
HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Hello Pal International Inc. (formerly Neoteck Solutions Inc.):**

We have audited the accompanying financial statements of Hello Pal International Inc. (formerly Neoteck Solutions Inc.) which comprise the statement of financial position as at February 29, 2016 and February 28, 2015, 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 audits 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 Hello Pal International Inc. (formerly Neoteck Solutions Inc.) as at February 29, 2016 and February 28, 2015, 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 Hello Pal International, Inc. (formerly 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 Hello Pal International, Inc. (formerly Neoteck Solutions Inc.) to continue as a going concern.

MNP LLP

June 8, 2016

Vancouver, British Columbia

Chartered Professional Accountants

HELLO PAL INTERNATIONAL INC.
(Formerly Neoteck Solutions Inc.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	February 29, 2016 \$	February 28, 2015 \$
ASSETS			
Current assets			
Cash		47	479
Prepaid expenses		-	438
Deferred acquisition costs	12	6,500	-
Total assets		6,547	917
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	155,184	52,867
Due to related parties	6	54,250	21,000
		209,434	73,867
SHAREHOLDERS' DEFICIENCY			
Share capital	7	2,403,006	2,403,006
Contributed surplus		189,514	189,514
Deficit		(2,795,407)	(2,665,470)
		(202,887)	(72,950)
Total liabilities and shareholders' deficiency		6,547	917

Nature of operations and going concern (Note 1)
Subsequent events (Notes 6, 7, 12 and 13)

Approved and authorized on behalf of the Board of Directors on June 8, 2016

"Gunther Roehlig" Director

"Kean Li Wong" Director

HELLO PAL INTERNATIONAL INC.
(Formerly Neoteck Solutions Inc.)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended February 29, 2016 and February 28, 2015
(Expressed in Canadian Dollars)

	Note	2016 \$	2015 \$
ADMINISTRATIVE EXPENSES			
Accounting and audit	8	21,044	21,934
Management and consulting fees	8	63,000	63,000
Legal	8	22,093	7,596
Office and miscellaneous		1,259	871
Regulatory and stock transfer		12,241	13,038
Rent		10,300	36,000
		(129,937)	(142,439)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(129,937)	(142,439)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.01)	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		25,373,977	25,373,977

HELLO PAL INTERNATIONAL INC.
(Formerly 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 28, 2014	25,373,977	2,403,006	189,514	(2,523,031)	69,489
Net and comprehensive loss for the year	-	-	-	(142,439)	(142,439)
Balance, February 28, 2015	25,373,977	2,403,006	189,514	(2,665,470)	(72,950)
Net and comprehensive loss for the year	-	-	-	(129,937)	(129,937)
Balance, February 29, 2016	25,373,977	2,403,006	189,514	(2,795,407)	(202,887)

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

STATEMENTS OF CASH FLOWS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

	2016	2015
	\$	\$
Operating activities:		
Net loss for the year	(129,937)	(142,439)
Changes in non-cash working capital related to operations:		
Prepaid expenses	438	(438)
Accounts payable and accrued liabilities	102,317	37,219
Net cash used in operating activities	(27,182)	(105,658)
Investing activity:		
Deferred acquisition costs	(6,500)	-
Net cash used in investing activity	(6,500)	-
Financing activity:		
Due to related parties	33,250	21,000
Net cash provided by financing activity	33,250	21,000
Decrease in cash during the year	(432)	(84,658)
Cash – beginning of the year	479	85,137
Cash – end of the year	47	479

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Hello Pal International Inc. (formerly Neoteck Solutions Inc.) (“the Company”) is incorporated under the Company Act of British Columbia and changed its name to Hello Pal International Inc. on May 9, 2016. Prior to May 13, 2016, the Company was listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “NEO.H”. On May 13, 2016, the Company received approval from the TSX-V to have its shares delisted and received acceptance from the Canadian Securities Exchange (“CSE”) to have its shares listed under the symbol “HP”. The Company’s registered and records office is located at Suite 200, 550 Denman Street, Vancouver, BC V6G 3H1.

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 may be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

As at February 29, 2016, the Company had a working capital deficiency of \$202,887, had not yet achieved profitable operations, had an accumulated deficit of \$2,795,407 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 obtain the necessary financing to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no guarantee that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Subsequent to February 29, 2016, the Company received gross proceeds of \$1,800,000 pursuant to a private placement financing.

2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with International Financial Reporting Standards (“IFRS”) and related IFRS Interpretations Committee (“IFRIC’s”) as issued by the International Accounting Standards Board (“IASB”). These 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 8, 2016.

HELLO PAL INTERNATIONAL INC.
(Formerly Neoteck Solutions Inc.)
NOTES TO THE FINANCIAL STATEMENTS
For the years ended February 29, 2016 and February 28, 2015
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) 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.

b) 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 held no financial assets during the year which were classified as loans and receivables or 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.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial instruments (continued)

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 and due to related parties 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 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.

c) Deferred Acquisition Costs

Expenditures directly related to the transactions are recorded as deferred acquisition costs until the transactions are complete. At the time of completion, the deferred financing costs will be recognized as a reduction of the net assets.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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.

e) 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.

f) 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.

g) 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.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Income tax (continued)

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. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not completed its assessment of the impact that the new and amended standards will have on its financial statements. The Company also has not early adopted any of these standards in the consolidated financial statements.

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2017. The Company is currently evaluating the impact that the new guidance is expected to have on its financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9") as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial Instruments: Recognition and Measurement* and applies the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued July 2014, moved the mandatory effective date to January 1, 2018. The Company is currently evaluating the impact, if any, that the new guidance is expected to have on its financial statements.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

4. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In January 2016, the IASB amended IAS 7, *Statement of Cash Flows*. The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2018. The Company is currently evaluating the impact, if any, that the new guidance is expected to have on its financial statements.

IFRS 16, *Leases* ("IFRS 16") specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

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 loss 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.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

a) Critical Judgments (continued)

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.

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:

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.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

6. DUE TO RELATED PARTIES

During the year ended February 29, 2016, the Company received a total of \$33,250 (2015 - \$21,000) from the former President of the Company and a shareholder, which were non-interest bearing loans made to the Company to finance its activities in order to continue its operations. The loans were due on demand, unsecured and had no maturity date. The balance outstanding as at February 29, 2016 was \$54,250 (2015 – \$21,000). Subsequent to February 29, 2016, the Company received an additional \$9,575 of non-interest bearing loans from the former President of the Company and the shareholder and repaid the loans in full.

7. SHARE CAPITAL

- a) Authorized – Unlimited common shares without par value.
- b) Issued – 25,373,977 common shares

On May 9, 2016, the Company consolidated its common shares on the basis of one-post consolidation common share of the Company for every 1.5 pre-consolidation common share of the Company. All share numbers and amounts have been retroactively restated for the periods presented in these statements.

8. RELATED PARTY TRANSACTIONS

The Company incurred charges to directors and officers, or to companies associated with these individuals during the years ended February 29, 2016 and February 28, 2015 as follows:

	2016	2015
	\$	\$
Accounting and corporate secretarial fees	12,915	12,059
Management fees	31,500	31,500
	44,415	43,559

Accounts payable and accrued liabilities at February 29, 2016 includes \$63,978 (February 28, 2015 – \$17,628) due to the former President of the Company and 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 29, 2016, compensation paid to key management consisted of management fees of \$31,500 (2015 – \$31,500) paid to the former President and accounting and corporate secretarial fees of \$12,915 (2015 – \$12,059) paid to a company controlled by a director and in which the CFO is an associate.

Other related party transactions are disclosed in Note 6.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

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 29, 2016. The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the CSE.

10. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and due to related parties. Cash is designated as FVTPL, which is measured at fair value. Accounts payable and accrued liabilities and due to related parties 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.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value of financial instruments (continued)

- 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 29, 2016, the Company believes that the carrying values of cash, accounts payable and accrued liabilities and due to related parties 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.

HELLO PAL INTERNATIONAL INC.
(Formerly Neoteck Solutions Inc.)
NOTES TO THE FINANCIAL STATEMENTS
For the years ended February 29, 2016 and February 28, 2015
(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 29, 2016 and February 28, 2015 as follows:

	2016	2015
Statutory tax rate	26.0%	26.0%
	\$	\$
Net loss for the year	(129,937)	(142,439)
Expected tax recovery	(33,784)	(37,034)
Non-deductible amounts	605	35
Change in deferred tax assets not recognized	33,179	36,999
Provision for income taxes	-	-

The significant components of the Company's unrecognized deferred tax assets as at February 29, 2016 and February 28, 2015 are as follows:

	2016	2015
	\$	\$
Deferred tax assets:		
Non-capital losses carried forward	551,793	576,948
Resource allowances	761,809	761,809
Share issuance cost	8,024	16,048
Total unrecognized deferred tax assets	1,321,626	1,354,805

As at February 29, 2016, the Company has non-capital losses available to reduce taxes in future years of approximately \$2,122,282 (2015 – \$1,961,484). The resource pools carry forward indefinitely. Tax attributes are subject to review and potential adjustment by taxation authorities.

12. TRANSACTION WITH SEGRA BIOGENESIS CORP.

On October 29, 2015, the Company terminated the non-binding letter of intent ("LOI") it entered into on October 1, 2015 with Segra Biogenesis Corp. ("Segra") due to current market conditions. The LOI with Segra was to negotiate and settle a definitive agreement between the Company and Segra, whereby the Company anticipated to acquire all of the issued and outstanding shares of Segra in exchange for common shares of the Company on the proposed terms and conditions of the LOI.

HELLO PAL INTERNATIONAL INC.

(Formerly Neoteck Solutions Inc.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended February 29, 2016 and February 28, 2015

(Expressed in Canadian Dollars)

13. SUBSEQUENT EVENTS

a) Due to related parties

Subsequent to February 29, 2016, the Company received an additional \$9,575 of non-interest bearing loans from the former President of the Company and a shareholder and repaid the outstanding balance of the loans in full.

b) Stock options

On May 13, 2016, the Company granted 6,400,000 stock options to certain directors, officers, and consultants. The stock options have an exercise price of \$0.15 per share and a life of 5 years. The stock options vested immediately upon issuance.

c) Hello Pal International, Inc.

On May 13, 2016, the Company completed an asset purchase agreement (the "Transaction") with a private Hong Kong based company ("PrivCo"), whereby the Company agreed to acquire all of the assets that comprise the Hello Pal software application (the "HPI Platform"), in consideration for 25,000,000 post-consolidation common shares of the Company. The Company also issued 2,000,000 post-consolidation common shares in finder's fees. 13,725,000 of these post-consolidation common shares will be subject to escrow requirements whereby 10% of the escrowed shares were released on May 13, 2016 and 15% of the escrowed shares will be released each six month period thereafter.

The HPI Platform is a proprietary and open social exchange language and learning mobile application and network for use in a whole host of applications – including for language learning and socialization. The HPI Platform enables users' the freedom to speak in their own language regardless of the other person's language they are speaking to. The HPI Platform was launched on the Google Play Store in May 2015 and iOS App Store in November 2015. It is anticipated to be launched on the Windows platform in 2016. The Company recorded \$6,500 in acquisition costs with respect to the Transaction.

In conjunction with the Transaction, the Company closed a private placement financing of 12,000,000 post-consolidation common shares of the Company at a price of \$0.15 per post-consolidation common share for gross proceeds of \$1,800,000 (the "Financing"). The proceeds of the Financing will be used to fund the operations of the HPI Platform and for general working capital purposes. In connection with the Financing, the Company paid finder's fees of \$56,278 and issued 375,189 finders' warrants. Each finder's warrant entitles the holder to purchase one additional common share at an exercise price of \$0.15 on or before May 13, 2018.