NEOTECK SOLUTIONS INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2014 AND 2013
(Expressed in Canadian Dollars)

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Neoteck Solutions Inc.:**

We have audited the accompanying financial statements of Neoteck Solutions Inc. which comprise the statement of financial position as at February 28, 2014 and 2013, the statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Neoteck Solutions Inc. as at February 28, 2014 and 2013, and the results of their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Neoteck Solutions Inc. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Neoteck Solutions Inc. to continue as a going concern.

MNP LLP

June 26, 2014
Vancouver, British Columbia

Chartered Accountants

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NEOTECK SOLUTIONS INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	February 28, 2014 $	February 28, 2013 $
ASSETS			
Current assets			
Cash		85,137	263,001
GST / HST recoverable		-	15,783
Total assets		85,137	278,784
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		15,648	15,271
SHAREHOLDERS' EQUITY			
Share capital	**8**	2,403,006	2,403,006
Contributed surplus		189,514	189,514
Deficit		(2,523,031)	(2,329,007)
		69,489	263,513
Total liabilities and equity		85,137	278,784

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on June 26, 2014

"**Gunther Roehlig**" Director　　　　"**Stephen Pearce**" Director

The accompanying notes are an integral part of these financial statements

NEOTECK SOLUTIONS INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended February 28,
(Expressed in Canadian Dollars)

	Note	2014 $	2013 $
REVENUE			
Sales		-	69,758
Cost of sales	**7**	-	(26,382)
Gross profit		-	43,376
ADMINISTRATIVE EXPENSES			
Accounting and audit	**7**	40,059	36,927
Amortization and depreciation		-	3,029
Bank charges and interest		300	2,620
Consulting fees		62,409	18,037
Customer support		-	9,200
Foreign exchange loss		-	182
Legal	**7**	14,045	60,552
Management fees	**7**	21,000	64,463
Marketing	**7**	2,525	8,175
Office and miscellaneous		4,898	8,122
Regulatory and stock transfer		15,543	21,945
Rent	**7**	33,245	8,491
Research and development	**7**	-	1,442
		(194,024)	(243,185)
OTHER INCOME			
Gain on sale of subsidiary	**6**	-	13,540
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(194,024)	(186,269)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.01)	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		38,060,966	20,157,015

The accompanying notes are an integral part of these financial statements

NEOTECK SOLUTIONS INC.
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars, except for share figures)

	Number of Shares	Share Capital $	Contributed Surplus $	Deficit $	Total $
Balance, February 29, 2012	6,075,966	1,092,985	24,589	(2,142,738)	(1,025,164)
Shares repurchased for cash	(1,000,000)	(20,000)	-	-	(20,000)
For cash pursuant to private placement	30,000,000	1,350,000	150,000	-	1,500,000
Share issuance costs – cash	-	(5,054)	-	-	(5,054)
Share issuance costs – finders units	2,985,000	(14,925)	14,925	-	-
Net loss for the year	-	-	-	(186,269)	(186,269)
Balance, February 28, 2013	38,060,966	2,403,006	189,514	(2,329,007)	263,513
Net loss for the year	-	-	-	(194,024)	(194,024)
Balance, February 28, 2014	38,060,966	2,403,006	189,514	(2,523,031)	69,489

The accompanying notes are an integral part of these financial statements

NEOTECK SOLUTIONS INC.
STATEMENTS OF CASH FLOWS
For the years ended February 28,
(Expressed in Canadian Dollars)

	2014 $	2013 $
Operating activities:		
Net loss for the year	(194,024)	(186,269)
Items not affecting cash:		
Amortization and depreciation	-	3,029
Gain on sale of subsidiary	-	(13,540)
	(194,024)	(196,780)
Changes in non-cash working capital related to operations:		
GST / HST recoverable and other receivables	15,783	(9,321)
Inventory	-	(5,711)
Accounts payable and accrued liabilities	377	(34,283)
Net cash used in operating activities	(177,864)	(246,095)
Investing activities:		
Intangible assets – product development	-	(7,107)
Transfer of cash on sale of subsidiary	-	(9,276)
Net cash used in investing activities	-	(16,383)
Financing activities:		
Proceeds from issuance of common shares	-	1,500,000
Share issuance costs	-	(5,054)
Repurchase of common shares	-	(20,000)
Repayment of loans payable	-	(21,000)
Due to related parties	-	(940,259)
Net cash provided by financing activities	-	513,687
(Decrease) increase in cash during the year	(177,864)	251,209
Cash – beginning of the year	263,001	11,792
Cash – end of the year	85,137	263,001
Supplemental disclosure of cash flow information:		
Interest paid	230	504
Non-cash financing and investing activities:		
Fair value of units issued as finder fees	-	149,250
Forgiveness of debt owed to related party in exchange for shares of subsidiary	-	47,000

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Neodym Technologies Inc. was incorporated under the Company Act of British Columbia and changed its name to Neoteck Solutions Inc. ("the Company") on September 10, 2012. Prior to the September 10, 2012 divestiture of its gas detection equipment and operations (Note 6), its principal business activity was the development and sales of gas safety and loss control systems. The Company is currently determining the direction of its future operations. The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "NEO.H". The Company's registered and records office is located at 2600 - 1066 West Hastings Street, Vancouver Canada V6B 1N2.

These financial statements have been prepared on the going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

As at February 28, 2014, the Company had working capital of $69,489, had not yet achieved profitable operations, had an accumulated deficit of $2,523,031 since inception and expects to incur further losses in the future. These factors may cast substantial doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom. Management intends to finance operating costs over the next year with current working capital. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC's") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a going concern basis, under the historical cost convention.

These financial statements were approved by the board of directors for issue on June 26, 2014.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

a) Basis of presentation

The results of operations of the Company's former wholly-owned subsidiary, Neodym Systems Inc. ("Neodym") were consolidated in the financial statements of the Company from March 1, 2011 until the Company's control over the subsidiary ceased on September 10, 2012. As at February 28, 2014, the Company had no subsidiaries.

b) Foreign currencies

These financial statements are prepared using Canadian dollars which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

c) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable with bringing the asset to its operating location and condition. Depreciation is computed using the declining-balance method at the following rates:

Communication equipment	20%
Computers	30%
Machinery and equipment	20%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. All equipment of the Company was sold when the Company completed the sale of all of its shares in its wholly owned subsidiary, Neodym, on September 10, 2012.

d) Patents

Patents are reported at cost less accumulated amortization and accumulated impairment losses. Patent costs represent amounts paid to third parties for the registration of patents. Amortization is charged on a straight line basis over a twenty year period. The estimated useful life and amortization method are reviewed each year end, with the effect of any changes in estimate being accounted for on a prospective basis. All patents of the Company were sold when the Company completed the sale of all of its shares in its wholly owned subsidiary, Neodym, on September 10, 2012.

e) Research and development

Deferred product development costs are recognized only if all of the following conditions are met: an asset is created that can be identified; it is probable that the asset created will generate future economic benefits; the development cost of the asset can be measured reliably; and the product from which the asset arises meets the IFRS criteria for technical and commercial feasibility. Costs meeting the capitalization criteria are recorded as deferred product development costs and include the costs of material, direct labour, direct overhead and outsourcing costs. Amortization is provided on a straight-line basis over the estimated three year commercial lives of the products. Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. All deferred product development costs of the Company were sold when the Company completed the sale of all of its shares in its wholly owned subsidiary, Neodym, on September 10, 2012.

f) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL includes financial assets held for trading and are measured at fair value with unrealized gains and losses recognized in profit or loss. The Company has classified its cash as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The Company has classified its receivables as loans and receivables and held no financial assets during the year which were classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost. The Company held no financial assets during the year which were classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss). The Company has no financial liabilities classified as FVTPL.

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

h) Share capital

Common shares and warrants are classified as equity instruments. Transaction costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity.

Warrants included in units offered to subscribers as part of corporate financings are bifurcated at fair value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed to the shares issued in the units.

Warrants issued to agents or brokers on a non-cash basis in connection with corporate financings are recorded at fair value using the Black-Scholes option pricing model and charged against share capital as issue costs with an offsetting increase to contributed surplus.

i) Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted loss per share represents the loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

j) Share-based payments

The fair value at grant date of each separate award of stock options, based on the number of awards expected to vest, is recorded as a charge to operations and a credit to contributed surplus over the vesting period of the options. Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

k) Revenue recognition

Revenue from the sale of products is recognized upon shipment, which is when ownership is transferred, the fee is fixed and determinable, and the collection of resulting receivables is probable.

Revenue from the provision of engineering services is recognized upon service completion.

l) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2013.

The following new standards, amendments and interpretations that have been adopted for the Company's current fiscal year have not had a material impact on the Company:

- IFRS 10 *"Consolidated Financial Statements"*

- IFRS 11 *"Joint Arrangements"*
- IFRS 12 *"Disclosure of Interests in Other Entities"*
- IFRS 13 *"Fair Value Measurement"*
- IAS 1 *"Presentation of Financial* Statements" amendments

The Company has reviewed the new, revised and proposed accounting pronouncements that have been issued but are not yet effective at February 28, 2014 and does not expect any to have a significant impact on the Company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

a) Critical Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

b) Key Sources of Estimation Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Warrants

Management uses the Black-Scholes option pricing model to determine amounts to be recognized for warrants included in units offered to subscribers and non-cash based amounts for warrants issued to agents or brokers in connection with corporate financings. Warrants included in units offered to subscribers in connection with financings are bifurcated at fair value. Management has determined that the fair value for the year ended February 28, 2013 is equal to the value ascribed in the subscription agreement. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the warrants. Changes in these input assumptions can significantly affect the fair value estimate.

Income taxes

Significant estimate is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

6. SALE OF SUBSIDIARY

On September 10, 2012, the Company completed the sale of all of its shares in its wholly owned subsidiary, Neodym, to its former President and CEO in exchange for $47,000 payable by forgiveness of debt owed to the purchaser. The sale price was considered to be fair value as determined by an independent valuator. Accordingly the financial results of Neodym were consolidated in the financial statements of the Company up to September 10, 2012. The proceeds on sale of the subsidiary were allocated as follows:

(Expressed in Canadian Dollars)

	$
Fair value of shares sold in subsidiary	47,000
Net identifiable assets disposed of:	
Cash	9,276
Accounts receivable and prepaids	11,880
Inventory	5,711
Equipment	845
Intangible assets	12,427
Accounts payable	(6,679)
	33,460
Unrecognized goodwill recognized as gain on sale of subsidiary	13,540
	47,000

7. RELATED PARTY TRANSACTIONS

The Company incurred charges to directors and officers and former directors and officers, or to companies associated with these individuals during the years ended February 28, 2014 and 2013 as follows:

	2014 $	2013 $
Accounting and paralegal fees	24,805	13,627
Cost of sales	-	6,046
Legal fees	-	20,000
Management fees	21,000	36,963
Marketing and research and development	-	9,000
Rent	-	1,500
	45,805	87,136

Accounts payable and accrued liabilities at February 28, 2014 includes $441 (February 28, 2013 – $nil) due to a company controlled by a director and in which the CFO is an associate. Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Key management of the Company includes the President, CFO and the Directors. During the year ended February 28, 2014, compensation paid to key management consists of management fees of $21,000 (2013 – $12,500) paid to the President and $nil (2013 – $24,463) paid to the former President, legal fees of $nil (2013 – $20,000) paid to a director, marketing and research and development fees of $nil (2013 – $9,000) paid to a former director, and accounting and paralegal fees of $24,805 (2013 – $13,627) paid to a company controlled by a director and in which the CFO is an associate.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

a) Authorized – Unlimited common shares without par value.

b) Issued – 38,060,966 common shares

On August 20, 2012, by a special resolution approved at the Company's annual general and special meeting of the shareholders, the Company consolidated its issued and outstanding common shares into one new share for each two pre-consolidated common shares. All share numbers and amounts have been retroactively restated for the periods presented in these statements.

On September 20, 2012, the Company closed a non-brokered private placement of 30,000,000 units at $0.05 per unit for gross proceeds of $1,500,000. Each unit consisted of one post-consolidation share of the Company and one warrant to buy one additional post-consolidation share of the Company for $0.10 on or before September 20, 2013. As provided by the terms of the subscription agreement a value of $150,000 has been attributed to the warrants and $1,350,000 has been attributed to the shares. In connection with the private placement, the Company incurred cash issue costs of $5,054 and an additional 2,985,000 units with identical terms to those of the private placement issue were issued as finder's fees with a value of $14,925 attributed to the warrants and $134,325 attributed to shares. All of the warrants issued expired unexercised on September 20, 2013.

On October 26, 2012, the Company repurchased and cancelled 1,000,000 shares owned by a former director and officer. These shares had been held in escrow as performance shares, and were cancelled for an amount equal to their initial issued cost basis of $20,000. Performance shares were excluded from the calculation of weighted average number of shares outstanding in determining basic and diluted loss per share.

c) Warrants:

A summary of the status of the share purchase warrants is presented below:

	Number of warrants	**Weighted average exercise price $**
Balance outstanding – February 28, 2013	32,985,000	0.10
Expired September 20, 2013	(32,985,000)	0.10
Balance outstanding – February 28, 2014	-	-

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

There were no changes in the Company's approach to capital management during the year ended February 28, 2014. The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the TSX-V.

10. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. Cash is designated as FVTPL, which is measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. The Company's cash is carried at fair value using Level 1 inputs.

- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

- Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

As at February 28, 2014, the Company believes that the carrying values of cash and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

b) Management of risks arising from financial instruments

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with a reputable Canadian bank. The credit risk related to cash is considered minimal.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because of the short-term nature of the Company's interest bearing financial instruments.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of the Company's income tax provision computed at statutory tax rates to the reported income tax provision for the years ended February 28, 2014 and 2013 as follows:

	2014	**2013**
Statutory tax rate	26.0%	25.0%
	$	**$**
Net loss for the year	(194,024)	(186,269)
Expected tax recovery	(50,446)	(46,567)
Non-deductible amounts	40	2,614
Share issue costs	-	(38,576)
Disposition of the subsidiary	-	19,713
Change in estimates	-	64,014
Change in enacted tax rates and other	(48,746)	(2,852)
Change in deferred tax assets not recognized	99,152	1,654
Provision for income taxes	-	-

The British Columbia corporate tax rate has increased during the year, resulting in an increase in the Company's combined statutory tax rate.

The significant components of the Company's unrecognized deferred tax assets as at February 28, 2014 and 2013 are as follows:

	2014	**2013**
	$	**$**
Deferred tax assets:		
Non-capital losses carried forward	531,925	455,284
Resource allowances	761,809	732,509
Share issuance cost	24,072	30,861
Total unrecognized deferred tax assets	1,317,806	1,218,654

As at February 28, 2014, the Company has non-capital losses available to reduce taxes in future years of approximately $2,045,867 (2013 – $1,821,138) which start expiring in 2015. The resource pools carry forward indefinitely. Tax attributes are subject to review and potential adjustment by taxation authorities.