

Alterrus™

Alterrus Systems Inc. (formerly Valcent Products Inc.)

Annual Information Form For the Year Ended March 31, 2012

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ITEM 1: ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form (“AIF”) contains forward-looking information and statements including opinions, assumptions, estimates and expectations of future production, cash flows and exploration results. Forward-looking statements include information that does not relate strictly to historical or current facts. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “intent”, “may”, “project”, “plan”, “potential”, “should” and similar expressions are intended to be among the statements that identify forward-looking statements.

Forward-looking statements are not guarantees of future performance and are subject to a wide range of known and unknown risks and uncertainties, and although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results, future actions, conditions or events to differ materially from those in the forward-looking statements, including, but not limited to, the volatility of oil and gas prices, the ability to implement corporate strategies, the state of domestic capital markets, the ability to obtain financing, changes in oil and gas acquisition and drilling programs, operating risks, production rates, reserve estimates, changes in general economic conditions, and other factors. Undue reliance should not be placed on forward looking statements as the Company can give no assurance that they will prove to be correct.

The forward-looking statements contained in this AIF are made as of the date hereof. While the Company acknowledges that subsequent events and developments may cause the views expressed herein to change, the Company has no intention and undertakes no obligation to update, revise or correct such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities law.

The Company believes that the expectations reflected in the forward-looking statements and information contained herein are reasonable, but no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct and such forward-looking statements and information included in this document should not be unduly relied upon. The forward-looking information included herein represents the Company’s views as of the date of this document and such information should not be relied upon as representing the Company’s views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, these factors are not intended to represent a complete list of the factors that could affect us and there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

ITEM 2: CURRENCY

Unless specifically stated otherwise all dollar amounts set forth in this AIF are in United States Dollars.

**Exchange Rates (CDN to 1 USD)
For the five most recent years ended March 31,
calculated on the average of 12 month end
closing days**

March 31, 2012	\$ 0.9357
March 31, 2011	\$ 0.9850
March 31, 2010	\$ 0.9219
March 31, 2009	\$ 0.8969
March 31, 2008	\$ 0.9708

Exchange Rates (CDN to 1 USD) for eight most recent months	Period High	Period Low
July 23, 2012	\$ 0.9966	\$ 0.9793
June 2012	\$ 0.9816	\$ 0.9601
May 2012	\$ 1.0168	\$ 0.0971
April 2012	\$ 1.0194	\$ 0.9966
March 2012	\$ 1.0072	\$ 0.9982
February 2012	\$ 1.0075	\$ 0.9992
January 2012	\$ 0.998	\$ 0.9717
December 2011	\$ 0.9902	\$ 0.9626
November 2011	\$ 1.0032	\$ 0.9534

Exchange Rate (CDN to 1 USD) July 30, 2012: \$0.9965

ITEM 3: CORPORATE STRUCTURE

Operating Offices

Our principal executive offices are located at 120 Columbia Street, Vancouver, British Columbia, Canada V6A 3Z8. Our telephone number is (604) 837-2697.

On November 16, 2007, our wholly owned subsidiary, Valcent Products EU Limited leased office and development space in Launceston, Cornwall, UK, under a ten-year lease beginning November 15, 2007 and ending on November 15, 2017 at a quarterly cost of GB£12,550 (\$20,997). Subsequent to the year ended March 31, 2012, the Company entered into an agreement with a company controlled by a former director of the Company (collectively referred to as “GBS”). Under this agreement GBS would assume all past and present obligations and liabilities including but not limited to all the past due rent under the Company’s lease in Launceston, Cornwall, UK. In addition, GBS has entered into a new lease for these premises. For this arrangement, the Company agreed to pay GBP 5,000 and a right to an exclusive territory within the UK.

The Company previously acquired approximately six acres of land in El Paso, Texas for \$275,240. During the year ended March 31, 2011, the Company decided to sell its property and remaining equipment in El Paso, Texas. In October 2010, the Company stopped amortizing these assets and classified these assets as assets held for sale. As at March 31, 2012, assets held for sale totaled \$433,254 (Land \$245,485 and Building \$187,769). The Company is still actively searching for a buyer of the land and building and expects to sell the assets held for sale within the next twelve months.

Prior Business Operations

We were incorporated in accordance with the provisions of the Business Corporations Act (Alberta) on January 19, 1996, as 681673 Alberta Ltd., later changed to Ironclad Systems Inc. Beginning in 1996, following the completion of a public offering, the Company’s common shares began trading as a junior capital pool company on the Alberta Stock Exchange (later becoming part of the Canadian Venture Exchange, which was thereafter acquired and renamed the TSX Venture Exchange). On March 24, 2004, the changed the Company’s name to Valcent Products Inc. On May 3, 2005 the Company delisted the Company’s common stock from the TSX Venture Exchange, maintaining only the Company’s OTC Bulletin Board listing; the Company’s symbol changed to “VCTPF”.

The Company formed a wholly-owned Nevada corporation, Valcent USA, Inc. to conduct operations in the United States in October 2005. In turn, Valcent USA, Inc. organized Valcent Management, LLC, a wholly-owned limited liability corporation under the laws

of Nevada, to serve as general partner to Valcent Manufacturing Ltd.; a limited partnership also formed by Valcent USA, Inc., under the laws of Texas, wherein Valcent USA, Inc. serves as limited partner to Valcent Manufacturing Ltd.

Also during the fiscal year ended March 31, 2007, Valcent Products EU Limited (“Valcent EU”) was incorporated by Valcent Products Inc. in the domicile of England to conduct operations in Europe. Valcent Products EU Limited has developed and commercialized the Company’s VertiCrop™ vertical growing technology.

On May 5, 2008, Vertigro Algae Technologies LLC, a Texas limited liability corporation, was formed as a 50% owned subsidiary of each of Valcent, USA Inc. and Global Green Solutions Inc. to develop algae related technologies. To concentrate on its core vertical plant growing technologies, during July, 2010, Valcent Products Inc. and its subsidiary Valcent USA and Global Green Solutions Inc., Inc. agreed to the wind-up and dissolution of Vertigro Algae Technologies LLC, through which they had jointly pursued development of algae related research and development projects.

The shareholders of the Company approved a special resolution on June 22, 2009 to reorganize the capital structure of the Company through a consolidation of its common shares on the basis of one new share for each eighteen (1:18) old shares. This share consolidation became effective July 16, 2009. Also effective July 16, 2009, Valcent’s trading symbol changed to “VCTZF”. Unless otherwise noted, all references to the number of common shares and/or prices(s) per share are stated on a post-consolidation basis.

Current Corporate Focus - The current business activity of Alterrus Systems Inc. (formerly Valcent Products Inc.) is to focus on the continued development, marketing and operation of the Company’s High Density Vertical Growth System, “VertiCrop™”.

The VertiCrop™ System is designed to grow vegetables, herbs and other leafy plant crops much more efficiently and with greater food value than in agricultural field conditions. The VertiCrop™ system is enabled by high contribution margins, and by existing market price premiums commanded by year round, locally grown, pesticide, herbicide free produce. The VertiCrop™ system’s small footprint and high yield enable market expansion into previously under addressed urban and near urban marketplaces.

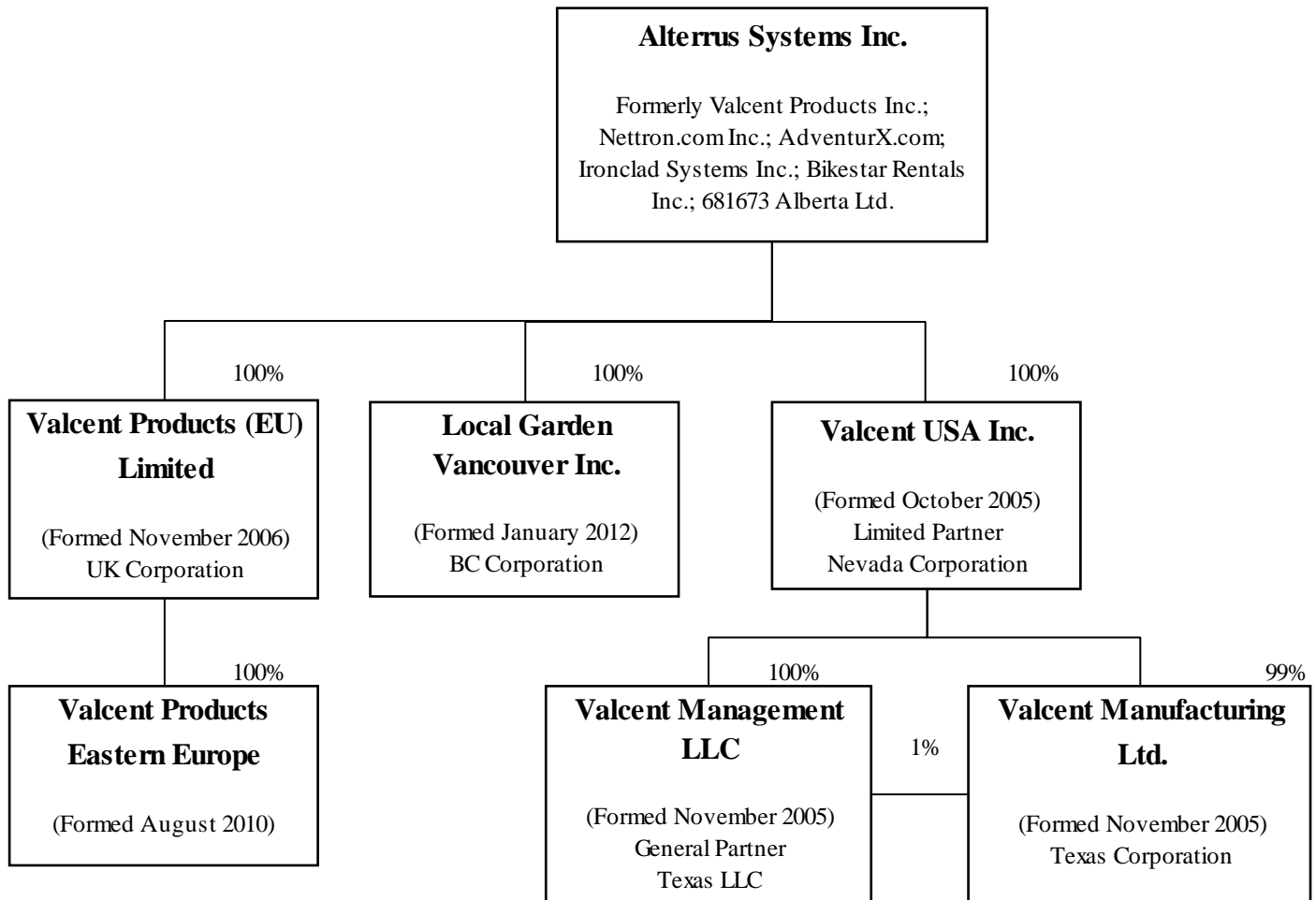
On January 27, 2012 the Company incorporated a wholly owned subsidiary Local Gardens Vancouver Inc. to operate and install the Company’s first commercial VertiCrop™ system.

On June 8, 2012, the Company changed its name from Valcent Products Inc. to Alterrus Systems Inc. The common shares began trading under the new name at market open on June 12, 2012. The new trading symbol of the Company is ASIUF with a new CUSIP number of 02153P105. The Company’s website is www.alterrus.ca.

On July 26, 2012, the Company’s common shares commenced trading in US dollars on the Canadian National Stock Exchange (“CNSX”) under the symbol of ASI.U.

Organizational Structure

The following organizational chart sets forth the Company's current corporate structure and reflects subsidiary interests relating to the Company's various entities as at March 31, 2012.



Alterrus Systems Inc. (formerly Valcent Products Inc.) formed a wholly-owned Nevada corporation, Valcent USA, Inc. to conduct a range of business development initiatives in the United States in October 2005. In turn, Valcent USA, Inc. formed Valcent Management, LLC, as a wholly-owned limited liability corporation under the laws of Nevada to serve as the general partner to Valcent Manufacturing Ltd. A limited partnership was also formed by Valcent USA, Inc. under the laws of Texas, wherein Valcent USA, Inc. serves as limited partner to Valcent Manufacturing Ltd.

Valcent Products EU Limited was incorporated in the domicile of England in November 2006 as a wholly owned subsidiary of Valcent Products Inc. to develop and sell vertical plant growing systems in Europe. During August 2010 Valcent Products EU Limited incorporated a wholly-owned subsidiary Valcent (EU) Eastern Europe in Poland.

Vertigro Algae Technologies, LLC, a Texas Limited Liability Corporation was formed in May 2008 as a 50% owned subsidiary to each of Valcent, USA Inc. and Global Green Solutions Inc. to develop algae related technologies. During July, 2010, Valcent Products Inc. and its subsidiary Valcent USA and Global Green Solutions Inc., Inc. agreed to the wind-up and dissolution of Vertigro Algae Technologies LLC, through which they had jointly pursued development of algae related research and development projects.

On January 27, 2012, Alterrus Systems Inc. incorporated a wholly owned subsidiary Local Garden Vancouver Inc. to operate the Company's first commercial VertiCrop™ System.

ITEM 4: GENERAL DEVELOPMENTS

The Company is in the business of developing, selling and operating world-leading vertical farming solutions primarily through its high density vertical growing systems named VertiCrop™. The Company's focus is primarily on:

- (i) the development and commercialization of Alterrus' "High Density Vertical Growth System" ("VertiCrop™") designed to produce vegetables and other leafy produce,
- (ii) developing the first North American installation of Alterrus' VertiCrop™ system

As at July 30, 2012, 94,986,003 common shares, without par value, issued and outstanding at March 31, 2012, and 95,816,003 common shares, without par value, issued and outstanding as of.

From inception we have generated minimal cost recoveries from the Company's business operations and have traditionally met the Company's ongoing obligations by raising capital through external sources of financing, such as private placement, convertible notes, demand and promissory notes, and director and shareholder advances.

At present, we do not believe that Valcent's current financial resources are sufficient to meet the Company's working capital needs in the near term or over the next twelve months and, accordingly, we will need to secure additional external financing to continue the Company's operations. We anticipate raising additional capital through further private equity or debt financings and shareholder loans. If we are unable to secure such additional external financing, we may not be able to meet the Company's obligations as they come due or to fully implement the Company's intended plan of operations, as set forth below, raising substantial doubts as to the Company's ability to continue as a going concern.

The Company's plan of operations over the course of the next twelve months, subject to adequate financing, is to focus on the continued development and marketing of the Company's VertiCrop™ vertical plant growing systems.

ITEM 5: BUSINESS DESCRIPTION AND RISK FACTORS

Business Overview

The Company is in the business of developing, selling and operating world-leading vertical farming solutions primarily through its high density vertical growing systems named VertiCrop™.

The Company has created an innovative, highly efficient and streamlined system that provides cost effective solutions for crop production, with significant operating and capital cost savings over traditional field agriculture. The VertiCrop™ system will enable users to create revenue-generating space on underdeveloped/underused property, and to also restructure their supply chain

VertiCrop™ is a patent pending technology comprised of a suspended tray on a moving conveyor. VertiCrop™ provides maximum exposure to light (either natural or artificial), along with precisely measured nutrients for the plants. Designed to grow in a closed loop and controlled environment, VertiCrop™ eliminates the need for harmful herbicides and pesticides, while maximizing food taste and nutrition. Developed over several years by the Company, VertiCrop™ grows higher quality produce much more efficiently and with greater food value, when compared to commercial field agricultural.

- Specially designed trays suspended from overhead track.
- Closed loop conveyor passing through feeding stations which provide water and nutrients.
- Supplementary lighting to enhance growth and provide for year round production.
- Even airflow over the plants and equal exposure to light.
- Water and nutrient run-off from the feeding station is captured and recycled.
- Conducive to optimum workflow – the crop comes to the crop worker.
- Can operate in closed and greenhouse application.

From inception we have generated minimal cost recoveries from the Company's business operations and have traditionally met the Company's ongoing obligations by raising capital through external sources of financing, such as private placement, convertible notes, demand and promissory notes, and director and shareholder advances.

As at March 31, 2012, the Company had cash and cash equivalents of \$443,342 and is actively pursuing the sale of certain assets for proceeds above their carrying value of \$433,254. Subsequent to year end, the Company was able to raise an additional \$1,750,000 through an unsecured convertible debenture, facility agreement and operating line of credit to support operations and the construction of commercial VertiCrop System in downtown Vancouver. Although the Company has successfully raised funds in the past and expects to be a going concern for the next twelve months. Further financing will be required for operations beyond the next twelve months. While there is no assurance these funds can be raised, the Company believes such financing will be available as required.

Over the last 18 months new management has shifted the Company's focus from being a research and development Company to marketing, operating and commercializing the Company's VertiCrop™ System.

Potential Markets – High Density Vertical Growth System for Vegetables: Vertical growing systems have been proposed as possible solutions for increasing urban food supplies while decreasing the ecological impact of farming, and as a result, we expect the technology to compete with traditional growing techniques. Vertical growing, hydroponics and greenhouse production have yet to be combined into an integrated commercial production system, but, such a system would have major potential for the realization of environmentally sustainable urban food.

VertiCrop™ Technology – Concept and Advantages: The VertiCrop™ technology provides a solution to rapidly increasing food costs caused by transportation/fuel due to the cost of oil and transport fuels. Under traditional farming practice, a reduction in availability and nutritional values results in the food people consume. The VertiCrop™ is designed to grow vegetables and other plants close to urban centers much more efficiently and with greater food value than in agricultural field conditions that require transportation of product to distant consumption markets.

As the world population increases, agricultural land and water resources rapidly diminish. Alternative and innovative solutions have to be found to feed people and reduce the consumption of water, land, energy, and food miles.

VertiCrop™ is an innovative and exciting vertical growing system which:

- Produces up to 20 times the normal production volume for field crops
- Requires approximately 5% of the normal water requirements for field crops
- Can be built on non arable lands and close to major city markets
- Can work in a variety of environments: urban, suburban, countryside, etc.
- Minimizes or eliminates the need for herbicides and insecticides
- Will have very significant operating and capital cost savings over field agriculture
- Will drastically reduce transportation costs to market, resulting in further savings, higher quality and fresher foods on delivery and less transportation pollution
- Is modular and easily scalable from small to very large food production situations

The VertiCrop™ grows plants in closely spaced shelves vertically arranged on panels that are moving on an overhead conveyor system. The system is designed to provide maximum sunlight and precisely correct nutrients to each plant. Ultraviolet light and filter systems may exclude the need for herbicides and pesticides. Sophisticated control systems gain optimum growth performance through the correct distribution of nutrients, the accurate balancing of PH and the delivery of the correct amount of heat, light and water.

System Advantages

- reduced global transport costs and associated carbon emissions
- food and fuel safety, security and sovereignty
- local food is better for public health
- building local economies
- control of externalities and true costs

Commercial Deployment of the VertiCrop™ System – Vancouver, BC: On April 17, 2012 the Company closed its financing with a commercial lending institution for the first North American installation of VertiCrop™, a high-density vertical growing system. The company entered into License Agreement with EasyPark to erect the first VertiCrop™ on the top level of a parkade in the downtown core of Vancouver, Canada.

Manufacturing, Fulfillment and Suppliers: Components for the VertiCrop™ System will be supplied and manufactured from various sources in the UK, Holland, China and North America. As of the date of this annual report, we have no long-term written agreements and no intentions of entering into any such agreements with any suppliers or manufacturers, and we are not substantially dependent, nor do we anticipate becoming substantially dependent, upon any one or more suppliers, as we believe that there are many such suppliers available with the capabilities that we will require.

Competition

Competition in each of the industries in which we intend to sell our potential products is based primarily upon:

- brand name recognition;
- availability of financial resources;
- the quality of products;
- reviews received for products from independent reviewers who publish in magazines, websites, newspapers and other industry publications;
- the price of each product; and
- the number of products then available.

We will rely, for all of our potential product lines, on what we believe to be our superior product quality, product innovation, marketing and sales abilities, proprietary technology, product development capabilities, and our management’s experience to compete within each of our market segments. However, we may not be able to effectively compete in these intensely competitive markets. Moreover, some of our competitors have longer operating histories, larger customer bases and greater financial, marketing, service, support, technical and other resources, affording them the ability to undertake more extensive marketing campaigns and adopt more aggressive pricing policies, than we can. Furthermore, we believe that competition from new entrants will increase as the markets for each of our potential products expand.

Patents Issued and Pending

We rely for our business on a combination of our pending patents, trademarks and trade secrets in order to protect our intellectual property. Our pending patents, trademarks and trade secrets are among the most important assets we possess in our ability to generate revenue and profits and we will depend significantly on these intellectual property assets in being able to effectively compete in our markets.

We cannot be certain that the precautions we have taken to safeguard our pending patents, trademarks and trade secrets will provide meaningful protection from unauthorized use. If we must pursue litigation in the future to enforce or otherwise protect our intellectual property rights, or to determine the validity and scope of the proprietary rights of others, we may not prevail and will likely have to make substantial expenditures and divert valuable resources in the process. Moreover, we may not have adequate remedies if our intellectual property is appropriated or our trade secrets are disclosed.

As of the date of this annual report, we have received case and/or application numbers for each of the intellectual property assets for which we are seeking patents. Patent status for each division is provided as follows:

<i>Division</i>	<i>International Patent Applications</i>	<i>Published International Application</i>
High Density Vertical Growth System	1	1

All other remaining patent applications are in the preliminary stages of the application process.

Trademarks

We are in the process of applying for registration of our trademarks in the United States and Canada in order to establish and protect our brand names as part of our intellectual property assets. To date we have received registration for Alterrus®” in the United States and Canada. All other remaining registrations are in the preliminary stages of the application process and remain pending.

Trade Secrets

Whenever we deem it important for purposes of maintaining competitive advantages, we require parties with whom we share, or who otherwise are likely to become privy to, our trade secrets or other confidential information to execute and deliver to us confidentiality and/or non-disclosure agreements. Among others, this includes employees, consultants and other advisors, each of whom we require to execute such an agreement upon commencement of their employment, consulting or advisory relationships. These agreements generally provide that all confidential information developed or made known to the individual by us during the course of the individual’s relationship with us, be kept confidential and not to be disclosed to third parties except under specific circumstances.

As of the date of this annual report, we are in the process of drafting confidentiality and/or non-disclosure agreements for our other key employees, consultants and advisors.

Seasonality

We may experience slight seasonal fluctuations in the sale of our potential High Density Vertical Growth System however, we believe that the overall effects of any seasonal variations in sales activity will be insignificant due to the nature and intent of the products to provide year round growing capability.

Regulations

We are not currently subject to direct regulation by any foreign or domestic government agency, other than regulations applicable to businesses generally.

Our principal executive offices are located at 120 Columbia Street, Vancouver, British Columbia, Canada V6A 3Z8. Our telephone number is (604) 837-2697.

Risk Factors

Our business entails a significant degree of risk, and an investment in our securities should be considered highly speculative. An investment in our securities should only be undertaken by persons who can afford the loss of their entire investment. The following is a general description of material risks, which may adversely affect our business, our financial condition, including liquidity and profitability, and our results of operations, ultimately affecting the value of an investment in shares of our common stock.

General Business Risks

We are a development stage company and based on our historical operating losses and negative cash flows from operating activities there is substantial doubt as to our ability to continue as a going concern.

We have a history of operating losses and negative cash flows from operating activities, resulting in our continued dependence on external financing arrangements. In the event that we are unable to achieve or sustain profitability or are otherwise unable to secure additional external financing, we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern. Any such inability to continue as a going concern may result in our security holders losing their entire investment. Our financial statements, which have been prepared in accordance with IFRS, contemplate that we will continue as a going concern and do not contain any adjustments that might result if we were unable to continue as a going concern. Changes in our operating plans, our existing and anticipated working capital needs, the acceleration or modification of our expansion plans, lower than anticipated revenues, increased expenses, potential acquisitions or other events will all affect our ability to continue as a going concern.

From inception, we have historically generated minimal revenues while sustaining substantial operating losses and we anticipate incurring continued operating losses and negative cash flows in the foreseeable future resulting in uncertainty of future profitability and limitation on our operations.

From inception, we have generated minimal revenues and experienced negative cash flows from operating losses. We anticipate continuing to incur such operating losses and negative cash flows in the foreseeable future, and to accumulate increasing deficits as we increase our expenditures for (i) technology, (ii) infrastructure, (iii) research and development, (iv) sales and marketing, (v) interest charges and expenses related to previous equity and debt financings, and (v) general business enhancements. Any increases in our operating expenses will require us to achieve significant revenue before we can attain profitability. In the event that we are unable to achieve profitability or raise sufficient funding to cover our losses, we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern.

We have historically had working capital shortages, even following significant financing transactions.

We have had working capital shortages in the past and, although we raised significant capital through debt and equity offerings, we have generated significant losses, which have impacted working capital. As of March 31, 2012, our balance sheet reflects a working capital deficit of \$3,845,946. This condition has continued since the date of those financial statements, and we expect that these conditions will continue for the foreseeable future unless we are able to raise a substantial amount of additional financing. In view of the matters described herein, our ability to continue to pursue our plan of operations as described herein is dependent upon our ability to raise the capital necessary to meet our financial requirements on a continuing basis.

Our accumulated deficit and level of debt make it more difficult to borrow funds.

As of the year ended March 31, 2012, and as a result of historical operating losses from prior operations, we had a deficit from prior operations of \$2,265,325, and a deficit of \$51,562,266 from losses accumulated during our development stage resulting in a total

accumulated deficit of \$53,827,591. Lenders generally regard an accumulated deficit as a negative factor in assessing creditworthiness, and for this reason, the extent of our accumulated deficit, coupled with our historical operating losses will negatively impact our ability to borrow funds if and when required. Any inability to borrow funds, or a reduction in favorability of terms upon which we are able to borrow funds, including the amount available to us, the applicable interest rate and the collateralization required, may affect our ability to meet our obligations as they come due, and adversely affect our business, financial condition, and results of operations, raising substantial doubts as to our ability to continue as a going concern.

In addition, the Company also has aggregate debt of \$4,652,629 as at March 31, 2012 and total assets of only \$1,341,011 making it unreasonable to obtain debt due to the imbalance of debt over assets.

Our debt arrangements include the provision of a secured interest in our assets and may make it more difficult to borrow funds, or default of debt provisions may impact our assets and ability to operate; certain unsecured debt instruments are due upon demand and may cause financial liquidity difficulties for the Company.

On July 14, 2011 the company entered into a Secured Bridge Loan with a third party in the amount of \$700,000 giving them a first secured charge on the Company's El Paso property thus increasing the costs of borrowing to any new lenders and making debt instruments less desirable to potential lenders. Proceeds on sale of the El Paso property must first be applied to the Secured Bridge Loan limiting the ability of the Company to use such funds in its operations.

On February 3, 2012 the company entered into a Bridge Loan with a third party in the amount of CDN \$500,000 to be solely used to construct the Company's first commercial VertiCrop System.

In addition, the Company has interest bearing promissory notes that are due upon demand in the aggregate of \$1,889,377. A demand by the debt holder(s) of such debt securities could cause financial hardship, litigation, and other negative influence on the financial condition of the Company that could cause disruption to our operations.

Our having recently undergone a significant restructuring coupled with our limited experience as a publicly traded company with substantial operations in several different industries, may increase our expenses and place significant demands on our management.

From inception we have undergone several changes in business direction and consequently have previously had only limited operations. Due to economic circumstances and to make our Company more conducive to investment the shareholders of the Company approved a special resolution to reorganize the capital structure of the Company by a share consolidation of its common shares on the basis of one new share for each eighteen old shares. This share consolidation became effective July 16, 2009. Our most recent change in business direction and this significant restructuring may make it difficult to respond to our regulatory and reporting obligations, and could increase our general, administrative, legal and auditing costs and place substantial time demands on our management. We anticipate that, due to the increased complexity of our corporate structure and increased reporting and governance obligations, and our simultaneous past pursuit of various product lines in different industries, our regulatory and reporting obligations will require further expenditures to train additional personnel and retain appropriate legal and accounting professional services. In the event that these expenditures precede, or are not subsequently followed by revenues, or that we are unable to raise sufficient funding to cover any increase in our expenses, we may not be able to meet our obligations as they come due, and our business, financial condition, and results of operations may be negatively affected, raising substantial doubts as to our ability to continue as a going concern.

We identified material weaknesses in our disclosure controls and procedures and our internal control over financial reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 requires management to assess our internal control over financial reporting ("ICFR") pursuant to a defined framework. In making that assessment, management identified a material weakness in our disclosure controls as a result of several material weaknesses identified in our ICFR as described in Item 15T below. There are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective ICFR can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect misstatements. Material weaknesses make it more likely that a material misstatement of annual or interim financial statements will not be prevented or detected. In addition, effective ICFR at any point in time may become ineffective in future periods because of changes in conditions or deterioration in the degree of compliance with our established policies and procedures.

Lack of insurance coverage on fixed assets located in the United States

The Company cut back its operations in its U.S. based research facilities last year to a bare minimum. As a result of lack of financing, insurance has lapsed on many of our key fixed assets. During the year ended March 31, 2011, the Company decided to sell its property and remaining equipment in El Paso, Texas. In October 2010, the Company stopped amortizing these assets and classified these assets as

assets held for sale. As at March 31, 2012, assets held for sale totalled \$433,254 (Land \$245,485 and Building \$187,769). The Company is still actively searching for a buyer of the land and building and expects to sell the assets held for sale within the next twelve months.

No equipment was written down during the year ended March 31, 2012. During the year ended March 31, 2011, the Company determined that certain equipment used for development of some of its products had no continuing value to the Company and therefore wrote off the amount of \$250,749, being the carrying value of those assets to the consolidated statement of comprehensive loss.

Disruptions in the Global Financial and Capital Markets May Impact Our Ability to Obtain Financing.

The global financial and capital markets have been experiencing extreme volatility and disruption, including the failures of financial services companies and the related liquidity crisis. Although we expect to meet our near term liquidity needs with our working capital on hand and near term financing instruments, we will continue to need further funding to achieve our business objectives. In the past, the issuance of debt and equity securities has been the major source of capital and liquidity for us. The extraordinary conditions in the global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to us on acceptable terms, if at all. If we are unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

Risks Associated With Our Businesses and Industries

We face serious competition in our business segments from new market entrants as well as a number of established companies with greater resources and existing customer bases.

The markets for our potential products rapidly evolve and are intensely competitive as new products are regularly introduced. Competition in our market segments is based primarily upon:

- brand name recognition;
- Availability of financial resources;
- the quality and efficiency of products;
- reviews received for products from independent reviewers who publish in magazines, websites, newspapers and other industry publications;
- Availability of access to markets;
- the price of each product; and
- the number of products then available.

We face competition from other industrial manufacturers, all of whom could generally sell through the same combination of channels as we intend to.

To remain competitive in the market for our products and potential products, we rely heavily upon what we believe to be our superior potential product quality, marketing and sales abilities, proprietary technology, product development capabilities and our management's experience. However, we may not be able to effectively compete in these intensely competitive markets, as some of our competitors have longer operating histories, larger customer bases and greater financial, marketing, service, support, technical and other resources, affording them the ability to undertake more extensive marketing campaigns and adopt more aggressive pricing policies, than we can. Moreover, we believe that competition from new entrants will increase as the market for each of our potential products expands. If our potential product lines are not successful, our business, financial condition and results of operations will be negatively affected.

Our intellectual property may not be adequately protected from unauthorized use by others, which could increase our litigation costs and adversely affect our sales.

Our intellectual property assets/rights which are in the patents pending not provide meaningful protection from unauthorized use by others, which could result in an increase in competing products and a reduction in our own sales. Moreover, if we must pursue litigation in the future to enforce or otherwise protect our intellectual property rights, or to determine the validity and scope of the proprietary rights of others, we may not prevail and will likely have to make substantial expenditures and divert valuable resources in any case. We may not have adequate remedies if our proprietary content is appropriated or if our intellectual property does not adequately protect unauthorized use by others.

During the year ended March 31, 2012, the Company and the Company's legal counsel performed a comprehensive review of the Company's improved VertiCrop™ intellectual property and a Purchase Agreement that contained intellectual property relating to the vertical plant growing technology. The Company concluded that they were not using the intellectual property that was contemplated in the Purchase Agreement and thus terminated the Purchase Agreement on May 17, 2011.

If our potential products infringe upon proprietary rights of others, lawsuits may be brought requiring us to pay large legal expenses and judgments and redesign or discontinue selling one or more of our potential products.

We are not aware of any circumstances under which our potential products infringe upon any valid existing proprietary rights of third parties. Infringement claims, however, could arise at any time, whether or not meritorious, and could result in costly litigation or require us to enter into royalty or licensing agreements. If we are found to have infringed the proprietary rights of others, we could be required to pay damages, redesign our potential products or discontinue their sale. Any of these outcomes, individually or collectively, would negatively affect our business, financial condition and results of operations.

If we are unable to successfully break into new markets, implement our growth strategy or manage our business as it does grow, our future operating results could suffer.

As a development stage company, we face several challenges in entering each of the industrial markets and consumer retail markets for our respective potential products, particularly consumers' lack of awareness of our Company and our potential product lines, competing for market share with established consumer retail product manufacturers and difficulties in competing for, hiring and retaining representative personnel in each of our respective potential markets. In addition, we face several challenges common to any new market entrant, including problems typically associated with unfamiliarity of local market conditions and market demographics. Each new market we enter may also have different competitive conditions, consumer tastes and discretionary spending patterns, which may require us to adjust our growth strategy or modify the way in which we manage our business. To the extent that we are unable to break into or meet the challenges associated with establishing ourselves in a new market, our future operating results could suffer and our financial condition and business may be negatively affected.

Changes in consumer and industrial preferences or discretionary spending may negatively affect our future operating results.

Within the industrial/retail businesses and industries in which we intend to operate, revenues are largely generated by industrial and retail consumer preferences and discretionary spending. Our success as a potential manufacturer and retailer of consumer and industrial products will depend, in part, on the popularity of each of our potential product offerings. Any shift in consumer sentiment away from our potential product or industrial product lines could have a negative effect on our ability to achieve future profitability. Our success also depends on a number of factors affecting levels of consumer discretionary income and spending, including, the following, among other, social and economic conditions:

- general business conditions;
- interest rates;
- inflation;
- consumer debt levels;
- the availability of consumer credit;
- taxation;
- fuel prices and electrical power rates;
- unemployment trends;
- natural disasters;
- terrorist attacks and acts of war; and
- other matters that influences consumer confidence and spending.

Consumer and end user purchases of discretionary items, including our potential products and product lines, could decline during periods in which discretionary income is lower or actual or perceived unfavorable economic conditions exist. Should this occur, and if we are unable to introduce new products and product lines that consumers find appealing, our business, financial condition and results of operations will be negatively affected.

We may be subject to adverse publicity or claims by consumers arising out of use of our potential product lines.

We may be subject to complaints from or litigation by consumers, whether or not meritorious, relating to quality, health, efficiency, efficacy, or operational aspects of our potential consumer and industrial product lines including environmental impacts. Such claims could arise at any time and, should they arise, we may not be successful in defending them. Any litigation, regardless of the outcome, would entail significant costs and use of management time, which could impair our ability to generate revenue and profit. For these reasons or, should we be found liable with regard to a claim arising out of any of our potential product lines, our business, financial condition, and results of operations would be negatively affected.

We face substantial competition in attracting and retaining qualified senior management and key personnel and may be unable to develop and grow our business if we cannot attract and retain senior management and key personnel as necessary, or if we were to lose our existing senior management and key personnel.

As a development stage company, our success, to a large extent, depends upon our ability to attract, hire and retain highly qualified and knowledgeable senior management and key personnel who possess the skills and experience necessary to satisfy our business and client service needs. Our ability to attract and retain such senior management and key personnel will depend on numerous factors, including our ability to offer salaries, benefits and professional growth opportunities that are comparable with and competitive to those offered by more established consumer retail product manufacturers and industrial product manufacturers. We may be required to invest significant time and resources in attracting and retaining, as necessary, additional senior management and key personnel, and many of the companies with which we will compete for any such individuals have greater financial and other resources which afford them the ability to undertake more extensive and aggressive hiring campaigns than we can. Furthermore, an important component to the overall compensation offered to our senior management and key personnel will be equity. If our stock prices do not appreciate over time, it may be difficult for us to attract and retain senior management and key personnel. Moreover, should we lose any member of our senior management or key personnel, we may be unable to prevent the unauthorized disclosure or use of our trade secrets, including our technical knowledge, practices, procedures or client lists by such individuals. The normal running of our operations may be interrupted, and our financial condition and results of operations negatively affected as a result of any inability on our part to attract or retain the services of qualified and experienced senior management and key personnel. If any member of our existing senior management or key personnel left and a suitable replacement was not found, or should any of our former senior management or key personnel disclose our trade secrets, the normal running of our operation may be negatively interrupted.

There is no certainty that our key projects will be operationally successful or profitable.

We are highly dependent upon the success of our high density vertical plant growing systems commercialization. The risks associated with the replication of laboratory results or prototype tests in the larger scale demonstration projects and commercialization projects are critical to the Company. If the expected results cannot be replicated on a commercial scale, the expected revenue from these ventures will not be realized and the investment in our pilot projects is unlikely to be recovered. This would have a very material adverse effect on the Company's financial results.

There is no certainty that our key projects will be operationally successful or profitable.

We are highly dependent upon the success of our VertiCrop™ plant growing system – our core business. Although we are optimistic that there is a large amount of interest for these technologies, if that demand does not materialize to the extent that we project or we are not successful in promoting and distributing our technology, this will have a material adverse effect on the Company's financial results.

Risks Associated With an Investment In Our Common Stock

Unless an active trading market develops for our securities, you may not be able to sell your shares.

Although, we are a reporting company and our common shares are listed on the OTC QB under the symbol "ASIUF" and the CNSX under the symbol "ASI", currently, there is only a limited trading market for our common stock and a more active trading market may never develop or, if it does develop, may not be maintained. Failure to develop or maintain an active trading market will have a generally negative effect on the price of our common stock, and you may be unable to sell your common stock or any attempted sale of such common stock may have the effect of lowering the market price and therefore your investment could be a partial or complete loss.

Under certain circumstances, some of our outstanding common stock purchase warrants may be exercised without our receiving any cash.

As at March 31, 2012, we have outstanding warrants to purchase some of our common stock exercisable on a "net cashless" basis, which means they can be exercised, without payment of the stated exercise price, solely in exchange for cancellation of some number of common shares into which the warrants are exercisable. The number of shares for which any such warrant would be cancelled under a net cashless exercise would be the number of shares having a then current market value equal to the aggregate exercise price of the warrant, in whole or in part, based on its stated exercise price. In effect, a net cashless exercise of any such warrants would mean that, even though we would receive no cash, we would have to issue additional shares, thereby diluting, potentially significantly, our reportable earnings per share. Although the circumstances under which the net cashless exercise provision may be elected by the holders of our warrants may be limited, any such exercise could have a negative effect, directly or indirectly, on the trading market price of our common stock.

Since our common stock is thinly traded it is more susceptible to extreme rises or declines in price, and you may not be able to sell your shares at or above the price paid.

Since our common stock is thinly traded its trading price is likely to be highly volatile and could be subject to extreme fluctuations in response to various factors, many of which are beyond our control, including:

- the trading volume of our shares;
- the number of securities analysts, market-makers and brokers following our common stock;
- changes in, or failure to achieve, financial estimates by securities analysts;
- new products introduced or announced by us or our competitors;
- announcements of technological innovations by us or our competitors;
- actual or anticipated variations in quarterly operating results;
- conditions or trends in our business industries;
- announcements by us of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- sales of our common stock; and
- general stock market price and volume fluctuations of publicly-traded, and particularly microcap, companies.

You may have difficulty reselling shares of our common stock, either at or above the price you paid, or even at fair market value. The stock markets often experience significant price and volume changes that are not related to the operating performance of individual companies, and because our common stock is thinly traded it is particularly susceptible to such changes. These broad market changes may cause the market price of our common stock to decline regardless of how well we perform as a company. In addition, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in substantial legal fees, potential liabilities and the diversion of management's attention and resources from our business. Moreover, and as noted below, our shares are currently traded on the OTC Bulletin Board and, further, are subject to the penny stock regulations. Price fluctuations in such shares are particularly volatile and subject to manipulation by market-makers, short-sellers and option traders.

Our common stock is subject to the "penny stock" regulations, which are likely to make it more difficult to sell.

Our common stock is considered a "penny stock," which generally is a stock trading under US\$5.00 and not registered on a national securities exchange. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. These rules generally have the result of reducing trading in such stocks, restricting the pool of potential investors for such stocks, and making it more difficult for investors to sell their shares once acquired. Prior to a transaction in a penny stock, a broker-dealer is required to:

- deliver to a prospective investor a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market;
- provide the prospective investor with current bid and ask quotations for the penny stock;
- explain to the prospective investor the compensation of the broker-dealer and its salesperson in the transaction;
- provide investors monthly account statements showing the market value of each penny stock held in their account; 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.

These requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that is subject to the penny stock rules. Since our common stock is subject to the penny stock rules, investors in our common stock may find it more difficult to sell their shares.

We are a Canadian Company, and must ensure compliance with Canadian as well as American securities laws. As a result, there may be securities regulations in the jurisdiction where our shareholders are resident that must be met, and such regulations may impact the ability of our shareholders to trade our securities.

As a foreign private issuer, we are exempt from certain informational requirements of the Exchange Act to which domestic United States issuers are subject.

As a foreign private issuer we are not required to comply with all of the informational requirements of the Exchange Act. As a result, there may be less information concerning our Company publicly available than if we were a domestic United States issuer. In addition, our officers, directors and principal shareholders are exempt from the reporting and short profit provisions of Section 16 of the Exchange Act and the rules promulgated thereunder. Therefore, our shareholders may not know on a timely basis when our officers, directors and principal shareholders purchase or sell shares of our common stock.

As we are a Canadian company with much of our assets and key personnel located outside of the United States, you may have difficulty in acquiring United States jurisdiction or enforcing a United States judgment against us, our key personnel or our assets.

We are a Canadian company organized under the Business Corporations Act (Alberta). Many of our assets and certain of our key personnel, including our directors and officers, reside outside of the United States. As a result, it may be difficult or impossible for you to effect service of process within the United States upon us or any of our key personnel, or to enforce against us or any of our key personnel judgments obtained in United States' courts, including judgments relating to United States federal securities laws. In addition, Canadian courts may not permit you to bring an original action in Canada or recognize or enforce judgments of United States' courts obtained against us predicated upon the civil liability provisions of the federal securities laws of the United States or of any state thereof. Accordingly, you may have more difficulty in protecting your interests in the face of actions taken by our management, members of our board of directors or our controlling shareholders than you would otherwise as shareholder in a United States public company.

We do not intend to pay any common stock dividends in the foreseeable future.

We have never declared or paid a dividend on our common stock and, because we have very limited resources and a substantial accumulated deficit, we do not anticipate declaring or paying any dividends on our common stock in the foreseeable future. Rather, we intend to retain earnings, if any, for the continued operation and expansion of our business. It is unlikely, therefore, that the holders of our common stock will have an opportunity to profit from anything other than potential appreciation in the value of our common shares held by them. If you require dividend income, you should not rely on an investment in our common stock. See "Dividend Policy".

Future issuances of our common stock from equity financing, exercise of existing and future warrants and options, and convertible and future debt settlements, and equity issuances for services may depress our stock price and dilute your interest. Our stock trades at less than \$0.10 per share leading to high levels of dilution from equity issuances.

As at July 30, 2012, we have outstanding warrants to purchase up to approximately 20,131,162 shares of our common stock and options issued to purchase up to approximately 10,873,019 shares of our common stock. In addition, the Company had a commitment to issue 200,000 common shares.

We may issue additional shares of our common stock in future financings or grant stock options to our employees, officers, directors and consultants under our stock option plan. We may issue common shares for services rendered. Any such issuances could have the effect of depressing the market price of our common stock and, in any case, would dilute the percentage ownership interests in our Company by our shareholders. In addition, we could issue serial preferred stock having rights, preferences and privileges senior to those of our common stock, including the right to receive dividends and/or preferences upon liquidation, dissolution or winding-up in excess of, or prior to, the rights of the holders of our common stock. This could depress the value of our common stock and could reduce or eliminate amounts that would otherwise have been available to pay dividends on our common stock (which are unlikely in any case) or to make distributions on liquidation.

Additionally, if possible under terms that we believe to be appropriate given our financial condition and other circumstances, we will likely seek to raise additional financing during our fiscal year ending March 31, 2013. We may also issue additional shares, options, and warrants to obtain necessary services.

Some of the issuances we have made in the past, and are likely to make in the future, have been issued at prices below market and at prices below our historical market prices. Consequently, our shareholders have suffered dilution in the value of their shares and can expect that we will be issuing additional securities on similar terms. Further dilution can be expected to occur when our outstanding options and warrants are exercised or debentures are converted at prices below the market.

ITEM 6: DIVIDENDS

Dividend Policy

We have never paid a dividend and have no intentions of doing so in the foreseeable future.

We do not intend to pay any common stock dividends in the foreseeable future.

We have never declared or paid a dividend on our common stock and, because we have very limited resources and a substantial accumulated deficit, we do not anticipate declaring or paying any dividends on our common stock in the foreseeable future. Rather, we intend to retain earnings, if any, for the continued operation and expansion of our business. It is unlikely, therefore, that the holders of our common stock will have an opportunity to profit from anything other than potential appreciation in the value of our common

shares held by them. If you require dividend income, you should not rely on an investment in our common stock. See “Dividend Policy”.

Dividend Related Information

Holders of shares of our preferred stock shall be entitled to preference over holders of shares of our common stock and any other of our shares ranking junior with respect to the payment of dividends as our directors may from time to time, by resolution, declare. No dividend shall at any time be declared or paid or set apart for payment on any shares ranking junior to shares of our preferred stock unless all dividends up to and including the dividends payable for the last completed period for which such dividends were payable on each series of preferred shares then issued and outstanding shall have been declared and paid or set apart for payment at the date, nor shall we call for redemption or redeem or purchase for cancellation or reduce or otherwise pay off any of our shares of preferred stock or any shares ranking junior to shares of our preferred stock unless all dividends up to and including the dividends payable for the last completed period for which such dividends were payable on each series of preferred shares then issued and outstanding shall have been declared and paid or set apart for payment as of the date of such call for redemption, purchase, reduction or other payment.

Holders of shares of our preferred stock shall rank on parity with holders of shares of all other series of our preferred stock with respect to payment of dividends, exclusive of any conversion rights, and if cumulative dividends are not paid in full in respect of a series of our preferred stock, the holders of shares of all series of our preferred stock shall participate ratably.

Dividends

Though we do not anticipate paying any cash dividends in the foreseeable future, should U.S. Holders of shares of our common stock receive dividend distributions:

- to the extent such distributions are paid out of our current or accumulated earnings and profits, as determined for United States federal income tax purposes, subject to any applicable foreign tax credit, and without a reduction for any Canadian income tax withheld from such distributions, such holders would generally be required to include, in their gross income for United States federal income tax purposes, an amount equal to the United States Dollar value of such distributions on the date of receipt (based on the exchange rate on such date).
- to the extent such dividend distributions exceed our current or accumulated earnings and profits, as determined for United States federal income tax purposes, the amount of any distribution so received will: (i) first be applied to reduce a U.S. Holder's adjusted basis in our common stock, and, as a return of basis, will not be subject to United States federal income tax; and (ii) thereafter, any residual amount of such distribution will be treated as a gain from the sale or exchange of our common stock, which amount is taxable as a capital gain.
- Any taxable dividends received on shares of our common stock by a U.S. Holder who is an individual, a trust or an estate (an "Individual Holder") will be treated as qualified dividend income, which is subject to tax at preferential rates through December 31, 2010, provided that:
 - we are a qualified foreign corporation—one eligible for the benefits of a comprehensive income tax treaty with the United States, which the United States Treasury Department has determined to be satisfactory for this purpose and which includes an exchange of information program—for which purposes the Canada-US Income Tax Convention (1980) qualifies;
 - we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or anticipate that we will be);
 - the Individual Holder has held the common stock for more than 60 days during the 121-day period beginning 60 days prior to the date on which the common stock become ex-dividend; and
 - the Individual Holder is not obligated to make related payments with respect to positions in substantially similar or related property.

Special rules may apply to any extraordinary dividend—a dividend equal to or in excess of 10 percent of a shareholder's adjusted basis, or, under certain circumstances, the fair market value, of a share of common stock—requiring that such a distribution be treated as qualified dividend income. Any loss from the sale or exchange of shares of our common stock with respect to which an Individual Holder has received an extraordinary dividend treated as qualified dividend income will be deemed a long-term capital loss to the extent of such dividend. Taxable extraordinary dividends not treated as qualified dividend income will be taxed as ordinary income, rather than as capital gains.

ITEM 7: CAPITAL STRUCTURE

Common Shares

In accordance with Article 2 and Schedule A of our articles of incorporation filed January 19, 1996, and as amended, there are authorized an unlimited number of common shares which our directors may issue without nominal or par value.

Dividends

Holders of shares of our common stock are entitled, subject to the rights privileges, restrictions and conditions attached to our preferred shares, to receive such dividends as our directors may from time to time, by resolution, declare.

Voting Rights

Holders of shares of our common stock are entitled to receive notice of and vote, on the basis of one vote for each common share so held, at every meeting of the shareholders of our Company.

Liquidation Rights

Holders of shares of our common stock are entitled, subject to the rights, preferences and privileges, of any authorized and outstanding class and series of our preferred shares, to receive, in the event of liquidation, dissolution or winding up or upon the distribution of any of our assets among the holders of shares of our common stock, other than by way of dividends, their pro rata share of such distribution.

Preferred Shares

In accordance with Article 2 and Schedule B of our articles of incorporation filed January 19, 1996, and as amended, there are authorized an unlimited number of preferred shares, which our directors may, from time to time, issue without nominal or par value in one or more series consisting of such number of shares as our directors may determine. Currently there are no preferred shares outstanding. Our directors, by resolution, may fix the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series, including without limiting the generality of the foregoing, the rate, form, entitlement and payment of preferential dividends, the redemption price, terms, procedure and conditions for redemption, if any, voting rights and conversion rights, and sinking fund, purchase fund or other provisions attaching to the preferred shares of such series.

Dividends

Holders of shares of our preferred stock shall be entitled to preference over holders of shares of our common stock and any other of our shares ranking junior with respect to the payment of dividends as our directors may from time to time, by resolution, declare. No dividend shall at any time be declared or paid or set apart for payment on any shares ranking junior to shares of our preferred stock unless all dividends up to and including the dividends payable for the last completed period for which such dividends were payable on each series of preferred shares then issued and outstanding shall have been declared and paid or set apart for payment at the date, nor shall we call for redemption or redeem or purchase for cancellation or reduce or otherwise pay off any of our shares of preferred stock or any shares ranking junior to shares of our preferred stock unless all dividends up to and including the dividends payable for the last completed period for which such dividends were payable on each series of preferred shares then issued and outstanding shall have been declared and paid or set apart for payment as of the date of such call for redemption, purchase, reduction or other payment.

Holders of shares of our preferred stock shall rank on parity with holders of shares of all other series of our preferred stock with respect to payment of dividends, exclusive of any conversion rights, and if cumulative dividends are not paid in full in respect of a series of our preferred stock, the holders of shares of all series of our preferred stock shall participate ratably.

Voting Rights

Holders of shares of our preferred stock shall be entitled to those voting rights which our directors may, by resolution, designate with respect thereto.

Liquidation Rights

Holders of shares of our preferred stock shall be entitled to preference over holders of shares of our common stock and any other of our shares ranking junior with respect to the distribution of our assets in the event of liquidation, dissolution or winding up, whether voluntary or involuntary, and may also be given such other preferences as our directors may fix, by resolution, prior to issuance.

Holders of shares of our preferred stock shall rank on parity with holders of shares of all other series of our preferred stock with respect to distribution of assets in the event of liquidation, dissolution or winding up, whether voluntary or involuntary, exclusive of any conversion rights, and if return of capital is not paid in full in respect of a series of our preferred stock, the holders of shares of all series of our preferred stock shall participate ratably.

ITEM 8: MARKET FOR SECURITIES

The Company's common shares are listed for trading on the United States OTCQB tier of the OCT Markets Group's quotation platform under the symbol "ASIUF" (formerly "VCTZF", "VCTCF" and "NTTRF") and on the Canadian National Stock Exchange ("CNSX") under the symbol "ASI".

The Company only began trading on the CNSX on July 26, 2012 so the following table discloses only the annual high and low sales prices for the common shares of the Company for the five most recent financial years of the Company as traded on the OCT market place.

The prices have been adjusted to reflect a one-for-three common share consolidation effective May 3, 2005 and the further one-for-eighteen common share consolidation effective July 16, 2009.

Effective May 3, 2005, we changed our name from Nettron.com, Inc. to Valcent Products Inc. and delisted our common shares from the TSX-Venture Exchange, Inc. (formerly The Canadian Venture Exchange), where we had been trading under the symbol "NTT.H", maintaining only our listing only on the United States OTC Bulletin Board.

<u>Year Ended March 31,</u>	<u>High</u>	<u>Low</u>
2008	\$ 16.74	\$ 8.10
2009	\$ 13.32	\$ 0.90
2010	\$ 2.50	\$ 0.21
2011	\$ 0.42	\$ 0.05
2012	\$ 0.20	\$ 0.02

The following table discloses the high and low sales prices in US dollars for the common shares of the Company for each quarterly period within the two most recent financial years of the Company as traded on the OTC BB:

<u>Quarter ended</u>	<u>High</u>	<u>Low</u>
June 30, 2010	\$ 0.42	\$ 0.15
September 30, 2010	\$ 0.19	\$ 0.10
December 31, 2010	\$ 0.14	\$ 0.05
March 31, 2011	\$ 0.26	\$ 0.13
June 30, 2011	\$ 0.17	\$ 0.06
September 30, 2011	\$ 0.20	\$ 0.06
December 31, 2011	\$ 0.11	\$ 0.05
March 31, 2012	\$ 0.07	\$ 0.02

The following table discloses the monthly high and low sales prices in US dollars for the common shares of the Company for the most recent six months as traded on the OTC BB:

<u>Month</u>	<u>High</u>	<u>Low</u>
January 31, 2012	\$ 0.06	\$ 0.02
February 28, 2012	\$ 0.06	\$ 0.02
March 31, 2012	\$ 0.07	\$ 0.03
April 30, 2012	\$ 0.06	\$ 0.04
May 31, 2012	\$ 0.07	\$ 0.03
June 30, 2012	\$ 0.14	\$ 0.03

ITEM 9: ESCROWED SECURITIES

Not Applicable.

ITEM 10: DIRECTORS, OFFICERS, AND SENIOR MANAGEMENT

The following table sets forth our directors and executive officers and their ages as of the date of March 31, 2012. Unless otherwise stated, the address for each of our directors and executive officers is Alterrus Systems Inc., 120 Columbia Street, Vancouver, British Columbia V6A 3Z8 Canada.

Name	Age	Position
Stephen K. Fane (1)	66	Director, Executive Chair
Christopher Ng (2)	53	Director, CEO
John N. Hamilton (3)	59	CFO, Secretary
Naveen Aggarwal (4)	53	Director
Ray Torresan (5)	50	Director

- (1) Appointed Executive Chair and a Director by resolution of the board of directors, in accordance with Section 111 and 121 respectively of the Business Corporations Act (Alberta) on May 14, 2012.
- (2) Appointed Chief Executive Officer and a Director by resolution of the board of directors, in accordance with Sections 111 and 121 respectively of the Business Corporations Act (Alberta) on May 14, 2012.
- (3) Appointed Chief Financial Officer and Secretary by resolution of the board of directors, in accordance with Sections 111 and 121 respectively of the Business Corporations Act (Alberta) on November 19, 2010 following the resignation of Bob Baker on the same date.
- (4) Appointed a director by resolution of the board of directors, in accordance with Sections 111 and 121 respectively of the Business Corporations Act (Alberta) on December 14, 2006.
- (5) Appointed a director by resolution of the board of directors, in accordance with Sections 121 and 111 respectively of the Business Corporations Act (Alberta) on November 19, 2010.

Stephen Kenneth Fane FCA, Chief Executive Financial Officer and Director of the Company.

Mr. Stephen Fane became a director and the Company's Chief Executive Officer on December 16, 2010. On May 14, 2011 Mr. Fane's role with the Company changed, whereby he became the Company's Executive Chair. Mr. Fane became a hydroponic greenhouse entrepreneur twenty years ago. In 1990, Fane acquired a 5-acre hydroponic greenhouse operation that produced bell peppers which he expanded to over 75 acres under glass. Fane merged his operation with another large-scale producer and took the combined entity public as an Income Trust on the TSX. Fane was President & CEO of Hot House Growers Income Fund from December 2003 to October 2006 where he was responsible for operations totaling more than 135 acres under glass and the raising of \$70M through the public offering process. In late 2006, the Trust was merged with another large scale producer to form one of the world's largest greenhouse production and marketing companies. Prior to his career in agriculture, he was a partner at Coopers & Lybrand, a predecessor to Price WaterhouseCoopers.

Christopher Ng, Chief Operating Office and Director of the Company.

Mr. Christopher Ng became a director and Chief Operating Officer of the Company on January 01, 2011. On May 14, 2011 Mr. Ng's role with the Company changed, whereby he became the Company's Chief Executive Officer. Prior to joining the Company Mr. Ng was with Lululemon Athletica, where he served as its Chief Supply Chain Officer, overseeing technology, logistics and manufacturing departments through Lululemon's explosive growth period. Mr. Ng's career began in 1981 where he was an Administration Manager for the Royal Bank. In 1983 Mr. Ng as a joint venture owner started a successful athletic footwear and apparel chain. Mr. Ng took the operation from seven to seventy-seven stores. Mr. Ng then went on to start his own retail consulting business in 1995 specializing in IT, and was subsequently recruited to become the vice president of Aritiza, where Mr. Ng was responsible for the technology, logistics and security departments. Mr. Ng was strategically involved with the growth of this ladies fashion chain from five to thirteen stores. Mr. Ng has been a commissioned officer in the Canadian Forces Reserve for 27 years.

John N. Hamilton, Chief Financial Officer and Secretary of the Company

Mr. John N. Hamilton became the Company's, Chief Financial Officer and Secretary on November 19, 2010. Mr. Hamilton began his career in 1976 with Clarkson Gordon, a predecessor to Ernst Young where he obtained his CA. Mr. Hamilton has held the position of CFO and President of other private and public companies and has spear headed a number of company's that have listed on the VSE, TSX and NASDAQ. Mr. Hamilton has over 25 years of experience with financial and strategic planning. For a period of time Mr. Hamilton was a partner with Mr. Fane in the hydroponic greenhouse and venture capital business. Mr. Hamilton was also involved in the entertainment business where he acted as Executive Producer on over 70 hours of television programming with gross production budgets in excess of \$20 million.

Naveen Aggarwal, Director of the Company

Mr. Naveen Aggarwal has been a director of the Company since December 14, 2006. Mr. Aggarwal is also a principal of Interactive Technologies Fund, based in Toronto, Ontario. He also serves on the Board of Directors of FourSpots Inc. and Infolinx Communications Ltd. and is a former director of Verrus Mobile Technologies Inc. He brings over twenty-five years experience with a variety of technologies (Hardware, Software, Consulting Services) and vertical markets (Telecom, Government, Finance, Retail) in the areas of development, sales, and marketing in senior management roles. Mr. Aggarwal has held senior level positions at many leading international companies including TIBCO Software (General Manager of Telecom Line of Business, Worldwide), Sun Microsystems, Netscape Communications, and Nortel. Naveen received degrees in Neurophysiology and Mathematics/Computer Science at the University of Toronto.

Ray Torresan, Director of the Company

Mr. Ray Torresan became a director of the Company on November 19, 2011. Mr. Torresan is an experienced venture capitalist and past president of Torresan|TCI Communications, a Vancouver public relations company. He personally managed stakeholder communications programs for many of British Columbia's major organizations. Mr. Torresan is now a member of institute B a Vancouver based company that is a new aged business incubator and accelerator. He is a recipient of a National Award of Excellence from the Canadian Public Relations Society (CPRS) for his work in corporate communications and reputation management. Mr. Torresan received his APR (Accredited Public Relations Practitioner) from CPRS and is a past-director of its Vancouver chapter.

COMPENSATION

The following table sets forth the total compensation paid to each of our directors and executive officers serving during the fiscal year ended March 31, 2012.

Name and Principal Position	Annual Compensation		Long Term Compensation	
	Salary \$	Bonus/Fees \$	Awards Restricted Stock Awards	Securities Underlying Options/SARs (#)
Mr. Stephen K. Fane, CEO and Director (1)	201,400	134,938	(31,088)	—
Christopher Ng, COO and Director (2)	201,400	—	(31,088)	—
Chris Bradford Managing Director (EU) and Director (3)	53,323	—	—	—
John N. Hamilton, CFO and Secretary (4)	120,840	—	—	—
Naveen Aggarwal Director	—	—	—	—
Ray Torresan (5)	—	4,867	—	1,500,000

- (1) Amounts shown are for salary and bonus accrued for during the year ended March 31, 2012. In addition Mr. Fane was party to a Private Placement Agreement, whereby, he could earn up to 3,500,000 common shares and 1,000,000 options as an inducement to join the Company. The options exercise price is \$0.15. Term and vesting to be set by the board of directors. As at March 31, 2011 Mr. Fane had earned 3,323,598 of the common shares and 1,000,000 of the options. During the year ended at March 31, 2012 Mr. Fane earned an additional 176,402 shares and all the shares and options earned were issued. .
- (2) Amounts shown are for salary accrued for during the year ended March 31, 2012. In addition Mr. Ng was party to a Private Placement Agreement whereby, he could earn up to 3,500,000 common shares and 1,000,000 options as an inducement to join the Company. As at March 31, 2011 Mr. Ng had earned 3,323,598 of the common shares and 1,000,000 of the options. The options exercise price is \$0.15. Term and vesting to be set by the board of directors. As at March 31, 2011 the shares had not been issued and the options had not been granted by the board of directors. During the year ended at March 31, 2012 Mr. Ng earned an additional 176,402 shares and all the shares and options earned were issued. .
- (3) Amounts shown are for salary received or accrued allowance for during the year ended March 31, 2012
- (4) Amounts shown are for salary received or accrued for during the year ended March 31, 2012.
- (5) Amounts shown are for services provided during the year ended March 31, 2012. In addition, 1,500,000 share options were issued on July 6, 2012 for a 4 year term exercisable at \$0.15 per option.

BOARD PRACTICES

In accordance with Section 106(3) of the Business Corporations Act (Alberta), each of our directors holds office for a term of one year or until their reappointment, unless otherwise removed or resigns, with such term expiring at the succeeding annual shareholders' meeting. Officers are appointed by, and serve at the discretion of, our board of directors.

We currently have no arrangements in place for the provision of benefits upon the termination of our directors or officers.

Board of Director Committees

We have one standing committee, the audit committee, comprised of members of our board of directors. Our audit committee was formed in 1996 and in March 2005 adopted a formal written charter. The current members of our audit committee include all the members of the Board of Directors: Naveen Aggarwal, Ray Torresan and Stephen Fane. Our audit committee meets with our external auditors annually, prior to completion of our audited financial statements, and with our management at least quarterly throughout the fiscal year. Two members of the audit committee are independent directors; the Company acknowledges deficiencies exist resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures.

We have no formal compensation committee.

EMPLOYEES

As at September 28, 2011, Valcent Manufacturing Ltd. had no full time employees, and retained 1 consultant and 1 security guard as required.

As at September 28, 2011, Valcent Products EU Limited had no full time employees, and 2 consultants working on active projects.

As at September 28, 2011, Valcent Products Inc. had 3 consultants in senior management positions and engaged approximately 5 consultants, all of which provided services on a part time basis.

As at July 30, 2012, Alterrus Systems Inc. had 3 consultants in senior management positions and engaged approximately 5 consultants, all of which provided services on a part time basis.

Key Employees and Consultants

Our key consultants and their primary responsibilities as at July 30, 2012 are as follows:

Stephen K Fane, Executive Chair of the Company is responsible for strategic planning, financing and general corporate affairs.

Christopher Ng, COO of the Company is responsible for the corporate direction, leadership and implementation of the Company's business plan as well as the day-to-day running of the production and distribution departments.

John N. Hamilton, CFO of the Company is responsible for the financial control, regulatory reporting, budgets, financial statements, monitoring expenditures and liquidity, reporting financial performance to the board and providing the Executive Chair and CEO with timely financial data.

Institute B, a consultant to the Company provides financing support, well other parttime consultants provide, marketing, branding, sales, website design and overall management support.

SHARE OWNERSHIP

The following table sets forth, as of July 30, 2012, information regarding the share ownership of our common stock for each of our directors and executive officers serving during the fiscal year ended March 31, 2012. The number of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities and Exchange Act of 1934, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any shares as to which the shareholder has sole or shared voting power or investment power and also any shares which the shareholder has the right to acquire within 60 days.

Name	Amount and Nature of Ownership	Percent of Class*
Stephen K Fane, Executive Chair and Director (1)	7,750,000	8.00%
Christopher Ng, CEO and Director,(2)	7,250,001	7.46%
John N. Hamilton CFO and Secretary (3)	300,000	.31%
Chris Bradford, Director	-	-%
Naveen Aggarwal, Director (4)	1,031,535	1.07%
Ray Torresan (5)	1,500,000	1.54%
	<u>16,331,536</u>	<u>18.38%</u>

* No director or executive officer has different voting rights from any other holder of our common stock. Based on 95,816,003 shares issued and outstanding at July 30, 2012. Includes derivative instruments of holder in numerator and denominator of "Percent" calculation.

- (1) Consists of (i) 6,750,000 shares of common stock directly owned, (ii) 1,000,000 share options issued on September 30, 2011 for a five year term exercisable at \$0.15 per option.
- (2) Consists of (i) 5,250,000 shares of common stock directly owned, (ii) 1,000,000 share options issued on September 30, 2011 for a five year term exercisable at \$0.15 per option. (iii) 666,667 shares of common stock directly purchased by way of a private placement at \$0.15 per unit and (iv) 333,334 warrants to purchase 333,334 common shares at \$0.25 that were part of the same \$0.15 unit offering.
- (3) Consists of 300,000 share options issued on November 17, 2010 for an eight year term exercisable at \$0.10 per option share
- (4) Consists of (i) 38,888 shares of common stock beneficially owned through this director's spouse, and (ii) 46,875 shares issued on May 19, 2009 from debt settlements for certain partial amounts owed at March 31, 2009, (iii) 500,000 share options issued on June 1, 2010 for an eight year term exercisable at \$0.25 per option share (iv). 297,181 shares issued on March 31, 2011 from settlement for certain amounts owed as at March 31, 2011 and (v) 148,591 warrants issued as part of the debt settlement to purchase 144,591 common shares at \$0.25.
- (5) Consist of 1,500,000 share options issued on July 6, 2012 for a 4 year term exercisable at \$0.15 per option.

2006 Stock Option Plan

On December 14, 2006, the Company replaced its existing Canadian and US stock option plans with a new single stock option plan (the “2006 Stock Option Plan”). The 2006 Stock Option Plan was adopted by the Board of Directors on December 16, 2006 and adopted as amended by the Shareholders of the Company on February 15, 2008. The 2006 Stock Option Plan allows for share options to be issued to Company employees, directors, officers, and consultants on both a qualified and non-qualified basis. The aggregate number of shares of Common Stock as to which options and bonuses may be granted from time to time under the Plan shall not exceed 20% (the “Plan Maximum”) of the Company’s issued and outstanding shares of Common Stock. In addition, the aggregate number of shares of Common Stock to which Incentive Stock Options may be granted shall not exceed 17% of the Company’s issued and outstanding shares of Common Stock. The plan is designed to encourage our directors, executive officers, consultants and other key employees to acquire a proprietary interest in the Company. The 2006 Stock Option Plan is administered by the Board of Directors, or a committee designated thereby, and reserve for issuance thereunder, in the aggregate, a total of 20% of our issued and outstanding common shares, on a non-diluted basis, to be increased or decreased as the number of our issued and outstanding shares change. The 2006 Stock Option Plan provides that the terms of the options and the option prices shall be fixed by the Board or committee and subject to the requirements of the exchange on which our common shares are traded, or any other governing regulatory body, at the time of grant. Options granted shall expire after a period of five years or terminate three months after the recipient ceases to be our employee. In conjunction with restructuring initiatives, as at March 31, 2009, all share options previously granted were cancelled effective the same date.

ITEM 11: PROMOTERS AND INVESTOR RELATIONS ARRANGEMENTS

Promoters

The Company has no promoters during the year ended March 31, 2012.

Investor Relations

The Company has no remaining investor relations contracts as at the date of filing this AIF.

ITEM 12 – LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company, in the normal course of its business, is subject to legal proceedings brought against it and its subsidiaries. For legal and other contingencies, if the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company will accrue a liability for the estimated loss. During the year ended March 31, 2012, Management became aware of a legal claim against the Company for property damage and contract default in the amount of approximately \$195,000 plus related costs. Subsequent to year end, the Company and the plaintiff agreed to settle \$130,000 of this legal claim and are still in negotiations for the balance of the claim. The Company has recorded a provision in the amount of \$66,766 in accounts payable and accrued liabilities.

On August 10, 2011 the Company received a Cease Trade Order from the BCSC for failure to file its financial statements, MD& A and AIF for the year ended March 31, 2011 as in accordance with the appropriate National Instrument. This order was revoked on October 03, 2011.

On July 27, 2011, the Company filed SEC Form 12b-25 to extend the timing of the filing of its Annual Report for the year ended March 31, 2012 on SEC Form 20-F originally due on September 30, 2010. The Company could not complete the filing of Form 20-F without extraordinary expense and resources due to accounting complexities incurred during the fiscal year ended March 31, 2012. The extension of the deadline to file Form 20-F ends on August 15, 2012 and the Company may not make the deadline to file its Annual Report on Form 20-F in a timely manner. The company is not aware of any other contemplated regulatory actions.

The company is not aware of any contemplated, legal, governmental or arbitration proceedings, including those related to bankruptcy, receivership or those involving a third party which have, or may have, significant effects on our financial position or profitability.

ITEM 13. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

As of July 30, 2012, there were 95,816,003 common shares issued and outstanding. The table below sets forth certain information, to the extent known or reasonably ascertainable, regarding our major shareholders, including beneficial owners of more than 5% of our common stock, as of July 23, 2012. The number of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities and Exchange Act of 1934, and the information is not necessarily indicative of beneficial ownership for any other

purpose. Under such rule, beneficial ownership includes any shares as to which the shareholder has sole or shared voting power or investment power and also any shares which the shareholder has the right to acquire within 60 days.

Major Shareholders	Shares Beneficially Owned	
	Number	Percent*
Larry Thompson (1)	11,407,227	11.97%
Agosto Corporation Limited (2)	7,969,402	8.25%
Stephen K. Fane (3)	7,750,000	8.00%
Timothy Brock (4)	7,525,643	7.69%
Christopher Ng (5)	7,250,001	7.46%
Institute B Development Corp.(6)	7,339,783	7.22%
Paul Sturt (7)	5,000,000	5.22%
Total	54,305,056	55.81%
Total Shares outstanding at July 23, 2012	95,816,003	

*Includes derivative instruments of holder in numerator and denominator of “Percent” calculation.

- (1) Consists of 11,303,562 shares of common stock directly owned. and (ii) 166,665 controlled through a family trust.
- (2) Consists of (i) 7,192,832, shares are beneficially owned by Dr. Murphy, (ii) 7,081,721 shares held by Agosto Corporation, and (iii) 111,111 shares held by EXOMS Ltd. (iii) 776,570 warrants held by Agosto to purchase 776,570 common shares at \$0.25. J. Gordon Murphy is the sole shareholder and a control person of both Agosto Corporation and EXOMS and therefore for the purposes of Rule 13d-3 Dr. Murphy may be deemed the beneficial owner of the shares beneficially held by Agosto Corporation and EXOMS.
- (3) Consists of (i) 6,750,000 shares of common stock directly owned, (ii) 1,000,000 share options issued on September 30, 2011 for a five year term exercisable at \$0.15 per option.
- (4) Consists of (i) 5,430,154 shares are beneficially owned by Timothy Brock (ii) 2,281,046 shares held by Timothy Brock (iii) 3,149,108 shares held by West-Peak Ventures of Canada Ltd. (iii) 585,935 warrants held by Timothy Brock to purchase 585,935 common shares at \$0.25. (iv) 1,460,967 warrants held by West-Peak to purchase 1,460,967 common shares at \$0.25. Timothy Brock is the sole shareholder and a control person of West-Peak Ventures of Canada Ltd and therefore for the purposes of Rule 13d-3 Timothy Brock may be deemed the beneficial owner of the shares beneficially held by West-Peak.
- (5) Consists of (i) 5,250,000 shares of common stock directly owned, (ii) 1,000,000 share options issued on September 30, 2011 for a five year term exercisable at \$0.15 per option. (iii) 666,667 shares of common stock directly purchased by way of a private placement at \$0.15 per unit and (iv) 333,334 warrants to purchase 333,334 common shares at \$0.25 that were part of the same \$0.15 unit offering.
- (6) Consists of (i) 871,014 shares of common stock beneficially owned by Darrell Kopke and his spouse, (ii) 172,100 shares of common stock to be issued to Darrell Kopke (iii) 5,323,018 share options earned by not granted held by Institute B Development Corp. Option price to be \$0.15. and (iv) 675,828 shares of common stock earned but not issued held by Institute B Development Corp Darrell Kopke the sole shareholder and a control person of Institute B Development Corp and therefore for the purposes of Rule 13d-3 Darrell may be deemed the beneficial owner of the shares beneficially held by Institute B Development Corp

(7) Consists of (i) 5,000,000 shares of common stock directly owned.

At of July 30, 2012, we had 259 shareholders of record and an estimated 4,282 unregistered shareholders. As of July 30, 2012, there were 95,816,003 shares of common stock outstanding. United States shareholders held an estimated 12,500,000 shares of our common stock, representing approximately 13% of the issued and outstanding shares of our common stock.

RELATED PARTY TRANSACTIONS

We are not directly or indirectly owned or controlled by another corporation, by any foreign government or by another natural or legal person, severally or jointly and we have no knowledge of any arrangements, the operation of which may at a subsequent date result in a change in our control.

During the year end March 31, 2012 the Company incurred the following expenditures charged by members of key management that included officers and directors or other parties that had significant influence over the financial and operating policy decisions of the Company, but did not have control over polices:

	Year ended March 31,	
	2012	2011
Product development	\$ 17,124	\$ 400,944
Debt interest	18,103	171,710
Professional fees	-	20,000
Rent	-	2,349
	<u>\$ 35,227</u>	<u>\$ 595,003</u>

The related party transactions are in the ordinary course of business.

At March 31, 2012 and 2011 and April 1, 2010, due to related parties was comprised of amounts owing to key management or former key management that included officers and directors or other parties that had significant influence over the financial and operating policy decisions of the Company, but did not have control over polices.

The amounts owing of \$941,661 (2011 - \$255,378 and April 1, 2010 - \$253,429) were non-interest bearing and had no specific terms of repayment for the year ended March 31, 2012.

At March 31 2012, included in promissory notes payable from Note 8 is \$199,997 (2011 - \$558,212 and April 1, 2010 - \$983,317) owing to key management and \$371,850 to former key management that included officers and directors or other parties that had significant influence over the financial and operating policy decisions of the Company, but did not have control over polices.

The Company has made payments to a company owned by former directors and officers of the Company pursuant to the Product License during the year ended March 31, 2012 and 2011.

ITEM 14: TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agents are as follows:

CDN Transfer Agent

Equity Financial Trust Company of 1185 West Georgia St., Suite 1620 Vancouver BC V6E 4E6

US Transfer Agent

Transfer Online, Inc. of 512 SE Salmon Street, Portland, OR 97214.

ITEM 15: MATERIAL CONTRACTS

The company did not enter into any material contracts during the year ended March 31, 2012, other than contracts entered into in the ordinary course of business.

ITEM 16: NAMES OF EXPERTS

The Company's Auditors are:

BDO Canada LLP
600 Cathedral, 975 west Georgia Street
Vancouver, BC V6C 2X8

ITEM 17: ADDITIONAL INFORMATION

The Company's annual audited financial statements and Management Discussion and Analysis at and for the fiscal year ended March 31, 2012 plus additional information related to Alterrus Systems Inc. is available on the Company's website at www.alterrus.ca or at SEDAR's website at www.sedar.com and EDGAR's website at www.sec.gov.