QMI SEISMIC INC.

Financial Statements

December 31, 2010

Expressed in Canadian dollars

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of QMI Seismic Inc.

We have audited the accompanying financial statements of QMI Seismic Inc, which comprise the balance sheet as at December 31, 2010, and the statements of operations and comprehensive loss, shareholders' equity and cash flows for the year then ended, and 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 Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditor's 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 that 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 QMI Seismic Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describe certain conditions that give rise to substantial doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matter

The financial statements of QMI Seismic Inc. for the year ended December 31, 2009, were audited by another auditor who expressed an unmodified opinion on those statements on March 25, 2010.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 22, 2011

QMI SEISMIC INC.

Balance Sheets
As at December 31,

	2010 $	2009 $
Assets		
Current assets		
Cash	73,843	1
Other receivable	3,590	–
	77,433	1
Licenses (Note 1)	1	–
Other receivable (Note 3)	1	–
Total Assets	77,435	1
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities		
Accounts payable and accrued liabilities	34,368	4,000
Due to related parties (Note 5)	20,628	–
	54,996	4,000
Shareholders' equity (deficit)		
Share capital (Note 4)	629,639	1
Contributed surplus (Note 4)	458,407	–
Deficit	(1,065,607)	(4,000)
	22,439	(3,999)
Total Liabilities and Shareholders' Equity (Deficit)	77,435	1

Going concern (Note 1)
Subsequent Event (Note 3 and 4)

Approved on behalf of the Board of Directors

"Navchand Jagpal"
Director

" Tom Kennedy"
Director

See accompanying notes to financial statements

QMI SEISMIC INC.
Statement of Operations and Comprehensive Loss

	Year ended December 31, 2010 $	Period from October 16, 2009 to December 31, 2009 $
Operating expenses		
Advertising	2,000	–
Consulting (Note 5)	39,513	–
Office and administration (Note 5)	15,506	–
Professional fees	26,245	4,000
Stock based compensation (Note 4)	418,545	–
Filing fees	38,589	–
Loss from operations before other items	(540,398)	(4,000)
Other item		
Loan loss provision (Note 3)	(521,209)	–
Loss and comprehensive loss	(1,061,607)	(4,000)
Loss per share - basic and diluted	(0.08)	(4,000)
Weighted average number of common shares outstanding – basic and diluted	13,723,039	1

See accompanying notes to financial statements

QMI SEISMIC INC.
Statement of Shareholders' Equity
Year Ended December 31, 2010

	Common Shares				
	Number of Outstanding	Amount	Contributed Surplus	Deficit	Total Shareholders' Equity
		$	$	$	$
Incorporation, October 16, 2009	1	1	–	–	1
Loss for the period from incorporation to December 31, 2009	–	–	–	(4,000)	(4,000)
Balance, December 31, 2009	1	1	–	(4,000)	(3,999)
Share cancellation	(1)	(1)	–	–	(1)
Share issuance	17,583,372	1	–	–	1
Share issuance - May 2010	2,000,000	77,310	22,690	–	100,000
Share issuance - July 2010	1,000,000	32,828	17,172	–	50,000
Share issuance - November 2010	3,025,000	544,500	–	–	544,500
Subscription receivable - November 2010	–	(25,000)	–	–	(25,000)
Stock based compensation	–	–	418,545	–	418,545
Loss of the year	–	–	–	(1,061,607)	(1,061,607)
Balance, December 31, 2010	**23,608,372**	**629,639**	**458,407**	**(1,065,607)**	**22,439**

See accompanying notes to financial statements

QMI SEISMIC INC.
Statement of Cash Flows

	Year ended December 31, 2010 $	Period from October 16, 2009 to December 31, 2009 $
Cash provided by (used in)		
Operating activities		
Loss for the year	(1,061,607)	(4,000)
Non cash transactions		
Loan loss provision (Note 3)	521,209	–
Stock based compensation (Note 4)	418,545	–
Changes in non-cash working capital		
Other receivable	(3,590)	–
Accounts payable and accrued liabilities	30,368	4,000
Cash used in operating activities	(95,075)	–
Investing activities		
Loan advance to QTech (Note 3)	(521,210)	–
Cash used in investing activities	(521,210)	–
Financing activities		
Due to related parties	20,628	–
Capital stock issuance	669,500	1
Capital stock cancellation	(1)	–
Cash provided by financing activities	690,127	1
Increase in cash	73,842	1
Cash, beginning	1	–
Cash, ending	73,843	1
Supplementary information:		
Cash paid for interest expense	–	–
Cash paid for income taxes	–	–
Non-cash transactions:		
Issuance of 17,583,372 shares for the acquisition of license (Note 1)		

See accompanying notes to financial statements

1. BASIS OF PRESENTATION

QMI Seismic Inc. (the "Company") was incorporated under the Business Corporation Act (British Columbia) on October 16, 2009. Pursuant to a plan of arrangement (the "Agreement") between the Company and its former parent company, RTN Stealth Software Inc. ("RTN"), dated November 2, 2009, the Company acquired an exclusive license from RTN to distribute seismic sensor products (the "License"). In consideration for the acquisition of the License, the Company issued 17,583,372 common shares to RTN. The License was transferred to the Company at RTN's carrying value of $1.

Pursuant to an agreement dated July 2010, the Company entered into an agreement (the "Acquisition Agreement") to acquire 100% of QMI Technologies ("Qtech") from QMI Manufacturing Inc. ("Qmanu") in exchange for 20,400,001 common shares of the Company. The Company never assumed operations of Qtech and this agreement was subsequently unwound. Accordingly the assets, liabilities and operations of Qtech have not been included in the financial statements of the Company (Note 3).

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses since inception of $1,065,607. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company was able to raise equity or debt financing to support its operations in the past but there is no assurance that the Company will be able to do so in the future. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in business.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

These financial statements have been prepared in accordance with GAAP and are presented in Canadian dollars.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant areas requiring the use of management estimates relate to carrying values of the loan receivable and licenses, future income tax rates and the valuation of stock-based awards.

Stock based compensation

The Company grants stock options to executive officers, directors and consultants. The company records all stock based awards at fair value as determined using the Black-Scholes option pricing. All stock based awards to employees and non-employees are measured at the time of grant, or revision, and the fair value attributed is charged to operations, allocated to specific asset accounts, and recognized over the vesting period. Upon exercise, the fair value of share purchase options or specified warrants is allocated from the contributed surplus account to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share
Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Since the Company's stock options and warrants are anti-dilutive, diluted loss per share is equivalent to basic loss per share.

Future income taxes
Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Financial instruments
The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company's financial instruments consist of cash, other receivable, other receivable, accounts payable and amounts due to related parties. Cash is measured at face value, representing fair value, and are classified as held-for-trading. Other receivables, which are measured at amortized cost, is classified as loans and receivables. Accounts payable is measured at amortized cost and classified as other financial liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company has determined that it does not have derivatives or embedded derivatives.

The CICA Handbook Section 3862, Financial Instruments – Disclosure, requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

Level 1 – fair values are based on quoted prices in active markets for identical assets or liabilities;
Level 2 – fair values are based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 include cash.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Not Yet Adopted

International Financial Reporting Standards ("IFRS")
The Canadian Accounting Standards Board will require all public companies to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of the fiscal year ending December 31, 2011 when the Company will prepare both the current and comparative financial information using IFRS. The Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS and initial adoption alternatives have not been determined.

Business Combination, Consolidated Financial Statements and Non-controlling interest
For interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements". The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard ("IAS") 27 "Consolidated and Separate Financial Statements" respectively. Management does not consider that the adoption of these standards will have a significant impact on the Company's financial statements.

3. ACQUISITION AGREEMENT

In July 2010, the Company entered into an agreement (the "Acquisition Agreement") to acquire 100% of Qtech from Qmanu in exchange for 20,400,001 common shares of the Company.

On March 31, 2011, the Company and Qmanu cancelled the Acquisition Agreement. As a result, Qmanu returned 20,400,401 common shares to the Company's treasury for cancellation. The Company was unable to obtain control of Qtech and the terms of the Acquisition Agreement were not met. Accordingly, the Company did not consolidate the operating results of Qtech for the year ended December 31, 2010.

As at December 31, 2010, the Company had a balance owing of $521,210 due from Qtech. On March 31, 2011, the Company agreed to convert the $521,210 balance owing into a $400,000 promissory note and the balance settled in consideration for distribution rights of Qtech products (the "Distribution Right"). The note bears interest at 2% per annum, compounds monthly, and is due and payable in three installments: $50,000 principal on March 31, 2012, $50,000 principal on March 31, 2013, and $300,000 principal and accrued interest on March 31, 2014. The note is secured by a general security agreement over the assets of Qtech. Due to the uncertainty with of collectability of the note, the Company has recorded a loan loss provision of $521,209 at December 31, 2010.

4. SHARE CAPITAL

Authorized: Unlimited common shares without par value
Unlimited preferred shares without par value

Issued and Outstanding:

	Number of Shares		Amount
Common share issued on incorporation	1		1
Balance, December 31, 2009 and October 16, 2009	1	$	1
Common share cancellation	(1)		(1)
Common shares issued for License (Note 1)	17,583,372		1
Common shares issued for cash	6,025,000		654,638
Subscription receivable	-		(25,000)
Balance, December 31, 2010	23,608,372	$	629,639

In April 2010, the Company issued 2,000,000 units at a price of $0.05 per unit for proceeds of $100,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase, for a period of two years, an additional common share at a price of $0.07. The fair value of the warrants is $22,690.

In August 2010, the Company issued another 1,000,000 units at a price of $0.05 per unit for proceeds of $50,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase, for a period of two years, an additional common share at a price of $0.07. The fair value of the warrants is $17, 172.

On November 26, 2010, the Company issued 3,025,000 common shares at $0.20 per common share for proceeds of $544,500, net of a finder’s fee of $60,500. As at December 31, 2010, $25,000 of this placement was received subsequent to December 31, 2010.

The Company used the Black-Scholes option pricing model and the following assumptions to determine the fair value of the share purchase warrants described above: Risk-free interest rate of 2%, dividend yield of 0%, expected volatility of 152% and expected life of 2 years.

Stock Options

The Company has a stock option plan (the Plan") which provides that the Board of Directors of the Company grants to directors, officers, employees, and consultants to the Company, non-transferable options to purchase common shares. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Plan can have a maximum exercise term of 5 years from the date of grant.

On November 18, 2010, the Company issued 2,100,000 options pursuant to a consulting agreement for a period of five years whereby the consultant will manage the Company’s affairs and assist in attracting investment and finding strategic financial partners. The options are exercisable at $0.20, are fully vested upon grant and are exercisable for a period of five years. The fair value of the options is $418,545.

Subsequent to the year ended December 31, 2010, The company cancelled the 2,100,000 stock options outstanding.

4. SHARE CAPITAL (CONTINUED)

The Company used the Black-Scholes option pricing model and the following assumptions to determine the fair value: Risk-free interest rate of 2.4%, dividend yield of 0%, expected volatility of 260% and expected life of 5 years.

As at December 31, 2010, the stock options had an average exercise price of $0.20 per share and an average remaining life of 4.87 years, respectively.

Share Purchase Warrants

As at December 31, 2010, the Company had 3,000,000 common share purchase warrants outstanding, with an average exercise price of $0.07 and an average remaining life of 1.42 years, respectively.

5. RELATED PARTY TRANSACTIONS

As at December 31, 2010, $20,628 (2009 - $Nil) was owing to directors, or companies controlled by directors, for consulting fees and office rent.

During the year ended December 31, 2010, directors, or companies controlled by directors, were paid $18,878 for consulting fees and $3,750 for rent.

The above transactions are 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 related parties. The amounts are un-secured, non-interest bearing, and are due on demand.

6. CAPITAL DISCLOSURE

The Company manages its cash, receivables and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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 the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash held at any given point in time.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general market conditions. There has not been any change to the Company's approach to management of capital in the current year.

7. FINANCIAL INSTRUMENTS AND RISKS MANAGMENT

Financial Risk Management
The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and note receivable. Cash is held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution. The note receivable has been written off.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not incur significant expenditures that are denominated in foreign currencies, and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is minimal.

Interest Rate Risk
Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash earn interest income at variable rates. The fair value of cash is unaffected by changes in short term interest rates.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements, however, the Company has been unable to raise sufficient funds to meet its property obligations which constitutes a significant liquidity risk.

8. INCOME TAXES

The Company is subject to Canadian federal and provincial income taxes at an approximate rate of 28.50% (2009 – 30.00%). The reconciliation of the recovery for income taxes at the Canadian statutory rate compared to the Company's income tax expense as reported is as follows:

	2010 **$**	**2009** **$**
Loss before income taxes	1,061,608	4,000
Statutory tax rate	28.50%	30.00%
Income tax recovery at statutory rates	(303,698)	(1,200)
Non-deductible items	263,745	-
Income tax rate changes and others	5,107	-
Change in valuation allowance	34,846	1200
Future income tax expense	**-**	**-**

8. INCOME TAXES (CONTINUED)

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future income tax assets and liabilities as of December 31, 2010 and 2009 are as follows:

	2010 $		2009 $
Future income tax assets (liabilities):			
Non-capital loss carryforward	36,047	$	1,200
Cumulative eligible capital	21,818		-
Others	12,100		-
Total future income tax assets	69,964		1,200
Less: Valuation allowance	(69,964)		(1,200)
Net future income tax assets	-		-

The Company has non-capital losses of approximately $144,186 (2009 - $4,000) which are available to reduce future taxable income in Canada and which expire between 2029 and 2030. The Company has not recognized any future benefit for these tax losses and resource and other available deductions, as it is not considered more likely than not that they will be utilized. The expiration of these losses is as follows:

Year		Amount $
2029		4,000
2030		140,186
Total	$	144,186

9. DIFFERENCE BETWEEN CANADIAN AND UNITED STATES ("US") GAAP AND PRACTICES

The consolidated financial statements have been prepared in accordance with Canadian GAAP which differs in certain material respects from US GAAP. Had the Company followed US GAAP, no items on the statements of operations and comprehensive loss, cash flows and balance sheets would have been reported differently.

Recent Accounting Guidance, Not Yet Adopted

The Company has reviewed recently issued accounting pronouncements and plans to adopt those that are applicable to it. It does not expect the adoption of these pronouncements to have a material impact on its financial position, results of operations or cash flows.