DIAMANT ART CORPORATION

Consolidated Financial Statements

(Canadian Dollars)

Quarter, three months ended

February 28, 2011 & 2010.

November 30. 2010

Unaudited

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Consolidated Financial Statements
(Unaudited)

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NOTICE TO READERS OF THE ACCOMPANYING UNAUDITED CONSOLIDATED FINANCIAL STATEMENTTS

The accompanying unaudited consolidated financial statements of Diamant Art Corporation (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed an audit of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for an audit of financial statements by an entity's auditor for the three months ended February 28, 2011 and February 28, 2010 and balance sheet November 30, 2010.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P") AND INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

The board members reviewed the internal controls and procedures and determined that they are appropriate for the Company's current needs. Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required are disclosed, processed, summarized and reported within the time periods specified by securities regulations, and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The CEO and CFO officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. The issuers' officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a pink sheet issuer to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities-legislation.

DIAMANT ART CORPORATION **Statement I**
Consolidated Balance Sheets
As at February 28, 2011 & November 30, 2010
(Canadian Dollars)

	Unaudited 2011	Unaudited 2010
CURRENT		
Cash	$ 5,705	$ 1,036
Accounts receivable	1,369,038	-
Work in progress	5,575,203	-
Accounts receivable	88,092	-
	7,038,038	1,036
PROPERTY AND EQUIPMENT (note 4)	1,784,707	-
	$ 8,822,745	$ 1,036
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 400,943	$ 393,871
Notes payable (note 5)	4,528,037	674,714
Deferred revenue	4,236,937	-
	9,165,917	1,068,585
SHAREHOLDERS' DEFICIENCY		
SHARE CAPITAL (note 7)		
COMMON SHARES	13,336,982	13,336,982
CLASS "C" COMMON SHARES	263,798	263,798
ADVANCE SHARE SUBSCRIPTIONS (note 6)	14,373	14,373
	13,615,153	13,615,153
CONTRIBUTED SURPLUS	11,775,000	11,775,000
DEFICIT – Statement III	(25,733,325)	(26,457,702)
	(343,172)	(1,067,549)
	$ 8,822,745	$ 1,036

Description of business and going concern (note 1)

DIAMANT ART CORPORATION **Statement II**
Consolidated Statements of Loss
For the Periods 3 months ended February 28, 2011 and 2010
(Canadian Dollars)

	Unaudited 2011	Unaudited 2010
REVENUE	$ 1,592,730	$ 913
COST OF GOODS SOLD	438,767	-
GROSS PROFIT (LOSS)	1,153,963	913
Selling, general and administrative	316,450	5,938
Foreign exchange (gain) loss	(43,894)	(7,479)
Loan interest	53,957	8,269
Total expenses	326,513	6,728
Profit (loss) before income taxes	827,450	(5,815)
Tax provision	103,063	-
NET INCOME (LOSS) AND NET COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 724,387	$ (5,815)
NET LOSS PER COMMON SHARE	$ 0.0071	$(0.4517)
NUMBER OF COMMON SHARES	102,068,870	12,872

DIAMANT ART CORPORATION **Statement III**

Consolidated Statements of Shareholders' Deficiency

For the Years Ended November 30, 2010 and 2009

Period 3 months ended February 28, 2011

(Canadian Dollars)

	Common Shares	Class "C" Common Shares	Contributed Surplus	Accumulated Deficit
Balance, November 30, 2008	13,102,319	286,400	11,775,000	(26,420,596)
	-	-	-	-
Issuance of Class "C" common shares	-	90,000	-	-
Conversion of Class "C" shares to common shares	26,018	(26,018)	-	-
Net loss	-	-	-	84,986
Balance, November 30, 2009	13,128,337	350,382	11,775,000	(26,435,610)
Issuance of Class "C" common shares	-	-	-	-
Issuance of common shares	3,000	-	-	-
Conversion of Class "C" shares to common shares	86,584	(86,584)	-	-
Debt Conversion	119,061	-	-	-
Net loss	-	-	-	(22,092)
Balance, November 30, 2010	$ 13,336,982	$ 263,798	$ 11,775,000	($ 26,457,702)
Issuance of Class "C" common shares	-	-	-	-
Issuance of common shares	-	-	-	-
Conversion of Class "C" shares to common shares	-	-	-	-
Debt Conversion	-	-	-	-
Other	-	-	-	(10)
Net loss	-	-	-	724,387
Balance, February 28, 2011	$ 13,336,982	$ 263,798	$ 11,775,000	($ 25,733,325)

The accompanying notes are an integral part of these financial statements

DIAMANT ART CORPORATION **Statement IV**
Consolidated Statements of Cash Flows
For the three months February, 2011 and 2010
(Canadian Dollars)

	Unaudited 2011	Unaudited 2010
OPERATING ACTIVITIES		
Net loss for the year	$ 724,387	$ (5,815)
Adjustment for item not affecting cash		
Unrealized exchange		
(gain) loss	(43,894)	(7,479)
Depreciation	66,780	-
	747,273	(13,294)
Changes in non-cash working capital components		
Accounts receivable	(345,043)	1,222
Work in progress	646,996	(391)
Prepaid expenses and deposits	110,067	-
Accounts payable and accrued liabilities	(5,871)	1,401
Deferred income	(270,445)	-
CASH (USED IN) OPERATING ACTIVITIES	882,977	(11,061)
FINANCING ACTIVITIES		
Notes payable	(672,829)	10,563
	(672,829)	10,563
INVESTING ACTIVITIES		
Investment in Subsidiary (including acquired cash)	10,368	-
Purchase of property and equipment	(215,847)	(1)
NET INCREASE (DECREASE) IN CASH	4,669	(499)
CASH BEGINNING OF PERIOD	1,036	5,024
CASH, END OF PERIOD	$ 5,705	$ 4,525

The accompanying notes are an integral part of these financial statements

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND GOING CONCERN

Diamant Art Corporation (the "Company") was incorporated in Canada on June 24, 1986 under the Ontario Business Corporations Act. The Company presently operates two business segments as follows:

The Company's T&R technology business provides product management and security solutions and technologies designed to help a variety of businesses improve sales revenue and operations while increasing their profitability. The Company's products help retail chains, museums, airports, convention centers, hotels, casinos, museums, and department stores increase productivity and performance.

The Company Artagraph business markets replications of oil paintings produced under a proprietary process, whereby the brush strokes and surface texture of the original paintings were reproduced by molding a plastic sheet and fusing it to a canvas backing. The replications are marketed as "Artagraphs" and have been sold through a variety of distribution channels. Currently, the Company is totally reliant on the efforts of third parties to market and sell the Artagraph product line.

These consolidated financial statements have been prepared by management and reflect the accounts of the Company and its wholly-owned subsidiaries, Diamant Film Inc. and Bio-Plastics Inc., which were incorporated in March 2004 and September 2006, respectively; Think & React International Inc, incorporated November, 2010, and T&R International B.V. that was acquired December 1, 2010 (see note 3). All inter-company transactions and balances have been eliminated on consolidation.

The presentation adopted in these financial statements does not fully comply with disclosures that would be required under Canadian Generally Accepted Accounting Principles "GAAP" such as: the computation and disclosure of earnings per share based on the diluted weighted average number of common shares; details of tax assets and their allowances resulting in nil balances; segmented information for business segments; estimates of fair value arising from assumptions on the debt to equity conversions and acquired net assets. Other than adjustments to fair value amounts, particularly on net assets relating to the acquisition of subsidiary (note 3), and adjustments should the going concern basis not be appropriate, management believes the additional adjustments and disclosures that may be necessary to be fully compliant with current GAAP would not materially change the financial results and disclosures herein presented.

Going Concern
The accompanying consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of obligations in the normal course of business as they come due.

During the quarter ended February 28, 2011, the Company's subsidiary, Think & React International purchased 100% of the equity of T&R International BV with a 7% note for

(Canadian Dollars) Unaudited

$1,500,000. While T&R International has satisfactory profitability and positive working capital, its purchase was finance by short term debt. Consequently, consolidated working capital was negative at period ended February 28, 2011, of $2,127,879, an increase in working capital deficiency of $1,060,330 from year ended November 30, 2010, working capital deficiency of $1,067,549.

During 2010, the Company utilized $41,477 of cash in operations (2009 and 2008 - $67,681 and $239,707, respectively). At November 30, 2010, the Company reported a deficit of $26,457,702 and continues to expend cash amounts that exceed revenues. These conditions cast substantial doubt as to the ability of the Company to continue in business and meet its obligations as they come due.

The Company's continuance as a going concern is dependent on the success of the efforts of its directors and principal shareholders in providing financial support in the short term, the success of the Company in raising additional long-term financing either from its own resources or from third parties, and the Company achieving profitable operations. These financial statements do not reflect the adjustments to the carrying values of liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. During fiscal 2010 the Company has fully written off or fully depreciated its remaining balances of accounts receivable and inventory, and capital assets respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Inventories

Inventories are valued at the lower of cost and market value. Cost is determined on a first-in, first-out basis. Periodically the Company evaluates its levels of its inventories for obsolescence and slow-moving products and, where appropriate, books an inventory loss-allowance to write-down its inventory book values to cover anticipated losses.

b) Property and Equipment

Property and equipment are recorded at cost less provision for amortization and impairment where indicated. Amortization is provided over the useful lives of these assets calculated as follows:

Equipment, furniture and fixtures	20% declining basis

c) Foreign Currency Translation

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities of the Company arising in foreign currencies are translated at exchange rates prevailing at the balance sheet date. All other assets, liabilities, revenues and expenses arising in foreign currencies are translated at the exchange rates prevailing at the dates of transactions. The resulting gains or losses on foreign exchange are included in the results of operations for the year.

d) Taxes Payable

Income taxes are recorded using the liability method. Future income and deduction amounts arise due to temporary differences between the accounting and income tax bases of the Company's assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of substantive enactment. Valuation allowances are provided to the extent that realization of such benefits is considered to be more unlikely than not.

e) Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is reasonably assured.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

h) Impairment of Long-lived Assets

Senior management periodically reviews the carrying value of its long-lived assets to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the investment exceeds the estimated fair value which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management will assess if carrying value can be recovered and will provide for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

(Canadian Dollars) Unaudited

3. ACQUISITION OF SUBSIDIARY

Effective December 1, 2010, through a newly incorporated wholly-owned subsidiary, Think & React International Inc., the Company acquired 100% of T&R International B.V. The purchase price consisted of a note payable of $1,500,000. The note is secured on the assets of Think & React International Inc. The note carries interest at 7% payable annually on the anniversary of the acquisition transaction. The note is repayable on the anniversary date unless extended by the parties in writing.

Under CICA Handbook guidelines for determining the cost of the purchase, the cost of the purchase to the acquirer should be determined by the fair value of the consideration given.

In determining the appropriate interest rate the Company considers the characteristics of its other debt instruments, including interest rates, terms, security and amount of the note or loan instruments compared to current market interest rates; based on this the Company believes the appropriate interest rate to be 7%.

At February 28, 2011, the allocation of the purchase price has not been finalized as the current purchase price allocation is absent certain possible fair value adjustments. The following table summarizes the estimated fair value of the net assets acquired at the date of acquisition:

Current assets (including cash $10,368)	$ 7,454,721
Capital assets	1,635,640
Total assets acquired	9,090,361
Less:	
Current liabilities	(4,520,315)
Loan current	(3,070,046)
Net assets acquired	$ 1,500,000
Fair value of consideration paid:	
7% Note Payable	$ 1,500,000
Total purchase consideration	$ 1,500,000

(Canadian Dollars) Unaudited

4. PROPERTY AND EQUIPMENT

	2011 Cost	2011 Accumulated Depreciation	2011 Net Book Value	2010 Net Book Value
Equipment – Vehicles, Hardware & Software development	$ 2,252,245	$ 467,538	$ 1,784,707	$ NIL

5. NOTES PAYABLE

	2011	2010
(i)		
Principal 10% note, secured by general security agreement GSA (Face value of Note $315,000 United States Dollars)	$ 305,991	$ 323,379
Accrued interest – see note 11 subsequent event	340,094	351,335
	646,085	674,714
(ii)		
Principal 7% note, secured by GSA on Think & React International	1,500,000	-
Accrued interest	35,175	-
	1,535,175	-
(iii)		
Advances payable to former shareholder of T&R International BV (see note 3 Acquisition of Subsidiary) unsecured non-interest bearing, demand note. (Face value in Euros).	2,346,777	-
	$ 4,528,037	$ 674,714

(i) – additional information on the 10% notes

a) As the Company has not made timely principal or interest payments, the notes are considered to be in default. Under the terms of the original security agreement, the notes payable shall, at the option of the lenders, become immediately due and payable without notice or demand.

b) During Fiscal 2010, June 22, 2010 and November 19, 2010, certain note holders negotiated debt for equity conversions; whereby approximately $119,000 of unpaid interest was converted in to common shares. The conversion prices ranged from $0.001 to $0.0015 on June 22, 2010 and November 19, 2010 respectively. The total common shares exchanges for the debt of $119,000 were 100,207,225 which represented approximately 98% of the issued and outstanding common shares at November 30, 2010. (See note 7 - Share Capital and note 11 Subsequent Event.)

(Canadian Dollars) Unaudited

6. ADVANCE SHARE SUBSCRIPTIONS

The Company accumulates advances of share subscriptions received under its Regulation "S" offerings until the subject offerings are closed. Under the subscription agreement terms, cash proceeds received are not subject to escrow pending receipt of any minimum proceeds. All cash received by the Company is immediately available for use by the Company. Any subscriptions advanced to the Company are reported as advance share subscriptions until such time as the Company closes off subscriptions and issues the shares.

Balance, November 30, 2007	$ 48,834
Advances	206,924
Issuance of Class "C" common shares	(188,000)
Balance, November 30, 2008	67,758
Advances	34,865
Issuance of Class "C" common shares	(90,000)
Balance, November 30, 2009	12,623
Advances	1,750
Issuance of Class "C" common shares	-
Balance, November 30, 2010 & February 28, 2011	$ 14,373

7. SHARE CAPITAL

Authorized - An unlimited number of Class "C" common shares, having 100 votes per share, with a non-cumulative dividend right of $0.01 per share payable only in the event that the annual dividends required in respect of the senior shares of the Company (including its common shares) have been paid. Each Class "C" share is convertible at the option of the holder into 100 common shares of the Company. In the event of dissolution, these shares are entitled to receive the greater of $0.01 per share or the amounts paid up thereon in priority to the common shares, but are not entitled to share in any further distributions.

Authorized - An unlimited number of common shares with no par value.

(Canadian Dollars) Unaudited

7. SHARE CAPITAL (continued)

b) Issued

Common shares

Outstanding shares at November 30, 2007	2,138,110,914
Share converted from Class "C" common shares	4,059,600,000
Outstanding shares at November 30, 2008	6,197,710,914
Share converted from Class "C" common shares	603,500,000
Outstanding shares at November 30, 2009	6,801,210,914
Share converted from Class "C" common shares	750,900,000
Consolidation 5000:1	(7,550,600,692)
Consolidation true-up	30,444
	1,540,866
Debt conversion (Note ##)	100,215,225
Share converted from Class "C" common shares	282,779
Restricted issue	30,000
Outstanding common shares at November 30, 2010 & February 28, 2011	102,068,870

Class "C" common shares

Outstanding shares at November 30, 2007	21,305,000
Shares issued from treasury	46,600,000
Shares converted into common shares	(40,596,000)
Outstanding shares at November 30, 2008	27,309,000
Shares issued from treasury	60,000,000
Shares converted into common shares	(6,035,000)
Outstanding shares at November 30, 2009	81,274,000
Shares converted into common shares	(7,509,000)
Consolidation 5000:1	(73,750,247)
Total class "C" shares post consolidation	14,753
Shares converted into common shares	(2,515)
Outstanding class "C" common shares at November 30, 2010 & February 28, 2011	12,238

(Canadian Dollars) Unaudited

7. SHARE CAPITAL (continued)

On January 8, 2008, the Company issued 16,600,000 class "C" common shares through a Regulation "S" offering for cash proceeds of $83,000.

On May 23, 2008 the Company issued 30,000,000 class "C" common shares through a Regulation "S" offering for cash proceeds of $105,000.

On June 5, 2009, the Company issued 60,000,000 class "C" common shares through a Regulation "S" offering for cash proceeds of $90,000.

On March 5, 2010, the Company held a special shareholders meeting to consolidate its issued and outstanding shares by 5000 old to 1 new on both common and common class C shares and having received shareholder approval, it filed Articles of Amendment with the Ontario Ministry of Consumer and Business Services pursuant to which the issued and outstanding Common Shares were consolidated on the basis of 5000 old Common Shares for each new Common. The Company had 7,552,096,414 shares of Common Stock issued and outstanding which has been consolidated into 1,510,422 new shares of Common Stock. The Company declared that shareholders of record on June 16, 2010 will have their shares of Common Stock consolidated as indicated and shareholders will be advised as to the procedures for submission of their old Common Shares for consolidation into the new Common Shares. No fractional shares of the Company will be issued in connection with the consolidation. A shareholder entitled to receive a fraction of a share upon consolidation will receive the number of shares rounded up to the nearest whole number. Further The Company has of the record date of February 3, 2010 72,960,036 Class C common shares issued and outstanding which has been consolidated into 14,753 new Class C Common Shares. The Company declared that shareholders of record on February 3, 2010, will have their shares of Class C Common shares consolidated as indicated and shareholders will be advised as to the procedures for submission of their old Class C Common Shares for consolidation into the new Common Shares. No fractional shares of the Company will be issued in connection with the consolidation. A shareholder entitled to receive a fraction of a share upon consolidation will receive the number of shares rounded up to the nearest whole number.

8. INCOME TAXES

The Company has tax non-capital loss carry-forwards of approximately $2,096,000. If unused, the tax losses will expire approximately as follows:

2014	398,000
2015	499,000
2026	545,000
2027	210,000
2028	421,000
2030	23,000

(Canadian Dollars) Unaudited

8. INCOME TAXES (continued)

The Company's computation of income taxes is as follows:

	2011	2010
Loss before income taxes	$ 724,387	$ (5,815)
Statutory income tax rate	18.5%	34%
Income tax recovery at statutory rate	130,390	(1,977)
Timing differences	(27,327)	-
Valuation allowance	-	1,977
Income tax expense	$ 103,063	$ -

9. COMPARATIVE FIGURES

Prior year figures have been reclassified, where necessary, to conform to the current financial statement presentation.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

In management's opinion, the carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of long-term debt approximates fair value as the interest rates on these instruments are similar to rates estimated to be currently available for instruments of similar terms and maturities.

Interest Rate Risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates on any short-term investments. Management is of the opinion that the Company is not exposed to significant interest rate risks in respect of these instruments due to their short maturities.

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not use forward or derivative instruments to mitigate the possible adverse effects of foreign exchange fluctuations.

11. SUBSEQUENT EVENT

In March 2011, the Company completed equity for debt exchange on the 10% notes; 87,100,000 common shares were issued in 'payment' of accrued interest and principal payable on the notes of $87,100.