

OTC MARKETS GROUP

**ITONIS INC.**  
**(A NEVADA COMPANY)**

**QUARTERLY REPORT**

As of February 29, 2012

*All information in this information and disclosure Statement has been compiled to fulfill the disclosure requirements of rule 15c2-11 (a) promulgated under the Securities and Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format set forth in the rule.*

*No Dealer, salesmen or any other person has been authorized to give any information, or to make any representations, not contained herein in connection with the issuer. Such information or representations, if made, must not be relied upon as having been authorized by the issuer, and:*

*Delivery of this information file does not any time imply that the information contained herein is correct as of any time subsequent to the date first written above.*

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*The undersigned hereby certifies that the information herein is true and correct to the best of their knowledge and belief.*

*Date: June 12, 2012*

*ITONIS, INC.*

*By: /s/ Mark Cheung*  
*Name: Mark Cheung*  
*Position: President*  
*Phone: (949) 200-8887*  
*Email: mark@itonisholdings.com*  
*Web Page: www.itonisholdings.com*

## CONTINUING DISCLOSURE STATEMENT

\*THIS STATEMENT HAS NOT BEEN FILED WITH THE NASD OR ANY OTHER REGULATORY AGENCY

**Item (1):**        **The exact name of the issuer and the address of its principal executive offices.**

**A.     The exact name of the issuer and its predecessor, if any:**

*The exact name of the Issuer is Itonis, Inc.*

*Name Change history:*

- *Itonis, Inc. as of December 2, 2005*
- *Kenchou, Inc. as of July 5, 2005*

**B.     The address of its principal executive offices:**

*98 Discovery, Irvine, CA 92618*

*Phone: (949) 200-8887*

*Email: [mark@itonisholdings.com](mailto:mark@itonisholdings.com) Website: [www.itonisholdings.com](http://www.itonisholdings.com)*

**Item (2):**        **The exact title and class of securities outstanding.**

Security Symbol:	ITNS
CUSIP Number	465733103
Common Stock:	300,000,000 authorized
Preferred Stock:	5,000,000 authorized

NO CUSIP number for the preferred.

**The number of shares or total amount of the securities outstanding for each class of securities authorized:**

*Period end date: February 29, 2012*

*Authorized Shares: 300M Common Shares, 5M Preferred Shares*

*Outstanding Shares: 293,829,460 Common Shares, 0 Preferred Shares*

*Public Float: 29,066,067*

*Number of Beneficial Shareholders: Approx 2*

*Total number of Shareholders: 651*

*Period end date: February 29, 2011*

*Authorized Shares: 300M Common Shares, 5M Preferred Shares*

*Outstanding Shares: 244,747,133 Common Shares, 0 Preferred Shares*

*Public Float: 29,066,067*

*Number of Beneficial Shareholders: Approx 1*

*Total number of Shareholders: 649*

**Item (3):**        **Interim Financial Statements**

- (i) The interim financial statements are attached at the end of the Quarterly Update.

(ii) The following interim financial statements are attached

- Balance Sheet for February 29, 2012 and February 28, 2011
- Statement of Income for the Quarters ending February 29, 2012 and February 28, 2011
- Statement of cash flows for the Period ended February 29, 2012 and February 28, 2011
- Statement of changes in stockholders' equity as of February 29, 2012
- Financial Notes as of February 29, 2012

**Item (4): Management's Discussion and Analysis of Plan of Operation**

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

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto included in this report. The statements contained in this report that are not purely historical are forward-looking statements which would include, but not be limited to, statements regarding our expectations, hopes, intentions or strategies regarding the future. Forward-looking statements include statements regarding: future product or product development; future research and development spending on our product development strategies, and are generally identifiable by the use of the words "may", "should", "expect", "anticipate", "estimates", "believe", "intend", or "project" or the negative thereof or other variations thereon or comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements (or industry results, performance of achievements) expressed or implied by these forward-looking statements to be materially different from those predicted. The factors that could affect our actual results include, but are not limited to, the following: general economic and business conditions, both nationally and in the regions in which we operate; competition' changes in business strategy or development plans; our inability to retain key employees; our inability to obtain sufficient financing to continue to expand operations; and changes in demand for products by our customers.

**Plan of Operation:**

Itonis, Inc. was originally incorporated in 2005 under the name of Kenshou, Inc. Later that year in December of 2005, the company changed its name to Itonis, Inc.

The Company has focused its acquisition efforts in the scientific technology sector.

On September 1, 2011 Itonis entered into a Memorandum of Understanding with Paramount Discoveries, Inc., with the definitive Purchase Agreement (the "Agreement") having been executed on November 4, 2011.

With the signing of this Agreement, the Company is executing its new business direction. The technology behind Paramount Discoveries, Inc. ("PDI") has demonstrated high-revenue potential through its discovery of electro-magnetic frequency technologies that enable unprecedented processes through the ability to magnetize carbon, salt, and silver. The ability to magnetize carbon, salt, and silver is expected to enhance countless industrial, agricultural, and manufacturing processes with more efficient and environment-friendly applications. PDI is currently developing and making available its technologies for immediate licensing with the anticipation of achieving robust revenues and substantial returns to its shareholders. The Company acquired PDI through a share exchange arrangement without incurring any financing

debt. This transaction will be consummated when the Company is able to sufficiently increase the number of authorized shares to enable it to complete the transaction

The Company continues to seek out and acquire other high growth businesses to deliver returns to shareholders by seeking out and acquiring additional profit opportunities with minimal debt requirements.

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

On November 4, 2011, Itonis, as discussed above, entered into a Stock Purchase and Acquisition Agreement with Stuart Robbins and Paramount Discoveries, Inc. for the acquisition of Paramount Discoveries Inc. and its technology to magnetize and control elements for extraction that is applied to ore. This technology is being readied for licensing. The terms of the agreement are as follows:

- 1) Paramount Discoveries, Inc. will be acquired by Itonis Holdings, Inc., a wholly owned subsidiary of Itonis. Itonis Holdings, Inc. will hold 100% of Paramount.
- 2) Itonis, Inc. will issue 32 million restricted ITNS shares to Stuart Robbins upon increasing the number of authorized shares.
- 3) Stuart Robbins assigns all rights to his electrical frequencies technology for Carbon, Silver, and Salt to Paramount Discoveries.
- 4) A management agreement will be structured for Stuart Robbins to be the day-to-day manager for Paramount Discoveries.

#### Shell Status

The Company is a development stage company and not a shell company. Any prior statements to the contrary were incorrect. Pursuant to the financial information disclosed, the Company has continually maintained at least minimal operations. A declaration to that affect by one of the prior CEO's and Chairman is included as "Exhibit I".

#### Results of Operations:

Itonis is a development stage company. The operating expenses occurred during the three month period ended February 29, 2012 relate to due diligence fees on prior and current acquisitions as well as accounting and legal fees. A portion of the accounting fees is for the retention of an audit firm to commence the audit of the company's books and records. The operating expenses are somewhat higher than the prior year which consisted of consulting fees in maintaining the operations of the company.

#### Subsequent Events:

The Company has announced that it has developed a web portal for mobile and light computer applications under a to-be-activated AppRockets.com website. The Company developed AppRockets internally which is being readied for launch to the general public. Meanwhile, the Company continues to pursue and finalize a rare earth metal project.

On May 25, 2012, ten shareholders of record holding over 50% of the issued and outstanding shares of the Company approved the increase in authorized shares from 300,000,000 to 1,000,000,000 shares.

On June 4, 2012, the Board of Directors on the Company approved the issuance of a Series A preferred shares which provides voting rights equal to the greater of (i) One Thousand (1,000) votes for each share of Series A Preferred Stock or (ii) the number of votes equal to the number of all outstanding shares of Common Stock, plus one additional vote such that the holders of Series A Preferred Stock shall always constitute a majority of the voting rights of the Corporation.

#### **Off-Balance Sheet Arrangements**

*There are no off balance sheet arrangements.*

#### **Item (5):                    Legal Proceedings**

First Capital filed a claim against Itonis in Miami Dade County, Florida on January 12, 2012 for breach of contract relating to an agreement entered into for shareholder relations. Itonis was not served and therefore did not respond. A default judgment was entered into against Itonis on March 6, 2012. Itonis is reviewing its options in this matter.

#### **Item (6):                    Default on senior securities**

None

#### **Item (7):                    Other Information**

None

#### **Item (8):                    Exhibits**

See Item (1)

#### **Item (9):                    Issuer's Certificate**

**I, Mark Cheung, certify that:**

1, I have reviewed this quarterly disclosure statement of Itonis, Inc.

2, Based upon my knowledge, this disclosure statement does not contain an 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 disclosure statement, and

3, Based upon my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement

June 12, 2012

/s/ Mark Cheung

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Mark Cheung  
President

**I, Donald Jolly, certify that:**

1, I have reviewed this quarterly disclosure statement of Itonis, Inc,

2, Based upon my knowledge, this disclosure statement does not contain an 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 disclosure statement, and

3, Based upon my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement

June 12, 2012

/s/ Donald Jolly

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Donald Jolly  
Chief Financial Officer

**Itonis Inc.**  
**(formerly "Kenshou Inc.")**

**Financial Statements and Footnotes**  
**Quarter Ended**  
**February 29, 2012**

**Itonis Inc.**  
**(formerly "Kenshou Inc.")**  
**Balance Sheets**

**Three Months Ended Fiscal Year Ended**  
**February 29, 2012    November 30, 2011**

**Assets**

**Current assets**

Cash	\$ 264	\$ 2,418
Prepaid expenses	97,200	6,185
<b>Total current assets</b>	<b>97,464</b>	<b>8,603</b>

Paramount Acquisition	239,280	
Other Assets	2,412	-

<b>Total assets</b>	<b>\$ 339,156</b>	<b>\$ 8,603</b>
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**Liabilities and stockholders' equity (deficit)**

**Current liabilities**

Accounts payable and accrued liabilities	\$ 132,799	\$ 125,846
Accounts payable - related parties	51,844	31,255
Share liabilities	872,747	1,177,389
Advances	32,000	32,000
Income taxes payable	1,600	1,600
<b>Total current liabilities</b>	<b>1,090,990</b>	<b>1,368,090</b>

<b>Total liabilities</b>	<b>1,090,990</b>	<b>1,368,090</b>
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**Stockholders' deficit**

Preferred stock; no par; \$ .001 par; 5,000,000 authorized	-	-
Common stock; \$ .001 par; 300,000,000 authorized; 293,829,460 and 244,747,133 issued and outstanding for the periods ended February 28, 2012 and November 30, 2011	293,830	251,130
Additional paid-in capital	5,334,085	4,960,665
Accumulated deficit	(5,157,971)	(5,157,971)
Accumulated deficit during the development stage	(1,221,778)	(1,413,311)
<b>Total stockholders' deficit</b>	<b>(751,834)</b>	<b>(1,359,487)</b>

<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 339,156</b>	<b>\$ 8,603</b>
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The accompanying notes are an integral part to these financial statements.

Itonis Inc.  
(formerly "Kenshou Inc.")

Statements of Operations

	Three Months Ended February 29, 2012	Three Months Ended February 28, 2011
Revenues	\$ -	\$ -
Operating expenses		
Legal and professional fees	9,600	0
Public company expenses	12,015	0
General and administrative	109,804	0
Total operating expenses	131,419	0
Interest expense	810	0
Change in fair value of share liabilities	323,762	0
Net income before taxes	191,533	0
Income tax expense	0	0
Net income	\$191,533	\$0
Basic and diluted loss per common sha	\$0	\$0
Basic and diluted weighted average common shares	272,857,703	244,747,133

The accompanying notes are an integral part to these financial statements.

Itonis Inc.  
(formerly "Kenshou Inc.")

Statements of Cash Flows

	Three Months Ended	Three Months Ended
	February 29, 2012	February 28, 2011
Cash flows from operating activities:		
Net income	\$ 191,533	\$ -
Adjustments to reconcile net loss to net		
Changes in operating assets and liabilities:		
Stock commitment for services	(129,600)	-
Changes in operating assets and liabilities		
Increase in other receivables	(91,015)	
Increase in other assets	(2,412)	
Increase in accounts payable	6,953	
Increase in accounts payable related party	20,589	
Decrease in share liability	(304,642)	-
Increase in taxes payable	-	-
Net cash used in operating activities	<u>(308,594)</u>	<u>-</u>
Cash flows from financing activities:		
Commitment to issue common stock	<u>129,600</u>	<u>-</u>
Net cash provided by financing activities	<u>129,600</u>	<u>-</u>
Net Change in Cash	(178,994)	
Cash, beginning of period	<u>2,418</u>	<u>-</u>
Cash, end of period	<u>\$ (176,576)</u>	<u>\$ -</u>
Supplementary disclosure of cash flow information:		
Cash paid for interest	<u>\$ 810</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>
Stock issued for services	<u>\$ 44,130</u>	<u>\$ -</u>
Issuance of shares reducing share liability	<u>\$ 176,840</u>	<u>\$ -</u>
Deposit on Paramount acquisition	<u>\$ 239,820</u>	<u>\$ -</u>

The accompanying notes are an integral part to these financial statements.

Itonis Inc.  
Statement of Stockholders' Deficit

	Preferred Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Development Stage	Accumulated During	Total Stockholders' Deficit
Balance as of November 30, 2011	\$ -	251,130,230	\$ 4,960,665	\$ (5,157,971)	\$ (1,413,311)	\$	(1,359,487)
Shares issued for share liability		38,700,000	138,140				176,840
Deposit on Paramount acquisition		4,000,000	235,280				239,280
Net income for the period						191,533	191,533
Balance as of February 29, 2012	\$ -	293,830,230	\$ 5,334,085	\$ (5,157,971)	\$ (1,221,778)	\$	(751,834)

The accompanying notes are an integral part to these financial statements.

**Itonis Inc.**  
**(Formerly "Kenshou Inc.")**  
**Notes to the Financial Statements**  
**(unaudited)**

1. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT POLICIES

Description of Business – Itonis Inc. (formerly Kenshou Inc.) (the "Company" or "Itonis") was incorporated on July 5, 2005 as Kenshou Inc. under the laws of the State of Nevada. On December 2, 2005, the Company changed its name to Itonis Inc.

The Company operates as a holding company and had undergone a transformation in 2011 to embark upon an aggressive plan to acquire high growth entrepreneurial companies that have established or are expected to establish themselves as leaders and successful enterprises in the scientific technology sector.

The Company appointed a new board of directors and a new slate of officers and transferred its headquarter office to Orange County, California.

Development Stage Reporting - During 2006 and 2007, the company acquired a wholly owned Czech subsidiary and began promoting the Itonis CZ solution, a video distribution tool. The Company had revenue of \$231,000 of revenue through November 30, 2007. In December 2007, continuing its promotion of the video tools, the Company began marketing video distribution exclusively in China and signed several different agreements including Joint Cooperation Agreement with Pilot Media, the acquisition of Aquos Media Limited, and an acquisition agreement with Beijing Tuo Culture Development Ltd. During fiscal 2008, the Company did not execute all the terms of the agreement with Pilot Media and Aquos Media and did not pursue its business opportunities in China and discontinued its promotion of the video products.

Current management reviewed the activities during 2007 and determined that the Company had commenced operations on its video products and exited the development stage during 2007 and should have begun reporting as a commercial enterprise after that date.

During fiscal 2010 and 2011, Company's management changed the name Company to Itonis and management began the process and raising capital and pursuing new businesses for the Company. Because the Company has no significant business operations during this period, it was determined that the Company had re-entered the development stage and resumed reporting as a development stage enterprise. Operations prior to December 1, 2010 are reported on fully operating basis and results are included as accumulated deficit through that date on the balance sheet. Activities subsequent to December 1, 2010 are reported as development stage activities and prior activities have been reported as historical operating activity. These activities are included in "Accumulated deficit" and "Deficit accumulated during development stage" on the balance sheet.

Going Concern - The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of November 30, 2011 the Company has incurred cumulative net losses of \$6,379,750. Under current operations the Company requires capital for its operational and marketing activities to take place. The Company's ability to raise additional capital through the future issuances of common stock is unknown. The obtainment of additional

**Itonis Inc.**  
**(Formerly "Kenshou Inc.")**  
**Notes to the Consolidated Financial Statements**  
(unaudited)

1. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT POLICIES (Continued)

financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the company cannot continue in existence.

Use of Estimates and Assumptions - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - These financial statements present the consolidated balance sheets and the related statements of operations, cash flows and stockholders' equity (deficit) of Itonis Inc.

Cash and Cash Equivalents - For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The carrying value of these investments approximates fair value.

Accounts Payable related parties- Amounts have been advanced by related parties to fund the operations of the Company. The advances are non-interest bearing, unsecured, and due on demand.

Share liabilities - The Company is contractually obligated to issue 14,488,571 more shares than it currently has authorized. The values of these shares were originally recorded at their fair market value to determine the cost basis of the underlying transaction. The share liabilities are revalued at the end of each reporting period and the liabilities are adjusted to reflect current market value. The change in fair value is reflected separately in the Company's Statement of Operations.

Advances Payable- The Company received a short-term cash advances as part of a transaction to provide consulting services. The advance is non-interest bearing, unsecured, and due on demand.

Income Taxes - The Company accounts for its income taxes in accordance with FASB Codification Topic ASC 740-10, "Income Taxes", which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry-forwards. 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

**Itonis Inc.**  
**(Formerly “Kenshou Inc.”)**  
**Notes to the Consolidated Financial Statements**  
(unaudited)

1. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT POLICIES (Continued)

expected to be recovered or settled. 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.

Earnings (loss) Per Share - The Company reports earnings (loss) per share in accordance with FASB Codification Topic ASC 260-10 “*Earnings Per Share*”, Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed exercise of options and warrants to purchase common shares (common stock equivalents) would have an anti-dilutive effect.

Financial Instruments - The fair value of the Company’s financial assets and financial liabilities approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Impairment of Intangible Assets- Intangible assets are carried at their cost less impairment. Impairment is tested using a discount cash flow approach. Impairment is tested on an annual basis during the 4<sup>th</sup> quarter of the fiscal year.

Subsequent Events – The Company has evaluated all potential significant events through June 6, 2012, the date of this report.

Fiscal Periods – The Company’s fiscal year-end is November 30.

Recent Accounting Pronouncements –

In June of 2011, the Financial Accounting Standards Board (“FASB”) issued ASU (“Accounting Standards Update”) No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” The amendments in this ASU require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2011, with early adoption permitted. In December of 2011, the FASB

completed this project with the issuance of ASU No. 2011-12, “Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of

**Itonis Inc.**  
**(Formerly "Kenshou Inc.")**  
**Notes to the Consolidated Financial Statements**  
(unaudited)

1. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT POLICIES (Continued)

Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." This project was the first of two phases regarding presentation requirements for items reclassified out of accumulated other comprehensive income. The FASB will reconsider those presentation requirements currently deferred by Update No. 2011-12 in phase two of the project, "Presentation of Reclassifications from Accumulated Other Comprehensive Income." We adopted the provisions of Update No. 2011-05 in the fourth quarter of 2011.

In May of 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and disclosure Requirements in U. S. GAAP & IFRS," which results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The future adoption of ASU 2011-04 is not expected to have a material impact on our consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-17, "Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition" (codified within ASC 605 - Revenue Recognition). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. ASU 2010-17 is effective for interim and annual periods beginning after June 15, 2010. The adoption of ASU 2010-17 is not expected to have any material impact on our financial position, results of operations or cash flows.

2. RELATED PARTY TRANSACTIONS

Management of the Company has made non-interest bearing, unsecured, due on demand cash advances to the Company and has accrued amounts due an officer for services totaling \$ 51,844 and \$31,255 as of February 29, 2012 and November 30, 2011, respectively. Also included in share liabilities are amounts due officers under a share compensation agreement which calls for the issuance of 64,000,000 shares with a value of \$398,160 which are earned over periods which range from 18-19 months. As of 11/30/11, 47,824,562 of these shares representing \$280,140 in compensation have been earned. The Company does not currently have sufficient authorized shares to satisfy these obligations; the fair values of these shares have been accrued as share liabilities.

**Itonis Inc.**  
**(Formerly "Kenshou Inc.")**  
**Notes to the Consolidated Financial Statements**  
(unaudited)

3. STOCKHOLDERS' DEFICIT

**Preferred Stock:**

The Company has authorized 5,000,000 shares of preferred stock none of which are issued and outstanding as of November 30, 2011.

**Common Stock:**

The Company has authorized 300,000,000 shares of common stock of which 293,829,640 and 244,747,133 are issued and outstanding as of February 29, 2012 and November 30, 2011, respectively. The Company is contractually obligated to issue 16,888,571 more shares than it has in the treasury. The values of these obligations, which total \$ 983,227, are reflected in current liabilities. The Company intends to satisfy these obligations by issuing common stock at such time as it can sufficiently increase the number of authorized common shares.

The Company committed to the issuance of 2,400,000 additional shares during the quarter ended February 29, 2012.

4. AGREEMENT TO ACQUIRE PARAMOUNT DISCOVERIES, INC.

The Company entered into an agreement to acquire 100% interest in Paramount Discoveries, Inc. for 32,000,000 shares of common stock on November 4, 2011. Paramount Discoveries, Inc. is a scientific research company originally founded in 1995 that has developed a proprietary technology that can stimulate magnetism in several common natural elements and minerals. This transaction will be consummated when the Company is able to sufficiently increase the number of authorized shares to enable it to complete the transaction

5. SUBSEQUENT EVENTS

On May 25, 2012, shareholders of record holding over 50% of the issued and outstanding shares of the Company approved the increase in authorized shares from 300,000,000 to 1,000,000,000 shares.

On June 4, 2012, the Board of Directors on the Company approved the issuance of a Series A preferred shares which provides voting rights equal to the greater of (i) One Thousand (1,000) votes for each share of Series A Preferred Stock or (ii) the number of votes equal to the number of all outstanding shares of Common Stock, plus one additional vote such that the holders of Series A Preferred Stock shall always constitute a majority of the voting rights of the Corporation.