010 |
| Audit Fees | \$ 0 | \$ 26,000 |
| Audit-Related Fees | \$ 0 | \$ 6,000 |
| Tax Fees | \$ - | \$ - |
| All Other Fees | \$ - | \$ - |

PART IV - Item 15. Exhibits

Form: 8K FILE DATE 10-09-08

Form: 8K FILE DATE 10-09-22

Form: 8K FILE DATE 10-11-03

Form: 8K FILE DATE 10-12-15

Form: 8K FILE DATE 11-06-20

Form : 8k FILE DATE 11-06-20

The following exhibits are filed with this Annual Report on Form 10-K:

| Exhibit No. | Description of Exhibit |
|-------------|---|
| 31.1 | CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

CERTIFICATION

I, Magaly Biachini, certify that:

1. I have reviewed this report on Form 10-K of Megola, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(g)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Megola, Inc.

Dated: December 02, 2012

By: /s/ Magaly Biachini
Magaly Biachini
Chief Executive Officer
Principal Accounting Officer

CERTIFICATION

I, Aldo Rotondi, certify that:

1. I have reviewed this report on Form 10-K of Megola, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(g)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 02, 2012

By: /s/ Aldo Rotondi
Aldo Rotondi
Treasure/Director

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies that the Annual Report on Form 10-K for the year ended July 31, 2011 of Megola, Inc. (the "Company") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Megola, Inc.

Dated: Dated: December 02, 2012

By: /s/ Magaly Biachini

Magaly Biachini
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Megola, Inc. and will be retained by Megola, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies that the Annual Report on Form 10-K for the year ended July 31, 2010 of Megola, Inc. (the "Company") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 02, 2012

By: /s/ Aldo Rotondi

Aldo Rotondi
Treasurer/Director

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Megola, Inc. and will be retained by Megola, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.